

V. NEGOTIATING OPTIONS AND OBJECTIVES

The Negotiating Context

79. The MFA will expire at the end of 1981. Its successor, if there is one, will be negotiated in the course of this year, with the May meeting of the GATT Textiles Committee the first, albeit tentative, step. However these negotiations relate only to the terms of the Arrangement itself, and the Protocol under which it was renewed in 1977. Most interest centres on the bilateral agreements which, for the main suppliers to the USA and the EEC, do not expire until the end of 1982. It is possible therefore that the MFA may be extended to cover the one year overlap. Another possibility is that the MFA renegotiation may be uncontroversial and give few hints as to the temper of future bilateral negotiations. But this paper is written on the assumption that substantive and detailed argument will take place this year.

80. The negotiations will be heavily influenced by political 'fallout' from generally depressed economic conditions in Western countries. Table 24 summarises the main trends in overall GNP and employment and textiles activity in the main importing countries. Strictly speaking, the economic conditions of 1981 are scarcely relevant to the question of future agreements designed to run from 1983 to the late 1980s - but they nonetheless influence the climate in which negotiating positions are arrived at. Other than to try to combat this 'recession mentality', various points could additionally be made by ldc negotiators. First developing countries' textile industries are already sharing the burden of international recession. As can be seen from Table 25 the production index for ldcs has fallen behind that for dcs since 1975, in sharp contrast to the early 1970s. Second, there is a good deal of variation as between developed countries (though all use the same arguments!). The position in North America is a good deal less serious than in Europe, and within Europe the British is worse than the German or Italian. Third, there has emerged a better understanding of the causes and effects of recession in industrial countries since 1977/1978 when, faced with a serious economic downturn for the first time since World War II, several governments succumbed to protectionist thinking. Now, several governments, notably Britain, are consciously pursuing tight money policies for anti-inflation reasons knowing the cost in terms of unemployment. They are (or should be) well aware of the irrelevance of protection to their economic strategies and the likely negative effects on their anti-inflation objectives.

The Position of the DCs

(i) The Governments

81. The formal negotiating position of the main parties - the US and the EEC - is not yet agreed and is still subject to a considerable degree of internal debate about principles and tactics, especially where new governments - as in the USA and France - have yet to find their feet. But a few guidelines have been established. The US administration is tied by a commitment made by its predecessor to Congress that the MFA would be renewed (indeed this was a condition for congressional acceptance of tariff cuts under the Tokyo Round). It appears to want a quick, uncontroversial, renewal of the MFA in order to head off pressures from Congress for even more restrictive measures. Administration spokesmen have indicated that they wish to see a further restriction of quotas on the highly industrialised NICs and, possibly, some clarification of the criteria for restrictive action. Since the US has already demonstrated considerable capacity for obtaining more restrictive bilateral agreements, it may well take the view that there is little point disturbing the original MFA.

82. The EEC's position depends upon member states whose interests are divergent. The Commission, itself, which negotiated the 'reasonable departures clause' and the 1978-82 bilaterals, appears reasonably well pleased with the status quo. A progress report on the MFA in 1980 concluded that "the rates of growth of imports from the countries covered by the policy have been reduced and a stable trend established, while the community global ceilings have been observed"³⁰. Viscount Davignon noted in April that "over the past four years the MFA has worked vis a vis the developing countries but our competitiveness has declined with respect to other industrial countries".³¹ But the Commission is under pressure from some member states to toughen the current arrangements, albeit within an MFA framework. The British government whose Ministers are far less well disposed, in general, towards import controls than its Labour predecessor has nonetheless committed itself to the judgement that "consideration of a new MFA must take place against a less favourable world trade background and that a tough successor will be needed".³² The new French government is expected to be even less liberally inclined. The Commission has indicated that it expects to negotiate on the basis that MFA import growth should be related more closely to expected (lower) consumption growth, that (like the US) it will try to hold back imports from more advanced NICs to a greater degree than the remainder and that ldc's should concede both greater

reciprocity and a social clause. Most of these objectives (except the social clause) could probably be accomplished within the MFA as it stands, even without a 'reasonable departure' provision. The Council of Ministers may well however make stronger demands, as a result of employer and trades union pressure on member state governments.

(ii) The Lobbies

83. The manufacturers and trades' unions, on one hand, and the retailers consumer groups and importers, on the other, have already mobilised for the coming round of negotiations. In the United States the Congressional Textile Caucus is powerful and operates closely with the textile and apparel manufacturers, and workers' unions in a joint campaign. Their main objectives are:

- (a) reduced growth rates for quotas on cotton and man-mades, to somewhere closer to textile fibre consumption growth (estimated at under 2% p.a.),
- (b) further cuts, and possibly elimination, of swing, carryover and carry forward provisions,
- (c) 'globalisation' of quotas on the European model, and 'within the framework of global analysis, special attention should be devoted to truly developing countries....if the newly industrialised countries are restricted to import growth rates somewhat below the US market growth³³',
- (d) rollback of quotas for Hong Kong, Korea and Taiwan.

84. Within the EEC, the corresponding lobbies are, if anything, even more powerful than in the USA as they demonstrated in 1977 by obtaining endorsement by the Council of Ministers of almost all their demands. The main views (which are closely interwoven) are those of Comitextil, representing national textile (manufacturer) federations such as the British BTC. It is dominated by man-made fibre interests. There are separate European federal bodies for knitwear and clothing which are less powerful than Comitextil but tend to push in the same direction. The unions operate through the European Trades Union Committee for Textile Clothing and Leather, again representing national federations. The lobbies influence the Commission directly (through regular working parties) and via the European Economic and Social Committee, and Parliament, whose recent report on the MFA drawn up by the Committee on External Economic Relations

reflects their position closely. We may well see (as in 1977) Comitextil officials attached to the Commission's negotiating team in order to stiffen its resolve. The demands made by Comitextil therefore are of considerable significance and are set out here in some detail:³⁴

- (a) an extension of the globalisation concept (considered of "capital importance") to increase the number of products subject to global ceilings,
- (b) overall growth of 'low cost' imports reduced to reflect depressed market conditions (in practice, by lower growth limits within future bilaterals),
- (c) to ensure that imports from all low cost exporters should be controlled and, in sensitive categories, set off against global quotas. EEC imports under quota should be cut back to make room for intra-EEC Greek exports and any other Mediterranean suppliers. Lome countries to be given a 'subceiling' under global quotas,
- (d) discrimination in treatment between ldc suppliers, based upon 'level of development' on the basis of reciprocity (i.e. tougher treatment of Brazil or Korea, than Hong Kong), and to ensure that non-MFA signatories under quota are not more favourably treated than signatories (how these different principles are to be reconciled and combined is not explained),
- (e) quantitative ceilings on OP trade,
- (f) extension of product coverage to include flax; cut backs from "arbitrarily high" levels of quota categories including handlooms,
- (g) tougher administration of the quota system; less flexibility; 'basket extractor' to operate automatically, even if no agreement, and with quotas fixed at the specified trigger levels; more categories; tighter control over phasing of deliveries during the year; stricter action against fraudulent labelling,
- (h) quota management to revert to importing countries (as in the EEC-China agreement) where the quota system is 'abused',
- (i) EEC member state quotas to remain,
- (j) a 'social clause' relating access to the observance of ILO convention on working conditions (in effect, supporting trades' union demands).

There are of course differences of emphasis - the trades unions go even further in their demands than the manufacturers. There are also occasional discordant notes, from those who want MFA treatment to be extended to the USA exports, though Comitextil is de-emphasising this source of aggravation in the interests of a common front, with the US, on the MFA (and since the US exports are now becoming more expensive with higher energy prices and dollar revaluation).

85. The other dcs are less influential at this stage but such pressure as is being exerted is in a similar direction. Although the Trudeau government in Canada is eager to play a more constructive role in 'North-South' negotiations, it is also under pressure from the industry whose views have been echoed by the Textile and Industry Board of the Department of Industry. The Board is seeking, inter alia,

- (a) restraint levels based on past performance, not restraint levels in the previous periods,
- (b) cutbacks in swing/carryover and carryforward,
- (c) restraint on a seasonal as well as an annual basis to prevent sudden 'market disruption',
- (d) greater supervision of the control apparatus and textile policy by 'experts' and 'specialists'.

Not a great deal can realistically be expected from the lobbying activity of importers and retailers who are politically less powerful than manufacturers and unions. But the federations play a useful function in providing a critique of the industry lobby's arguments and highlighting the fact that the textile lobby represents a sectional, not a national, interest. The (German based) Foreign Trade Association, the UK-based Retail Consortium, Importers' Federation and Consumers' Association, and the US National Retail Merchants Association have all recently published reports critical of the MFA, arguing for greater liberalisation, and strongly opposing measures to tighten the terms of the MFA.³⁵

LDC Interests and the Main Negotiating Issues

86. Ldcs have already taken the first steps to form a coordinated position, with the meeting of textile and clothing exporters in Bogota in November. With this and subsequent meetings it should be possible to go some way to remedy the weaknesses in the ldc negotiating position which were apparent in 1977. These are essentially:

- (a) apparently divergent interests. The dcs have openly appealed to the apparent self-interest of the more numerous (or poorer) ldcs in their efforts to obtain cutbacks for the major suppliers. Action taken in the last few years against numerous small exporting countries, hitherto not concerned with textiles, has, however, made the issue much more one on which there is clearly perceived 'South' interest.
- (b) the belief amongst importing countries that ldcs have no alternative but to settle on whatever terms are demanded of them. The present arrangements do, clearly, confer some advantages over a wholly protectionist system: export quota administration at source with associated benefits from quota premia and opportunities for trading up; some element of growth; a guaranteed access up to agreed limits in quota items. The system has however become so eroded that risks for ldcs of a return to more uncertain non-MFA would be correspondingly less (and also contain dangers for dcs, notably because of the risk of the EEC-US conflict). Moreover some ldcs have shown that they can retaliate against unilateral action (notably by Indonesia against the UK) and achieve concessions thereby.

87. Thus, the position of ldcs is, while difficult, far from hopeless. The main issues of concern to them are, broadly, as follows:

(1) Reasonable Departures

88. There will be strong demands from ldcs that the 'reasonable departures' clause in the 1977 protocol of renewal be removed from any future MFA agreement. Since the clause, for all its ambiguity, was clearly drafted to cover a short period it is difficult to see how this request will be refused. The issue, then, will be whether to renew the MFA as in the 1974 version or to negotiate a more precise replacement for the 'reasonable departures' clause. Ldcs will want a much clearer and more detailed specification of their rights and of the 'rules of the game' than is currently provided in Article 4. Dcs will, on the other hand, want either another loosely worded

waiver or else specific exemption from growth rates and flexibility undertakings. But the issue may prove irrelevant since the US and EEC appear satisfied that they can achieve their objectives without redrafting.

(2) Growth Rates

89. It is the 6% growth commitment (rather than the formal 'reasonable departures' argument) which may well be the key issue in the coming negotiations, given the emphasis placed on it by US and EEC industry spokesmen. The issue may present itself in various forms: a direct attack on the 6% figure in the MFA itself; through bilateral agreements; increasing (in the EEC) the number of sensitive categories subject to low growth rates and 'global' ceilings; (in the USA) scaling down the growth rates for broad product groups as has already happened for woollens.

90. The dc argument is that the 6% figure was agreed after a long period when the trend GNP growth of industrial countries was much higher than it is now or is expected to be. Thus, the MFA growth rate should be adjusted to take account of changed market conditions. To this, there are various replies. First, the argument is somewhat academic in the EEC where the real (volume) growth realised under the latest bilateral agreements was a mere 2.4% and, by all ldc's, 4%. Second, it is not necessarily logical to respond to slow growth by slowing down change. The thrust of 'supply side economics', not officially endorsed in the US and the UK as well as other OECD countries and by GATT, is that in periods of slow growth it is particularly necessary to strip away non-competitive regulatory barriers which are an obstacle to productivity growth engendered, inter alia, by competing trade. Third, the assumption is that imports from non MFA sources are given. Experience under MFA II, indicates that this is invalid. Fourth, there is no scientific basis for predicting what overall GDP growth will be like in OECD countries in the next five, let alone, ten years. To this, some interest groups reply that what is needed is an MFA 'recession clause' permitting annual revision of quotas, rather as the USA has done since 1979. But such annual revisions could destroy what little certainty there currently is. And experience suggests that a 'recession clause' would provide for downward rather than upward revisions. In any event this idea seems to have been dropped from the list of negotiating demands (in favour of more covert mechanisms for cutting import growth).

(3) Re-distribution Under Global Quotas

91. Ldcs will be faced with a demand that any less illiberal treatment of small, or poor, suppliers (variously defined) should be offset by tougher restrictions on major suppliers. The attractions of this approach for the dcs are obvious. It helps to head off the political objections to the MFA from the 'development lobby'. It directs harshest controls towards those countries - Hong Kong, Korea and Taiwan - which (being heavily export orientated and also without political 'clout') have little capacity to retaliate. It draws some legitimacy from the 'graduation' concept incorporated into GATT. It could create a split in the ranks of exporters in the course of negotiations. And it permits the importing countries to make a liberal gesture to some countries while maintaining global quotas on ldcs as a whole.

92. The central objection which poorer (and/or small) ldc exporters should have to this negotiating tactic is that under the system of 'global' quotas operated by the EEC, and to a degree by other dcs, the major benefits of squeezing the major suppliers accrue to non-ldcs or countries outside of MFA control. Under a scheme such as that obtaining in the EEC, small ldc suppliers (there is no special arrangement for poor ldcs) are in a far worse position than small dc suppliers since they are prevented by the 'basket extractor' from building up significant volumes of export. The 'concession' of above 6% growth rates is not particularly useful if the base quality is very small.

93. A system whereby lower income ldcs were given very much more favourable treatment than the minimum provided for in the MFA would, of course, other things being equal, be an attractive one, though it is difficult to see how ldcs as a group could take the proposal in isolation. It could form part of a package in which ldcs MFA signatories as a whole were guaranteed better access conditions than other (including dc) suppliers, and in which major suppliers were at least protected from cutbacks in net access. Similarly there is a danger of treating the problem of small suppliers in isolation, especially if 'room' under quotas were to be created simply by cutting back on other ldcs. But a regime which exempted very small suppliers and recognised that exporters as well as importers have a right to a 'minimum viable production' would meet one major current grievance.

(4) Flexibility

94. Developing countries will want to see in the next MFA something which

more effectively guarantees flexibility provisions (swing, carryover and carryforward), particularly in view of the serious erosion of flexibility, particularly in the USA. The dcs will be pushing in the opposite direction, arguing that the cumulative effect of all three flexibility margins can be substantial in some products in any one year. The reply to the criticism is that, by definition, any carryover or carryforward or swing, can only be at the expense of another quota. In practice there is a much greater problem of underutilisation of quotas overall (and the more restrictive the provisions, the greater the underutilisation). A careful study was recently made of the utilisation/flexibility question in the UK as it affected 1979 trade, by the Retail Consortium.³⁶ It found that in the 'sensitive' categories 4 to 8 for which total assigned quotas were 169.1 mn items, 5.4 mn needed to be added for carryover/forward provisions and re-export (it is not possible to separate out re-exports, for which the MFA permits no restrictions). But this was more than offset by the shortfall due to underutilisation. Overall UK underutilisation appears to have been 20 mn garments in 1978 and 12 mn in 1979. The government acknowledges that, at present, in the majority of cases, the quotas have been underutilised.³⁷ The main reason for maintaining at least the present, MFA, levels of flexibility is not, in any event, to increase quota levels by the backdoor but to provide retailers, wholesalers and their ldc suppliers with some scope for meeting the demands of rapidly changing consumer taste.

95. There are other ways in which the system could be made more flexible without sacrificing its basic objectives. The member state quota system in the EEC probably does more damage to the Community's own internal cohesion than it does to ldc exporters but it is, on both accounts, an unnecessary bureaucratic obstacle. The number of product categories is excessive in most sets of bilateral agreements.

(5) Reciprocity

96. The EEC have decided to make an issue out of the non-reciprocal nature of market access in textile products, and, in particular, high tariffs and other barriers in such countries as South Korea and Brazil. This is a legitimate issue to the extent that some of the most developed MFA exporters have - after the Tokyo Round - a commitment to 'graduate' (though the operational implications of this concept are still very unclear). But it is not easy to see what relevance it might have to most ldcs which have never been expected to offer formal reciprocity in trade negotiations.

97. Moreover, the use of 'reciprocity' by ldc's as a debating point (it is doubtful if they regard the issue any more profoundly) gives ldc's an opportunity to make several points in reply. First, two major Commonwealth suppliers with open economies - Hong Kong and Singapore - would be very happy to 'concede' that the EEC and their own markets for textile imports should be equally open to each other on a reciprocal basis. Second, ldc's have an opportunity to point to the wider aspects of 'reciprocity'. Most (see Table 26) run trade deficits with the US and the EEC, and even where they do not, there are, except in the case of the 'big three' suppliers, trade deficits on manufactured goods.

98. The question of 'reciprocity' can moreover be turned to practical advantage in the negotiations. There is one area of international trade between dc's and ldc's where reciprocal exchange within the textile sector takes place: 'offshore processing'. There is a strong case for guaranteed access for OP goods under the MFA outside of quotas where importing country fabrics were being used (ie EEC fabrics used in garments imported under OP to the EEC). Some dc's already operate such schemes and would be expected to support their extension (though there is a danger for ldc's that the argument could be turned to give OP goods preference within existing quotas). Article 6.6 of MFA indicates that OP should be given preference, and this could be amplified.

(6) Social Clause

99. There has been mounting pressure from trades' unions in Western countries to make access (or aid) conditional upon observance of labour standards in ldc's. Such an attempt was made, for example, in the negotiations over the Lome Convention. These demands have, in the past, been dismissed by ldc's as a barely disguised form of protectionism, and an attempt to impose standards which are inappropriate in countries with a relatively small urban working class and relatively low living standards in general.

100. However valid ldc's' complaints may be, they will be hard to sustain in present conditions. The main union federations (ICFTU and ETUC) have moved away from the sillier and more extreme demands (which are directed at low wages per se) towards observance of a small number of ILO Conventions which have been widely ratified and cover rather basic standards (e.g. child labour in factories; protection against injuries and

health risk). Even these may be problematic in poor countries. Moreover trades' unions in some multiparty democratic countries in the Commonwealth (India, Sri Lanka, Malaysia) are known to favour a 'social clause'.

101. The demand may therefore prove difficult to resist in principle. Ldc attention needs, instead, to be directed towards ensuring that any 'social clause' is limited in scope and is not a disguised attack on the inevitably low wages of ldc's. The main negotiating points are:

- (a) Western unions (e.g. ICFTU) have argued that a social clause would be a means of increasing access and removing trade barriers. In an MFA context, acceptance of a clause could therefore be a means of extracting more liberal treatment.
- (b) the only ILO Conventions which could be considered in this context are those that are accepted and ratified by both parties to bilateral agreements, and which cover basic humanitarian objectives, not those which are politically controversial (such as trades union recognition) or which seek to penalise ldc's because they are poor,
- (c) if dc's insist on making an observance of labour standards mandatory, it should be clearly understood that the same mandatory principle should apply outside of the narrow textiles context (e.g. to Western companies in South Africa).

102. It should be said in conclusion that the 'social clause' (like the 'reciprocity' issue) is probably likely to figure in negotiations more as a debating rather than a substantive issue, to throw ldc's on the defensive.

(7) Handlooms

103. One major source of grievance for India (and Pakistan outside of the Commonwealth) is the failure of the MFA to safeguard the position of handloom products, which are a major source of labour intensive rural employment and which are threatened, in the absence of some special provision, with erosion of their position by machine-made items employing a small fraction of the total labour force. The Indian government protects the handloom sector internally but looks to the MFA to safeguard its position externally. Yet, at present, all major importing countries have a common quota for handloom and machine-made items in important product categories.

India recognises that there is difficulty of identification, and possibility of abuse, for certain fabric types (such as crepe). But problems of specifying 'handmade' items have been exaggerated in order to justify their being brought under quota controls. Given some willingness on the part of importers to treat this as a humanitarian issue (which would be helped by orchestrated campaigning in the dcs) it should be possible to obtain agreement to the establishment of a committee of technical experts under GATT which could specify;

- (i) those handloom fabrics which can be clearly identified from mill or power items,
- (ii) those processes in garment assembly which do not significantly detract from the character of a cottage industry,
- (iii) a system of certification, if necessary involving inspection by GATT - nominated officials, which could guarantee that handloom items are of fabrics agreed under (i) and assembled in processes defined under (ii).

(8) Product Coverage

104. There may be attempts within the next MFA to widen it to include silk (which would affect Thailand, India, China and Korea), and flax. A counter-move by ldc's might be to try to obtain the exclusion of some product categories. One line of attack is to try to exclude textile products (though there is little chance dcs will accept this). The arguments are several. First, ldc's rarely have a comparative advantage in textiles per se which is now a generally mechanised process. As a consequence there is relatively little direct competition in textiles. The one area in which ldc's do have a substantial role in dc markets is for (mainly grey) cotton cloth but it is this sector which has been longest protected (under the LTA as well as the MFA) and those firms which have not now succeeded in adapting to meet competition at world market prices are never likely to. Moreover, cotton cloth does not threaten 'upstream' manmade fibre producers who are a potent source of protectionist pressure. Second, a policy of liberal access for textiles helps to increase the efficiency and reduce the costs of clothing production. It would help to compensate the clothing industry for loss of protection implied in OP provision.

(9) Duration

105. A further general issue is whether a commitment should be made to a 4/5 or 10 year agreement. The instinctive reaction of ldc's will be to favour a short period in order to maintain the polite fiction that the MFA is a temporary arrangement before free trade can be restored.

Conversely, the US and EEC industry lobbies favour a longer period for 'stability' with a mid-point review (presumably to tighten up the system, if necessary). What is certainly more important for ldc's is to incorporate within the arrangement a degressive clause which commits signatories to phasing out specific restrictions by agreed stages over a fixed period of time.

(10) Negotiating Modalities

106. The dc negotiators will approach the coming talks with two overriding objectives: one, to reach agreement on an MFA extension; two, to preserve their existing freedom to interpret the MFA at variance with its liberal spirit. They could achieve these objectives, essentially, in one of three ways.

- (a) to renegotiate the MFA to incorporate new principles (like a 'social clause'), new products, repudiation of old undertakings (the commitment to minimum 6% real import growth under bilaterals), and formal incorporation of 'reasonable departures' (though it may be called something else).
- (b) to accept the MFA as it stands but to seek greater flexibility of action through additional protocols.
- (c) to accept the MFA without 'reasonable departures' or other additional provisions but to aim for a tougher set of bilateral agreements next year, widening the scope of restrictive mechanisms introduced under the EEC's last set of bilaterals or the US 'rollback' provisions.

107. Of these the EEC appears at present to favour (a), and the USA (b). If one or both tactics fail, (c) represents, for them, an adequate fallback position. For the ldc's, the negotiations are likely to be defensive in character though possibly less so than in 1977. It is important however that ldc's are not left defending a (none too satisfactory) status quo but are able to make positive demands. This could be divided into new principles and tighter rules to regulate existing principles. One new principle which ldc's might

wish to consider is a 'regressivity' clause. To ensure that temporary, emergency, action is not allowed to become permanent there should be a commitment by signatories to bilateral agreements to ensure that conditions of flexibility, and growth, should be eased with each successive year and from one agreement to another as part of an agreed programme of phasing out restrictions. Secondly, small (and new) suppliers will want more explicit protection than provided for at present. One possibility is a 'minimum viable production' clause for small exporters (as well as importers).

108. The main preoccupation will, however, be with the small print of any amending protocol. Ldcs have several points of concern here, to see:

- (a) Annex A defining 'marketing disruption' or 'real risk of market disruption' substantially clarified (both for unilateral action under Article 3 and bilaterals under 4). The main objective is to ensure that operations of the MFA retain the clear intent that quotas should be to deal with particular cases of 'disruption' and should not be allowed to cover 'cumulative' disruption.
- (b) tighter rules (under Annex B) governing the minimum conditions of access under bilateral agreements, limiting departures in terms of flexibility and growth.
- (c) a tightening up of the 'minimum viable production' clause to preclude its use on a discriminatory basis against ldcs.
- (d) strengthening the powers and responsibilities of the TSB under Article 11 so that, for example, members should be required to do more than "endeavour to accept (recommendations) in full" (Art 11:7); should be required in the course of annual reviews (Art 11:12) to show that the original grounds for market disruption are still valid, should submit reports on adjustment measures (under Article 10:2) which are clearly designed to promote the "progressive move into more viable lines of production" as envisaged in Article 1:4.
- (e) a clearer specification of Article 8 clause 3 to ensure that quotas do not operate to disadvantage MFA exporter signatories but guarantee them an increasing share of overall imports in any country imposing the quotas.

POSTSCRIPT TO CHAPTER V

Since this paper was written the European Commission's proposals have been published, and they reflect the influence of the producer lobbies, notably Comitextil. The central principles are a) to maintain as a "fundamental objective" the bilateral agreements as the basis of the MFA, b) to restrain 'low cost' suppliers on the basis of 'cumulative market disruption', c) to cut import growth rates to nearer the EEC's market growth of 1% than the 6% provided for in the MFA, d) discrimination between more and less developed (low cost) countries, e) discrimination between those wealthier ldc's willing to offer reciprocity within bilateral agreements, f) reservation of part of the quotas of some major suppliers for outward processing, g) use of quotas to obtain improvement of access to the markets of the state trading countries, h) cutbacks in 'swing' by eliminating underutilised quotas and elimination of carry over and 'carry forward' facilities in some bilaterals, i) retain exemption for handloom and handicraft products, j) increased flexibility in 'burden sharing' between member states.

Of these recommendations only i) and j) are at all conciliatory to ldc interests, the latter for reasons entirely internal to the Community. These are, of course, only Commission proposals and require to be approved by the Council of Ministers before being adopted as a negotiating position. The indications are that several member states regard them as, if anything, inadequately restrictive. For example the British Government spokesman in a parliamentary debate on 18 June stressed that they would give high priority to ensuring that national rather than Community quotas would be retained and that devices maximising the scope for national protective action such as the 'basket extractor' would be strengthened. At a Council of Ministers' meeting on 25 June no agreement was reached on the Community's joint position other than that the MFA should be extended on a temporary basis for five years. Germany, Denmark and Holland are reported as opposing the demand from Britain, France and Italy for tougher measures.