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REPORT

on behalf of the Committee on External Economic Relations
on the possible renewal of the Multifibre Arrangement

Rapporteur: Mr Jean-Thomas NORDMANN

WG(VS1)/2711E

PE 98.203/fin.

The following motions for resolutions tabled pursuant to Rule 47 of the Rules of Procedure were referred by the European Parliament to the Committee on External Economic Relations:

<u>Date</u>	<u>Doc. No.</u>	<u>Tabled by</u>	<u>Opinion</u>
13.11.84	2-969/84	Mr PEARCE	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment Committee on Development and Cooperation
11.02.85	2-1282/84	Mr BARRET on behalf of the EDA Group	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment Committee on Regional Policy and Regional Planning
11.02.85	2-1487/84	Mr DE GUCHT and Mr de VRIES	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment
13.06.85	B 2-330/85	Mr DE GUCHT	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment
10.07.85	B 2-526/85	Mr LALOR	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment
10.07.85	B 2-563/85	Mr HINDLEY and others	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment Committee on Development and Cooperation
13.01.86	B 2-1216/85	Mrs CASTLE and others	Committee on Economic and Monetary Affairs and Industrial Policy Committee on Social Affairs and Employment Committee on Development and Cooperation

At its meeting of 23 January 1985 the committee decided to draw up a report. It appointed Mr NORDMANN as rapporteur at the meeting of 26 April 1985 to replace Mr DE WINTER, who had been appointed on 23 January 1985.

At its meetings of 25-26 June 1985, 29-30 October 1985, 18-19 December 1985 and 14 and 22 January 1986 the committee considered the draft report. It adopted the entire motion for a resolution on 22 January 1986 by 18 votes with 6 abstentions.

The following took part in the vote: Dame Shelagh ROBERTS, chairman; Mr HINDLEY, vice-chairman; Mr NORDMANN, rapporteur; Mr CANO PINTO, Mrs CASTELLINA, Mr CHANTERIE (deputizing for Mr Tzounis), Mr COHEN (deputizing for Mr Massari), Mr ESCUDER CROFT, Mr FORD, Mr GRIMALDOS GRIMALDOS, Mr HITZIGRATH, Mr KILBY, Mr LEMMER (deputizing for Mr Costanzo), Mr MOORHOUSE, Mr MUHLEN, Mr PEGADO LIZ, Mr PONS GRAU, Mrs van ROOY, Mr SEELER, Mr SILVA DOMINGOS, Mr TOUSSAINT, Mrs WIECZOREK-ZEUL, Mr ZAHORKA and Mr ZARGES.

The opinions of the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on Social Affairs and Employment and the Committee on Development and Cooperation are attached; the Committee on Regional Policy and Regional Planning decided not to deliver an opinion.

The report was tabled on 28 January 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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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:

A

MOTION FOR A RESOLUTION

on the possible renewal of the Multifibre Arrangement

The European Parliament,

- having regard to the motion for a resolution tabled by Mr PEARCE (Doc. 2-969/84),
 - having regard to the motion for a resolution tabled by Mr BARRETT on behalf of the group of the European Democratic Alliance (Doc. 2-1282/84),
 - having regard to the motion for a resolution tabled by Mr DE GUCHT and Mr de VRIES (Doc. 2-1487/84),
 - having regard to the motion for a resolution tabled by Mr DE GUCHT (Doc. B 2-330/85),
 - having regard to the motion for a resolution tabled by Mr LALOR (Doc. B 2-526/85),
 - having regard to the motion for a resolution tabled by Mr HINDLEY and others (Doc. B 2-563/85),
 - having regard to the motion for a resolution tabled by Mrs CASTLE and others (Doc. B 2-1216/85),
 - having regard to the report by the Committee on External Economic Relations and the opinions of the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on Social Affairs and Employment and the Committee on Development and Cooperation (Doc. A 2-210/85),
- A. whereas the Multifibre Arrangement expires in July 1986, whereas, however, it is at present too early to comment on whether or not this should be the last renewal of the Multifibre Arrangement, since it is impossible to assess future trends in Community's textile industry and the world textile trade,
- B. whereas imports of textiles and clothing into the Community continue to grow despite stagnant demand, increasing by 4% in 1983 and 10.5% in 1984 from MFA countries and amounting in 1984 to a market share of 45%, one of the highest in the major industrialized countries,
- C. whereas 1 350 000 jobs, i.e. 35% of the total workforce, have been lost in the Community textile and clothing sector in the last ten years,
- D. whereas these industries have made great efforts modernize and restructure so as to become more competitive,

- E. whereas textile products are the major export goods of certain developing countries and whereas the industrialized countries frequently support the developing countries in order to increase their exports, so as to assist their economic progress and reduce their debts,
 - F. recognizing the natural advantages enjoyed by developing countries in this type of industry, particularly in the clothing sector, as these industries employ a large, relatively unskilled labour force and lend themselves to small-scale production,
 - G. whereas the Community's customs tariffs on imported textile and clothing products are among the lowest in the world and whereas those of semi-industrialized countries are three to ten times higher; whereas the high customs tariffs hamper Community exports to these countries,
 - H. whereas a balance must be found between the legitimate interests of textile-producing countries which export to the Community and the equally legitimate interests of the Community's own textile producers and their employees and those of the trade and consumers,
 - I. whereas, under present circumstances, non-renewal involves the risk of application of Article XIX of GATT, and whereas the MFA has created a degree of order in the market and some small Third World exporters value this agreement which prevents them from being ousted from the market by large suppliers,
 - J. whereas the text of the MFA identifies the enhancement of both economic and social development of Member countries as the major objective of the Arrangement,
 - K. whereas the position adopted by the United States will be of great significance in determining the outcome of the MFA discussions,
1. Takes the view that several important changes in the European textile and clothing industry make it opportune to pursue a new approach to trade in this sector when the MFA expires in July 1986; welcomes for this reason the proposal put to the Council of Ministers by the European Commission on 27 June 1985;
 2. Takes the view that countries which export textiles and clothing products to the Community must genuinely open up their markets to Community products according as their levels of development permit;
 3. Considers that the renewal of the MFA would help to safeguard the jobs of 3.2 million workers in the Community's textile and clothing industries, assist the continuation of orderly adjustment in the industry, ensure the avoidance of unilateral protectionist measures, and sustain the development of the industry in the least-developed countries through guaranteed access to the Community's market;
 4. Reaffirms the temporary nature of the multifibre arrangements and calls for the renewal of the MFA for a limited period;

5. Emphasizes that the treatment of exporting countries should distinguish between those countries which have reached a level of development approaching that of the industrialized countries (i.e. the NICs) and those which can be genuinely described as 'developing countries' (in particular, the least developed countries), giving preferential treatment to the latter group;
6. Hopes that negotiations will lead to the removal of protectionist measures both in and outside the Community, since these will in the end harm the interests of all the trading partners;
7. Stresses the need to complete the Community's internal market for clothing and textile products and to minimize recourse to Article 115 of the Treaty;
8. Calls for the Multifibre Arrangement to be simplified so as to avoid costly and cumbersome administrative procedure; calls specifically for product categories to be simplified, for the rules on product origin to be made more flexible and for revision of provisions that leave exporters uncertain as to the effects of the MFA, such as the anti-surge clause, under which export allocations can be cut without consultation even if the allotted quota has not been filled;
9. Requests that the new MFA should contain more flexible and liberal provisions for the least-developed countries with the lowest average incomes, in order to enable them to establish a local clothing and textile industry; suggests that this could be achieved by abolishing the quota system in these countries;
10. Invites the Commission to examine whether children's clothes may be exempted from the provisions of the MFA insofar as they do not compete with Community products;
11. Takes the view that the Commission should be given greater powers concerning compliance with the provisions of the Multifibre Arrangement in order both to curb indiscriminate and improper pressure on it by individual Member countries and to impress upon the countries that export textiles and clothing the need for strict compliance with it;
12. Calls on the Commission to prepare itself now for the situation that will exist once the Multifibre Arrangement expires; considers in this connection that the relative market stability created by the renewal of the MFA should be used to carry out further vital restructuring of the textile and clothing industry in the Community, possibly with the help of Community funds;
13. Calls for consultations between the verification committees and the representatives from industry, the trade unions and consumers;
14. Attaches the greatest importance to the BRITE programme, with the involvement of the ERDF, the Social Fund and the European Investment Bank, and greatly hopes that their participation will revitalize the redeployment of the Community's textile industry;

15. Calls on the Commission to take anti-dumping measures against textile-exporting countries which subsidize their exports and in which textile workers receive lower wages and fewer social security benefits than workers in comparable branches of industry, thus leading to unfair conditions of competition;
16. Takes the view that there must be contractual arrangements to ensure that the ILO regulations and standards are applied for this purpose;
17. Takes the view that a world textile policy should enable producing countries to diversify their economy and create their own domestic market through, inter alia, the improvement of wages and working conditions;
18. Considers that any renewal of the MFA must take account of the following new aspects of the Community's Mediterranean policy:
 - the enlargement of the Community, the problems of Spain and Portugal and the new aspects of the Community's Mediterranean policy;
 - the notion of a 'Mediterranean area' and its specific application must be clearly defined;
 - the use of the Social Fund must be adapted to the new situation and take account of the textile sector;
19. Hopes therefore that multilateral industrial and trade cooperation agreements covering much wider areas will gradually replace those concentrating too much on the textiles sector, which encourage some countries to increase output already unsaleable in a saturated world market;
20. Welcomes the Commission's proposals but calls on the Council and the Commission to take into account the above considerations during the present negotiations;
21. Instructs its President to forward this resolution to the Council, the Commission, the GATT Secretariat and the governments of the Member States.

EXPLANATORY STATEMENTI. INTRODUCTION: TIMETABLE AND GENERAL CONDITIONS FOR THE FORTHCOMING NEGOTIATIONS¹

1. A Commission communication to the Council on the Community's position with regard to the system to replace the third MFA will be drawn up before summer 1985.

The Council will then adopt general policy guidelines for the GATT Textile Committee meeting planned for July 1985, at which the countries participating in the Arrangement are due to open the debate, according to Article 10(5) of the MFA, to decide whether to renew, amend or abolish the present arrangement.

2. Parliament's point of view will be taken into consideration by the Commission when it has drawn up its proposals for the Council.
3. The Commission will have regular meetings with representatives of the textiles and clothing industries.

A Commission decision of 23 July 1980 endowed the Commission group for the textiles sector with a more permanent character so as to facilitate the process of consulting employers and unions on matters relating to commercial and industrial policies in this sector.

There was a meeting with trades union representatives on 7 December 1984 and one with employers on 20 December.

4. A specific regional development programme was adopted by the Council on 18 January 1984 to provide assistance for 34 regions with a high textile and clothing industry concentration and with a high unemployment level.

The European Parliament must therefore indicate as clearly and comprehensively as possible the position it wishes the Community institutions to adopt if it is to have any influence on the final decisions taken.

II. CONTENTS OF THE VOLUNTARY RESTRAINT AGREEMENTS

These are bilateral agreements between the EEC and certain MFA countries pursuant to Article 4 of the MFA and the Protocol of 22 December 1981 extending the MFA.

The agreements have a number of common provisions, principally on the following points:

1. They cover all MFA products made of wool, cotton and man-made fibres.

¹ See the Commission reply to Written Question No. 1361/84 by Mr Barry SEAL

2. Certain categories of products covered are subject to voluntary restraint at agreed levels, with an annual scaling-up factor varying according to product category and supplier.
3. Provision is made for a consultation mechanism for product categories not yet subject to restrictions to allow for voluntary limitations to be introduced when certain ceilings are exceeded.
4. Provision is made for a system of double checking for the product categories subject to limitations and for a system of checking at source for all categories covered by the Arrangement.
5. Procedures for flexible operation are provided for to allow for transfers of a percentage of quotas between categories and between years.
6. The agreements also contain an anti-surge clause whereby the flexible operation provisions can in certain circumstances be suspended or temporary limits on quotas introduced.
7. The agreements further contain an anti-fraud clause whereby any quantities fraudulently exported can in certain circumstances be included in the quota of their real country of origin.

III. SITUATION OF THE COMMUNITY TEXTILE INDUSTRY

The Protocol extending the Multifibre Arrangement for the period 1 January 1982 to 31 July 1986 was adopted on 22 December 1981.

It resulted during that period in a very large increase in textile imports into the Community, added to a significant drop in domestic demand as part of the general crisis through which the whole of the European economy was passing. The European industry is currently characterized by the following features:

1. Mass redundancies have hit a traditionally labour-intensive sector (12.5 million employees in the EEC as a whole). It is virtually impossible for those losing their jobs in this sector to find work in other fields if the general economic climate does not improve considerably.
2. It is not possible to allot a specific section of the Community market to Community producers, nor can the level of imports from low-cost producers be arbitrarily reduced. The Community textile industry is thus powerless.
3. The accession of Spain and Portugal can only complicate matters. Despite the good will on all sides, the arrival on an already overloaded Community market of new stocks of textile products will increase the imbalance.
4. The Mediterranean policy is to some extent based on textile imports under agreements granting them Community preference and free access to the European market. The political and economic repercussions of abandoning this policy are such as to rule out any such course of action.

IV. POSITION OF COMMUNITY TEXTILE PRODUCERS

1. General conditions

- A. The European textile industry is in a paradoxical situation which makes it largely powerless to help itself: the Community is the largest world exporter of textile and clothing products, but it can export only to a limited number of countries (EFTA and the USA). In other words, the advantages resulting from improved efficiency in production methods are of no significance with regard to the state-trading countries, the developing countries or Japan, since we cannot export to these countries.
- B. The European textile industry is, in fact, particularly modern, having made all the investment efforts necessary to adapt to new conditions and to rationalize. This modernization has also resulted in a considerable shedding of jobs.
- C. Measures to regulate world trade must not be restricted to laying down the quantities which countries may trade with each other and how they are to be distributed. They should take into account all the factors affecting access to all world markets, in particular the distortion resulting from export subsidies granted directly and indirectly by a large number of developing countries and from dumping practices.
- D. Unless a world-wide agreement can be reached to reorganize the world market, there is a risk that all trading countries will gradually impose unilateral measures which will be uncoordinated and harmful to all parties concerned.

2. Proposals by FEWITA (Federation of European Wholesale and International Trade Associations) and by BEUC

On 13 March 1985, FEWITA outlined the following position:

It called for the total liberalization of the world market in textile and clothing products so as to return to the GATT multilateral system and proposed a new MFA aimed at achieving the progressive and orderly abolition of existing restrictions along the following lines:

- A. Elimination of all import ceilings. Least-developed countries and those with preferential trade agreements should be allowed unrestricted exports. This would mean that existing agreements would be extended.
- B. Simplification of product categories. The present total of 161 tariff headings should be reorganized and defined more precisely to prevent deflection of imports. FEWITA takes the view that this can be achieved by adapting the Common Customs Tariff to the harmonized system by 1 January 1987.
- C. New arrangements for sensitive textile products. Quotas must be negotiated so as to allow European industry a further breathing space for restructuring. Products manufactured in small quantities or imported on a large scale by the industry itself should not be counted as sensitive or otherwise protected.

D. Limited duration agreements. These should not be concluded more than once and quotas should be progressively increased each year; transfer operations should be sufficiently flexible to allow developing countries to adapt to market trends in the importing countries.

E. Imports of children's clothes should be totally liberalized.

3. Position of the AEIH (European Association of Clothing Industries)

The AEIH is the representative association of the 14 clothing industry federations in Member States and the EFTA countries.

A. It favours a renewal of the MFA, which it regards as the only realistic means of preventing a complete breakdown in the organized structures of world trade resulting in a return to protectionism and further weakening of the European textile industry.

B. Improvement of conditions of competition. It is essential for new external markets to be opened up.

C. Protection of trademarks, designs and models. More energetic action must be undertaken against piracy and counterfeiting at all levels.

D. Importance of research. The 'Brite' programme offers the only hope of reviving the prospects of the clothing industry, through increased research efforts and innovation.

V. DEMANDS BY THE EUROPEAN TRADE UNION COMMITTEE : TEXTILES, CLOTHING AND LEATHER CONCERNING THE FUTURE OF WORLD TRADE IN TEXTILES AND CLOTHING

Any renewal of the Arrangement should be governed by certain guiding principles if the future of the Community textile industry is to be assured:

- any growth of imports must be linked to forecasts of rising demand within the European Community;
- countries which have already reached a certain level of development should no longer be granted the same status as less developed countries;
- an effective development policy should seek to create a consumer market providing outlets for goods produced in the countries concerned;
- the three main exporters of textile goods to the Community, Hong Kong, Taiwan and South Korea, all share the huge advantage of paying low wages and very few social benefits. Their exports are therefore a kind of social dumping, which could be eliminated by the inclusion in a future MFA of social measures based on rules drawn up by the International Labour Organization and by the implementation of control and supervisory arrangements;
- the other industrialized countries should open their markets as much as possible to Community products.

VI. POINT OF VIEW OF THE COMMISSION

1. The MFA is an effective instrument of development policy.

The share of developing countries and state-trading countries in world exports rose from 41% in 1973 to 51% in 1983 for textile products and from 66% to 77% for clothing products.

2. The Community industry was badly affected by this increase but it reacted vigorously.

- From 1972 to 1982 there was a 40% cut in the number of cotton yarn spindles and a 54% cut in looms. In 10 years 1.35 million jobs were shed and production fell back by 2% per annum.

- At the same time energetic restructuring took place. More than 38% of the equipment used for short-fibre spinning is less than 8 years old (13% in North America). 52% of weaving looms are less than 8 years old (20% in the United States).

3. It is impossible for the Community to continue to pursue a unilateral liberalization policy which is destroying its own industry.

- From 1973 to 1980 demand in the clothing sector increased by circa 1% in volume per annum but thereafter there was a decline in demand. It is therefore not feasible to hand over to third countries a further share in our domestic market without jeopardizing the existence of our own industries.

- Import customs duties for textile products are on average 11.5% in the EEC, 19% in the United States of America and between 40 and 50% in developing countries. The answer lies not in the Community raising its import duties but in other countries lowering theirs so as to allow a fairer balance.

- The EEC attracts imports from 130 countries. Only a world-wide arrangement can regulate such extensive trade.

VII. CONCLUSIONS

1. The EEC is in a paradoxical situation. All the trading partners involved recognize that the MFA is unsatisfactory both in principle and practice and has adverse effects by placing an excessive burden on Community industry. But it does constitute a means of regulating textile and clothing trade at world level. It is a development policy instrument which must be appreciated in a more general and global context.

This is why a renewal of the MFA, despite its patent detrimental effects, is recommended for a limited period to allow time for another system of regulating world trade to be set up to take account of the changes in the situation: the problems of the Community's industry, stagnation of demand, economic development of some developing countries, etc.

The Community should also take advantage of the breathing space thus provided to modernize its textile industry by means of the promising BRITE programme (research, new technology, innovation).

A number of short-term measures should be taken by the Community to improve the management of the MFA and the arrangement which succeeds it, in particular:

1. The Commission should draw up proposals for harmonizing import procedures to allow for maximum simplification of the conditions governing the trade and circulation of goods.
2. It would appear that not all Member States record all import statistics with equal care and diligence. Furthermore, records are not presented in a standardized form so that they are difficult to use. These are technical difficulties which should be resolved as soon as possible.
3. A number of problems arise from the difficulty of determining the actual origin of certain products and processes which involve a transfer from one tariff heading to another. Thus a roll of fabric manufactured in one country and processed into garments in another is considered to have originated in the latter country, which involves a distortion of trade.
4. Finally the various types of fraud must be more severely punished than in the past. Every effort must be made to combat counterfeiting and to protect and defend models, trade marks and designs so that the Community can exploit to the full the skills on which its industrial successes are founded: creativity, enterprise and invention.

Finally, the European Community should not forget that one of its founding principles is the defence of human rights and that these include economic and social rights.

By calling for widespread application of the ILO standards it can in the long-term contribute to the defence not only of its own legitimate interests but to those of every people in the world and particularly the poorest.

2. General measures to be taken in the framework of the new MFA policy

The new MFA should be based on the Protocol of renewal of December 1981.

Bilateral agreements should continue to cover all products and the rates of increase of quotas should be adapted to foreseeable increases in demand.

Categorization of products should be improved and the conditions for flexible operation redefined accordingly.

Problems arising from sudden and substantial increases in imports either within existing quotas or outside the quotas must be thoroughly re-examined with a view to achieving automatic self-regulation.

Current procedures for dealing with fraud and deflection of trade must be investigated in conjunction with industry to assess their effectiveness and, if necessary, adjustments must be made.

At a later stage the advisability of certain other adjustments, such as the inclusion of flax and ramie, should also be assessed. The industry is willing to support a request for such an adjustment.

Systematic recourse to traditional trade policy instruments (anti-dumping and/or anti-subsidy regulations) is rendered impossible by the large number of suppliers and the variety of products.

A general increase in customs duties with universal application would have to be so high, to compensate for the differences in import prices, that it would lead to considerable disruption of domestic market prices.

Any premature return to GATT general regulations, which would inevitably involve recourse to Article XIX or the imposition of unilateral measures devoid of any basis in international law, would give rise to a chaotic situation damaging to world trade as a whole and particularly to the real developing countries and to the Community, which is still the world's leading exporter of textiles and clothing products.

ANNEX I

Proposals by the Commission to the Council concerning the renewal of the Multifibre Arrangement (MFA)¹
(extract)

- commitment by the Community to adopt a constructive approach to negotiations seeking a balanced and reasonable solution in a spirit of cooperation with all textile-trading countries,
- reaffirmation of the Community's commitment to the ultimate objective of achieving the liberalization of trade in textile products,
- acknowledgement of the MFA's role in alleviating problems in the textiles sector by promoting the restructuring of the industry, allowing at the same time for an orderly increase in imports from MFA countries, but also an awareness that many difficulties remain in this sector,
- the need to maintain an appropriate multilateral context for the orderly development of the textile trade, so as to ensure that restructuring continues and thus create the conditions necessary for achieving liberalization of trade.
- willingness by the Community to adapt the rules governing textile trade to current conditions in the sector and to undertake to apply future bilateral and multilateral arrangements in a practical and more flexible manner, provided parallel liberalization programmes are undertaken by all the countries engaged in international trade in textiles, according to their level of development and economic potential,
- establishment of a working programme for the GATT Textiles Committee for the next 12 months to enable the progress of concrete and realistic negotiations to be as rapid as possible.

¹COM(85) 328 final of 27 June 1985, p. 6

ANNEX I

MOTION FOR A RESOLUTION (DOCUMENT 2-969/84)

tabled by Mr PEARCE

pursuant to Rule 47 of the Rules of Procedure
on the multifibre industry

The European Parliament:

- A. Noting that the multifibre Agreement expires in July 1986,
 - B. Noting also that textile and clothing imports into the Community have in years grown at 5% p.a., with demand stagnant,
 - C. Noting also that the textile and clothing industries in the Community account for 21/2 million jobs (12 1/2% of employment in manufacturing) and that 1,350,000 jobs have been lost in the last ten years,
 - D. Noting that the EEC average tariffs on textile and clothing imports at 11.5% are much lower than those of the USA (19%) and apply to only half of the imports,
-
- 1. Believes that current levels of unemployment in the Community may require that a different approach be taken to the question of imports of clothing and textiles from that taken in earlier years when recession in the Community was not so deep;
 - 2. Insists that countries sending textiles and clothing to the EEC accept a measure of reciprocal access to their markets, depending on their level of development;
 - 3. Urges the Commission to carry out and publish a study designed to distinguish those parts of the EEC industry which cannot compete because of poor equipment, design or sales effort from those simply disadvantaged by relative wage levels;
 - 4. Regrets that the Commission's efforts to restructure this industry have been minimal especially when compared with certain other sectors of industry;
 - 5. Asks the Commission to present a report on the above circumstances to Parliament before any decision is made to further expand imports to all.

MOTION FOR A RESOLUTION (DOCUMENT B 2-1282/84)

tabled by Mr BARRETT

on behalf of the European Democratic Alliance Group

pursuant to Rule 47 of the Rules of Procedure

on the necessity to renew multifibre arrangement, particularly in view of the closure of Burlington Industries plant at Gilloge, Co. Clare, Ireland, with the loss of 250 jobs

The European Parliament,

- A. whereas Burlington Industries, the largest textile group in the world with four subsidiary plants in Ireland has announced the closure of its polyester fabric plant at Gilloge, Co. Clare, with the loss of 250 jobs in an area already suffering from increasingly high unemployment rates,
 - B. whereas the closure of the Gilloge plant reflects the continuing trend of depressed prices, the loss of competitiveness in the face of imports of low wage cost products from third countries, increased marketing costs, electricity costs in Ireland 40% more than competing countries and the need for an effective Multifibre Arrangement,
 - C. whereas, in terms of its importance as a source of employment in national terms, only the Belgian textile industry accounts for a higher proportion of national manufacturing output than Ireland,
 - D. whereas between 1970 and 1981 more than 1.2 million jobs in the Community's clothing and textile sectors were lost and that it is further estimated that up to 1 million jobs will be lost in these industrial sectors between now and 1990,
 - E. whereas unless action is taken at Community level to reverse this trend, investment prospects in the textile sector will be seriously hampered or disappear completely making the decision to close the Gilloge plant irreversible,
1. Deeply regrets the closure of the Burlington Industries' polyester fabric plant at Gilloge, Co. Clare in Ireland with the loss of 250 jobs and stresses that this closure is symptomatic of short-sighted national policies and the Community's failure to create the right environment and circumstances which would ensure the prosperity of the textile industry at Gilloge and in the EEC,
 2. Warns that if the Community fails to renew the Multifibre Arrangement which is due to expire in 1986, the closure of the Gilloge plant will be only the start of an avalanche of such closures Community wide since the MFA negotiating mandate stipulated that the Community should obtain the necessary reductions in levels of access to EEC markets and the inclusion of adequate voluntary restraint provisions to cope with sudden and substantial increases in imports of textile products into the Community;

3. Believes that the survival of the Community's textile industry is now at stake and underlines the fact that if this industry is to continue it will have to be protected during a period of restructuring, as further job losses are totally unacceptable;
4. Points out that the Community textile industry is and must remain one of the basic industries and that Community policy in the textile sector should be guided by these premises taking into account the need for initiatives at Community level in the field of industrial policy and adequate financial measures involving regional and social policy;
5. Urges both the US and Japan to pursue less restrictive policies since they account respectively for 15% and 11% of textile imports compared with 45% for the European Community;
6. Calls for textile workers to be trained in computer techniques so that those affected by a restructuring plan may acquire the necessary qualifications either to keep their present jobs or be redeployed to other jobs;
7. Requests its President to forward this Resolution to the Council of Ministers, the Commission and the governments of the Member States.

MOTION FOR A RESOLUTION (DOCUMENT 2-1487/84)

tabled by Mr DE GUCHT and Mr de VRIES

pursuant to Rule 47 of the Rules of Procedure
on the multifibre arrangements

The European Parliament,

- A. whereas the multifibre arrangements have been in force since 1974, these arrangements have been made more stringent each time they have been renewed and the forthcoming renewal threatens to hamper trade in textile products still further,
 - B. whereas the European Community is the largest market for textile products from the third world countries, for which textiles are often the only product that they can export,
 - C. whereas the erection by the European Community of barriers to these products from the third world is diametrically opposed to the efforts undertaken by the Community in its development policy to give the countries of the third world a chance,
 - D. whereas the benefits of the multifibre arrangements cannot outweigh their impact on prices and the harm done to the export potential of other industries,
 - E. whereas textiles account for 6.5% of total consumer spending and stricter quotas constitute discrimination against the consumer who is denied access to a range of products of reasonable quality at a reasonable price,
 - F. whereas the renewal of the multifibre arrangement may be a further step in the escalation of protectionism which ultimately threatens to bring world trade in its entirety to a halt,
1. Urgently requests the Commission in the coming negotiations to restore the multifibre arrangement to its real function as a temporary measure designed to ensure that trading in this sector is carried out in an orderly and fair manner on the world market;
 2. Requests the Commission to spell this out in a declaration confirming that this prolongation is the last one and to give firm proof of this by including in the future arrangement a clause providing for the phasing out of the arrangement in question;
 3. Urges the Commission not to be guided in the negotiations by protectionist reflexes which, in the longer term, will not serve the interests of any of the parties involved;
 4. Calls for a critical investigation of the previous arrangements, particularly in order to establish to what extent they have safeguarded jobs;
 5. Emphasizes that the erection of higher barriers by the Community does not have an influence only on the textiles sector but may also have a boomerang effect on our export potential in other industries;
 6. Instructs its President to forward this resolution to the Commission and Council.

MOTION FOR A RESOLUTION (DOCUMENT B 2-330/85)

tabled by Mr DE GUCHT

pursuant to Rule 47 of the Rules of Procedure

on the Commission's conduct in the negotiations on the renewal of the Multifibre Arrangement

The European Parliament,

- A. having regard to the need to liberalize world trade and whereas the Community does not wish to be caught up in a spiral of protectionist measures that would adversely affect the world economy and thus also the European economy,
- B. whereas world trade must be brought back into the GATT multilateral system in particular as regards textile products in view of their economic importance for the developing countries,
- C. whereas in order to achieve this existing restrictive measures must be gradually dismantled,
- D. whereas the first step must be taken in this direction in the discussions on the renewal of the Multifibre Arrangement,
1. Calls on the European Commission in its discussions to take particular account of :
 - (a) the justifiable demand of the least developed countries to be allowed to import without restriction,
 - (b) the need to achieve a simplified, transparent and precise classification of the products;
2. Urges the Commission also to endeavour to simplify customs formalities at external frontiers;
3. Advocates exemption for specimens and samples up to a certain limit;
4. Calls on the Commission to work in the forthcoming negotiations for a gradual increase in quotas so that they will in time be phased out automatically and then to oppose the introduction of new quotas except in very exceptional circumstances;
5. Instructs its President to forward this motion for a resolution to the Commission of the European Communities and the Council of Ministers.

MOTION FOR A RESOLUTION (DOCUMENT B 2-526/85)

tabled by Mr LALOR

pursuant to Rule 47 of the Rules of Procedure

on the need to renew the MFA which is due to expire in July 1986

European Parliament,

whereas despite a loss of 1,300,000 jobs over a ten year period, the EEC'S textile and clothing industry, with a total of 2,700,000 jobs, a turnover of 90 billion ECU and exports valued at 15 billion remains one of the key sectors in the Community'S economy and still represents a special case in world trade,

whereas the Multi-Fibre Arrangement which controls and monitors world trade in textiles and clothing is due to expire in July 1986,

whereas under present trading conditions there is no effective industrial or social alternative to the renewal of the MFA,

whereas since its introduction the MFA has made a major contribution to the expansion of trade but largely in favour of the developing countries,

whereas a return to GATT General Rules would lead to total chaos,

Calls for the renewal of the Multi-Fibre Arrangement, the objective of which is to ensure an "orderly expansion of trade" and which is due to expire in July 1986;

Believes that premature return to the general rules of the GATT would lead to a situation of permanent insecurity and that the implementation of unilateral measures would become inevitable and a chaotic situation would arise which would be harmful to the interests not only of the Community but of the genuine Developing Countries as well;

Stresses that more than half the Community's imports are admitted duty-free and that the Community agrees regular increases in quantitative limits regardless of the state of the market;

ANNEX V (contd.)

Recognises that the industry faces unfair competition from suppliers who, with the exception of customs free areas, protect their own internal market with high tariffs and non-tariff barriers while also providing systematic export aids and subsidies;

Calls for the continuation of the EEC's policy of restraint on all exporting countries having a disruptive influence on the market;

- . Underlines the fact that 2,700,000 people are employed in the EEC'S textile and clothing sector and with the accession of Spain and Portugal this sector will become the leading European industry in terms of employment;
- . Believes that the current modernization and innovation programmes being carried by clothing and textile manufacturers must not be jeopardised and that accord the Multi-Fibre Arrangement must be renewed in 1986;
- 8. Requests its President to forward this Resolution to the Council and the Commission.

MOTION FOR A RESOLUTION (DOCUMENT B 2-563/85)
tabled by Mr HINDLEY, Mr SEELER and Mrs CRAWLEY
pursuant to Rule 47 of the Rules of Procedure
on the GATT Textiles Committee meeting

The European Parliament,

- A. considering that the current Multifibre Arrangement will expire in July 1986,
- B. considering that the GATT Textile Committee will meet in July 1985 to review the present Arrangement and to consider the desirability of negotiating a fourth Multifibre Arrangement,
 1. Notes that the Multifibre Arrangement, in force since 1974, constitutes a departure from the normal trading arrangements of GATT;
 2. Considers however, that the first three Multifibre Arrangements have allowed for a balanced growth of exports to the Community from the main third world developing textile producing countries, while helping to maintain the Community's textile industries;
 3. Notes that, since 1974, the textile and clothing industries of the Community have become amongst the most modern in the world and that the great increases in productivity have been achieved partly through a great reduction in employment in this sector;
 4. Notes that the textile and clothing industries of the Community are still responsible for 10% of employment in manufacturing industry, that the enlarged Community of Twelve will employ 3,200,000 workers in this sector, that many regions of the Community continue to be heavily dependent on this sector, and that a large part of the labour force consists of low-wage immigrant workers in need of social protection;
 5. Notes that the Community is the world's largest importer and exporter of textiles and clothing items, and that exports amount to 15,000 million ECU (or 7% of the Community's total industrial exports);

6. Notes that while Hong Kong, Taiwan and South Korea are responsible for 75% of the exports of textiles and clothing of the less developed countries, the Community imports less than 1% of its textiles and clothing imports from sub-Saharan African countries;
7. Notes that the People's Republic of China became a party to the Multifibre Arrangement in 1984, that the China textile and clothing industries employ a workforce of around 5 million at wage levels of around one-sixth of those pertaining in Hong Kong, Taiwan or South Korea, and that the People's Republic expects to increase its textile exports tenfold by 1990;
8. Considers that a further renewal of the Multifibre Arrangement would be in the interests of both the Community and of the main producer countries;
9. Calls on the Commission to put forward the following proposals at the meeting of the GATT Textile Committee in July 1985:
 - (a) that a new Multifibre Arrangement be negotiated to follow the existing Arrangement in 1986,
 - (b) that the new Arrangement should include greater flexibility than the existing Arrangement, particularly as regards the sub-division of import quotas between Community Member States,
 - (c) that a social clause be included in the new Arrangement, to state that a prime purpose of expanding trade in textiles in an orderly fashion under the Multifibre Arrangement is to improve the social condition of workers in the industry, and to review social progress in the industry both in the third world developing countries and in the Community,
 - (d) that a serious attempt be made to encourage the least developed countries to enter the international market in textiles and clothing;
10. Invites the Commission to review the achievements of the Multifibre Arrangement since 1974 in bringing about a restructuring of the Community's textile and clothing industries, and to report to Parliament;
11. Calls on its President to forward this resolution to the Commission and the Council.

MOTION FOR A RESOLUTION (DOCUMENT B 2-1216/85)

tabled by Mrs CASTLE, Mr CRYER, Mr ADAM, Mr STEVENSON, Mr LOMAS, Mr SEAL,
Mr MEGAHY, Mr HOON, Mr HUCKFIELD and Mr FALCONER
pursuant to Rule 47 of the Rules of Procedure
on the renewal of the Multifibre Agreement

The European Parliament,

- A. having regard to the Council of Ministers' meeting on 24 and 25 November to discuss the renewal of the Multifibre Agreement,
 - B. deeply concerned at the continuing redundancies of workers in the textile manufacturing trades in the Community and the difficult situation prevailing in the textile industry,
 - C. aware also that accession of Spain and Portugal will increase the imbalance in the Community textile industry,
1. Calls on the Council of Ministers to bear in mind the following points in striving to achieve a new MFA on terms not less favourable than the present agreement:
 - (a) at the beginning of MFA 4 quotas should be realigned by basing them on actual levels of imports in 1985;
 - (b) quota growth during the life of MFA 4 should be related to growth in consumption, though higher growth for the least developed countries could be allowed if quotas are re-based as in (a);
 - (c) quotas of the dominant supplier nations should be cut back by 10-15 per cent in those product categories where the least developed countries consider they can significantly increase their exports;
 - (d) a new Article on Social Development should be written into the MFA, which, in keeping with the interest of competition, will compel multi national financial institutions and private companies residing within Member States to ensure that
 - (i) the conditions of employment prevailing in Member States
i.e. health and safety legislation and working hours
 - (ii) the social legislation prevailing in Member States
i.e. health care, pensionable rights and education facilitiesare linked to investment in areas covered by the MFA by those companies;

- (e) the anti-surge mechanism should be scrapped if action is taken along the lines of (a) above. If quotas are not re-based, however, the mechanism should be retained and strengthened;
 - (f) significant reductions of the number of quotas in the MFA 4 regime could be envisaged if the basket-extractor mechanism is strengthened;
 - (g) the customs arrangements used by EC Member States should be reviewed to reduce quota evasion and fraud;
 - (h) certain quotas should be sub-divided in separate sections for adults' and childrens' garments;
 - (i) MFA 4 should not apply to the world's least developed countries;
 - (j) the Mediterranean suppliers, which currently enjoy preferential status in their trading relations with the EC, should receive the same treatment under MFA 4 as the other low cost suppliers;
 - (k) after enlargement, measures should be introduced to ensure an even spread of Spanish and Portuguese exports of textiles and clothing to other Member States; no Member State should take more than 25% of total Spanish and Portuguese exports to the EC of any textile or clothing product;
 - (l) no special quotas for outward-processed goods should be established;
 - (m) the better-placed supplier countries should reduce their tariffs on textile and clothing imports by 50% during the period of MFA 4;
 - (n) the EC and UK authorities should introduce complementary industrial and employment policies for the textile and clothing sectors as set out in the UK-TUC's publication 'Textiles and Clothing: A European Strategy';
2. Calls on its President to forward this resolution to the Commission and the Council and the Governments of Spain and Portugal.

O P I N I O N
(Rule 47 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman : Mr B. H. SEAL

On 26 March 1985 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Seal draftsman.

At its meeting of 15-16 October and 29-31 October 1985 the Committee on Economic and Monetary Affairs and Industrial Policy considered the draft opinion and adopted its conclusions unanimously.

The following took part in the vote :

BEAZLEY (Acting Chairman); EAL (Draftsman); AIGNER (replacing Chiusano); BEUMER; BONACCINI; CASSIDY; CRYER (replacing Mihr); DE VRIES; DE GUCHT; FILINIS; GREDAL; van HEMELDONCK; HERMAN; METTEN; Tove NIELSEN; NOVELLI; OPPENHEIM; PATTERSON; PETERS (replacing Quin); RAFTERY; ROGALLA; SMITH (replacing Moroni); VISSER (replacing Wagner).

The Commission's initial guidelines

1. MFA III expires on 31 July 1986. The Commission has not yet been given a detailed mandate for negotiation of a further MFA but it has already transmitted a Communication to the Council (COM (85) 328 fin), in which it has set out guidelines for the negotiations.

2. Its most important conclusion is that there should be an MFA IV of some kind. In its absence, the paper argues, there could be a sharp influx of imports from the "dominant" exporting countries while at the same time there could be harmful consequences for the less developed exporting countries. The Community textile and clothing industry has already suffered a loss of over 2 million jobs over the last 20 years but remains of fundamental importance for the Community's economy with over 10% of the manufacturing workforce still employed in the sector, which also accounts for about 6% of the value added by the whole of manufacturing industry. Without a new MFA the restructuring which has clearly been taking place would be put at risk, and there would be large numbers of extra unemployed at a time when there are few jobs for them to go to. Finally the result of a failure to renew the MFA would almost certainly not be a return to unrestricted free trade but to protectionism of a more "ad hoc" and uncontrolled variety. Your draftsman would point out, incidentally, that the dangers are made plain by the degree of support that the so-called Jenkins Bill - the proposed U.S. Textile and Apparel Trade Enforcement Act of 1985 - has been getting in the US Congress, with pledges of support from over 300 Members of the House of Representatives and 60 Senators for a highly restrictive measure that would lead to severe cutbacks of exports into the US.

3. The Commission's note points out that, while individual provisions in the MFA have been ineffective, its original broad objectives have met with success in that the Community industry has been given some form of breathing space, while the Community market has, at the same time, been kept open, with import penetration in 1984 of around 45%. Developing countries have been able to increase their exports, with imports of MFA textile products from countries covered by the Community 1982 textile policy (MFA and preferential countries) having shown an average growth rate by volume of 8.4% from 1982 to 1984,

compared to an MFA II (1978-1982) annual growth rate of only 4%. The Commission also points out that imports from low-cost countries have also increased.

4. In spite of the above factors, however, the Commission's note does point out that, if the MFA is to be renewed, there should also be further reaching liberalization. The Commission's guidelines thus call for a greater degree of flexibility in the new MFA, particularly with respect to the treatment of less developed exporting countries. One possibility would clearly be a reduction in and simplification of the number of product categories: (It appears, incidentally, that one of the major conclusions of the Boston Consulting Group's study of the mechanisms of competitiveness in the Community textile and clothing industry is that it is generally unrealistic to think of whole sectors of the Community industry as viable and others as not, and that the competitive reality is far more complex). The existing system of certain highly protected product categories and others much less so may well be too rigid as well as too complex.

The Commission does introduce an element of conditionality into its desire for liberalization in that its guidelines also call for parallel efforts to be made towards the opening of their markets by other countries engaged in international textiles trade "to which each will contribute according to their level of development and their economic capabilities" (op. cit., page 6).

A further element introduced by the Commission concerns the workings of the MFA within the Community. Here the Commission suggests the gradual relaxation of the existing regional breakdown of Community quotas with a view to their eventual elimination so that there is a common internal market for textiles.

Finally the Commission reaffirms a commitment to "the ultimate objective of liberalization of trade in Textiles". As all the preceding commentary has made clear, however, the Commission believes that this objective should be reached gradually and not suddenly, and that the costs of the latter would outweigh the benefits.

Further considerations

5. Your draftsman agrees with the Commission's central premise that there should be a further MFA. Certainly no simplistic analysis is possible of the effects of not renewing the MFA. There would be "winners" and "losers" among the developing country exporters themselves, (although the more sophisticated larger-scale exporters would be likely to have the advantage over most of the poorer countries with only a recently developed textiles industry) and the effects on the importing countries would also vary greatly. Some sectors and/or individual firms would be fully competitive without an MFA while others would go to the wall. Prices for many imported products would go down with some consequential benefits for other parts of the economy, but the impact on individual textile regions within the Community could be disastrous. And the degree to which free trade in textiles would really be re-established, is, as pointed out above, highly questionable, with the likely result of greater protectionism than at present.

With all these uncertainties, renewing the MFA for a further five year period would appear to represent the wisest approach.

6. There are, however, a number of issues which your draftsman would briefly like to raise for the consideration both of the responsible committee on External Economic Relations and of the Commission.
7. The most important consideration is the need to make the workings of the MFA more simple and effective. Simplification of the number of product categories as suggested by the Commission is clearly one solution. In this context the Commission is asked to report to the Committee on the practical consequences that it intends to draw, if any, from the conclusions of the Boston Consulting Group's report which appear to be highly relevant in this regard.
8. A further need is to review the workings of the so-called "surge clause" introduced in the 1981 MFA protocol and subsequently included in all 26 agreements negotiated by the Community. The "surge clause" has not yet been invoked by the Community, and your draftsman would like to have more details from the Commission as to whether it has genuinely not been needed or whether it has not been used because of its cumbersome nature which could lead to

several months passing by without practical results. Is the existing surge clause merely "a paper tiger" which should be replaced by something more effective?

9. One important factor which should be borne in mind is the need for greater reciprocity. If the European Community countries are to be more flexible and to gradually open up their markets there should also be compensating measures on the part of some of the newly industrialized exporting countries who should open up their own markets to a much greater degree than at present to imports of manufactured products.
10. Furthermore in some of these countries the need to take into account sweatshop conditions, and consequently to enforce a "social clause" also comes into consideration.
11. Finally among industrialized countries themselves there needs to be a fairer sharing out of low cost imports. In the United States, for instance, tariffs are higher than in Europe and the proposed Jenkins Bill mentioned above will severely aggravate the situation and lead to significant deflection in trade patterns.
12. The Community's negotiating position as regards a new MFA will clearly be considerably modified as a result of the participation of the two new member States, Spain and in particular Portugal, which is a low-cost textiles producer in its own right, and in the past has been one of the most important suppliers to the Community. The implications of enlargement for the Community textiles industry within the world market thus need to be clearly spelled out.

There is also the need to look at the links, for instance, between a new MFA and any new arrangements with the Mediterranean preferential countries with which the Community has been seeking voluntary self-restraint arrangements. The problem is particularly severe with regard to Turkey which has recently become the Community's single biggest supplier, and with which the Community has been unable to come to a global arrangement. The need to come to such an arrangement for all products is vital.

13. Once a new MFA has been negotiated the Commission must develop a new package of policies for the textiles and clothing industry based on the agreements reached in the MFA. These policies, both commercial and industrial, are required as the industry is still a major producer and employer in the Community. They must be produced after the fullest consultations with Community manufacturers and trade unions.
14. Finally your draftsman has examined whether even more fundamental changes to the MFA might be appropriate in the form of moving from a quota-based approach to one based on tariffs.

Whilst the advantage of such a change is that it could provide a degree of protection for Community industry during the phase of reconversion while at the same time providing a much greater degree of flexibility, this is outweighed by the potential disadvantages, the most obvious of which being that the poorest developing countries might lose out at the expense of the newly industrialized countries which have much larger and often technologically advanced textiles industries and proven entrepreneurial capacities. This is a danger which the present quota-based approach, with its capacity for differentiation between different types of supplier country, can better avoid.

The Commission should examine in greater detail the various advantages and disadvantages of such a shift in strategy, and report back to the Parliament on its findings.

Conclusions

15. The Committee on Economic and Monetary Affairs and Industrial Policy requests the responsible Committee on External Economic Relations to take the following conclusions into account in the preparation of its final resolution :
 - i) The MFA should be renewed for the last time for a further period of 5 years;
 - ii) MFA IV should, however, be simple and effective in its mechanisms, and it may be necessary to make it more flexible than its predecessors;

- iii) Any new MFA should not apply to the Least Developed Countries: These countries should no longer be subject to restrictions;
- iv) The existing product categories should be simplified. In this context the Commission should state what practical conclusions it has drawn from the recent review of the strengths and weaknesses of individual sectors of the Community's textile industry, and their ability to face up to intensified world competition;
- v) Quotas in this MFA should be based on 1985 actual imports;
- vi) The Commission should review the workings of the "surge clause" introduced in MFA III and, if it is found that its failure to be used is due to its cumbersome nature, should come forward with effective alternative proposals;
- vii) There needs to be greater reciprocity in world textile trade. Newly industrialized exporting countries should open up their own markets to a much greater degree than at present to compensate for greater flexibility on behalf of the European Community countries. Social conditions should also be taken into account;
- viii) The burden of low cost imports should be fairly shared between industrialized countries. In this regard the European Community should lobby hard against the proposed U.S. Textile and Apparel Trade Enforcement Act which is currently getting such wide support in the U.S. Congress;
- ix) A new article should be written into this MFA to encourage social development in member countries, building on the acknowledged objective contained in Article 1 of the existing MFA;
- x) The implications of enlargement for the Community's position within the MFA need to be spelled out in greater detail, and include measures to ensure that neither of the new members concentrates its export effort on any one Member State; The Community's textiles commercial policy needs to be looked at as a whole, and in particular the links between a new MFA and new arrangements with the Mediterranean preferential countries. The

Committee calls, in particular, for the negotiation of a global arrangement with Turkey, which has become the Community's largest single supplier of textiles products.

- xi) The MFA will only be of maximum benefit to the Community if complementary action is taken in the field of industrial policy, this policy being devised with the full involvement of all concerned parties;
- xii) The Commission should carefully examine the advantages and disadvantages of moving from an MFA strategy based on quotas to one based on tariffs, and report back to the Parliament on its findings.

O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Social Affairs and Employment

Draftsman: Mr E H CHRISTIANSEN

On 21 May 1985, the Committee on Social Affairs and Employment appointed Mr CHRISTIANSEN draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 18 November 1985. It adopted the opinion at the same meeting by 19 votes to 0 with 3 abstentions.

The following took part in the vote: Mrs SALISCH, acting-Chairman; Mr McCARTIN, Vice-Chairman; Mr CHRISTIANSEN, draftsman; Mr BACHY; Mr CASSIDY (deputizing for Mr Welsh); Mr CHANTERIE; Mr GLINNE (deputizing for Mrs Dury); Mr HÄRLIN; Mr HUGHES (deputizing for Mr Dido); Mrs MAIJ-WEGGEN; Mrs MARINARO (deputizing for Mrs Hoffmann); Mr KILBY (deputizing for Sir Jack Stewart-Clark); Mr MEGAHY; Mrs NIELSEN (deputizing for Mr Pjinifarina); Mr PETERS; Mr PORDEA (deputizing for Mr Le Chevallier); Mr RAGGIO; Mr SAKELLARIOU (deputizing for Mrs d'Ancona); Mr STEWART; Mr TUCKMAN; Mr VGENOPOULOS; Mr WAWRZIK (deputizing for Mr BROK).

O P I N I O N

of the Committee on Social Affairs and Employment

Draftsman: Mr E H CHRISTIANSEN

1. The Multifibre Arrangement is due to expire as on 31 July 1986 and negotiations have just started within the framework of the G.A.T.T.'s Committee on Textiles with a view to deciding whether the Arrangement should be extended, modified or discontinued from that date. Despite differences of opinion amongst representative bodies within the European Community in regard to the relative advantages and disadvantages of renewing the Arrangement - and not least in regard to the time-limit to be placed on a possible extension - there seems to be a general consensus that a further breathing space is required for the Community's textile and clothing industry.

Situation of the Community's textile and clothing industry

The Employment Situation

2. As regards the overall employment context in the Community, it should be noted that the rate of increase in the total number of registered unemployed has slowed down quite markedly over the last 16 months, with a total of 12 800 000¹ at the end of July 1985, as compared with 12 300 000 in April 1984. Nevertheless, demographic trends, with increasing numbers coming on to the labour market, together with the continuing effects of restructuring in the traditional industries, are likely to aggravate the situation in the years ahead. In the meantime, youth unemployment is now well over the 35 % mark and the growing numbers of long-term unemployed give increasing cause for concern.
3. In the textile and clothing industry, approximately 1 300 000 jobs have been lost over the period 1974 - 1983, representing nearly 35 % of the total workforce, and a similar rate of decline is to be found only in the coal and steel industries. Although the view that, by 1990, a further million jobs will have gone by the board is perhaps unduly pessimistic, it does seem certain that several hundred thousand more jobs will be lost before that date.

¹ Seasonally adjusted figures

The textile and clothing industry as an employer

4. It is estimated that at the end of 1983 the total number of wage-earners employed in the textile and clothing industry in the Community of Ten was 2 700 000 (more than the motor, steel, and shipbuilding industries put together), of which roughly 80 % are women. With the accession of Spain and Portugal this total is expected to increase to 3 265 000, which will make the textile and clothing industry the leading European industry in terms of employment.

Geographical location

5. It should be noted that, like the other sectors at risk (e.g. coal and steel, shipbuilding), the textile and clothing industry tends to be concentrated in areas of high unemployment, where little or no alternative employment exists.

Economic importance and causes of decline

6. With an annual turnover of 90 billion ECU, and exports to the tune of 15 billion ECU, the textile and clothing industry is one of the key sectors in the Community's economy. However, the sector is at risk for a number of reasons:
- a) first and foremost, technological change entailing increasing automation of the production process;
 - b) fall in demand, which is the result of the economic crisis and certain countries' monetary policies, together with an increase in productivity;
 - c) increased low-cost imports from third countries²;
 - d) protectionism on the part of other industrialised countries, and in particular the newly-industrialised countries.

² As the Commission points out in its communication on the renewal of the Arrangement regarding national trade opportunity in textiles (MFA): "Import penetration in 1984 stood at 45 %, one of the highest penetration rates to be found among the large industrialised countries". (COM (85) 328 final, 27 June 1985)

7. In this connection, it is important to stress that the competitiveness of some of the newly-industrialised countries is the result not only of lower production costs - and notably wage costs - but also, and often as a corollary of this situation - the severe restrictions placed upon, or even the non-recognition of, trade unions, let alone of their right to negotiate better wages and working conditions.

The Multifibre Arrangement

8. The Multifibre Arrangement was instituted to provide a framework for the orderly development of world trade, with liberalisation as the ultimate goal, while at the same time ensuring, in particular, that the adverse consequences of the inevitable process of restructuring were kept to the minimum. This meant, by way of derogation from the general G.A.T.T. provisions, establishing quota ceilings on a multilaterally accepted basis.
9. Undoubtedly, the MFA currently in force, and the bilateral voluntary restraints agreements concluded by the Community have been a boon. Indeed, in March 1985, answering a written question by Mr BROK, Commissioner SUTHERLAND put forward the optimistic view that "the restructuring undertaken by the majority of the textile and clothing firms in the Community has led to rapidly rising productivity, to the application of new generations of technologically advanced equipment, and to a high quality range of products. The industry has regained to a large extent the level of competitiveness required to ensure economic success and viability".

Renewal of the Multifibre Arrangement

General consensus

10. As indicated above, there seems to be a general consensus - shared even by the Foreign Trade Association, despite its regrets about the negative consequences, in terms of prices, for the consumer - that an extension of the MFA is essential in order to provide the conditions necessary to allow the Community to complete the restructuring process. As the Commission points out in its Communication, "an immediate return to G.A.T.T. rules under present circumstances could lead to an unstable situation which would, without doubt, increase uncertainty for trade and could have adverse consequences for the less-developed exporting countries".

The challenge

11. Extension of the MFA must in no way play into the hands of the protectionists, nor serve as a pretext for allowing the restructuring process to slacken off. Moreover, it must be regarded as a purely temporary measure, to be phased out within a strictly limited period of time.
12. As Parliament pointed out in its resolution of 30 March 1984 on the functioning of the MFA³, "the future of the Community textile clothing industry cannot rely merely on a policy of restriction and protection against imports, but must also and above all be based on initiatives at Community level in the field of industrial policy and adequate measures involving regional and social policy".
13. It must be clearly recognised that programmes within the textile and clothing sector will be achieved under the following difficult conditions:
 - slower growth rates,
 - continuing structural changes,
 - stiffer competition from third countries,
 - stiffer competition from the non-textile sector,
 - a more "choosy" consumer market.
14. Last but not least, every attempt must be made during the present negotiations to protect the interests of the less-developed countries.

Conclusions and Recommendations

15. The Committee on Social Affairs and Employment:
 - a) Stresses the importance of the Community's clothing and textile industry which, despite a loss of 1 300 000 jobs over a ten-year period, still provides employment for 2 700 000 people, has a turnover of 90 billion ECU with exports valued at 15 billion, and remains a key sector in the Community's economy and a special case in world trade;

³ OJ No. C 117, 30.4.84, p. 206

- b) Recognises that if the sector is to survive and flourish, the Community must resolutely continue to pursue a policy of technological modernisation and high quality production, in full consultation with the social partners;
- c) Considers that this process must go hand in hand with the measures envisaged towards completing the Community's internal market by 1992;
- d) Endorses the Commission's view that an extension of the Multifibre Arrangement is essential in order to give the Community the additional breathing space required to complete the restructuring process in the textile and clothing industry, and shares its view that "an immediate return to G.A.T.T. rules under present circumstances could lead to an unstable situation which would without doubt increase uncertainty for trade and could have adverse consequences for the less-developed exporting countries" and that, furthermore, "it could, if it leads to a sharp and substantial influx of imports from the 'dominant' exporting countries, jeopardize the results of ten years' restructuring of the Community's textile and clothing industry"⁴;
- e) Welcomes the position adopted by the Council, on the basis of the Commission's proposals, at the start of the discussions with the G.A.T.T. Committee on Textiles in relation to the future of the M.F.A., and endorses in particular:
- its firm commitment to the objective of the gradual liberalization of the textile trade on the basis of an improved balance between the rights and obligations of the contracting parties which will not jeopardize the restructuring of the European textile industry;"
 - its call for an extension of the MFA to allow present restructuring efforts to be continued within a suitable multilateral framework providing for development of trade and producing the conditions necessary for achievement of the objective of liberalisation without adverse effects on relative confidence built up in recent years and without jeopardizing the process of restructuring;

⁴ COM (85) 328 final, 27.6.85, p. 5

- its commitment, by means of greater flexibility and specific measures, to the application of the appropriate provisions in multi-lateral and bilateral terms, subject to a parallel effort to open up the market of other countries involved in the textile trade, depending on their levels of development and their economic possibilities;

- f) Points out that a clearer distinction must be drawn in the Fourth MFA than in the Third MFA between the developing countries and the newly industrialized countries which have already captured a large share of the market. The extension of the agreement must be used to provide the developing countries, who have scarcely been considered until now, with a larger share of the imports of the industrialized countries;
- g) Stresses that the Commission, the Council and the Member States must clearly recognise that the MFA has been regarded as a temporary measure and that any future extension of the Arrangement must be exploited to the full to complete the process of restructuring of the Community clothing and textile industry, within the framework of a consolidated internal market; in view of the relative success of the MFA, stresses the need for regulated world trade in textiles based on the MFA;
- h) Calls on the Commission to carry out more effective checks on the quotas allocated;
- i) Believes that the future of the Community's textile industry can only be assured and employment maintained in the long term through product development, technological transfer and flexible modern industrial investment programmes and specially tailored training schemes;
- j) Urges that textile workers must be trained in data-processing and other modern techniques and that both training and research in the textile sector must be given greater priority in all institutes of higher education, with particular attention to the following areas: consultancy schemes, market research, technical advice, production planning methods and development, information, marketing, and technological transfer;

- k) Urges the European community to put up strong opposition to American protectionist measures and, more specifically, to the 'Jenkins proposal';
- l) Stresses the vital contribution to be made by the European Social Fund with regard to financing vocational training and retraining both in this connection and, where necessary, for alternative employment;
- m) Believes that the essential role of the ERDF must be the coordination of the Community's efforts in those geographical areas which are hardest-hit by lay-offs and closures in the textile sector, and welcomes in this connection the adoption by Council of a specific regional development measure regarding the textile and clothing sector in the framework of the non-quota section;⁵
- n) Insists that the I.L.O. declaration on freedom of organisation and negotiation and child labour also be taken into account in any assessment of dealings with third countries, since the problems inherent to the Community textile industry cannot and must not be solved by keeping earnings or social conditions below acceptable levels, and that import quotas from third countries take account of those countries' observance of these standards;
- o) Requests that the Committee on External Economic Relations (i) take account of the foregoing considerations in its motion for a resolution (ii) call on the Commission to draw up, at the conclusion of the present MFA negotiations, a detailed programme of action for the textile and clothing industry, including proposals for achieving the priority objectives outlined in this opinion.

⁵ Council Regulation (EEC) no. 219/84, instituting a specific Community regional development measure, contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the textile and clothing industry (OJ L 27, 31.1.84)

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Development and Cooperation

Draftsman: Mr Christopher JACKSON

On 16 January 1985, the Committee on Development and Cooperation appointed Mr JACKSON draftsman of the opinion.

the Committee considered the draft opinion at its meetings of 20 May, 26 June and 18 September 1985. It adopted the draft opinion on 18 September 1985 by 14 votes for with 2 abstentions.

The following took part in the vote: Mrs Focke, chairman; Mr Bersani, vice-chairman; Mr Wurtz, vice-chairman; Mr Ch. Jackson, draftsman; Mrs Cassanmagnago Cerretti, Mr Fellermaier, Mr Galland, Mr Habsburg (deputizing for Mr Lemmer), Mr Lomas (deputizing for Mr Balfe), Mr Luster, Mr d'Ormesson, Mr Pirkl, Mrs Rabbethge, Mrs Schmit, Mr Verbeek and Mr Vergeer.

A.

The Committee on Development and Cooperation

- A. Having regard to the fact that the third multifibre arrangement (MFA) expires on 31 July 1986 and that, if the arrangement is to be renewed, discussions should begin very shortly,
 - B. Noting the objectives of the MFA and the fact that it was originally intended to be a temporary measure,
 - C. Aware that there has been considerable re-structuring and shedding of jobs in the textile and clothing industry of the European Community,
 - D. Aware also that an increase in low cost imports of textiles and clothing from developing countries has been one of several factors influencing this process, especially where clothing is concerned,
 - E. Recognising that developing countries enjoy a natural comparative advantage in these industries, and especially clothing, as such industries are labour intensive, relatively low skill and suitable for small scale production,
 - F. Pointing out the importance of textiles and clothing industries to developing countries as sources of export revenue and employers of labour, and that alternative sources of income and employment may not be readily available,
 - G. Noting that the industrialised countries often exhort developing countries to increase their exports in order to further their economic progress and reduce debts,
 - H. Recalling the GATT study (published in July 1984) which shows that the dismantling of the MFA would result in accelerated economic growth in both developed and developing countries,
 - I. Realizing that the MFA has brought an element of order to the market and that some smaller Third World exporters, who could otherwise be ousted from the market place by large suppliers, appreciate the protection it affords them,
1. Accepts the need for the multifibre arrangement to be extended, because failure to do so under the present circumstances would incur the risk of Article XIX of GATT being applied; believes however that after more than 20 years of protectionist measures in favour of the textile and clothing industry the multifibre arrangement could be ended from 1990;
 2. Demands the simplification of the MFA as its complexity makes it expensive to administer and imposes a heavy burden on the poorer countries in terms of money and manpower; in particular demands the simplification of product categories and the relaxation of the rules of origin;

3. Demands that the new MFA contain more flexible and liberal provisions for the least developed and poorer middle income countries to help them to build up local clothing and textile industries. This could be done by abolishing the quota system for these countries;
4. In particular requests changes in those measures which render the MFA's effects unpredictable to exporters, such as the anti-surge mechanism which allows for cutbacks to be imposed without consultation even though quotas may not be filled;
5. Stresses the need to complete the internal Community market in textiles and clothing and to make as little use as possible of Article 115 of the Treaty;
6. While deploring the low wages and poor working conditions in some developing countries, and while believing that countries should be encouraged to adopt minimum labour standards, considers that the Community cannot interfere in other countries' social affairs unless there are severe offences against human rights; is convinced that the surest way to better wages and working conditions is to foster economic growth in the Third World;
7. Insists that the NICs, which cannot plead protection of infant industries, should allow reciprocal trading opportunities to the industrialised countries and the poorer developing countries; believes that continued benefits for NICs with very high tariffs - some are over 200% - should depend on their following the example of Hong Kong by progressively lowering their tariffs;
8. Believes that exports from the developing countries are also necessary to enable them to pay off their debts; insists therefore on the need to fix certain quotas for some developing countries, taking account of the size of their debt;
9. Sees the need for greater efforts to be made in restructuring the Community's textile and clothing industries; believes that advantage must be taken of the relative stability of the market provided by the renewed MFA in order to carry out the necessary restructuring.

EXPLANATORY STATEMENT

Introduction

The European Community textile industry has a long history of protectionism. Since the 1960s the General Agreement on Tariffs and Trade (GATT) has attempted to regulate the export of textiles, and subsequently clothing, from "low-cost" producing countries to Europe and the US. It is important to differentiate between the textile and clothing industries. While up to the 1950s the threat to European industry came mainly from imports of cheap textiles, since then the threat has been mainly in the clothing industry. European and U.S. textile industries have long enjoyed protection. Nevertheless the European textile industry has been in decline since early this century. The volume of world textile trade in 1959 was 6% less than in 1913. Trade in clothing has increased by 23%, yet this is lower than the average for all manufactures.

In 1973 the first multifibre arrangement (MFA) was negotiated, coming into effect on 1 January 1974. The arrangement was renewed in 1977 and 1982. The MFA is an umbrella arrangement under GATT, under which individual industrialised countries or groups of countries conclude bilateral voluntary export restraint agreements with low-cost exporting countries, mainly developing countries and newly industrialising countries.

In origin the arrangement was a liberal compromise. Negotiated just before the oil crisis, it assumed constant growth of trade. Its stated basic objectives were to "achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalisation of world trade in textile products, while ensuring an orderly and equitable development of this trade and the avoiding of disruptive effects on individual markets and on individual lines of production in both importing and exporting countries". The idea behind the MFA was that industrialised countries should be given a period in which to re-structure their industries.

The First Arrangement, MFA I, allowed 6% annual growth in developing countries' exports to industrial countries and provided for special quotas for sensitive items. It had relatively little effect. MFA II was more restrictive than its predecessor. Under the second arrangement while the growth rate was generally fixed at 6%, growth in certain products was restricted to under 1% and there was greater differentiation between exporting countries. The European Community concluded 20 bilateral agreements, tightened rules of origin, and fixed some 400 specific quotas for sensitive products. MFA II was more effective in curbing the growth of imports from developing countries at a time of increased demand. Real growth of imports of clothing from the developing countries to Europe and the US was 21% per annum during the period 1963-1973, 14% per annum from 1973-1976, and 6% per annum from 1976 to 1982 (3.5% from 1979 to 1982). However the annual growth rate was 4.7% in 1983 and rose to 7.9% in 1984.

The Community has a negative overall trade balance in textiles and clothing (in 1984 the deficit amounted to 374,000 tonnes, total imports being 1,729,000 tonnes). Since 1982 the Community has had a positive trade balance in clothing with industrialised countries, notably the U.S., helped up to now by the strength of the dollar.

Under MFA III, which expires on 31 July 1986, the European Community has concluded 27 bilateral agreements as well as similar agreements with other countries and voluntary restraint agreements with countries having preferential agreements with the Community in the context of the Mediterranean policy. Under the Lomé Conventions there is provision for restraint under certain circumstances ("safeguard clause", Article 139 of Lomé III).

The MFA covers 149 product categories each with sub-divisions. These are divided into three zones of sensitivity, with the middle zone divided in two levels. The most sensitive products, numbered about 400, are subject to special quotas. An "anti-surge" mechanism allows cut-backs to be imposed if a sudden increase in imports occurs, even if quotas are not filled. Quotas are divided between Member States, and there is provision for the transfer of un-utilised quotas from one state to another. There is provision for carry-over of quotas from one year to the next, for drawing on up to 5% of the next year's quota, or for transferring quotas to a similar item.

All other products, numbering over 40,000, are deemed to be "in the basket". When exports of any one of these exceeds a given proportion of the Community's total imports of that product, known as the trigger level, a Member State can request the Commission to negotiate restrictions with the exporter country or countries. If such negotiations fail the Commission can impose quotas. There are different trigger levels for the various countries and products, and the least developed countries are treated more leniently. This mechanism is not automatic and products are sometimes allowed to exceed their trigger levels. Furthermore an appeals mechanism to the GATT Textile Committee exists. If restrictions are decided on, then a derogation from the free circulation of goods within the Community can be obtained to prevent imports through other Member States.

The effects of the MFA on the Community

It is argued that the protection afforded by the MFA is giving the Community clothing and textile industry an opportunity to restructure, and is justified both by the importance of the industry, which employs some 2.6 million persons in the Community (more than 10% of the total employed in manufacturing industry), and by the fact that this industry is frequently concentrated in areas seriously affected by the economic crisis where few alternative jobs are available and unemployment is already high. The penetration rate of textile imports into the Community now stands at around 45%, of which some 70% consists of products from low-cost producer countries. This is far higher than the average level of import penetration for other sectors of industry, and has been held partly responsible for the difficulties facing these industries. Since 1977 production has fallen by 14.5% in the Community textile industry and by 16% in the Community clothing industry. In the 10 years to 1983 employment fell by 1.35 million person in these two sectors.

According to Comitextil, the leading supplier of textiles and clothing articles to the EEC is now Turkey, a "preferential" Mediterranean country (supplying 147,000 tonnes in 1984), followed by Hong Kong (117,000 tonnes) and Portugal (115,000 tonnes). The United States, with 69,000 tonnes, is in 9th position.

Jobs in textile and clothing have continued to decline under the MFAs, though losses have slowed down recently. It should be noted, however, that women fill over 80% of jobs in the Community clothing industry and given the high rate of unemployment among women, particularly in relatively unskilled jobs, it is understandable that protectionist pressures in this sector should be strong.

Numbers employed in E.C. clothing industry
(source - Wolf)

	UK	Germany	France	Belgium	Italy (in 000s)
1970	380	380	322	60.5	210
% change 1980	-32	- 34.5	-22	-34.5	-17.5

Reason for change as % of 1970 figures

demand	+20.5	+ 11	+6.5	+82	-1.5
productivity	-44.5	- 24	-20	-77	-30
all imports	- 8	- 21.5	- 8.5	-40	+13.5

One consequence of protectionism in the clothing and textiles industry is an increase in consumer prices by the restriction of low-cost imports. Furthermore the existence of quotas encourages the more industrially advanced developing countries to trade up-market so as to benefit from higher prices. This is one of the reasons why quotas for certain products are not always filled. It can also be argued that the cost of protecting the textile and clothing industry falls most heavily on the poorer sectors of the Community who tend to buy a cheaper range of imported clothing.

A general argument against protectionism is that it negates the benefits of comparative advantage. It is argued that, if labour and capital are flexible, the temporary unemployment created by changes in comparative advantage can be absorbed in growth sectors. It is maintained that while protection sustains the income of those in an industry, including the providers of capital, the result is that resources of capital, labour and entrepreneurial talent are locked up in relatively less dynamic and innovative sectors instead of being released to new industries. Such arguments are obviously tendentious, though not without a certain element of realism.

The effects of the MFA on developing countries

Clothing and textiles are generally among the first industries to be developed by the third world countries, clothing in particular is labour intensive, requiring relatively little skill and suitable for small-scale production. There is demand for these products in industrialised countries and exports can be a useful source of foreign exchange earnings. With the exception of a few countries, such as India, with strong internal markets, most developing countries and NICs export a high proportion of their textile and clothing production. There is little doubt that without the MFA the export figures could be even higher.

The MFA most seriously affects potentially competitive countries that have developed their industries recently and have consequently only small quotas of sensitive products. The more industrially advanced NICs, such as Taiwan, South Korea and Hong Kong, though affected, have generally larger quotas and, in addition, can diversify to other products when required. Less industrially advanced countries find such diversification difficult.

Developing countries are quick to point out that industrialised countries are constantly exhorting them to become self-sufficient, to increase exports, to reduce debts and to lessen dependence on aid, while at the same time being quick to penalise developing countries that use their natural comparative advantage successfully, notably in the textile and clothing sectors, though the MFA.

The uncertainty generated by the MFA, particularly in view of the "anti-surge" mechanism, can also be a deterrent to investment in the industry in developing countries.

While certain developing countries and NICs protect their own industries through extremely high tariff barriers (sometimes by up to 200%) this is not the case for all. Major textile exporters such as Hong Kong, Singapore and Macao have lowered barriers considerably but are still subject to restrictions under the MFA. There is a good argument for the more advanced NICs, who cannot claim to be protecting fragile infant industries, to be pressurised into lowering their own tariffs if they wish restrictions on their exports to be liberalised.

The proportion of the work force employed in textile and clothing in certain developing countries is much higher than in industrialised countries. For example, 60% of the work force in Macao and 19% in Sri Lanka are employed in textiles and clothing. Furthermore there is very little opportunity for alternative employment in other sectors in many of these countries.

Community manufacturers frequently point out that imports from developing countries can undersell European goods largely because these countries frequently fail to observe minimum ILO labour standards. Wages are low and working conditions frequently very bad. The wage levels, health and safety regulations applicable to Community countries are reflected in higher product costs. While it is deplorable that ILO standards are contravened in many countries, it is nevertheless unacceptable for the Community to interfere in other country's internal affairs. Restricting imports is not necessarily the way to tackle this problem. It has been argued that wages and working conditions will

improve as countries gradually get richer as is happening in certain Asian states. Increased export earnings could contribute to this process. This is not to say that pressure should not be brought to bear on low-cost producers to respect ILO norms.

The MFA is particularly complex in its details and its operation can be both difficult and onerous for the poorer developing countries who have to devote scarce skilled manpower resources to its administration.

It is clear that, while any form of protectionism is against the interests of the more industrially advanced textile producing NICs, the MFA through its partial regulation of the market, ensures that a certain, albeit limited, market share is available for the less developed textile producing countries. In this respect the arrangement can be considered beneficial for the least advanced third world states.

The future of the MFA

As it operates at present the MFA is complex, cumbersome and costly to administer. It runs counter to the laws of comparative advantage and in so doing penalises certain countries, particularly NICs, for which textiles and clothing are valuable sources of employment and export earnings. The MFA prevents these countries from developing into dominant suppliers. On the other hand it is generally believed that if the MFA were to be dismantled then many industrialised countries would replace it by more restrictive unilateral tariff and non-tariff barriers. Some textile exporting countries thus feel that the relative discipline of the MFA, with its appeals system, has certain advantages. The developing countries would, however, like to see the MFA liberalised in their favour and most would welcome discussions on its dismantlement.

The Community textile and clothing industries, and trade unions representing workers in these sectors, would welcome the continuation of the MFA. The Coordinating Committee for the textile industries in the EEC, Comitextil, takes the view that an import restraint policy should continue, pointing out that 77% of Community imports come from countries which offer no real reciprocity to the Community's textile industry. The governments of the textile producing member states and of Spain and Portugal will almost certainly be in favour of continuing the MFA. In this respect it could be noted that Portugal derives about 40% of export earnings from MFA products, a high proportion of which go to the Community market.

Your rapporteur takes the view that the 4th MFA is inevitable given the continued growth of imports and the pressures in its favour, however it should be simplified and liberalised, and a firm timetable fixed for its ultimate abolition. Ideally MFA IV should be the last MFA, being replaced by free trade in clothing and textiles.

There is a danger that if the MFA were not renewed on this occasion protectionist pressures from certain industrialised countries would result in the establishment of tariff and non-tariff barriers in an unstructured context which could be more deleterious for world trade in textiles and clothing than the relatively orderly structure imposed by the MFA. Liberalisation of trade in these sectors requires generalised intergovernmental acquiescence which may not currently be obtainable.

The ideal solution to the problem is the effective restructuring of European industry. Merely reducing employment in a sector is not effective restructuring, and it is clear that very few Community countries have made effective changes in these sectors. The Commission should bring pressure to bear on Member States to face up to this problem. An undertaking to liberalise trade in clothing and textiles after MFA IV should force those involved into taking the necessary measures.

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