

Kuschel, Hans-Dieter

**Article — Digitized Version**

## The EC's import policy for Textiles

Intereconomics

*Suggested Citation:* Kuschel, Hans-Dieter (1977) : The EC's import policy for Textiles, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 12, Iss. 3/4, pp. 84-87,  
<https://doi.org/10.1007/BF02928698>

This Version is available at:

<https://hdl.handle.net/10419/139455>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# The EC's Import Policy for Textiles

by Hans-Dieter Kuschel, Bonn \*

**In implementing the Multilateral Textile Agreement the European Community opted for the instrument of export self-restraint agreements which – in contrast to unilaterally imposed restrictions – may already be concluded before a threatening market disruption has actually materialized. On the other hand, the self-restraint agreements favour, in their present form, certain malpractices which have given rise to serious criticism.**

The trade policy of the European Community in the textile and clothing sector has repeatedly encountered criticism. Industry and unions both were critical of the length of time it took the Community to make up its collective mind – from the Multilateral Textile Agreement concluded in Geneva in December 1973 until the start of the negotiations with the textile-exporting countries about export self-restraint agreements – and the long drawn-out nature of these negotiations because in the meantime imports had risen considerably which led, according to the rules of the Multilateral Textile Agreement, to higher base values for the restrictions. The import trade objected in particular to the increase in the degree of restriction vis-à-vis Hong Kong and Taiwan, the small growth rates conceded in respect of clothing imports and the price increases for imported goods caused by the quotas.

The extent of the criticism and the contrary nature of the opinions expressed show how difficult it was to develop a common import policy which would take account of industry's demands for a safeguard against market disruptions and at the same time allow for the interest of the consumer in comprehensive and cheap supplies.

Like most of the textile-exporting countries, the EC in implementing the Multilateral Textile Agreement opted for the instrument of export self-restraint agreements. What can be said for such a solution is this: According to the criteria laid down in the Multilateral Textile Agreement export self-restraint agreements are already admissible in cases where a real danger of a market disruption exists. With a number of products it would have been difficult to prove that a market disruption

had actually materialized, as is necessary in cases of unilaterally imposed restrictions. Export self-restraint agreements enabled the import policy vis-à-vis a particular exporting country to be placed on a secure contractual footing, i. e. agreement could be reached on the extent of interference in the free movement of goods. Moreover, the freedom both contracting parties enjoy in shaping the agreement makes it possible, by providing for the exchange of statistical data, to discern actually happening or impending market disruptions earlier and to concert steps to deal with them jointly.

The European Community faced particular difficulties in fulfilling its obligations under the Multilateral Textile Agreement. The introduction of common restrictions or the transition to a common liberalisation presupposed within the EC a harmonization of the rather different trading policies of the member states. Such harmonization requires also an extensive standardization on the part of member states of their economic, and specially their structural, policies which are the cause of the diverging trading policies. The latter manifest themselves in the extent of the restrictions on foreign trade, the size of the import quotas in view of the countries' economic efficiency and the kind of assistance they give to their textile and clothing industries.

With these different starting points and the relatively short time-limits laid down by the Multilateral Textile Agreement, a harmonization of the different trading policies which would have totally corresponded with the objectives of that agreement could not be achieved immediately. A number of EC member states which had protected certain production lines by way of extremely small quotas would have been unable to open up their markets

\* Federal Ministry of Economics.

at once without causing an accentuation of the structural difficulties and their socio-political consequences that would have scarcely been politically acceptable against the background of the business recession of the years 1974/75. What needed doing first of all, was to achieve a synthesis between the more liberal trading policy of the Federal Republic of Germany which favoured a structural change and the more restrictive trading policies of a number of other member states which aimed at the preservation of existing structures.

### **Global or Selective Import Restrictions**

Between the principal textile-importing areas — the EC and the USA — opinions began to differ soon after the Multilateral Textile Agreement had come into force on how to formulate the export self-restraint agreements. The question was should these restrictions be global or selective.

The export self-restraint agreements of the USA provide for a global restriction on imports of all kinds of textiles and clothing; the imports of non-sensitive products are left free of all further restrictions until the moment the upper global ceiling is reached. For sensitive products a lower ceiling is fixed with firm growth rates in each case.

By contrast, the self-restraint agreements of the EC are based on the principle of selectivity. The intention is to isolate a disturbance of the market, as far as this is economically justifiable and technically feasible, by concentrating on certain sub-items of the Brussels Tariff Nomenclature. The clothing positions show this with particular clarity (6101/6102). Thus the disturbance of the market equilibrium in the case of a sub-item, say that of woven men's trousers, need not lead to a restriction being imposed on other sub-items such as the remainder of the items enumerated under the same tariff number, i. e. that of men's woven outer garments such as coats, jackets, bathing-gowns, anoraks, etc. A differentiation according to the type of fibre (wool, cotton, synthetic fibres) used would also have been in line with the principle of selectivity, if the market disturbance concentrated on products manufactured from certain fibres and if an evasion of the restriction by changing the type of fibres could not easily be arranged. This thesis which was advocated by the German side failed to be generally accepted against the opposition of the other member states and is therefore only partially reflected in the export self-restraint agreements.

The Textile Committee which was set up by the Multilateral Textile Agreement has expressed no opinion on the issue of global or selective restric-

tions, thus failing to seize the opportunity of unambiguously interpreting the meaning of Article 4 of the Multilateral Textile Agreement. A look at the unambiguous formulation of the relevant provisions of the Agreement leaves no doubt that it proceeds from the principle of selectivity.

### **The Principle of World-wide Opening-up of Markets**

The Community favours a structural change also in the textile and clothing sector, i. e. the principle of a world-wide opening-up of markets applies also to this sector. Should, however, the imports from certain countries lead to a market disruption in the EC, the business sectors concerned need protection in order to facilitate the structural change. This is in accordance with the principles laid down in the Textile Agreement, provided the protection is confined to the countries that have caused the market disruption. The textile and clothing industry in the EC is in the process of undergoing a profound structural change — a process which in its intensity, speed and extent far exceeds the structural changes going on in other industries. The structural change is reflected in the stagnation or even shrinking output of the textile and clothing industry, the strong increase of the import ratio, the slow increase of the export ratio, the number of firms going out of business and the steadily diminishing work-force. In the light of all this the Community will in future still impose quantitative restrictions in order to moderate the effects of the structural change.

The principle of a world-wide opening-up of markets is being confirmed by the EC's present textile trading policy. Thus in the years from 1973 to 1975 textile imports from third countries as a whole rose by 24 p.c., those of clothing by 61 p.c. Imports from developing countries registered an increase of 19 p.c. for textiles and of 67 p.c. for articles of clothing. The considerably higher growth rate for imports of clothing reflects the fact that, compared with the textile industry, the manufacture of clothing is more labour-intensive — a circumstance which makes the clothing industry of the EC less competitive in that field.

In all, compared to the old restrictive policies of its member states, the new textile trading policy of the EC has led to a considerable advance towards liberalisation. This applies particularly to France, Italy and Great Britain, but also to the Federal Republic of Germany where the extent of the previous restrictions, measured in six-digit items in the German Foreign Trade statistics, have been reduced by roughly 50 p.c.

The selective protective measures are being applied not statically but dynamically in response

to a particular market situation. The textile trading policy of the European Community has, therefore, brought about a shift in the previous restrictions. For the acceptance of the structural change and the principle of a world-wide opening-up of markets imply the abandonment of the habit of keeping for ever in force restrictions which have once been introduced. Changes that arise with regard to individual products or countries may be caused by changes in the competitive situation and in the production structures as well as by shifts in the demand in individual EC member countries.

Existing restrictions in the member states of the EC in regard to countries from which market disruptions no longer threaten have been cancelled. Among such countries are the Philippines, Thailand, Egypt, El Salvador, and Mexico. Restrictions have been reduced in the following cases: India, Pakistan, Yugoslavia, Japan, and Romania. The relaxation of the restrictions on imports from Japan reflects the change in the competitive situation between the Japanese and the European textile and clothing industries: Japan now imports

more from the European Community than it exports to it. There were also shifts in the restrictions on imports from Taiwan and South Korea because of changes in the production structures. In all, the amendments in the case of these two countries amounted, however, to a considerable relaxation in the previous restrictions. Newly introduced were restrictions on imports from Brazil, Macao, Columbia, Malaysia, and Singapore. The self-restraint agreements with Columbia, Malaysia and Singapore, however, contain no restrictions as far as the Federal Republic of Germany is concerned. The agreement with Columbia merely provides for certain regional restrictions concerning certain EC member states; the agreements with Singapore and Malaysia contain, apart from regional restrictions, one restriction which applies to the entire Community. This is, however, a restriction which does not materially affect Germany in that the relevant clause provides that the German share in the ceiling for the entire EC is to be taken only as a target figure which could be exceeded at any time. Brazil, Macao, Columbia, Malaysia, and Singapore are countries with newly developed

## LO SPETTATORE INTERNAZIONALE

A quarterly review of international politics published in English by the Istituto Affari Internazionali (IAI) of Rome. Each issue contains articles by Italian and foreign authors and a regular survey of Italy's position in international politics and commerce.

Among the articles published in recent issues were the following:

Stefano Silvestri

**Security, the Atlantic Alliance and the Italian Question**

Joseph Sassoon

**Trends of Competitiveness and Industrial Policy of Japan in Southeast Asia**

Richard Walker

**Italy and Europe: The Political Parties, 1968-1975**

Gianni Bonvicini and Marinella Neri

**New Political and Institutional Balances within the European Common Market**

Giampaolo Calchi-Novati and Francesco Cocco

**Italian Political Forces and the International Scene**

In forthcoming issues of 1977 articles on European foreign policy, the EEC's Mediterranean policy, the manageability of European economies, the Communist parties in Southern Europe, and Italy's place in the international scene will be featured.

Editor-in-chief: Cesare Merlini

Editorial Offices: Istituto affari internazionali, Viale Mazzini 88 (Rome) 00195

Subscription rates for 1977:

Italy	Lit. 5,000
Europe	Lit. 6,000 or \$ 9.50
Other Countries	Lit. 7,000 or \$ 11.00

Orders should be sent directly to the publisher:

**Società editrice il Mulino · Via S. Stefano 6 · P. O. Box 119 · 40100 Bologna (Italy)**

textile industries which enjoy considerable wage-cost advantages and whose in part subsidized exports have shown exceptional growth rates in recent years. For example during the period from 1970 to 1975 Germany's average annual increase of textile and clothing imports from Brazil amounted to 177 p.c.

The self-restraint agreement with Hong Kong has led to a reduction of the degree of liberalization which Germany had reached in its trade policy towards Hong Kong. This backward move was due in the main to two factors; firstly, the attitude of EC member countries towards imports from Hong Kong varied considerably from country to country and these different policies needed bringing into line. Secondly, there was a sharp rise in the share of imports from Hong Kong in the domestic consumption. In the period from 1970 to 1975 Germany showed with 20 p.c. the highest annual average growth rate of all EC countries in its imports from Hong Kong.

#### **Difficulties in Implementing the Export Self-restraint Agreements**

The self-restraint agreements are based on the principle of export limitation, i.e. the exporting countries issue licences without which a product subject to the quota system may not be exported to the EC. In the importing country the licence will be accepted as valid only if it contains confirmation of the fact that the exported quantity in question has been deducted from the quota for the particular member state.

Leaving the administration of the quota system to the importing countries would presumably have been found an unacceptable proposition by the exporting countries and also among the member countries of the European Community only the Federal Republic of Germany made such a demand. An argument in favour of administering the quota system on the import side was the experience with previous export self-restraint agreements. The fixed export quotas had frequently been exceeded which necessitated the introduction of an additional counter-check by the importing country. The statistical differences between quantities exported and imported often required long drawn-out negotiations to clear up, and resulted more often than not in the importing countries accepting additional imports.

In the case of products subject to export restrictions, a traffic in quotas has frequently sprung up – a development for which the quota administration has been severely criticised by the German trade. The quotas for manufactures for which the absorptive capacity of the Common Market ex-

ceeded the agreed export volume were brought and sold at considerable premiums; these in the case of T-shirts for men at one time amounted to as much as 70 p.c. of the selling price.

Two different systems may be chosen for the quota administration. According to the procedure current in most industrial countries quotas are on principle non-transferable. In order to prevent unused licences from expiring, German procedural law imposes on the holder of the licence the obligation to return it, if he no longer intends to make use of it (§ 30, part 1, External Trade Law; article 3, item 2, External Trade Regulations). As under this system unused licences are as a rule not returned until nearly the end of the quota year, there is a danger that the production capacities are not evenly and optimally exploited.

To avoid this danger, the quotas are declared transferable by most of the exporting countries, as for instance by Hong Kong and South Korea. If producers who have more orders than they have licences for are thereby enabled to acquire at a premium licences from other manufacturers whose licences exceed their orders, well and good. This practice can only help to achieve the best possible use of the export quotas. Frequently, however, the traffic in licences is in the hands of a professional trader in quotas who over and above his actual function as a middle-man also seeks to influence the market speculatively in that he buys licences for his own account to keep them temporarily off the market in order to produce a shortage and thus cause the prices for them to rise.

The speculative activity of the broker no longer helps to achieve the best possible use of the available export quotas, but simply procures for him an extra profit which in the majority of cases is then passed on to the buyer of the imported goods in the form of a price increase. A reform of the quota administration system should, therefore, start with the eradication of these malpractices. There are several ways of stopping this nuisance. In the first place it should be considered to allow quota transfers only between producers and exporters. Beyond that it may be advisable to make such transfers subject to official approval. To prevent speculative purchase this approval could be made dependent on proof that the quota is actually required for a specific export transaction. The European Community would have the possibility of negotiating with the exporting countries about ways and means of stopping the malpractices; the export self-restraint agreements provide for such consultations in cases where disturbances of the smooth functioning of trade arise in connection with the quota administration.