

European Community

News Release

BACKGROUND NOTE

THE EUROPEAN COMMUNITY SIGNS MULTI-FIBRE AGREEMENT

The textile industry, which employs nearly 10% of the work force in the E.C., received a four-year respite on 16 December 1982 when the Council of Ministers of Foreign Affairs confirmed the Community's continued adherence to the Multi-Fibre Agreement for the period 1983-1986. Mr. Horst G. Krenzler, special representative of the European Community for textile negotiations, stated that reflexion on the future of the textile trade must begin immediately, and that the Community will be closely involved in the GATT study on textiles announced after the recent GATT ministerial meeting.

With the exception of Argentina, all Community-third country agreements have now been renewed. The agreement with Korea includes all the terms demanded by the Community, and follows the lines of the EEC-Hong-Kong agreement, with cut backs from 8.3% to 6.3%. The anti-fraud clause in the agreement with Korea is of particular importance in view of the magnitude of recorded fraud, in some cases up to 50% of the quota.

In the case of Argentina, the difficulties are political and go beyond the realm of trade policy. An autonomous 'watchdog' system will be set up by the Community if the agreement with Argentina is not reached by the end of the year, which would admit the same quantities as in 1982 with possibility of protectionist measures once 65% of the 1982 levels has been reached.

The 26 bilateral agreements include three fundamental points requested by the Community: the 'anti-surge' clause (to allow for slowing down sudden and major increases within quotas); the 'anti-fraud' clause (allowing the Community to deduct from the quotas of the true country of origin, quantities which had been shipped under a fraudulent declaration of origin) and the 'exit from the basket' clause (allowing for substitution of products other than those specified in the agreement, with limitations, in the event of major import increases).

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The new agreements establish global ceilings, that is, total quantities for each of the most sensitive products, lower than 1982 ceilings for imports to the Community. The new ceilings involve reductions from 0.5% for trousers to 5.3% for cotton thread. There is an increased quota (3.0%) in only one category, synthetic material. The new levels of annual increase are also lower than in previous agreements: 0.9% rather than 1.2% for very sensitive products, and 3 to 4.5% rather than 4.5-6% for less sensitive categories.

These reductions in global ceilings are in large part the result of cut backs of 6.5% - 8.5% for the dominant countries (Korea, Hong-Kong, Macao, with a similar system to be applied voluntarily by Taiwan). The reductions have been partially distributed amongst medium and small suppliers such as Indonesia, Sri Lanka, Pakistan and the Philippines.

Textile negotiations continue with Turkey. An agreement for cotton thread is the only one at an advanced stage, but France is blocking this agreement until Turkey ends its retaliatory measures against French exports. A global textile agreement between the EEC and Turkey is not in sight as the Community is obliged to resort to protectionist measures (eg. T-shirts) which in turn provoke retaliatory measures on the part of Turkey. The Community does not want to escalate this situation, but will use all means provided by the EEC-Turkey Association Agreement as well as by the GATT to resolve these problems.

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