

Expanding trade opportunities

## Ending restrictions on trade in textiles and clothing

### KEY OBJECTIVES

- | **Encourage EU partners to match EU market opening**
- | **Support transition of quota liberalisation**
- | **Compete in the new environment**

Check the label on any item of clothing worn in the European Union's 25 Member States and there's a one-in-three chance it won't be 'Made in the EU'. The world's exporters of textiles and clothing are doing very well in the EU market.

Until very recently, trade in textiles and clothing among World Trade Organisation (WTO) members was governed by the Agreement on Textiles and Clothing (ATC), which came into force with the WTO Agreement on 1 January 1995. The ATC required the rules of the General Agreement on Tariffs and Trade (GATT) to be phased in progressively over a ten-year period whilst at the same time the quotas in the EU, US and Canada inherited from the Multifibre Arrangement (MFA) were gradually phased out. The ten-year period ended on 1 January 2005 when the ATC expired and all quotas were abolished.

As from the beginning of 2005, therefore, all WTO Members have unrestricted access to the European, American and Canadian markets.

However, already before the EU had offered countries subject to quotas the possibility of increasing or even eliminating their quotas, provided they reciprocated by opening up their markets.

## I Encourage EU partners to match EU market opening

The EU is the world's largest trader in textiles and clothing products and its industry is eager to compete on the world market. In 2003, its total volume of trade in these products was valued at €112 billion. The EU has challenged barriers to trade in partner-country markets where such barriers appear to be excessive. For example, tariff peaks abound in this sector where low tariffs and the absence of non-tariff barriers in the EU compare with average tariffs for the sector as a whole of 14% in Indonesia, 25% in Thailand and Pakistan and 20% in India (plus additional specific and other duties) and with tariffs for many individual products well above these averages. Also, high tariffs are often combined with additional taxes and frequently-changing non-tariff barriers. [The EU's main objective for the new round of multilateral trade talks on this sector is to create an environment in which traders will face more or less the same market access conditions worldwide.](#) The EU will work towards worldwide harmonisation of market access conditions – while nevertheless allowing for flexible implementation in trade with developing countries and granting the least developed countries differential treatment. Harmonisation should consist of custom duties converging on the lowest possible level and elimination of non-tariff barriers to trade.

The EU has shown its willingness to reciprocate when other countries open up their markets. For instance, it lifted all the quotas previously imposed on Sri Lanka, Ukraine and Brazil in exchange for their tariff reductions and undertakings on non-tariff barriers and has invited other partners looking for greater access to the EU market to follow suit.

## I Support transition of quota liberalisation

The big bang of 1 January 2005 – when all EU textiles quotas were abolished – was carefully prepared in advance. The quotas inherited from the Multifibre Arrangement (MFA) were phased out in a 10-year staged reduction plan that started on 1 January 1995. Even those quotas not lifted in one of the three liberalisation stages were increased significantly year by year, thereby creating new opportunities for exporters. At the beginning of the first liberalisation stage (1995-1997) the EU put 16.2% of its 1990 imports under the (quota-free) GATT umbrella.

## WTO bound tariff rates (ad valorem duties)

### Averages per Harmonised System chapter

COUNTRY	TEXTILE & CLOTHING
Argentina	35.0%
Brazil	34.9%
Canada	12.0%
Chile	25.0%
China	15.0%
Colombia	35.0%
<b>EU</b>	<b>7.9%</b>
India	20.0% (plus specific & other duties)
Indonesia	40.0%
Japan	6.6%
Korea	18.4%
Malaysia	19.0%
Mexico	33.0%
Pakistan	24.0%
Philippines	27.0%
Thailand	28.8%
US	8.9%

## FREQUENTLY ASKED QUESTIONS

### ? What is the aim of the EU's bilateral textiles initiative?

Commission analyses and studies show that the EU's trading partners have some way to go in opening their markets and that significant tariff and non-tariff trade barriers still remain.

The EU applies average textiles tariffs of 9%.

For clothing, tariffs are rarely lower than 20%, and can be as high as 25% (for Pakistan), 20-25% (for India, plus specific duties) or 40% (for Thailand). Average tariffs for the sector bound in the WTO are even higher; while the end-rates the EU has bound for 2005 average 7.9%, the corresponding rates in other countries range between 25% and 30% (in Chile, the Philippines, Thailand, and Pakistan), or exceed 35% (in Colombia

and Indonesia). India has either bound its textile tariffs at levels exceeding 35% or, for a number of products, not bound them at all.

The EU's textile and clothing industry has undergone substantial restructuring. Now that the EU has opened fully its markets, it wants the competition in third-country markets to take place on a level playing field. The Commission therefore wants to help create conditions that are fair and expects that other countries will be interested in improving their access to the EU ahead of 2005. This has been so in the case of Sri Lanka and Pakistan, which bound their tariffs in the WTO in exchange for better access, and of Brazil, which eliminated some additional duties and bound the duties it imposes on EU products in exchange for having the quotas lifted.

A statistical monitoring system for the import of certain textiles and clothing products was set up to give early intelligence on signs of serious market disruption. This allows the EU to follow closely the development of trade in the new environment.

Following the liberalisation of trade in textiles, the specific safeguard clause that appears in the accession act of China to the WTO (2001) authorises the Parties to take temporary measures to protect their national producers in the event of an abrupt rise in Chinese imports. This clause authorises cautionary short-term measures until the end of 2008.

In view of the significant rise of imports from China during the first quarter of 2005, the Commission decided to launch investigations into nine categories of textiles imports to the EU in April 2005. At the end of the investigation, if the Commission highlights serious disturbances to the market, it can, in consultation with the EU Committee on Textiles, decide to conduct formal consultations with the Chinese authorities, who can self adopt quantitative restrictions on exports. If at the end of 90 days, no solution is achieved, the Commission and EU Committee on Textiles may adopt or confirm the application of safeguard measures.

## **I Compete in the new environment**

Since the WTO Agreement on Textiles and Clothing (ATC) entered into force in 1995, EU imports have increased at a steady pace despite the existence of quantitative restrictions (quotas). In 2003, the total value of all imports into the EU was 70.2 billion, an increase of 60% compared with 1995. There has been a similar increase in imports from countries subject to quotas. Even before 1 January 2005, nearly a third of all textiles and clothing bought in the EU were imports.

Since January 2005, all suppliers of textile and clothing products to the EU enjoy free competition. They are now all on the same footing.

The European textile industry has devoted huge resources to preparing for this change over the last ten years. By investing in technological innovation and focusing on Europe's traditional strengths in high-tech specialist fabrics and designer fashion, the European textile industry remains an industry with a future.

### **? With China dominating increasingly the textiles industry in a liberalised market, will the EU adopt safeguard measures?**

January 2005 definitely sealed the disappearance of textiles quotas that have been in place for decades and there is no going back. The European Commission will closely monitor textile trade flows to assess the impact of change. The EU retains the ability to respond to any sudden surge in Chinese textiles exports, but measures would be used only where fully justified. The WTO agreements permit the introduction of trade remedies, such as specific mechanisms designed to prevent the kind of market disruption that could arise, for instance from predatory pricing and similar practices aimed at gaining market share which severely damage both the domestic industry and other textile and clothing exporters.

### **? How does the EU address the concerns of developing countries regarding textiles?**

The EU makes a distinction between least-developed countries (LDCs) and other developing countries. There are no quotas for imports of textiles and clothing from the LDCs. What is more, these countries usually benefit from zero duties granted under the Generalised System of Preferences (GSP) or the Lomé Convention.



For more information on this topic, go to:

[http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/index\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/index_en.htm)

For the Commission's external trade homepage:

<http://europa.eu.int/comm/trade>

For a regular newsletter on EU external trade, register at:

<http://trade-info.cec.eu.int/eutn/RegistIndex.php>