

EUROPEAN COMMUNITY

BACKGROUND INFORMATION

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350
New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE

No. 39/1975

November 21, 1975

COMMON MARKET RESUMES NEGOTIATIONS FOR TEXTILE ACCORD WITH SOUTH KOREA

The European Community resumed negotiations for a textile agreement with South Korea yesterday in Brussels under the "Multifiber Arrangement" within the General Agreement on Tariffs and Trade (GATT).

Faced with floods of some textile imports, the Community and other industrialized GATT members have been negotiating bilateral agreements on "sensitive" products. The agreements will allow textile imports from developing countries, where labor is abundant and cheap, to grow without upsetting domestic markets.

So far, the Community has concluded textile agreements with India and Pakistan and is applying agreements, which have not yet been formally concluded, with Hong Kong, Singapore, Malaysia, and Macao. The Community has begun negotiations for agreements with Brazil, Mexico, Colombia, and Japan. To Hungary, Poland, and Romania -- the three East European signatories of the Multifibers Arrangement -- the Community has offered negotiations. Preparations are being made for negotiations with Yugoslavia. Agreements are also planned with Egypt and Thailand.

Nature of Multifiber Arrangement

The Multifiber Arrangement, officially known as the "Arrangement Regarding International Trade in Textiles," went into force on January 1, 1974, and will run four years. According to the agreement, signatories must notify the GATT of any restrictions on textile imports. These restrictions must either be justified under the safeguards clause as causing damage to domestic industry, written into bilateral agreements, or phased out by April 1, 1977.

According to the Multifibers Arrangement, textile imports may be temporarily restricted if they cause, or threaten to cause, "serious damage to domestic producers." Damage must be caused by "a sharp and substantial increase or imminent increase of imports of particular products from particular sources" or by import prices well below domestic market prices.

The Community is now sorting out a tangle of restrictions which differ according to the product, the exporting country, and often the individual member country as well. Its bilateral agreements, replacing these restrictions will

- offer developing countries an assured market for sensitive textile exports within quotas to be expanded 7 per cent each year and which may be set for the Community as a whole or for its individual member states
- allow the Community to plan on a set rate of sensitive import expansion, thus preventing floods of cheap imports which could lead to import restrictions.

For items not covered by agreements, the Community currently has restrictions on: South Korean exports of shirts to Ireland; South Korean exports of socks to Germany, Belgium, Luxembourg, and the Netherlands; South Korean exports of gloves, synthetic socks, and synthetic fiber yarns to France; Taiwanese exports of synthetic socks to France, Germany, Belgium, Luxembourg, and the Netherlands; South Korean exports of synthetic fiber yarns to the United Kingdom, and Brazilian exports of cotton cloth to Germany.

The EC's Other Textile Import Arrangements

The Community allows textile imports from Portugal and its associates -- Greece, Turkey, and 46 African, Caribbean, and Pacific countries -- to enter at liberalized duties except for certain sensitive items for which it maintains quotas. The EC system of generalized tariff preferences also gives developing countries' textile exports preferential entry within quotas.

The Multifibers Arrangement concerns quotas only, not customs duties.