

WORLD TRADE ORGANIZATION

G/TMB/N/303

23 September 1997

(97-3924)

Textiles Monitoring Body

Original: English

AGREEMENT ON TEXTILES AND CLOTHING

Communication from the European Community

The Textiles Monitoring Body has received a communication from the European Commission in reply to its request for additional information¹ in the context of the preparation of the Body's Comprehensive Report on the implementation of the ATC during its first stage, in accordance with paragraph 11 of Article 8.

The TMB is circulating this communication to WTO Members for their information.

¹See G/TMB/11, issued on 14 February 1997.

European Commission
Permanent Delegation in Geneva

8 July 1997

To: Mr. András Szepesi
Chairman of the TMB

From: R. E. Abbott
Ambassador, Permanent Representative to the WTO

Subject: Submission from the EU for the preparation by the TMB of the Report foreseen by Article 8.11 of the ATC

Submission from the European Community
for the Preparation by the TMB
of the Report Foreseen by Article 8.11 of the ATC

Introduction

The European Community is one of the major textile and clothing markets in the world. Imports of clothing products in 1996 amounted to ECU 30.6 billion, an increase of 6.8 per cent in volume and 7.2 per cent in value compared with 1995. Imports of textiles amounted to ECU 13.3 billion (an increase of 1.5 per cent in volume and 0.1 per cent in value compared with 1995). In addition, the Community is a major exporter of textiles and clothing. Exports of clothing in 1996 amounted to ECU 11.9 billion (an increase of 14 per cent in volume and 12 per cent in value over 1995). The European Community exported textiles to the value of ECU 18.4 billion.

Thus the European Community considers that the progressive character of the process of integration (as set out in the recitals to the ATC) should cover not just the integration programmes of Members but also the application of strengthened GATT 1994 rules and disciplines covering, in particular, access to markets.

Least-developed country Members, small suppliers and new entrants

The European Community has applied the provisions of Article 2.18 by increasing the growth rates during the first stage of integration first by 16 per cent and secondly by an additional 25 per cent in respect of Peru and Sri Lanka, being those Members falling under the definition of small suppliers.

The European Community does not agree with a construction of Article 2.18 which would lead to the conclusion that the provision should apply to individual restrictions as opposed to the totality of restrictions applicable to a Member.

In so far as least-developed country Members are concerned the European Community does not maintain any restrictions on products covered by the ATC. In addition, whether as a result of the Lomé Convention or the General System of Preferences (GSP), most imports to the Community from LLDCs benefit from zero duty provisions concerning tariffs. This position is kept under review and the European Community is currently examining whether a relaxation of the GSP system will be possible to further benefit textile exports from certain LLDC Members and non-Members.

Cotton-producing exporting Members

During the negotiations of the ATC the European Community engaged in consultations with all major exporting Members including the cotton-producing exporting countries. Further, prior to its determination of the second stage of integration the European Community consulted with all those WTO Members affected by restrictions with a view to achieving a better mutual understanding of the positions of the respective Members concerning the implementation of the ATC. The European Community considers that this process has been effective in allowing the interest of cotton-producing Members to be reflected in the implementation of the ATC. None of the cotton-producing exporting Members have, at any time, raised any specific concern or factor which they considered the Community had failed to take into account concerning their interests in the implementation of the provisions of the ATC.

Continuous autonomous adjustment

The textiles and clothing sector occupies a central position in the economy of the European Community with over 2,200,000 employees and a contribution to added value in the manufacturing sector in the region of 4.2 per cent. Over recent years the sector has faced a constant revaluation of methods, technologies and modes of organization partly caused by external factors such as the bad external conjuncture of the last years, the entry into the market of new producers and new technological developments but also internal factors of adaptation and reorganization.

Despite positive signs in respect of exports, production fell in 1996 and, as a result, a further 100,000 jobs were lost during the last year (in addition to the 600,000 jobs already lost between 1990 and 1995). Between 1990 and 1996 some 20,000 enterprises have closed down.

Against this background the textiles and clothing sector has, nonetheless, improved its competitiveness at an international level in particular as a result of its specialization in the high added value end of the sector and an active exporting strategy.

A series of Community programmes assist structural adjustment. Thus, the textiles and clothing sector is in a position to take advantage of a series of Community programmes destined to favour autonomous adjustment such as reconversion and modernization by way of assistance from the structural funds in regions most affected by permanent adaptation in the sector. The European social fund provides an important instrument to assist the requalification or conversion of workers in all sectors affected by restructuring including textiles and clothing. The textiles and clothing sector can also take advantage of programmes concerning technological research and development and small and medium enterprises.

Integration programmes

The European Community has adopted a positive and balanced approach to integration as demonstrated by its second stage of integration which contains a mixture of restricted and unrestricted products. The European Community drew up its second stage of integration, as stated above, following full consultation with all Members affected by restrictions on their exports to the European Community. As stated at the time, the European Community would have been open to considering further liberalization had it either received requests to do so from exporting Members and in circumstances where Members had demonstrated a more positive position in respect of the question of access to their own markets for the exports to them from other Members, notably the European Community.

The European Community is currently reviewing its integration programme following the findings of the TMB in the matter referred to it by Colombia relating to the inclusion in the European Community's first stage of integration of certain textile and clothing products covered by 6-digit HS lines qualified by "ex" in the ATC. Once this review is complete the European Community will notify the TMB of the results. However, the examination of these matters by the TMB indicated that many of the problems faced by the Community had also been faced by other Members (lack of statistics going beyond the 6-digit level, etc.) and the European Community therefore considers that the TMB must take active steps to review all integration programmes of Members to ensure that the same principles are applied equally to all Members concerned by these issues.

In so far as the comments of certain Members about "backloading" are concerned the European Community, as stated above has taken a positive approach to integration by the inclusion of products already covered by restrictions. For those products not yet integrated, and covered by restrictions, the provisions concerning the enhanced growth rates contained in Articles 2.13 and 2.14 will operate to give very substantial increases in the volumes covered by restrictions. In addition, it should be noted that Members are in full conformity with their legal obligations under the ATC and, given that these concerns were felt during the negotiation of the ATC but no provisions designed to avoid such a result were included in the Agreement there is no valid argument of unfulfilled expectation.

The European Community does not anticipate any difficulties in achieving a balanced integrated programme leading to full integration on 1 January 2005.

In addition, it should be noted that Members have taken broadly similar course in respect of their integration programmes, whether these result from Article 2.7(a) or Article 2.7(b) of the ATC.

Changes in rules of origin

Given the effect that changes in practices, procedures and categorization can have on the implementation or administration of restrictions the ATC makes specific provision concerning the introduction of those changes. In particular they should not upset the balance of rights and obligations between Members, adversely affect access available to Members, impede the full utilization of such access or disrupt trade under the ATC. One Member, nonetheless, has introduced far reaching changes in its rules of origin which have had the above effects. In particular, products previously exported as of Community origin now fall under the origin of the supplier country to the Community of the cloth from which such products are made, creating problems, in particular, with labelling and in respect of quotas where the cloth in question is subject to restriction in the Member that has effected the changes.

Transitional safeguard mechanism

The European Community has not had recourse to the provisions of Article 6 of the ATC.

Anti-dumping

The European Community operates the anti-dumping instrument within a narrowly defined legislative framework which is in line with its WTO commitments and ensures a fair and transparent procedure.

Market access

There is considerable concern that certain Members do not consider the obligation to achieve improved access to markets for textile and clothing products as an important part of the integration process, as set out in Article 7 of the ATC. Thus, there is a concern that while the stages of integration up to 1 January 2005 will ensure the integration of the sector so far as the abolition of restrictions is concerned certain Members will have done little or nothing to improve conditions for access to their own markets for imports. Some, indeed, are in the process of reducing access to their markets.

The effect of this is seen over a broad range of issues such as increases in tariff rates (either going beyond bound rates or not, nonetheless constituting considerable increases), the introduction of labelling and certification requirements, changes in the rules of origin and maintenance of balance-of-payments provisions affecting textiles and clothing.

The TMB's approach to this provision, essentially one based on notification, has resulted in little or no examination of this obligation taking place to date despite its importance in the overall balance of rights and obligation of Members.

Functioning of the TMB

The unique role of the TMB under the ATC is such that it is able to review the action of Members in both a rule based and a conciliatory fashion. Over the course of the first stage of integration the TMB, following initial difficulties, has been able to give increasingly detailed recommendations and findings, which are to be welcomed.