



Åke Weyler's address at the International Textiles and Clothing Bureau Council of Representatives, Autumn Session, Geneva 2000-12-13

Your Excellencies, Dear Friends,

When we last met in Guatemala I guessed that the EU decision to integrate products in stage III of the ATC would include categories 4 - t-shirts, 10 - mitts and mittens and 68 - babies' garments. I thought the integrated products would constitute maybe some 18,5% of the EU imports 1990, and it was clear already at the time that the decision would include an offer of bilateral talks on reciprocity.

I was a little bit too optimistic. The EU decision constitutes 18,1% of the imports 1990, and instead of category 4 the most substantial category that will be integrated in 2002 is category 21 - outdoor jackets and anoraks. But I was right about category 10 and 68. That was not very hard to guess, and the final result was very much as one could have expected. The decision by the Council on November 9th came after a process that lacked debate and noticeable lobbying activities.

More than one year ago the Foreign Trade Association, FTA, came up with the first proposal for integration in stage III of the ATC, 2002. The most important criteria were high import penetration rate, which shows that it is pointless to maintain the quotas, or low import penetration rate, which shows that imports are no danger to the industry in the Community. The FTA proposal was tactical and from a free trade perspective modest, but as we argued for free trade for all childrens' wear up to size 164 centilong it was still a proposal that would indicate that it was realistic for importers to believe in the ATC-process. After that we waited and waited and waited, and finally, in the middle of the summer, the Commission came with its proposal for integration in stage III. The Commission said, that the list of products in their proposal was based on the following considerations: Respect of the ATC and other international trade agreements and the wish to improve market access for community textiles in third countries. When there was no, or little, degree on market opening perceived in third countries, the Commission did not feel the need to be generous. The list was also elaborated as the Commission took into account the impact on upstream and downstream production. Most important, however: the Commission presented a proposal to the Council, which had a chance of being adopted. From that point of view the Commission proposal was a success, as neither the 133 Committee Textiles nor the Council changed anything.

During the process I have only seen one article in the international press. It was written by the Swedish and Dutch Ministers of Trade and International Development in the international Herald Tribune. The industry representatives got their wishes implemented to 100%. They just met with the Commission.

This is the essential problem. The EU textile policy of the year 2000 is based entirely on the protectionists' mandate. There is no political capacity in the Council of Ministers for going beyond this mandate. This is worrying. The question that arises is whether the Council of Ministers can change 180 degrees and make a decision to stick to the ATC and its principles and implement totally free trade in textiles and garments in 2005.

From an industrial point of view stage I, II and III of the ATC do not, and will not, lead to any structural adjustment. This in its turn means that the protectionist views in the industry prevail, and we can expect the industry, Euratex, to come back with proposals in the future on the same protectionist level as this time.

As people in the import community, as well as among exporters, got information about the very limited scope of the EU integration in stage III they have become more and more pessimistic of the outcome of the entire ATC-process.

Apart from the integration list the Council gave the Commission a mandate to negotiate reciprocal trade agreements with exporting countries. This entirely mercantilistic exercise aims at the opening of markets for European textile and garment industry in the exporting countries and giving those interested further access to the EU market. This negotiation initiative is fully supported by the industry. We think that they support the initiative with the hope that no major exporting country will negotiate a deal, so they can come back to the Commission and say: "As the exporting countries refuse access for us to their domestic markets we can not accept free trade by 2005. It will still be a pre-condition that exporting countries open up their markets. And we will need five more years for structural adjustments."

According to the information we have one such negotiation is finalised with one ITCB member - Sri Lanka - and exploratory talks are held with a few others - Pakistan, Indonesia and the Philippines. To this development we should add the Community agreements on quota free imports of textiles and garments from the beginning of next year with the Ukraine and Croatia. (Free imports from the other Balkan countries will come soon as well.)

I think that the weapon, which the EU industry believes the negotiations on reciprocal deals to be, should be wrested out of the hands of the Commission. How? What is needed is a change of perspectives. Instead of waiting for the Commission to ask for negotiations on markets openings with you, some of you should ask the Commission for market openings. For example Hong Kong should ask for totally free trade in textiles and garments as Hong Kong has never restricted imports on these products or anything else. The same goes for Singapore and Macao. When China has started to adjust as a result of the Chinese deal with the WTO members on conditions for membership, the Chinese lowering of duties, especially for textiles and clothing, could be used as demand for free access to the EU market. India and the EU are constantly discussing a memorandum of understanding, which basically gives India additional flexibility under the present system and India binds duties in the WTO. Those discussions could easily be characterised as reciprocal market access negotiations. There are probably many more country specific ideas how to challenge the EU with its own weapon.

What is the alternative? Shall we just wait and see what happens and hope that free trade will fall down to us as a golden egg in 2005? Or shall we just wait and see that protectionism prevails, that no structural adjustment takes place and that all imports from countries close to EU, like the Balkans, like Belorussia, will be totally liberalised?

We think of course that we and you should take any action possible to secure the free trade principles of the ATC. We are eager to discuss with you what should be done on the lobbying front. I think for instance that studies of different aspects could be useful. The study sponsored by the Swedish government from the beginning of this year concerning consumer costs as a result of quotas is a good example. A study on what will happen in 2005 in the export sector would also be very useful. Another example, I think, is that conferences of different kinds could be arranged with the purpose to influence the "public" opinion for free trade by 2005. The positive impact on development from textile exports could be a theme. Successful structural adjustment in sunset industries in industrial countries could be another theme.

To summarise: we have together to establish a situation, where all players including the present protectionists within the industry and among decision makers in the EU find it self-evident that the ATC will come through together with its principles of free trade in textiles and clothing and that the question of its replacements with other means will not even be raised.

Thank you!