

**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Negotiating Proposal on Non Tariff Barriers  
in the Textiles/Clothing and Footwear sector

*Communication from the European Communities*

Addendum

The following communication, dated 20 April 2006, is being circulated at the request of the delegation of the European Communities.

**I. INTRODUCTION**

In line with paragraph 16 of the Work Programme adopted at the WTO Ministerial Conference in Doha in November 2001, and paragraph 22 of the decision at the WTO Ministerial Conference in Hong Kong in December 2005, the European Communities (hereafter “the EC”) hereby submit their specific negotiating proposal on Non Tariff Barriers (NTBs) in textiles/clothing and footwear sectors.

This EC negotiating proposal on NTBs builds upon and furthers the objectives set out in earlier EC communications to the Negotiating Group on Market Access (NGMA). Already in its second submission on 31 October 2003 (TN/MA/W/11), the EC proposed that Members agree, in line with the Doha mandate, to: (1) deeper tariff cuts for textiles, clothing and footwear with a view to bringing these tariffs within a narrow common range as close to zero as possible; and (2) substantial reductions of non-tariff barriers. These EC proposals have to be put in the context of the recent end of the textile and footwear quota regimes which were major steps towards overall trade liberalisation for these sectors. But the task of dismantling barriers to international trade in textiles/clothing and footwear is still far from complete.

Greater market access, as well as more equitable distribution of the benefits from open global trade, would only be possible if convergence in tariff protection and the elimination of NTBs are achieved. In the case of NTBs, these barriers currently distort international trade in at least three ways:

- by hindering access to markets which are of critical importance for a wide range of countries and not least developing and least developed countries;
- by having the effect of raising the transaction costs related to the import of textiles/clothing and footwear products; and
- by creating unfair advantages to domestic industries at the expense of other WTO members’ producers.

It should be stressed that the continued prevalence of NTBs in the areas of textiles/clothing and footwear constitutes a particularly significant disincentive for Small and Medium Enterprises (SMEs) to participate in international trade – sometimes to the extent that smaller companies refrain from exporting altogether. Thereby, NTBs can severely alter the international competitive environment of a sector where developing countries are main traders and the vast majority of enterprises are SMEs, especially – but not exclusively – in developing countries.

The Textile and clothing (T&C) sector is indeed particularly important for developing countries, and for many of them it is the most important industrial sector, in terms of exports (and therefore as source of foreign income) as well as in many instances also in terms of employment and value added. In the case of quite a number of developing countries - and especially some least developed countries and small developing countries – textiles is a core sector. T&C represents up to 90 percent of total industrial exports and up to over 50 percent of industrial employment for some of them.

Globally, T&C trade represent 5.7 percent of world exports. In four decades, world textile and clothing trade increased by more than 60 times (total goods trade grew by 48 times), from less than \$ 6 billion in 1962 to \$ 342 billion in 2001 (in nominal terms). The growth in developing countries' share of global T&C trade has been equally remarkable. In the mid-1960s, developing countries accounted for nearly 15 percent of world textile exports and less than 25 percent of world clothing exports. In the late 1980s, developing countries overtook industrialised countries in their share of T&C exports. In 2000, these shares are more than 50 percent and 70 percent, respectively.<sup>1</sup>

The specific negotiating proposal for NTBs, outlined below, aims to address various key distortions to international trade caused by remaining NTBs. The list of barriers hereby provided contains only those NTBs that clearly are covered by the scope of the negotiations on market access for non-agricultural products (NAMA). It must be borne in mind, however, that a number of important NTBs are also expected to be addressed in regular WTO bodies and other Negotiating Groups, such as Trade Facilitation in the case of *inter alia* unclear procedures and requirements, burdensome documentation and data requirements, excessive fees and long and uncertain delays in clearances.

## **II. MAIN BARRIERS FOR THE NTB NEGOTIATIONS IN NAMA**

Based on both a market access analysis carried out for the EC textile sector and on notification of NTB by WTO members to the NGMA, a number of main barriers have been identified of relevance for the NTB negotiations in NAMA.

### **1. Multiple and/or excessive labelling requirements:**

Whilst labelling has an important function to inform the consumer of certain essential characteristics of textiles and footwear, labelling requirements may sometimes be excessive. This issue has been raised by the US in its submission of 5 December 2005 (TN/MA/W/18/Add.12). It mainly refers to heterogeneous labelling requests, unrelated to internationally agreed standards, among WTO members that may increase processing time and costs for manufactures that supply multiple markets. It also concerns burdensome requirements that may affect business flexibility and increase costs.

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<sup>1</sup> Source: International Food Policy Research Institute (IFPRI), 2001

## **2. Multiple and/or burdensome certification requirements and conformity assessment procedures:**

Certification and conformity assessment procedures have an important role to play, for instance to ensure that products present no risk to human health. However, certification requirements have been proliferating. In various countries, contrary to the treatment of domestic products, imported goods must be tested at the point of entry in order to certify their compliance with a variety of domestic standards or to attest to the absence of certain substances. Trade barriers relate to: (i) use of standards not recognized internationally; (ii) non recognition of third party certification and testing; (iii) costs and delays of testing performed by customs; (iv) excessive losses of samples due to overzealous sampling; and (v) unnecessary testing and certification processes. In particular, controls at the border are often disproportionate as regards the risks related to the consumption of most textile/clothing and footwear products and, hence, constitute significant “red tape” with particular strong impact on market access for SMEs.

## **3. Importer’s registration:**

This refers to demand that importers of textile, apparel and footwear apply for a special importer identity card (special importer’s identification code number). This number is issued only to registered importers. Such practices can hinder market access and may affect fair competition.

## **4. Tariff quotas:**

Tariff quota systems in the footwear sector are considered as one of the most significant trade barriers for exporters; it unduly restricts exports into key markets. The trade obstacle refers to both the levels of duties for out of quota exports and the un-transparent and costly system of quota allocation.

## **5. Export restrictions:**

High applied export duties, taxes and other charges will be addressed in another EC submission “EC proposal on export taxes” and may not need to be raised here. An additional textile specific export restriction is, however, the compulsory quality control on raw materials (e.g. silk) which unduly raises the purchase cost of the latter.

## **III. PARAMETERS FOR DISMANTLING NTB IN THE TEXTILE/CLOTHING AND FOOTWEAR SECTORS**

The EC proposes to significantly reduce or as appropriate eliminate non tariff barriers for the textile/clothing and footwear sector following the vertical approach recognized in paragraph 22 of the Hong Kong Ministerial Decision.<sup>2</sup>

### **1. Labelling**

#### 1.1 Agreement on uniform coverage for labelling requirements.

The EC considers that compulsory requirements should be kept to a minimum. Members should agree on the maximum *coverage*<sup>3</sup> of compulsory labelling requirements. In addition, as regards

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<sup>2</sup> These proposals are without prejudice of the EC existing rights under the WTO Agreement.

<sup>3</sup> The *coverage* refers to *what* information is required for example, (a) fibre content contents, (b) care, (c) size (d) importers' (or national producers or trade mark) data, (e) origin.

the *content*<sup>4</sup> of respective requirements, members should commit to start negotiations in the appropriate international forum in order to define and to use international standards.

### 1.2 Relaxing labelling customs control

In view of the low risk related to incorrect labelling, members should agree to gradually phase out ex-ante customs based control/testing as regards product conformity with labelling requirements. Assessment of compliance should be based on market surveillance mechanisms identical to those applied to local producers.

## **2. Multiple and/or burdensome certification requirements and conformity assessment procedures**

Members should commit to:

- Agree on nature of risks for which systematic conformity assessment is justified and those for which supplier declaration may be considered as sufficient.
- Phase out conformity assessment procedures for those products presenting no serious risk to human health.
- Replace custom based conformity assessment by market surveillance mechanisms identical to those applied to local producers.
- Use internationally recognized test methods for conformity assessment.
- Facilitate the recognition of test results by third parties.
- Phase out all re-certification and re-declaration of a product which has not substantially changed.
- Develop and agree in the appropriate international body on commonly accepted textile/clothing and footwear related standards.

## **3. Importer's registration**

Members should commit to phase out importer registration systems.

## **4. Tariff quotas**

Members should commit to phase out all tariff quota systems.

## **5. Export restrictions**

Members should commit to phase out all compulsory export quality controls related to textile/clothing and footwear products including for the related raw material.

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<sup>4</sup> The *content* refers to the *how* the information is indicated on the label for instance the names given to the fibres, the form of care instructions i.e. pictograms versus written indication or the standards used (such as ISO)