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COM (81)129

Vol. 1981/0034

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COMMISSION  
OF THE  
EUROPEAN COMMUNITIES

General Secretariat

COM(81) 129 final  
Brussels, 13th April 1981  
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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

concerning the renewal of the Arrangement regarding  
International Trade in Textiles (MFA)

and

RECOMMENDATION FOR A COUNCIL DECISION

authorising the Commission to negotiate the renewal of  
the Arrangement regarding international Trade in Textiles

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

Renewal of the Arrangement regarding International Trade in Textiles (MFA)

Introduction

1. The present MFA expires on 31 December 1981. The meeting of the GATT Textiles Committee held on 9 December 1980 was the occasion of the formal opening of negotiation on the question whether the Arrangement should be extended, modified or discontinued after that date. The Community declared at this meeting that before the expiry of the present MFA a particular regime for trade in textiles should again be envisaged. These negotiations will continue at formal and informal levels in 1981. The next meeting of the GATT Textiles Committee will take place on 7 and 8 May; the Commission therefore feels that the time is ripe for the Community to formulate its initial broad objectives for these negotiations. In the Commission's view an extension of the MFA beyond 1981 is necessary in order to avoid chaos in the world textile trade; as in the past, such extension must be limited in time. The textile and clothing industries must, like other industrial sectors, accept international competition. The present communication concentrates on the most important issues as perceived at this stage concerning the renewal of the MFA. Insofar as some aspects of the Community's bilateral agreements form the essential background to the MFA negotiations, these are briefly discussed in Annex VII. The Commission has already transmitted to the Council proposals regarding outward processing (1) and preferential countries (2) and will transmit further communications or recommendations to the Council as required in the light of developments.

Situation of the textile and clothing industry in the Community

2. Textiles and clothing are still a major industrial sector in the Community. Compared with total manufacturing industry they accounted, in 1979, for some 9.6% of the labour force, 6.4% of value added and 6.9% of total turnover.
3. Between 1973 and 1980 the Community industry underwent considerable structural adjustment (Annexe I) :
  - employment in 1980 stood at 1,370,000 in textiles, and 960,000 in clothing, a total of 2,330,000. In 1973, the total was 3,124,000. The loss, therefore, amounts to some 800,000, or 25% and the latest figures show no sign of any diminishing trend;
  - since the beginning of 1980 the accelerating job losses have hit hardest the least favoured regions of the Community\* and it appears that this will continue. By reason of their structural difficulties these regions are particularly ill-equipped to cope simultaneously with a restructuring of the textile sector which is essentially capital intensive and the creation of alternative jobs in other sectors.
  - the number of firms fell by 15%;
  - productivity increased by about 4% annually in textiles and 3,5% annually in clothing as a result of internal rationalization, the disappearance of less competitive companies and concentration on capital intensive production;
  - value added (1973-1979 at constant prices) increased by 13,5% in textiles and 18,9% in clothing; the increases measured in terms of value added per person employed were 48% and 51% respectively.

The data available indicates that investment in real terms declined in the same period.

4. Whereas consumption before 1973 rose annually by about 3 to 4%, the rate of increase has fallen to a very low level since then (Annex III). The share of household expenditure devoted to textiles and clothing steadily diminished. From 1973 to 1979, the annual growth in consumption was 1,2% for textiles and 1,1% for clothing. Such levels are likely to persist for the time being.
5. Total Community production declined in the same period by 3.6% for textiles and 2% for clothing.

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\* See Annex II

### Trade developments

6. As regards the Community's external imports, the Table in Annex IV sets out the evolution in the period 1973-1980. The essential features can be summarized as follows :

|                                               | <u>1974-1977</u>            | <u>1978-1980</u> |
|-----------------------------------------------|-----------------------------|------------------|
| <u>Imports</u>                                | (4 years)                   | (3 years)        |
|                                               | <u>Percentage increases</u> |                  |
| All sources.....                              | + 61.4                      | 30.3             |
| Industrialized countries.....                 | + 30.7                      | 58.9             |
| Countries covered by the textile policy.....  | + 75.0                      | 22.6 *           |
| of which, countries with bilateral agreements | n.a.                        | 18.6 *           |

In 1980 imports have risen by only 2.4% but this is largely due to the fall in demand, rather than a real recovery in the Community industry's position, and merely reflects the normal cyclical pattern in textile and clothing demand.

|                                         | <u>1973-1977</u> | <u>1977-1979</u> |
|-----------------------------------------|------------------|------------------|
| <u>Exports</u>                          | (4 years)        | (2 years)        |
| Total extra                             | + 16.5 %         | - 0.5%           |
| Industrialised countries                | n.a.             | + 3.7%           |
| Countries covered by the textile policy | n.a.             | - 4.2%           |

Imports have risen much faster than exports, which have shown little growth since 1977. The overall trade deficit in the sector which amounted to 208,500 t in 1977 rose to 578,000 in 1979; in value terms, the 1977 deficit was 1,129 million EUA which rose to 3,012 million EUA in 1979.

Until 1979 the Community still had a slight surplus in tonnage terms with industrialised countries, but if present trends continue this surplus will soon disappear.

These trade developments have taken place against a background of an annual growth of consumption of only 1,2%. In 1979 imports accounted for approximately 41% of total consumption of textiles and clothing, compared with approximately 21% in 1973.

\* These figures confirm the Commission's assessment made in its Report on two years' operation of the Multifibre Arrangement /COM(80) 438 final page 9 and Annex III 7 that the Community's textile policy has had a substantial stabilising effect on the rate of growth of imports from countries covered by the Community's textile policy.

General framework of the Community's Textile policy.

7. In view of these developments and of the industry's present situation, the Commission feels it necessary to maintain for a further period an external policy on the lines of that adopted in 1977.

The second MFA has been more effective than the first in decelerating the growth of imports. But it has not yet enabled the Community to complete the restructuring and reconversion to which it is committed under Art 1 para 4 of the MFA and which are recognised as necessary to reestablish the Community industry's competitiveness.

The Community's external textiles policy is only one element in the framework needed for this restructuring. It needs to be complemented by a coherent internal policy. This should aim firstly at preserving and developing the Community's internal market so as to provide an adequate dimension for company strategy. It should also foster the stimulation at national and community level of the industry's innovative efforts. In this context it is essential to strengthen community coordination of national aids to restructuring. Even with import restraint, restructuring will lead to further job losses which by reason of the geographic concentration of the textile and clothing industries will have major regional repercussions. The Community's financial mechanisms, and in particular the Regional and Social Funds, will therefore have to be used to back up the restructuring and reconversion as well as industrial innovation.

The Multifibre Arrangement and the Community's bilateral agreements

8. The objectives of the present MFA, as defined in its Article 1 para 2, are essentially the expansion and liberalisation of trade and its orderly and equitable development while ensuring the avoidance of disruptive effects. The Commission considers that these objectives remain valid. The Commission therefore recommends that in the negotiations the Community confirm the importance it attaches to the objectives of Art 1 para 2 of the MFA.
9. The Community's policy in regard to its trade with MFA supplier countries rests on the MFA and bilateral agreements. The Commission considers the latter to be the necessary complement to the multilateral arrangement, and that a fundamental objective of the Community in the forthcoming negotiations should be to maintain a basis for the conclusion with supplier countries of bilateral agreements of the type now in force under MFA Art 4 and to pave the way for the negotiation thereof.
10. During the last MFA renewal negotiations, the Community argued its case for generalised restraint from all low-cost origins on the basis of cumulative market disruption. In present circumstances, the Commission considers that the Community must continue to take this position.

11. It should be recalled that the supplier partner countries are pressing for a liberalisation of existing trade arrangements (1) and in particular the elimination of import growth rates below the 6% level (accepted by importer countries at a time of consumption growth of 3-4% p.a.) even though the MFA permits lower growth levels in exceptional circumstances. The prevailing average growth rate in demand in the Community is only about 1% p.a., and is not expected to rise in the foreseeable future. This factor, together with the obstacles to access for Community exports of textiles and clothing to other world markets mean that it is hardly possible for the Community to envisage a generalised import growth rate of 6% without imperilling the orderly and equitable development of trade and avoidance of disruptive effects foreseen by the MFA; growth rates will need to take account of consumption trends on the Community market.

12. In the light of the above, the Commission considers that the following guidelines for the negotiations can best secure the objective enshrined in the MFA of orderly and equitable development of trade and the economic and social development of developing countries.

#### Differentiation

13. Given that as indicated above (para 11), a generalised uniform 6% growth rate for all restricted low cost imports is too high for the Community, a greater degree of differentiation is called for.

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(1) Statement by the Colombia representative on behalf of developing countries at the December meeting of the GATT Textiles Committee; Bogota resolution ("a gradual return to free trade")

14. The Commission recommends differentiation between low cost supplier countries according to their state of development. The principle of differentiating was already recognised in the negotiating directives for MFA II. The MFA itself (Art. 6 paras 1 and 2) specifically envisages favourable treatment for developing countries and the non application of the criterion of past performance in the case of those textile sectors in respect of which they are new entrants. Differentiation on the basis of degree of development has already been accepted by the Council in the context of generalised preferences in respect of textiles products (1). The system comprises formulae which may be appropriate in differentiating between various types of supplier countries in the textiles and clothing sectors. The Commission proposes that the Community should draw upon this model with the aim of stabilising its imports from the most developed and competitive suppliers in order to be able to give more favourable treatment to those which are least developed and competitive. The extent of the obstacles at present placed in the way of Community exports to certain of the supplier countries concerned would be a factor to take into account in this context. This policy would represent a development of the approach successfully adopted in respect of MFA II.

15. In order to be able to avoid reductions in the present market access of the most developed and competitive low cost suppliers the Commission recommends that part of the quotas of certain major suppliers should be reserved for outward processed products (2). This would also be one means to obtain improved access for the Community's textile products to the markets of these countries. Finally, the Commission considers that a particular effort should be made to secure improved access to the markets of State trading countries.

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(1) Regulation EEC 2894/79 on generalised preferences for textiles products. O.J. L 332 of 27.12.1980, page 1; the same principles govern the scheme for 1981 : see O.J. L 354 of 29.12.1980, page 1.

(2) Cf. the Commission's proposal on outward processing COM(81) 61 Final of 11/3/1981.

Outward processing

16. As a general principle, the Commission recommends in conformity with its proposal on this matter (1) that outward processed products should be subject to a separate treatment, in the light of the specific suggestions made in paragraph 11 and 15 above, and in view of the industrial objectives which underlie the system.

Flexibility (MFA Art. 4 para. 3 and Annex B)

17. (a) Swing

Annex B, paragraph 5 of the MFA specifically provides for a level of 7 percent transfer ("swing") between quotas for different categories of products save in exceptional and sparingly used circumstances where a lower percentage may be justified in which case that lower percentage shall not be less than 5 percent. The Community's agreements provide for 5 percent swing and place certain further restrictions on swing in respect of the quotas for the most sensitive (Group I) products. Supplier countries attach great importance to Annex B, paragraph 5 of the MFA, but it is frequently attacked in the Community on the grounds that it enables quotas for sensitive products to be increased by transfers from quotas whose use is so low that they are of no commercial interest. The Commission considers that one remedy for this problem lies in the elimination of under-utilised quotas. The Commission does not recommend that a change in the provisions of the MFA in this regard be sought.

18. (b) Carry forward and carry over

Article 4 paragraph 3 and Annex B of the MFA provide for carry forward and carry over facilities but it has been argued that these provisions are not mandatory (the Community's bilateral agreements allow 5% in each case). The Commission does not recommend that a change be sought in these provisions on condition that they can be waived in certain circumstances at the time of negotiation of bilateral agreements.

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(1) COM(81)61 final of 11.3.1981

Fraud (MFA Article 8)

19. Although Article 8 paragraphs 1 and 2 of the MFA deal with the problem of fraud, the text does not specifically lay down the principle that 100% of goods, the origin of which has been fraudulently misrepresented, must be deducted from the quota of the true country of origin. The Commission considers that this represents a weakness in the present arrangements and that the principle of 100% compensation should be clearly established at least insofar as trade with the Community is concerned. The Commission recommends that the Community should explore in liaison with its negotiating partners the most appropriate means of achieving this result, which could be supplemented by the suspension of flexibility provisions in cases of proven fraud. Furthermore the Commission suggests strengthening the arrangements for administrative cooperation and origin checking for the purpose of preventing fraud.

Social Clause

20. The Commission has already drawn the Council's attention to the possibility of establishing a link between certain preferential advantages offered by the Community in the commercial field and the observance of certain basic international standards governing working conditions (1). It also indicated which ILO conventions might be taken into account in this context (2) and indicated in a working document how this approach might be applied in the context of the System of Generalised Preferences (3). The Council has not yet pronounced on this principle.
21. The Commission considers that the development of a textile industry in developing countries should contribute to the betterment of the living standards of the populations concerned, and feels that it would be desirable to achieve the recognition of this principle in the context of international trade in textiles. Respect of such a principle through the ILO appears important in order to ensure that there will not be advantages based on social conditions which are not in conformity with recognised ILO standards.

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(1) COM(78) 47 Final of 16.2.1978 (Commission memorandum on the Lome negotiations.

(2) COM(78) 492 Final of 10.11.1978. Commission communication on development cooperation and observance of certain international standards.

(3) SEC(80) 1316 of 19.9.1980. The grant of GSP benefit would be linked to respect by the beneficiary country of specified ILO conventions. In case of apparent non respect, the Commission, acting on its own initiative or at the request of a Member State, would ask the ILO to verify the situation. A finding of non respect would result in notification by the Commission of intention to withdraw tariff concessions followed by actual withdrawal in the case of continued non respect of the ILO standards.

#### Price Clause

22. The MFA does not specifically deal with clauses concerning unfair pricing, although it should be noted that Article 9 calls upon participating countries to refrain from taking additional trade measures which may have the effect of nullifying the objectives of the Arrangement. The Community's agreements with state-trading countries (some of which are parties to the MFA) include price clauses. Although the Community has never formally invoked such a clause, informal consultations have been held against the background of such a clause; these consultations yielded an undertaking to increase the prices in question substantially.

The Commission considers that a clause providing for consultations in the event of unfair pricing can be useful in agreements with state trading countries.

#### Handloom products (MFA Article 12, paragraph 3)

23. Article 12, paragraph 3 excludes the application of the MFA to developing country exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or to traditional folklore handicraft textiles products, provided that such products are properly certified under arrangements established between the importing and exporting participating countries concerned. Developing countries attach the greatest importance to this provision. Exports of handloom and folklore products have given rise to problems from time to time, the solution of which has not hitherto involved a change in the wording of the MFA. The Commission recommends that the Community seek to maintain existing arrangements in this regard.

#### MFA-text

24. The Commission believes that the existing text of the MFA allows all the essential characteristics of the existing type of bilateral agreements to be negotiated, including in particular the use of growth rates of less than 6% in quotas and the operation of the basket exit system. The Commission does not feel it necessary at this stage for the Community to pronounce on the question whether or not the terms of the successor to the MFA should be different from the existing text. This can be dealt with at a later stage in the light of the

Community's objectives, developments in the interpretation of the present MFA, and the course of the negotiations.

Duration of validity; suspensive clause

25. The Commission believes that business policy decisions in the textile and clothing industries are best made in conditions of longer term stability of the international trading environment. However, asking for an excessively long validity period would give rise to problems with partner countries. On balance, therefore, the Commission recommends that the Community set as its objective to obtain a successor arrangement to the MFA valid for five years. The Commission considers that this period should enable the Community's industry to make new progress in its restructuring efforts.

The Commission considers that the Community's acceptance should be linked to the satisfactory outcome of negotiations in respect of the Community's bilateral agreements.

26. In the light of the above, the Commission invites the Council to adopt the attached Recommendation for a Decision.

## SELECTED STRUCTURAL DEVELOPMENTS IN TEXTILES AND CLOTHING

|                                                          |        | 1973      | 1974      | 1975   | 1976   | 1977     | 1978      | 1979      | 1979<br>1973 | %<br>Change<br>1979/1973 | 1980<br>(*) | 1980<br>1973 | %<br>Change<br>1980/1973 |
|----------------------------------------------------------|--------|-----------|-----------|--------|--------|----------|-----------|-----------|--------------|--------------------------|-------------|--------------|--------------------------|
| EMPLOYEES                                                | text.  | 1.848     | 1.754     | 1.629  | 1.573  | 1.525    | 1.457     | 1.415     |              |                          | (1.370)     | - 478        | - 25,8                   |
|                                                          | cloth. | 1.276     | 1.204     | 1.146  | 1.094  | 1.055    | 1.011     | 1.002     |              |                          | ( 959)      | - 317        | - 24,8                   |
| FIRMS                                                    | text.  | 14.842    | 14.483    | 13.780 | 13.360 | 13.012   | 12.833    | 12.594 *) | - 2.248      | - 15,1                   |             |              |                          |
|                                                          | cloth. | 15.708    | 15.304    | 14.428 | 14.078 | 13.445   | 13.467    | 13.384 *) | - 2.324      | - 14,8                   |             |              |                          |
| VALUE ADDED<br>(mill EUA, CONSTANT<br>PRICES 1973)       | text.  | 10.986 *) | 11.872    | 10.923 | 11.655 | 11.344   | 11.519 *) | 12.468 *) | + 1.482      | + 13,5                   |             |              |                          |
|                                                          | cloth. | 5.562 *)  | 5.963     | 5.928  | 5.870  | 5.931    | 6.128 *)  | 6.611 *)  | + 1.049      | + 18,9                   |             |              |                          |
| VALUE ADDED PER PERSON<br>(EUA, CONSTANT<br>PRICES 1973) | text.  | 5.946 *)  | 6.768     | 6.705  | 7.409  | 7.439    | 7.906 *)  | 8.811 *)  | + 2.865      | + 48,2                   |             |              |                          |
|                                                          | cloth. | 4.361 *)  | 4.953     | 5.173  | 5.366  | 5.622    | 6.121 *)  | 6.598 *)  | + 2.237      | + 51,3                   |             |              |                          |
| VALUE ADDED<br>(mill EUA, CURRENT<br>PRICES)             | text.  | 10.986 *) | 12.711 *) | 12.534 | 14.090 | 14.581   | 15.570 *) | 17.400 *) | + 6.414      | + 58,4                   |             |              |                          |
|                                                          | cloth. | 5.562 *)  | 6.385     | 6.769  | 7.126  | 7.606    | 8.300 *)  | 9.190 *)  | + 3.628      | + 65,2                   |             |              |                          |
| VALUE ADDED PER PERSON<br>(EUA, CURRENT<br>PRICES)       | text.  | 5.946 *)  | 7.249 *)  | 7.675  | 8.955  | 9.721 *) | 10.832 *) | 12.470 *) | + 6.524      | + 109,7                  |             |              |                          |
|                                                          | cloth. | 4.361 *)  | 5.374 *)  | 6.008  | 6.560  | 7.264 *) | 8.189 *)  | 9.077 *)  | + 4.716      | + 108,1                  |             |              |                          |
| INVESTMENT 2)<br>(mill EUA,<br>1970 PRICES)              | text.  | 1.271     | 1.181     | 905    | 919    | 835      | 850 *)    | 870 *)    |              |                          |             |              |                          |
|                                                          | cloth. | 292       | 240       | 201    | 215    | 217      | 230 *)    | 240 *)    |              |                          |             |              |                          |

\*) estimate.

Source : response to the GATT Textiles Questionnaire and EUROSTAT.

1) Only enterprises of 20 or more employees included.

2) Subject to slight revision.

**ANNEXE II**  
**PRINCIPALES PERTES D'EMPLOIS DANS LES INDUSTRIES DU TEXTILE ET DE LA CONFECTION ENTRE 1973 ET 1977**

XVI-A 1 - Ann. 2

Unité : 1000 Trav.

| Région * *)           | Part du<br>text+hab<br>ds sect.<br>second.<br>1977 | Textile        |                |                              | Habillement    |                |                              | Textile et habillement |                |                              | Chômage<br>1977<br>% | Chômage<br>1973<br>% |
|-----------------------|----------------------------------------------------|----------------|----------------|------------------------------|----------------|----------------|------------------------------|------------------------|----------------|------------------------------|----------------------|----------------------|
|                       |                                                    | Emploi<br>1973 | Emploi<br>1977 | Perte<br>d'emploi<br>73 - 77 | Emploi<br>1973 | Emploi<br>1977 | Perte<br>d'emploi<br>73 - 77 | Emploi<br>1973         | Emploi<br>1977 | Perte<br>d'emploi<br>73 - 77 |                      |                      |
| Flandre orientale     | 20,1                                               | 49,2           | 30,7           | - 36,3                       | 16,1           | 12,9           | - 19,9                       | 64,3                   | 43,6           | - 32,2                       | 4,9                  | 6,0                  |
| East Midlands         | 19,4                                               | 111,3          | 105,5          | - 5,2                        | 29,4           | 29,4           | -                            | 140,7                  | 134,9          | - 4,1                        | 3,8                  | 2,6                  |
| Thüringen             | 18,6                                               | ND             | 47,0           | - 15,7*)                     | ND             | 10,2           | - 12,2                       | ND                     | 57,2           | - 11,8*)                     | 1,0                  | 1,8                  |
| Northern Ireland      | 18,5                                               | 28,2           | 21,5           | - 23,8                       | 21,2           | 13,1           | - 14,6                       | 49,4                   | 39,6           | - 19,8                       | 8,5                  | 7,0                  |
| Flandre occidentale   | 18,2                                               | 28,0           | 22,5           | - 19,6                       | 11,0           | 9,5            | - 13,6                       | 39,0                   | 32,0           | - 17,9                       | 4,2                  | 5,9                  |
| Oberfranken           | 18,2                                               | 35,2           | 28,9           | - 17,9                       | 16,3           | 16,1           | - 1,2                        | 51,5                   | 45,0           | - 12,6                       | 3,0                  | 1,8                  |
| Nord-Pas-de-Calais    | 17,6                                               | 110,2          | 88,1           | - 20,1                       | 32,7           | 29,9           | - 8,6                        | 142,9                  | 113,0          | - 17,4                       | 5,0                  | 7,3                  |
| Tessalon              | 15,9                                               | 64,9           | 52,8           | - 18,6                       | 44,9           | 37,2           | - 17,1                       | 109,8                  | 90,0           | - 18,0                       | 3,2                  | 3,6                  |
| Marche-Vallée         | 14,7                                               | 3,1            | 4,1            | + 32,2                       | 12,6           | 14,0           | + 11,1                       | 15,7                   | 18,1           | + 15,3                       | 5,1                  | 5,7                  |
| Yorkshire-Wharfedale  | 13,9                                               | 53,7           | 45,6           | - 15,1                       | 50,7           | 49,0           | - 3,4                        | 104,4                  | 94,6           | - 9,4                        | 2,4                  | 3,5                  |
| Champagne-Ardenne     | 13,5                                               | 115,6          | 94,7           | - 18,1                       | 44,7           | 39,1           | - 12,5                       | 160,3                  | 133,8          | - 16,5                       | 4,2                  | 3,6                  |
| Lombardie             | 13,0                                               | 29,5           | 25,4           | - 10,5                       | 3,8            | 3,7            | - 2,6                        | 33,3                   | 30,1           | - 9,6                        | 5,0                  | 5,5                  |
| Overijssel            | 12,8                                               | 188,1          | 162,7          | - 13,5                       | 91,4           | 74,4           | - 18,6                       | 279,5                  | 237,1          | - 15,2                       | 2,0                  | 3,0                  |
| Piemonte              | 12,5                                               | 19,1           | 13,7           | - 28,3                       | 6,0            | 3,4            | - 43,3                       | 25,1                   | 17,1           | - 31,9                       | 3,5                  | 2,9                  |
| Wintert               | 11,9                                               | 86,2           | 70,4           | - 18,3                       | 39,4           | 36,9           | - 6,3                        | 125,6                  | 107,3          | - 14,6                       | 2,8                  | 3,4                  |
| North West            | 11,9                                               | ND             | 33,0           | - 23,5*)                     | ND             | 14,5           | - 23,9*)                     | ND                     | 47,5           | - 23,7*)                     | 3,3                  | 2,6                  |
| Unterfranken          | 11,8                                               | 128,0          | 110,2          | - 13,9                       | 60,3           | 53,5           | - 11,3                       | 188,3                  | 163,7          | - 13,1                       | 5,4                  | 4,4                  |
| Umbria                | 11,5                                               | 1,4            | 0,9            | - 35,7                       | 25,6           | 24,4           | - 4,7                        | 27,0                   | 25,3           | - 6,3                        | 3,1                  | 3,5                  |
| Schwaben              | 11,5                                               | 6,8            | 6,7            | - 1,5                        | 7,0            | 6,8            | - 2,9                        | 13,8                   | 13,5           | - 2,2                        | 6,2                  | 4,8                  |
| Alsace                | 10,9                                               | 28,9           | 24,8           | - 14,2                       | 8,2            | 7,1            | - 13,4                       | 37,1                   | 31,9           | - 14,0                       | 2,6                  | 3,0                  |
| Irlande               | 10,9                                               | 25,8           | 20,2           | - 21,7                       | 7,9            | 7,6            | - 3,8                        | 33,7                   | 27,8           | - 17,5                       | 2,8                  | 2,8                  |
| Detmold               | 10,5                                               | 23,0           | 21,1           | - 8,3                        | 17,1           | 13,2           | - 22,3                       | 40,1                   | 34,3           | - 14,5                       | 9,2                  | ND                   |
| Weser-Ems             | 10,3                                               | ND             | 10,6           | - 23,5*)                     | ND             | 22,1           | - 23,9*)                     | ND                     | 32,7           | - 23,7*)                     | 2,5                  | 1,9                  |
| Scotland              | 9,9                                                | ND             | 16,4           | - 15,2*)                     | ND             | 13,3           | - 16,1*)                     | ND                     | 29,7           | - 15,8*)                     | -                    | 2,7                  |
| Puglia                | 9,9                                                | 71,4           | 57,6           | - 19,3                       | 32,2           | 31,1           | - 3,4                        | 103,6                  | 89,7           | - 14,4                       | 6,5                  | 5,4                  |
| Marche                | 9,2                                                | 11,3           | 10,7           | - 5,3                        | 20,3           | 15,0           | - 21,2                       | 31,6                   | 26,7           | - 15,5                       | 7,0                  | 6,8                  |
| Midi-Pyrénées         | 9,2                                                | 6,0            | 4,8            | - 20,0                       | 15,3           | 15,1           | + 5,2                        | 21,3                   | 20,9           | - 1,9                        | 2,2                  | 3,3                  |
| Emilia-Romagna        | 9,0                                                | 16,9           | 15,1           | - 10,7                       | 8,7            | 8,8            | + 1,1                        | 25,6                   | 23,9           | - 6,6                        | 4,7                  | 5,2                  |
| Niederbayern          | 8,8                                                | 31,6           | 25,6           | - 19,0                       | 31,8           | 27,4           | - 13,8                       | 63,4                   | 53,0           | - 16,4                       | 2,4                  | 3,6                  |
| Rhône-Alpes           | 8,6                                                | 5,5            | 3,9            | - 29,1                       | 10,5           | 10,7           | + 1,9                        | 16,0                   | 14,6           | - 8,8                        | 2,9                  | 2,1                  |
| Freiburg              | 8,6                                                | 75,3           | 51,4           | - 31,7                       | 25,4           | 22,6           | - 11,0                       | 100,7                  | 74,0           | - 26,5                       | 4,3                  | 5,1                  |
| Picardie              | 8,4                                                | ND             | 24,5           | - 15,7                       | ND             | 5,2            | - 12,2*)                     | ND                     | 29,7           | - 14,8*)                     | 2,3                  | 1,8                  |
| Hainaut               | 8,3                                                | 23,0           | 15,8           | - 31,3                       | 7,2            | 8,0            | + 11,1                       | 30,2                   | 23,8           | - 21,2                       | 4,1                  | 6,3                  |
| Kassel                | 8,1                                                | 14,6           | 9,5            | - 34,9                       | 6,9            | 4,8            | - 30,4                       | 21,5                   | 14,3           | - 33,5                       | 6,8                  | 9,7                  |
| Lorraine              | 7,9                                                | ND             | 11,2           | - 24,7                       | ND             | 7,3            | - 21,5                       | ND                     | 18,5           | - 23,0*)                     | 1,9                  | 1,9                  |
| Friuli-Venezia-Giulia | 7,9                                                | 32,6           | 25,3           | - 22,4                       | 10,0           | 9,9            | - 1,0                        | 42,6                   | 35,2           | - 17,4                       | 2,7                  | 4,5                  |
| Basilicata            | 7,8                                                | 11,6           | 8,6            | - 25,9                       | 4,9            | 4,5            | - 8,2                        | 16,5                   | 13,1           | - 20,6                       | 1,6                  | 2,4                  |
| Communauté européenne | 7,6                                                | 1,1            | 1,7            | + 54,5                       | 2,1            | 1,9            | - 9,5                        | 3,2                    | 3,6            | + 12,5                       | 5,9                  | 10,0                 |
|                       | 7,4                                                | 2113,6         | 1705,6         | - 19,3                       | 1507,1         | 1270,0         | - 15,7                       | 3620,7                 | 2975,6         | - 17,3                       | 4,2                  |                      |

- \*) Pour la R.F.A. les chiffres 1973 des Regierungsbezirke n'étant pas disponibles, les pourcentages de pertes sont calculés au niveau des Länder
- \*\*) Les circonscriptions retenues sont les régions II NUTS; le choix d'un découpage plus fin comme les régions III NUTS modifierait sensiblement dans certains cas l'importance du secteur textile dans les régions retenues et l'ordre dans lequel les régions sont placées dans ce tableau.
- \*\*\*) Les régions soulignées sont celles dont le P.I.B. par tête en 1977 est inférieur à la moyenne communautaire (CEE 10 = 100)

E E C :

TRENDS IN PRODUCTION, CONSUMPTION, EMPLOYMENT  
AND EXTERNAL TRADE (1973 = 100)

INDEXES

|      | PRODUCTION |          | CONSUMPTION<br>CLOTHING | IMPORTS<br>EXTRA<br>T + C | EXPORTS<br>EXTRA<br>T + C | EMPLOYMENT<br>T + C |
|------|------------|----------|-------------------------|---------------------------|---------------------------|---------------------|
|      | TEXTILES   | CLOTHING |                         |                           |                           |                     |
| 1973 | 100,0      | 100,0    | 100,0                   | 100,0                     | 100,0                     | 100,0               |
| 1974 | 95,6       | 94,3     | 100,5                   | 131,5                     | 109,3                     | 94,7                |
| 1975 | 88,3       | 94,6     | 100,7                   | 140,6                     | 97,1                      | 88,8                |
| 1976 | 96,9       | 99,5     | 102,1                   | 175,4                     | 112,0                     | 85,4                |
| 1977 | 94,2       | 97,6     | 102,8                   | 161,4                     | 116,5                     | 82,6                |
| 1978 | 91,5       | 94,0     | 104,6                   | 172,6                     | 115,1                     | 79,0                |
| 1979 | 96,4       | 98,0     | 106,6                   | 205,4                     | 115,9                     | 77,4                |
| 1980 | 95,3*      | 93,9*    |                         | 212,2                     |                           | (74,6)              |

\* 10 months extrapolated

## TRENDS IN COMMUNITY IMPORTS

Unité : 1.000 Tonnes

| SOURCE                                 | 1973 | 1974  | 1975  | 1976  | 1977  |
|----------------------------------------|------|-------|-------|-------|-------|
| EXTRA                                  | 826  | 1.086 | 1.161 | 1.449 | 1.333 |
| INDUSTRIALISED COUNTRIES               | 254  | 334   | 306   | 356   | 332   |
| COUNTRIES COVERED BY TEXTILE POLICY    | 572  | 752   | 855   | 1.093 | 1.001 |
| of which                               |      |       |       |       |       |
| AGREEMENT COUNTRIES                    | n.d. | n.d.  | n.d.  | 651   | 598   |
| PREFERENTIAL COUNTRIES (including ACP) | n.d. | n.d.  | n.d.  | n.d.  | 301   |

| 1977  | 1978  | 1979  | 1980  |
|-------|-------|-------|-------|
| 1.333 | 1.426 | 1.697 | 1.753 |
| 331   | 354   | 472   | 526   |
| 1.001 | 1.072 | 1.225 | 1.227 |
| 598   | 598   | 697   | 709   |
| 301   | 366   | 419   | 395   |

| CHANGE                                 |  | 1974 / 1973 | 1975 / 1974 | 1976 / 1975 | 1977 / 1976 | 1977 / 1973 |  | 1978 / 1977 | 1979 / 1978 | 1980 / 1979 | 1980 / 1977 |
|----------------------------------------|--|-------------|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|-------------|
| EXTRA                                  |  | + 31,5      | + 6,9       | + 24,8      | - 8,0       | + 61,4      |  | + 7,0       | + 19,0      | + 3,3       | + 31,5      |
| INDUSTRIALISED COUNTRIES               |  | + 31,5      | - 8,4       | + 16,3      | - 6,8       | + 30,7      |  | + 6,6       | + 33,3      | + 11,4      | + 58,9      |
| COUNTRIES COVERED BY TEXTILE POLICY    |  | + 31,5      | + 13,7      | + 27,8      | - 8,4       | + 75,0      |  | + 7,1       | + 14,3      | -           | + 22,6      |
| of which                               |  |             |             |             |             |             |  |             |             |             |             |
| AGREEMENT COUNTRIES                    |  | n.d.        | n.d.        | n.d.        | - 8,2       |             |  | -           | + 16,5      | + 1,7       | + 18,6      |
| PREFERENTIAL COUNTRIES (including ACP) |  | n.d.        | n.d.        | n.d.        | n.d.        |             |  | + 21,6      | + 14,5      | - 5,7       | + 31,2      |

## PENETRATION LEVEL

| SOURCE                                 | 1973 | 1974 | 1975 | 1976 |  | 1977 | 1978 | 1979 |
|----------------------------------------|------|------|------|------|--|------|------|------|
| EXTRA                                  | 20,9 | 32,9 | 34,6 | 37,4 |  | 38,0 | 39,4 | 41,3 |
| INDUSTRIALISED COUNTRIES               | n.d. | n.d. | n.d. | n.d. |  | 8,2  | 8,8  | 10,3 |
| COUNTRIES COVERED BY TEXTILE POLICY    | n.d. | n.d. | n.d. | n.d. |  | 29,7 | 30,6 | 31,0 |
| of which                               |      |      |      |      |  |      |      |      |
| AGREEMENT COUNTRIES                    | n.d. | n.d. | n.d. | n.d. |  | 17,5 | 16,9 | 17,6 |
| PREFERENTIAL COUNTRIES (including ACP) | n.d. | n.d. | n.d. | n.d. |  | 9,0  | 10,6 | 10,8 |

n.d. not available.

The penetration level is calculated from imports of products corresponding to those used to determine the market. The imports taken into consideration are less than those covered in the first two tables on this page, imports of six categories of semi-raw materials having been eliminated (Cat. 41-42-46-51-54-55).

TRENDS IN TRADE 1977-1979

Annex V

Unité : 1.000 Tonnes

| SOURCE                                      | YEAR | IMPORTS | EXPORTS | BALANCE |
|---------------------------------------------|------|---------|---------|---------|
| EXTRA                                       | 1977 | 1.333   | 1.124   | - 209   |
|                                             | 1978 | 1.426   | 1.111   | - 315   |
|                                             | 1979 | 1.697   | 1.118   | - 579   |
| INDUSTRIALISED COUNTRIES                    | 1977 | 331     | 519     | + 188   |
|                                             | 1978 | 353     | 520     | + 167   |
|                                             | 1979 | 472     | 539     | + 67    |
| COUNTRIES COVERED BY THE TEXTILE POLICY     | 1977 | 1.001   | 605     | - 396   |
|                                             | 1978 | 1.072   | 591     | - 481   |
|                                             | 1979 | 1.225   | 580     | - 645   |
| AGREEMENT COUNTRIES                         | 1977 | 598     | 157     | - 441   |
|                                             | 1978 | 598     | 169     | - 429   |
|                                             | 1979 | 697     | 171     | - 526   |
| PREFERENTIAL COUNTRIES                      | 1977 | 301     | 208     | - 93    |
|                                             | 1978 | 366     | 203     | - 163   |
|                                             | 1979 | 419     | 205     | - 214   |
| of which                                    |      |         |         |         |
| A.C.P.                                      | 1977 | 17      | 73      | + 56    |
|                                             | 1978 | 16      | 74      | + 58    |
|                                             | 1979 | 20      | 60      | + 40    |
| OTHER PREFERENTIAL COUNTRIES <sup>(1)</sup> | 1977 | 284     | 135     | - 149   |
|                                             | 1978 | 350     | 129     | - 221   |
|                                             | 1979 | 399     | 145     | - 254   |

<sup>(1)</sup> SPAIN - PORTUGAL - GREECE - MOROCCO - TUNISIA - MALTE - CYPRUS - EGYPT (solely for cotton yarn category 1).

TRENDS IN IMPORTS OF TEXTILE PRODUCTS INTO THE EEC BETWEEN 1976, THE REFERENCE YEAR FOR FIXING THE OBJECTIVES OF THE TEXTILES POLICY, AND 1980 (MFA PRODUCTS, GROUPS I - V).

Unité : 1.000 T

| ZONES                                     | 1976  | 1977  | 1978  | 1979  | 1980  | Variation 1979-1980<br>in % | Average annual<br>80-76 in % |
|-------------------------------------------|-------|-------|-------|-------|-------|-----------------------------|------------------------------|
| Extra-EEC                                 | 1.449 | 1.333 | 1.426 | 1.697 | 1.753 | + 3,3                       | + 4,9                        |
| Low cost countries                        | 1.093 | 1.001 | 1.072 | 1.225 | 1.227 | + 0,1                       | + 2,9                        |
| of which                                  |       |       |       |       |       |                             |                              |
| Countries with agreement                  | 651   | 598   | 598   | 697   | 709   | + 1,7                       | + 2,2                        |
| Preferential countries<br>(including ACP) | n.d.  | 301   | 366   | 419   | 395   | - 5,7                       | n.d.                         |
| Industrialised countries                  | 356   | 332   | 354   | 472   | 526   | + 11,4                      | + 10,3                       |

### The Community's Bilateral Agreements

1. The Commission does not consider the present communication to be the appropriate place for a full discussion of policy regarding the bilateral agreements. The following brief comments concern only matters which are central to the context of the MFA negotiations. The Commission will transmit a more detailed communication concerning the bilateral agreements when necessary.

#### The Community's internal system

##### Globalisation

2. The Commission considers that the Community's system of Community global ceilings for Group I products should remain in force as an internal system. The Commission has proposed modifications to the system as far as concerns countries with Preferential Agreements with the Community (1). The Commission will also propose in due course any changes in the present internal system which may be desirable, particularly as regards possible modifications in the composition of Group I necessitated by developments in the sensitivity of the products concerned. Furthermore, separate ceilings should be reserved for outward processed products.

#### Subdivision of Community quotas among the Member States

3. One of the principal sources of friction with supplier countries in respect of the bilateral agreements has been the rigidity of application of the subdivision of Community quotas among the Member States. The solution most in conformity with the principle of a common market would consist in unified Community quotas. Although such an approach may be difficult to envisage in present circumstances, the Commission considers that in the successors to the present bilateral agreements some degree of automatic and gradually increasing flexibility in this respect needs to be provided for and is indeed necessary; such a change will greatly facilitate the negotiations and will also help to achieve a true common market, which is a necessary condition for the industry's restructuring.

### Provision of the bilateral agreements

#### Growth rates

4. Under the present bilateral agreements, import growth rates vary to some extent according to the sensitivity of the products concerned and the market shares of the various supplier countries. The Commission will seek to develop differentiation in the bilateral context and will continue to defend the view that growth rates below 6% are justified under the MFA where the Community considers them necessary for the "orderly and equitable development of trade" (Article 1 para 2 of the MFA), especially in view of the extremely low growth of consumption in the Community.

#### Basket extractor mechanism

5. The Commission considers that the basket extractor mechanism has proved its worth as an instrument for introducing new quotas in agreement with supplier countries. The Commission takes the view that such a mechanism will continue to be necessary in the successor bilateral agreements. The Commission also sees the need for a complementary system to enable under-utilised quotas to be eliminated.\*

#### Access to the markets of supplier countries

6. The Commission intends to seek to obtain better access to the markets of supplier countries, especially those of state-trading and newly industrialised countries, in the course of the renegotiation of the bilateral agreements.

#### Outward Processing

7. The Commission recommends that outward processed products should be subject to separate treatment.

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

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic  
Community and, in particular Article 113 thereof,

Having regard to the recommendation from the Commission,

Whereas negotiations have to be conducted between the parties to the  
Arrangement regarding International Trade in Textiles, for its  
possible renewal after 31.12.1981;

Whereas the Community should participate in these negotiations,

HAS DECIDED AS FOLLOWS :

Article 1

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

Article 2

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

Done at Brussels,

For the President

## DIRECTIVES FOR NEGOTIATIONS

The main objective for the Community is to achieve the renewal of the MFA modified if necessary to achieve the results set out below.

1. Affirm the Community's commitment to the objectives of the MFA as defined in its Art. 1 paras 2 and 3.
2. Safeguard the Community's right to maintain broadly its system of bilateral agreements.
3. Affirm the principle that growth rates lower than 6% are permissible under the MFA when necessary for the "orderly and equitable development of trade while ensuring the avoidance of disruptive effects" (Art 1 para 2 MFA), and that growth rates should take account of consumption trends on the Community market.
4. Ensure that the Community can achieve a measure of differentiation between the treatment of the most competitive and developed suppliers on the one hand and the least developed and competitive on the other.  
One instrument to facilitate this process would be outward processing arrangements.
5. Seek recognition of the principle that 100 % of goods the origin of which is fraudulently misrepresented must be deducted from the quota of the true country of origin.
6. Seek recognition of the principle that measures to facilitate the orderly and equitable development of trade, such as the MFA, should further the economic and social development of developing countries and benefit the populations concerned.
7. Maintain the existing position regarding price clauses.
8. Maintain existing arrangements regarding handloom and folklore products.
9. Obtain an arrangement of 5 years duration.
10. Affirm that the acceptance by the Community of a successor Arrangement will be conditional upon the conclusion of satisfactory bilateral agreements.