



Foreign Trade Association

Protection clauses in respect of China – EU arms itself for the period after 2004

After the third phase of the integration of textile and clothing products into the generally applicable WTO regulations was completed on 1 January 2002, the next and final stage in the liberalisation process will not take effect until 1 January 2005. Unfortunately the EU, like the USA and other major importing countries, has missed the opportunity of using the previous integration phases to achieve a substantial reduction in quotas. As a result, abrupt liberalisation in the textile sector will occur in 2005. The extent to which the European textile and clothing industry, which will in principle become more significant following the enlargement of the EU in May 2004, will be able to withstand this pressure remains to be seen.

The textile protection clause

On the basis of the possibility of adopting special protective measures as provided for with the accession of China to the WTO, the EU has already taken the necessary precautions to guard against textile imports from the People's Republic of China, which are considered particularly threatening. For instance, in the event of a collapse in the market caused by Chinese textile imports but not defined in greater detail, the textile protection clause passed at the start of the year makes provision for the volume of imports of the goods concerned to be limited for one year. Fortunately the FTA, together with other liberal member states, has succeeded in carrying through improvements to the original Commission proposal, aimed at making it more difficult to make use of this protective instrument. For instance, the textile committee now has to decide by a qualified majority whether to engage in consultation with the Chinese side, which is significant to the extent that China has to limit its shipments as soon as the request for consultation is introduced.

Goods-specific protection mechanism

The textile protection clause can only be applied until the end of 2008, but this does not in any way mean that from this point on no further restrictions on Chinese imports will be possible. In addition to the anti-dumping instruments and the general protection clause that can be applied in respect of all WTO member states, the EU has created a so-called goods-specific protection mechanism, which is also based on the provisions of China's WTO accession protocol. With the help of this, special customs duties or quotas can be set for all goods from China, imports of which cause disruption on the market. A simple majority on the Council should be sufficient for this.

The only consolation here is that the EU Commission's original ideas, according to which the Council should decide by a simple majority on the introduction of protective measures, were rejected in favour of the principle applied in general protection clause procedures. According to this, the Commission may introduce measures, but the Council can only accept, amend or reject the relevant decisions by a qualified

majority. However, the lengthy wrangling around such a compromise solution meant that the associated stocking up of quotas for certain shoes as well as ceramics and porcelain goods originating from China was delayed to an unreasonable degree. This caused considerable disadvantages for importers, as the stocking of quotas was originally planned for 2001.

FTA appeals to those in positions of responsibility

In view of the looming potential threat, the newly established FTA 'Trade Policy Committee' passed its resolution on the third integration phase of textile and clothing products as early as April 2002. In this resolution, an appeal was made to the EU Commission and the governments of the member states to declare that increased use of protective measures on the part of the EU is damaging in terms of trade and the economy as a whole. In addition, the textile exporting developing countries, with which there are no voluntary restraint agreements, were called upon to introduce structural adaptations and rationalisation measures to remain competitive in terms of price and quality.

In twenty months at the latest, trade will be certain of the extent to which the abolition of quotas is offset by the application of protective measures and what shifts there will be among the procurement markets. Whether, as is widely forecast, the People's Republic of China actually numbers among the winners of the liberalisation of the textile and clothing sector will depend not least on the intensity with which the Europeans and other states pursue a quota policy by other means. Supplier countries in competition with China will also be keeping a careful eye on this process.