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An Evaluation of the Multifibre Arrangement and Negotiating Options

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AN EVALUATION OF THE MULTIFIBRE ARRANGEMENT AND NEGOTIATING OPTIONS

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PREFACE

The renegotiation of the Multifibre Arrangement (MFA) which expires at the end of 1981 is now getting under way in Geneva. The next six months will be crucial in deciding the future shape of trading in this key sector that accounts for a substantial proportion of developing countries' exports of manufactured products. The avowed aim of the agreement which entered into force in 1974, was to facilitate trade liberalisation through the orderly growth in developing countries' textile and garment exports to industrialised country markets allowing time for adjustment to take place in the domestic industries of industrialised countries. In practice, however, the MFA has provided a system of protection for textile and clothing manufacturers in industrialised countries against competition from imports from developing countries, especially after its renewal in a much more restrictive form for the four years from 1978. With current demands for an even tougher MFA for 1982 onwards, the negotiations are likely to prove difficult.

The interest of developing Commonwealth countries in the export of textiles and clothing has become substantial. In view of the importance of these negotiations to Commonwealth countries, the Commonwealth Secretariat commissioned Dr. Cable of the Overseas Development Institute to evaluate the operation of the current MFA and provide economic and statistical data which it is hoped will contribute to the negotiation of an improved Arrangement - one which will promote trade liberalisation and take into account the interests of the developing countries in the expansion of their manufactured exports and of the industrialised countries in the growth of their trade with developing countries and in the orderly growth of imports of the products concerned.

B. Persaud

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I. TRENDS

Introduction

1. We seek here to identify those trends which are most relevant from the standpoint of evaluating the effects of the Multifibre Arrangement (MFA). For developing country (ldc) exporters of textiles and garments, one key trend to monitor is that which establishes whether, in accordance with Article 1:3, the Arrangement has provided scope "for a greater share for them in world trade in these products". A more ambiguous index is one which measures whether the MFA has helped ldcs (also Article 1:3 and preamble) "to secure a substantial increase in their export earnings from textile products" "Substantial" is often equated with 6 per cent per annum real growth of ldc exports to importing participants though Annex B makes it clear that the 6 per cent is applicable to restrained categories only, rather than to trade overall.

2. Developed country (dc) importers will be concerned to establish trends which establish the success of the MFA in "avoidance of disruptive effects in individual markets and on individual lines of production" (in both importing and exporting countries). 'Market disruption' has never been scientifically defined for use, in MFA bilateral negotiations but is taken (Annex A) to refer primarily to "sharp and substantial increases in imports...." and cases of "countries with small markets an exceptionally high level of imports and a correspondingly low level of domestic production". Suffice it to say here that dcs are looking for trends in the relationship between trade and domestic consumption and production and for evidence of the links between these and other indicators of the state of their domestic industry.

3. Even if appropriate trends can be identified, measurement is also a problem, often serious. First, statistical information is only satisfactory for the first half of the period known as MFA II, negotiated to run for four years from 1977-81 (end-year to end-year), and for the first two years of the five year EEC bilateral agreements (1977-82). The period over which the MFA should be judged will vary, moreover, from country to country. The main US restrictions were imposed in 1973 with some tightening of quotas in 1975 and 1979/80 while the EEC MFA restrictions were not felt in their full force until 1976 and 1977 and until renegotiated more stringently as from 1978.

4. Second, aggregate data is bound to be approximate. Textile trends based on SITC 65 will include jute goods, and other non-MFA items, while categories such as 'developed' (dc) and 'developing' (ldc) country members of the MFA include some dc members which do not impose quotas (such as Switzerland), and exclude some ldcs dealt with outside the MFA (e.g Taiwan). The definition of ldcs is notoriously elastic. On some definitions this includes Southern European countries amongst ldcs (Greece, Portugal, Spain, Turkey, Cyprus, Malta, Yugoslavia and Romania). Naturally this considerably inflates the figures of ldcs more narrowly (and perhaps more meaningfully) defined, and also recent growth of ldc exports since these countries are a rapidly expanding source of supply. Individual ldc exporters are, furthermore, dealt with differently under different arrangements and some are affected more severely than others. Some trade flows are not adequately captured in the trade statistics, such as goods processed 'offshore' or the substantial East West, inter-German, trade.

5. Third, the monitoring of a system of quantitative controls ideally requires quantitative data, but except for a few narrowly defined homogenous categories - say, cotton cloth - trade data are available in value terms and can be reduced to volume changes only with the aid of questionable price indices. And even in apparently homogeneous categories there are subtle changes in quality, and composition, from 'trading up' for example, which crude quantity data mask. Despite these difficulties several features of recent trade in textiles and clothing can be discerned.

Importance of Trade in Textiles and Clothing

6. Several broad trends can be discerned from a general overview of the role of trade in textiles and clothing items. First, (Table 1) it is becoming less important in relation to manufactures as a whole: 8.9 per cent of world manufacturing trade in 1979 as against 10.4 per cent in 1973 and 11.3 per cent in 1955. This would partly be due to relative price movements and also to slower income elasticity of demand, but the more rapid decline after 1973 is probably attributable to the effect of quotas on reducing the growth of world trade in these items. Second, within the sector there has been a marked and continuing shift from textiles to clothing. Fibres figure very much less prominently in trade measured by value reflecting both the relative decline of the traditionally exported natural fibres and the tendency towards downstream processing in former commodity exporters. Third Table 2

brings out the considerable importance of exports of textiles and clothing to ldcs in relation both to overall manufactured exports and to non-oil exports generally.

LDC Share of DC Imports

7. One of the most striking trends, and one of most concern to ldcs, given the objectives of the MFA, is that after a long period in which the relative competitiveness of ldc exporters was reflected in an expanding share of world exports and of dc imports, the share of ldcs has stagnated since 1976 and, for ldc members of the MFA, has fallen (Table 3). GATT figures (Table 4) excluding intra EEC trade (a large and rapidly growing component of world trade) show the ldc share of world exports of textiles and clothing to have stabilised at around 42-43 per cent in the four years 1976-79, having risen from 36 per cent in 1973. Their share of world clothing exports has fallen over the four year period from 58 per cent to 56 per cent while that of textiles has risen from 32 to 34 per cent. The share of ldcs in the imports of dc members of the MFA (of textiles and clothing) has similarly stabilised at around 55-56 per cent overall after a rise from 48 per cent in 1976. Preliminary data for 1980 suggest that the ldc share has again stagnated. But these figures include non-members of the MFA, particularly Southern European 'low cost' suppliers. The share of developing country MFA members in imports of dc members has fallen, each year, from 40 per cent in 1976 to 37 per cent in mid-1980 and of clothing from 54 per cent to 47 per cent. The deterioration has occurred mainly in the EEC and the smaller importing countries.

8. These trends are thrown into sharper relief when we consider incremental shares of imports by developed members (Table 5). Ldc members achieved 62 per cent of the incremental share of clothing imports and 36 per cent of textiles' imports in the 1973-76 period but only 43 per cent and 24 per cent respectively in the 1976-79 period. They lost mainly at the expense of developed countries (even excluding intra EEC trade) - and to a lesser extent to ldc and Eastern trading area non members. Even if we take the whole 1973-79 period, the import share of ldc members is actually less in 1979 than 1973 (52.9 per cent from 56.5 per cent) and barely more for textiles and clothing (41.1 per cent from 39.5 per cent). The most obvious explanation for the trends observed is that a tightening of quotas on MFA ldc members in the late 1970s has led to process of export substitution,

a switching from restrained ldc to non-restrained dc or ldc suppliers (mainly the former). Thus whatever else may be claimed for the MFA, at least in its later-MFA II years, it has failed to realise a greater share of world trade for those ldcs which have adhered to it.

Real Growth

9. We turn now to the question of how successful the Arrangement has been in obtaining for ldcs a "substantial increase" in export earnings. This is an area where it is easy to get lost in the statistical and semantic undergrowth. But the arguments are important since dcs are seeking cuts in the growth provision. They will argue, and be able to show, that ldc MFA members as a whole have been able to achieve 6 per cent export growth at constant prices since 1973, and close to 6 per cent for the more restrictive MFA II. To this, ldcs will need to be able to demonstrate that constant price growth is not the same as volume growth, and that neither adequately reflects the unsatisfactory position for ldc textile and clothing exporters in terms of the real value of their earnings. Let us take each point in turn.

10. It is extremely difficult to obtain price indices which accurately 'deflate' the current values of traded textiles and clothing for various reasons: the products are extremely heterogeneous; product composition varies over time; data on unit values of imports and exports are very patchy and rarely differentiate between sources of supply or between quality and price changes. GATT has tried to deflate world trade in these products to constant 1973 prices and concluded that it increased by 6 per cent p.a. on average in the 1973-76 period and 5 per cent in the 1976-79 period (albeit with very substantial variations from year to year). Imports into dc markets were calculated at 8 per cent and 7 per cent p.a. growth respectively. Ldc member imports to dcs grew by an estimated 12 per cent p.a. in the 1973-76 period, greater than imports as a whole, but by roughly 5 per cent in the 1976-79 period, less than for imports as a whole, a tendency apparently sustained in 1980 so far as current data extend (Table 6).

11. There are however three reasons for believing that the constant price figures overstate volume increases for ldc exports. First, as GATT acknowledges, the crude unit value indices have the effect of over-estimating the constant price values of ldc exports since "the recent price increases (on dc trade flows) appear to be, on average, higher than those.........

(in ldc flows)". Second, the price indices show increases not only because of inflation but because of monopoly rents from VER quota control in exporting countries. This cost, to consumers, from protection also leads to an overestimation of import volumes. Third, over time, suppliers try to upgrade their products from lower to higher priced items in order to maximise gains under quotas as well as generally to improve unit values. Not, of course, that this upgrading, or the monopoly rents, are in themselves unwelcome to ldc exporters - on the contrary - but nonetheless they do have the effect of inflating 'constant price' data. Statistics now available from both the European Commission and the USA bear out what we might have expected from the above: that volume import growth from ldcs is considerably less than the constant price indicators might suggest. The EEC data show that, in the period 1976-79, "low cost suppliers" achieved only 4 per cent annual volume export growth to the EEC, while MFA exporters under bilateral agreements achieved only 2.4 per cent. Total imports grew 5.7 per cent by volume and those from industrial countries by 9.9 per cent. The US data are more difficult to interpret since there are major discontinuities from one year to another, but textile and clothing volume growth over the period 1971-79 was an estimated 3.8 per cent p.a. for all ldcs and volumes imported actually fell between 1976 and 1979 (see Tables 7 and 8).

12. Even if we treat real changes in ldc textile and clothing earnings as incorporating both volume changes and unit value changes arising in commodity composition and quota premia, these earnings need to be seen in the context of what they will buy. For this reason it has been argued that a proper measure of the real earnings of textile exporting ldcs needs to incorporate a price deflator for ldc imports; in short, to incorporate barter terms of trade effects. All non-oil ldcs have experienced substantial terms of trade deterioration because of higher oil prices but since we are here concerned only with dc-ldc trade a deflator which incorporates price changes for dc manufactured exports (or if obtainable specifically for dc manufactured exports to ldcs) would be appropriate. In general the unit values of textiles and clothing items in international trade have fallen conspiciously behind those of manufactures in general. If a deflator is applied which captures these effects, albeit approximately, ldcs are seen to have achieved 'real' growth of exports of clothing to dcs of 14.4 per cent p.a. in 1973-76 declining to 4.6 per cent p.a. in 1976-78. For textile the relevant figures are - 0.4 per cent increasing to 2.5 per cent. Thus,

the picture is one of import growth in the post-1976 period being well below 6 per cent on a meaningful measure of 'real' changes. A further point could be made which reinforces this conclusion. All analysis has been conducted so far in terms of constant US $ deflated with various indices. However the US $ depreciated significantly against other major currencies particularly between 1976 and 1979, thus a redefinition of the purchasing power of ldc exports in terms of a weighted basket of major Western currencies would be even less satisfactory, at least for this period.

Balance of Trade

13. We have considered, so far, textile and clothing exports from ldcs to dcs in isolation from other trade flows and from the balance of trade. But there are reciprocal flows, of textiles, fibres, machinery, chemical dyes and clothing. In the normal run of events it would be a desertion of elementary economic principles to compute 'gains' and 'losses' in trade from balances calculated from bilateral flows and for particular products arbitrarily defined. The benefits of trade are, after all, primarily those derived from its inter-industry and multilateral character. However, the MFA has little to do with economics and since it is based upon bilateral regulation of trade in particular products its own peculiar conventions of fairness call for some examination of trends in the narrow balance of transactions (though ldc critics of the Arrangement should never cease to point out the absurdity of this enforced bilateralism).

14. As is shown in table 10 there is a marked contrast between dc-ldc trade in textiles and clothing. Dc members of the MFA run a trade surplus in textiles half or more of which is accounted for by ldcs. By contrast dcs run an increasing deficit in clothing almost all with ldcs. The overall textiles and clothing deficit of dcs (mostly accounted for by ldc members of the MFA) has risen from $2.1 bn in 1973 to $5.0 bn in 1976 and $9.8bn in 1979. Various qualifications need however to be made of these figures. First, the trade balances are in current prices and the increase in the ldc-dc trade deficit between 1976 and 1979 is halved once we apply a deflator which gives us a better measure of the real purchasing power of the foreign exchange earned. Second, the aggregate figures for dcs (and ldcs) and for groups such as the EEC are misleading since they conceal considerable variations (Table 11). Two dcs, Japan and Italy, are substantial net exporters of textiles and clothing together. These two are major beneficiaries

of 'export substitution', from quotas imposed in a discriminatory way on ldc members of the MFA. By contrast, a large part of the total dc trade deficit in the sector is accounted for by two countries, Germany and the USA which run very large deficits (over $4 bn. each in 1978 and 1979) largely on the clothing side. The same broad pattern is common also to the UK, Austria, the Netherlands, and Switzerland. The picture is completed by those dcs which run large deficits in both textiles and clothing (Australia, Canada, New Zealand, Sweden, Norway, Denmark). A third point is that trade balances are rather arbitrarily computed on the basis of categories SITC 65 and 84. Not only do these include some ldc exports which are not MFA items (e.g. handknotted carpets, jute and sisal products) but, more important, they fail to incorporate inputs to the textile and clothing industries, some of which are directly consequential upon the exports of the final or intermediate products. In 1978 (Table 12) well over half of the ldc surplus on clothing was offset by deficits on textiles, dyes and textile machinery, the last named being a major item. Thus, the dcs 'deficit' in this sector is substantially offset by reciprocal flows, many of them excluded from a crude textiles and clothing 'balance'.

Market Penetration

15. Although the level of market penetration is not in itself a satisfactory ground for justifying allegations of market disruption (rather than the rate of change of imports in relation to the home market) 'market penetration' rates have become a crucial ingredient in developed country arguments. Since the concept is so widely deployed it is important to understand its use.

16. Import penetration is usually measured by the extent to which apparent consumption (production less exports plus imports) is met by imports. Ratios are normally calculated in terms of value, but if possible in terms of volume since values may understate the effects of imports, if 'low cost', on output and employment. Ratios may also underestimate import penetration because of doublecounting in the figure for domestic production. But there are also reasons for believing that in some respects import penetration ratios exaggerate the problem. First, they deal with imports only. But open economies characteristically have high and growing import penetration ratios, and high and rising export sales ratios at the same time and for the same sectors and branches. It is not unknown to find industrial branches in which import penetration is close to 100 per cent (gloves in the UK) but which

have successful firms producing entirely for export. A great deal is often made of high penetration in particular subsectors, such as the UK's 60 per cent in woven men shirts, but this may mean little if other subsectors, let alone industries, have substantial exports in relation to sales. Second, imports, exports and production are assumed to be fully substitutable and competitive. Even at a very disaggregated level this is unlikely to be the case, because of specialised tastes and fashions in clothing and because of large discrepancies in prices between imports and home products. Some imports are necessary inputs to the next stage of processing. Thus, import penetration ratios can overstate true market penetration. Third, it is questionable whether the calculation should be carried out in terms of volumes of goods rather than values at all. Producers in Western economies are not concerned with quantity for quantity's sake, but also (or primarily) with value added, and this should be reflected in the overall estimation. By contrast, ratios calculated in value will underestimate the effects of import penetration on output and employment where imports are highly competive with domestic production of higher unit value.

17. An attempt is made, in Table 13, using World Bank data, to produce import penetration ratios for the main OECD countries, for a variety of subsectors. The ratios are calculated in value terms (which may lead to underestimation) but are also of large categories (which may incorporate a fair degree of non-competing trade). One comparison of particular interest is that between the EEC and the USA since the sense of grievance in the EEC - that the Community is carrying an 'unfair burden' - has been a potent force behind the demand for tighter controls in the Community. Over the period 1970-77 import penetration from ldcs to the EEC has risen from 3 per cent to 7 per cent for textiles and 5 per cent to 19 per cent for clothing (as against overall import penetration rates of 21 per cent increasing to 32 per cent - textiles - and 23 per cent to 47 per cent clothing. Import penetration levels, as regards ldcs, are lower in the USA, the increase being from 1.3 per cent to 2 per cent - textiles and 2 per cent to 7 per cent clothing. But this in part reflects a much lower level of import penetration overall; from 6 per cent to 5 per cent (i.e. a decrease) for textiles and 4 to 8 per cent for clothing. It also leaves exports out of the reckoning, and as we have already seen the EEC has very much larger exports in relation to imports than the US. There are, moreover, important differences within the EEC. Import penetration ratios for textiles and clothing (from ldcs) are significantly lower in France and Italy than the USA, while the

ratios in the UK and Germany are much higher (in 1977, import penetration in the UK by ldcs was 7 per cent for textiles and 19 per cent for clothing and in Germany 7.5 per cent and 25 per cent respectively). We can also see from Table 14 that if we take a crude overall measure of market penetration - $'s of imports per capita or per $1000 of GNP - that the US and several major Community members have relatively low 'burden' levels though Britain, Germany, Denmark and Holland, like Sweden, are well above average.

18. The trade ratios can also be used to tell us something about particular textile and clothing products in which ldcs have been successful and have demonstrated a strong comparative advantage. The most striking levels of import penetration by ldcs (Table 15) are in categories which are both obscure and/or comprise products which are normally regarded as non-competing, and fall outside the MFA: textile waste and fibres for textile use; clothing accessories; handknotted carpets; cordage and twine (incl. sisal items); leather clothes. Important textile categories in both the USA and the EEC enjoy low import penetration from ldcs and are exported: wool fabrics; machine made carpets; products of knitting mills; yarns in general; manmade fibre fabrics; miscellaneous textile items (industrial textiles, bonded fabrics etc). Major categories in which ldcs do have a significant market share are the main clothing items, cotton fabrics (mainly of greys), and some made-ups. It is in these areas that ldcs can meaningfully be said to have a significant comparative advantage, rather than, as is often more dramatically portrayed, in the whole of the textile and clothing industries.

II. THE WORKING OF THE MFA SINCE 1977

The Extent of Controls

19. Virtually all the textiles and clothing exports of Commonwealth ldcs to industrial countries are subject to the regulatory framework established under the GATT Multifibre Arrangement. But there are important exceptions. First, some industrial countries do not operate a system of bilateral agreements. Australia and New Zealand operate non-discriminatory import quotas (and rely heavily on tariffs). Canada operated a non-discriminatory global quota for a while. Norway has had quotas which are part-bilateral and part-global (with discrimination in favour of EFTA and EEC). Switzerland does not impose import restrictions but it is a difficult market to enter even relative to countries operating stringent controls. Second, many ldcs are not MFA signatories, but the most important of these - Taiwan, China, Indonesia and, in the Commonwealth, Mauritius, Malta and Cyprus - have reached bilateral agreements with their major customers on broadly similar principles to MFA agreements. Third, some textiles items are not covered by the MFA - products of jute, flax, sisal, silk and handknotted carpets. Of these, the status of silk and flax is possibly in doubt and the others are affected by a variety of tariff and quota measures. Finally, not all products are subject to control even within a framework of bilateral agreements. Some items for some countries are quota free and others subject to 'trigger' action rather than pre-defined quotas. But all are potentially controlled which is perhaps more important from the point of view of investment decisions.

20. An attempt is made to summarise in Table 16 the most important features of the main sets of bilateral agreements operated by particular members and as they affect Commonwealth suppliers. The main significance of these agreements for suppliers lies not, primarily, in their extent but in their content, and the spirit with which they are implemented: more of this below. But various points need to be made also about their extent. The main MFA importing countries have now achieved almost complete coverage of ldc suppliers. Even flows of apparent triviality (e.g. Sri Lanka's exports to Canada which are 0.05 per cent of Canada's 1979 imports) are subject to quota control and consultative agreements cover potential, currently non-producing, suppliers. The largest Commonwealth suppliers, as yet unaffected by quotas, are the Caribbean islands exporting to the USA but the share of US imports of the most substantial, Barbados,

is no more than 0.2 per cent. These suppliers are, in any event, affected by the US GSP provisions and, potentially the biggest supplier, Jamaica, by a consultation agreement. Moreover, the numbers of bilateral agreements jumped sharply after 1977, from 12 to 20 from the EEC (excluding some reached later - as with Mauritius and Indonesia), from 7 to 10 for Sweden and 5 to 9 for Canada. Only the USA (17 to 13) and Austria (8 to 5) moved in the opposite direction. Although it is virtually impossible to measure the extent of coverage within particular bilateral flows this also increased significantly. However it is the spirit and modus operandi of the agreements which concern us mainly here.

MFA Principles and Derogations

21. The MFA, as originally conceived, represented a balance of competing interests. Those of textile exporting ldcs (and consuming interests in the dcs) were encompassed by the 'basic objective' of the MFA (Article 1:2) to "achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalisation of world trade in textile products". Those of textile industries in importing countries were to be accommodated by steps to ensure (same Article) the "orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries".

22. Ldc textile exporters adhering to the original MFA saw in it a promise of "progressive liberalisation" from a system then characterised both by protection in some dcs and by uncertainty over the direction of trade policy. But in doing so they accepted - with varying degrees of reluctance - derogation from the GATT principle of non-discrimination, accepting that importing countries could seek restrictions on exports of particular products from particular sources under certain circumstances. Further, they accepted one major new principle - 'market disruption' resulting in 'serious damage' - less tautly defined than 'serious injury', proof of which is required under GATT Article XIX 'safeguard' action, (together with various other questionable and new principles such as 'minimum viable production'). By accepting the MFA provisions, exporters also surrendered the right to retaliation provided for under GATT. That they did so was partly due to fear of the possible alternatives but partly because of checks and balances within the MFA: guaranteed minimum levels of growth, and flexibility; a guarantee that bilateral agreements would be more liberal than the minimum standards in the Arrangement; and a framework of multilateral surveillance

under the Textile Surveillance Body (TSB). But it could be argued that the MFA was flawed in conception and that many recent problems faced by ldcs can be traced back to the MFA itself rather than simply to the provision, after 1977, for 'reasonable departures' from it.

Reasonable Departures in Principle

23. The 1977 renegotiation - or extension - of the MFA led to an amending Protocol which noted the unsatisfactory situation in world trade and renewed the MFA framework subject to the proviso that bilateral agreements could "include the possibility of jointly agreed reasonable departures from particular elements in particular cases" (Para. 5.3) but that "any such departures would be temporary and that participants concerned shall return in the shortest possible time to the framework of the Arrangement". The history of the terms of the renegotiated protocol have been amply explored elsewhere and need no rehearsal here[1]. Suffice it to say that the issue arose as a result of pressure from the EEC, which considered that a legal reformulation was required to permit a more restrictive renegotiation of bilateral agreements, recognising in advance that proof of market disruption required to obtain a new set of agreements acceptable to suppliers, and to the TSB, would be too onerous and time consuming.

24. We do not intend here to labour the issue of whether particular departures can in any formal sense be held to be "reasonable" or not, rather to review the terms of the main groups of renegotiated bilateral agreements - with the EEC, the US, the Nordics and Canada - and to judge their compatibility with the MFA, both in form and spirit. We do this for several reasons. First, there is no consensus as to what constitute 'departures' let alone 'reasonable' ones and this is reflected in the deliberations of the TSB. It has catalogued variations in the various bilateral agreements but has been able to obtain unanimous agreement only on the point that a 'departure' is involved in cases where there is a reduction of net access. Even in this limited area of consensus there are differences as to whether the departures are "reasonable" and what is implied by the understanding that they should be "temporary" or removed "in the shortest possible time". Second, the concept of 'joint agreement' is open to misinterpretation too. The 'agreement' of a bilateral may simply reflect disproportionate bargaining power and the fear of more severe unilateral action. Thus, formal status is a poor guide, especially when the EEC has declined to accept that the TSB can "put into question the bilateral agreements concluded".[2] Third, the

'reasonable departures' provision was arrived at largely at the behest of the EEC and for the purposes of remedying certain specific concerns of the Community. But other importing countries - the US and the Nordics in particular - have sought to exploit the more restrictive climate too in ways that are damaging to exporters but may not have required prior acceptance of the protocol, as such. Moreover, in some instances, notably with Norway, consuming countries went outside the MFA, even with 'reasonable departures', to achieve more restrictive arrangements. Thus, the 'reasonable departures' concept is not important so much for its legal connotations (though these are not negligible) but as a symbol of more restrictive attitudes generally.

Departures in Practice

25. The scope and detailed provisions of particular importing country arrangements and bilateral agreements are comprehensively described elsewhere (and are summarised in Table 16) so we shall here list the main sources of dissatisfaction of ldcs with current arrangements. Since the points are grouped thematically it should be stressed that not all necessarily apply to all dcs all of the time.

26. To summarise the main features of the post-1977 arrangements which have given most concern, by importing country, they are essentially as follows:

(i) EEC: introduction of 'global' ceilings for sensitive products; cut backs in access for major suppliers: overall growth rate of imports effectively cut; 'basket extractor' for new suppliers; restrictions on small suppliers under global ceilings: treatment of handlooms.

(ii) the US: measures to eliminate 'surges' resulting from use of carryforward and swing provisions; annual revisions of precisely agreed growth rates in line with market conditions; handlooms.

(iii) the Nordics: abuse of 'minimum viable production' to reduce growth and flexibility; treatment of small suppliers; 'global' quotas in Norway; net access reductions.

(iv) Canada: 'reduced' growth with sensitive categories, reduced flexibility; treatment of small suppliers; handlooms.

Major Areas of LDC Concern

(a) Reduction in Access

27. Under no circumstances does the MFA (Annex B para 1) admit the possibility of cuts in yearly quota levels below the level operating in the twelve month period before their imposition. The EEC's agreements with Hong Kong (and also Korea) established 1978 quotas for some items not only below 1977 levels, but below 1976 levels (1976 levels were used as a base for all EEC agreements). This was clearly a departure, and recognised as such, but the EEC claimed justification on the grounds that 1976 figures were artificially inflated by imports being rushed in to beat quotas then being negotiated. It also appears to be the case that the overall Community ceiling in 1978 was cut back below 1976 actual levels for mens' woven shirts and sweaters/pullovers. Reductions in access were also present in Sweden's agreements (1978/79) with Hong Kong - involving a cut of 15 per cent - Korea and Macao, and Finland's with Hong Kong (though the latter cuts were restored in 1980). The US' anti-surge' action in 1979 and 1980 had a similar effect. The Hong Kong authorities have calculated that downward quota revisions in 1980 resulted in a loss of net access equivalent to 31 mn sq. yards.

(b) Growth Rate Provisions

28. The MFA provides for an annual minimum growth rate of 6 per cent for each year of continuing restrictions, for each item restrained (and unrestrained growth for the remainder of items). The MFA does provide for growth below 6 per cent "in exceptional cases where there are clear grounds for holding that the situation of market disruption will recur if the above growth rate is implemented" (there is another exception - the Nordic provision - which we shall deal with separately). The 'exceptional' nature of the sub - 6 per cent provision and the need for 'clear grounds' were clearly incompatible with the declaration of the European Community in 1977 that "they could not live up to the new commitment which would result from the maintenance of a 6 per cent growth rate".[3]

29. The new EEC arrangements give reduced growth rates to those items enjoying relatively high import penetration, grouped in five categories

according to sensitivity. The idea of relating growth rates to import penetration is comprehensible on a narrow interpretation of market disruption. With import penetration at, say 50 per cent, a 6 per cent import growth rate will entail import growth of the equivalent of 3 per cent of the market in that year, while, if market penetration were 5 per cent, relevant encroachment is a barely noticeable 0.3 per cent (but this assumes one has abandoned all ideas of trade performing a positive role in raising efficiency within the textiles and clothing industries through specialisation and competition).

30. The ldc grievance primarily concerns the total impact of the EEC measures. This effectively confines overall ldc import growth to well below a 6 per cent growth rate overall since the sensitive Category I, - which has a 'global' ceiling (i.e. maximum overall) growth rate of 0.25 per cent p.a. for cotton yarn, 1.5 per cent for cotton fabrics, 1 to 2 per cent for most other items and a maximum of 4.1 per cent (for sweaters) - accounts for 60 per cent of total 'low cost' imports by weight, while Category II items which have growth rates of 2 to 4 per cent account for half the remainder. It is merely disingenuous of the Community to argue that it is possible to achieve a 6 per cent growth rate by diversification into currently unrestrained categories. Even for non-sensitive items there is a trigger mechanism threatening the possibility of quotas on any supplier of any product which exceeds 3 to 5 per cent of extra EEC imports in the previous year, and, within that, another trigger mechanism (or 'exit from the basket') when an individual Community member can initiate procedures for quotas unilaterally, based on shares of its own national market. Even if these obstacles did not exist, it is improbable that ldcs could achieve exceptionally high growth rates in items for which they currently have no trade, no installed capacity and no comparative advantage.

31. What is true of the general is true also of the particular. Under the post-1977 bilaterals Hong Kong had 32 items with under 6 per cent growth and 5 of 1 per cent or under; India had 12 of under 6 per cent of which 3 are 1 per cent or less; Malaysia has respectively 10 and 2; Singapore 10 and 2; Sri Lanka 3 and 1. What is particularly galling for suppliers is that in the distribution of growth rates it is, according to GATT, "not possible to discern a rational pattern".[4] Korea for example has been given higher growth in some sensitive items than minor suppliers like Sri Lanka (1.3 per cent against 1 per cent for Group 7).

32. Cuts in aggregate rates below the 6 per cent minimum have also been feature of many of the agreements of the smaller importers. The Nordics invoked 'minimum viable production' criteria. Sweden incorporated virtually no growth in its 1978/79 agreement with Hong Kong (and Korea), and its agreements with India, Sri Lanka, Singapore and others provided for less than 6 per cent. Finland's agreements with Hong Kong, India, Malaysia and most other suppliers incorporated growth of under 6 per cent. Austria is allowed only 3 per cent growth in its three product agreements with India and in some other bilaterals including that with Hong Kong (though Austria appears to have tried to justify its action in terms of the exceptional market circumstances envisaged by the MFA). Canadian quotas vary in their growth provision as between items of varying sensitivity and incorporate sub-6 per cent growth in its agreements with Hong Kong, Malaysia and other suppliers (though the Canadian situation is difficult to evaluate because pre-1978 quotas were 'global' under GATT's Article XIX).

33. The United States also differentiates between products. There is, however, a difference from the EEC and Nordic agreements in that, in the US,6 per cent growth is provided for in overall aggregate ceilings permitted to each exporter, though the rate may vary at the second tier of broad product groups, and the third group of specific quotas. Nonetheless some ldcs feel that by holding down growth rates on fashion items, the 6 per cent growth rate will be frustrated. Under 1980 revisions of bilateral agreements, growth rates were adjusted (and are subsequently to be adjusted annually) on the basis of the "estimated rate of growth of the domestic market". In the case of Hong Kong, which has over 30 specific quotas, many of them with around 3 per cent growth, the restriction is of particular concern.

(c) Flexibility Provisions and Quota Administration

34. One of the more technical, but crucial, features of MFA is incorporated in the provisions relating to swing between product categories, carryover from year to year, transferability between fibres and other elements of administrative flexibility. In addition to a general invocation to 'substantial flexibility' (Article 4:3) there are specific provisions within the MFA for swing (up to 7 per cent and a minimum of 5 per cent even in exceptional circumstances) and carryover (of 10 per cent with a maximum of 5 per cent carried forward). These allowances are to ensure maximum quota utilisation when there are inevitably unpredictable variations in demand because of fashion changes.

35. TSB has noted the lack of flexibility in a large and growing number of agreements referred to it, in particular the results of US 'anti-surge' negotiations. Reopening the five year agreements with the three major suppliers, the US has imposed successive cut backs in this way. In its 1980 renegotiation Hong Kong was prevailed upon to give up the carryover and carryforward provisions in ten major clothing categories, and to limit swing to 5 per cent. One commentator has observed that these revised agreements "may prove as momentous a development as the European Community's policy shift of 1977".[5]

36. Other deviations are too numerous to mention but those involving Commonwealth exporters and identified by the TSB include no swing (Finland/India, Sweden/India, Sri Lanka and Singapore, Canada/Singapore and Canada/Malaysia); swing nominal or significantly below 5 per cent for some products (Finland/Hong Kong; Sweden/Hong Kong; EEC/Hong Kong; Canada/Hong Kong); absence of carryover and carryforward (Sweden/India, Singapore and Sri Lanka); provision less liberal than in the MFA (Sweden/Hong Kong).

37. There are however many other ways in which administrative flexibility can be impeded. Although the system of member state quotas in the EEC is not unique to textiles (it operates in the GSP arrangements), or to the revised, MFA II, textile arrangements, it is a significant factor in promoting underutilisation of quotas. Since quotas of 'sensitive' items are allocated to member states on a fixed pre-determined percentage basis, regardless of the distribution of market demand within the EEC, there is a fair probability that demand will be unmet in some EEC countries but quotas unused in others. When it comes to allocating quotas in this way to the smaller member states, especially for small suppliers like Sri Lanka, the quota is often so derisory as to be scarcely worth the inconvenience of filling. Unsurprisingly, tiny Ireland's member state quotas are the most underutilised of any member state (Table 17). Ireland has a member state quota of 1 per cent of total Community imports, and can under certain circumstances invoke basket extractor action when shipments exceed 0.0002 per cent of extra-EEC imports. It was recently allocated a separate national quota on one item from the Philippines of 3 tons (sic). In principle the Community permits transfers but it acknowledges that it "has been able to agree to only some of the many requests made for transfers". The Commission itself deplores this, noting that quite apart from the effect on

suppliers there is also a "danger of a new fragmentation of the Community market".[6]

(d) Minimum Viable Production

38. Traditionally, the Scandinavian countries have been regarded as exceptionally liberal on trade matters, relative to some EEC countries or the USA, and, as a consequence, import penetration is high. But after 1977, there has been a strong reaction. The Nordic countries have justified their efforts to obtain more restrictive quotas, in respect of growth and flexibility, with reference to the clause in the MFA which states "in the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries' minimum viable production of textiles". However in one of its most explicit criticisms of a member state the GATT Textile Committee has taken Sweden to task for abusing the MVP clause, in conjunction with the 'reasonable departures' provision, saying that it "could not be invoked as a general waiver of particular obligations under the Arrangement".[7]

39. Although the Swedish and Finnish renegotiated agreements have both made extensive use of the MVP principle, the greatest difficulties have risen with Norway. Its attempts to renegotiate more restrictive arrangements after 1977 were frustrated by the unwillingness of Hong Kong to accept cutbacks in terms of access, though India and several ASEAN countries had settled. Norway then resorted to GATT Article XIX action, using global quotas outside the MFA. Hong Kong has now (early 1981) reached a bilateral agreement - with cutbacks - and a return to bilateral agreements is possible.

(e) 'Globalisation' of 'Low Cost' Imports

40. One of the more important departures in the new set of textile agreements is rejection of the previous, clearly understood, provisions of the MFA that market 'disruption' related to "particular products from particular sources" (Annex A) and that action should be similarly specified. The EEC has gone furthest in departing from this principle through the introduction of the concept of 'cumulative market disruption' to justify global quotas on all 'low cost' imports of 'sensitive' (Group I) items. This is offensive to ldcs for several reasons. First it removes from the

importing country the onus of demonstrating 'disruption'. Second, the 'global' quotas are discriminatory against ldcs as a category, since imports from 'developed' countries are not included within the global ceilings, however large or 'disruptive' they may be in contrast to ldc suppliers. This is a breach of the spirit of MFA principle that importing countries should "provide more favourable terms (for ldcs) with regard to such restrictions .... than for other countries" (but, since there are no restrictions on dcs except occasionally on Japan a sophist could argue that the clause is still honoured in law). Third, it tends in practice to squeeze out new and small suppliers, since if ceilings are placed near current actual levels and if importing countries honour their obligations not to cause "undue prejudice to the interests of established suppliers" (Article 6:1) there will be little room left for newcomers. The small supplier problem arises also in other contexts and we shall deal with it below.

41. 'Globalism', the tendency for importing countries to try to get away from the particular to the general in dealing with 'low cost' suppliers, appears in a different way in other sets of agreements. Norway and (for a while) Canada have resorted to global restrictions under GATT Article XIX because of an inability to reach bilateral agreements quickly enough. In the USA 'globalism' operates in different way. There are no global ceilings for groups of ldcs but ceilings for broad product categories. Thus, even if a supplier fails to encounter specific quotas imposed to prevent particular cases of market disruption, it can still be restricted if it exceeds ceilings for broad product categories or for textiles and clothing as a whole. 'Globalism' (in the EEC sense) is also a major feature of lobby demands in the US at present.

(f) Small and New Suppliers

42. Article 6:2 specified that the criterion of past performance "shall not be applied in the establishment of quotas for exports of products from those textile sectors in respect of which they are new entrants....and a higher growth rate shall be accorded to such exports", and also that "restraints on exports from participating countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided...." (Article 6:3). The first provision is important for established suppliers seeking to diversify into new sectors and the second for countries which are new to textile exporting, though in practice "new entrants" may also be "small suppliers". Monitoring of these

provisions is however made difficult by the absence of any agreed definition of "small".

43. The EEC's agreements now include restrictions on some categories with "small" suppliers having, in 1978, well below 1 per cent of EEC textile and clothing imports, notably Sri Lanka (0.1 per cent), Indonesia (0.15 per cent), Colombia (0.25 per cent), Mexico (0.20 per cent) and Peru (0.25 per cent). There are also 'consultation agreements' with, inter alia, Bangladesh (0.00 per cent). In addition, as a result of the so called 'basket extractor' mechanism, action can be initiated once imports from a "new" supplier exceed a predefined threshold. This can be as low as 0.2 per cent of extra - EEC imports in Group 1 products. The threshold limitation can be applied by individual community members as well as to the whole. Despite assurances that the basket extractor would be used 'sparingly' there were 66 new quantitative limits imposed by EEC members in the first half of the five year period of the MFA II bilaterals. Most of these were by individual community members, notably the UK (19), Benelux (16) and France (12). Many others were slow to be reported to the EEC; by the end of 1980, the UK had accumulated 40 quotas . The thresholds on the "new" suppliers have in practice fallen mainly on low income countries with a large unrealised comparative advantage which are seeking to diversify their range of products; examples are the Philippines, Thailand and India (which between them have attracted over 40 per cent of such quotas so far) - see Table 18.

44. The United States has been somewhat kinder to "small" suppliers, actually getting rid of some previous small quotas. Nonetheless, there are restrictions on products from some small suppliers having, in 1979, less than 1 per cent of the volume of US textile and clothing imports; Malaysia (0.65 per cent), Sri Lanka (0.55 per cent) and, via a consultation agreement, Jamaica (0.16 per cent). The US agreements are less satisfactory for "new" products from established suppliers, there being a 'trigger' mechanism to bring quotas into play based on "consultation" levels.

45. The problem of "small" suppliers is perhaps worst in the smaller importing countries since here <u>absolute</u> amounts can be very small and there is a major disincentive to enter a market for which sales are going to be very limited. Austria for example has agreements with India (0.48 per cent of 1978 imports); Finland with Malaysia (0.06 per cent) Singapore

(0.05 per cent) and India (0.98 per cent); Sweden with Sri Lanka (0.27 per cent); and Canada with Sri Lanka (0.05 per cent) Singapore (0.22 per cent) and Malaysia (0.35 per cent).

(g) Handlooms

46. The MFA quite specifically exempts "exports of handloom fabrics of the cottage industry or handmade cottage industry products made of such handloom fabrics, or...traditional folklore handicraft textile products, provided such products are properly certified under arrangements established..."In practice most handloom products are now subject to quota control in the EEC, the US and Canada as a result of the inability or unwillingness of these countries to accept (mainly Indian) classification and certification of handmade items. The technical issues here are complex and are dealt with separately in an appendix I.

(h) Cotton Textiles

47. The MFA recognises (Preamble) "the special importance of trade in textile products of cotton for many ldcs" and (Article 6) urges that "special consideration will be given to the importance of this trade". It is difficult to see any evidence in MFA II that importing countries have done so. In the EEC's quota system, two cotton items, yarn and the fabric, attract the lowest permitted growth rates and there is no evidence of any special consideration for cotton textile exporters generally (Hong Kong and India within the Commonwealth).

(i) Order and the Fixity of Agreements

48. One of the reasons why ldcs have accepted an MFA framework is that bilaterally agreed quotas, even if restrictive, seemed preferable to the uncertainty, even anarchy, of unilateral measures which has invariably been posited as the likely alternative. Agreed quotas can represent minimum as well as maximum market access. There has however been a drift towards more unilateralism and arbitrary action, even under the MFA, leaving aside those measures taken outside it, like Norway's. First, the use of 'threshold', or trigger mechanisms as in the EEC's 'basket extractor' introduces a major element of uncertainty as to whether, and if so when, quotas will be sought. Second, and potentially much more serious, the breaking by the USA of prior agreements (as in 1979 and 1980), in an effort

to demand more concessions from exporters, removes much of the stability and predictability - and tenuous legal status - which these agreements had.

The Effects

49. The cumulative effects of these various measures can, in principle, be measured quantitatively, though we only have one or two year's data so far on which to make judgements. The real significance may, moreover, become apparent after a period of years when the confidence and disincentive effects on potential exporters have worked their way through. The statistical evidence, such as it is, has been already introduced in Section I and will be pursued in other sections but two points can be made at this stage. First there is overwhelming evidence that as a result of more restrictive measures the growth rate for ldc exports has slowed significantly. Figures for the EEC show that annual volume growth of imports of ldc origin in the period 1976-79 was 4.0 per cent and 2.4 per cent for imports under bilateral agreements (Table 7). Ldc exports to the US moved erratically in the 1976-79 period (Table 8) but the total shipped from ldcs was less in 1979 than in 1976, with a substantial drop for major suppliers. Second there has been a clear trend towards trade diversion with imports from ldc (and other 'low cost') MFA suppliers being supplanted by goods from elsewhere, mainly dcs, but also by non-members. This is most evident in the EEC, where the growth of uncontrolled US imports is well documented, but a similar process seems to have occurred more generally, except in the USA.

III. TRADE LIBERALISATION, PROTECTION AND THE EFFECTS ON DEVELOPED COUNTRIES

Employment

50. One of the more emotive arguments connected with textile imports into industrialised countries concerns the loss of jobs. With unemployment now at post-war peak levels, and generally rising, this consideration will be central to the coming negotiations. The concern is given added edge when, as is often the case, jobs lost are concentrated in depressed areas or amongst poorer social groups. Specifically the argument concerns the extent to which 'low cost' imports 'cause' this unemployment. The European Community proceeds from an analysis of trade trends to observe "as a result of all this (our emphasis) there has been a contraction in the Community textile sector. Between 1973 and 1978, 700,000 jobs were lost...".[8] More sophisticated analysis, including that carried out by dc governments, accepts the inherent absurdity of attributing cause and effect in this way, when several interrelated factors influence employment levels in particular industrial branches, let alone in the economy as a whole. Thus the European Community (addressing a GATT, rather than a domestic audience) acknowledges that the "essential causes" of declining employment in the sector are not only the impact of imports but also "improved productivity" and "the pattern of household expenditure which has changed to the detriment of certain purchases, in particular textiles".[9] The UK minister responsible for textile negotiations acknowledges moreover that "the falling workforce (in the UK industry) can be shown to be principally a reflection of a technical advance of increased productivity.[10]

51. Trade flows, clearly, are not the only factor which influence the level of employment in textile and clothing industries. Improved methods of production, labour-saving investment to replace depreciated capital stock, and the shedding of underemployed labour all have the effect of reducing the number of workers employed per unit produced. There is a good deal of evidence to suggest that although the demand for textiles (broadly defined) increases, in general, slower than the overall income growth in most Western economies, productivity growth has been higher than in industry generally implying that, even if there was no trade, there would be a tendency for this sector to lose employment to other parts of the economy. In Britain, productivity growth over the last decade in both textiles and clothing has outstripped the manufacturing average. Since 1973 this has

been true for other OECD countries: Denmark, Switzerland, Finland, Austria, and Canada.[11] A calculation by GATT of the implied productivity growth in the EEC over 1973-79 gave an annual average of 4 to 4.5% for textiles and clothing.[12] This is way in excess of the growth in demand (as indicated by consumption growth for clothing) of 1.1%, implying that even if there had been no trade balance deterioration the industry could have lost jobs at a rate of around 3% p.a., or 120,000 jobs p.a, which goes a long way to explain the 700,000 jobs lost altogether in the EEC in this five year period.

52. Productivity growth can occur for several reasons. In a contracting industry the least efficient firms and the least productive workers within firms tend to go first, raising average industry productivity. But there is also strong evidence in this industry of "capital deepening" - producing the same output with more machinery and less labour. Capital stock per man - in constant prices - has risen by around 200% in the UK and Germany since 1960, faster than in manufacturing as a whole.[13] There is evidence that while investment, in real terms, has declined in the 1970s (in the EEC but not the USA) there has been a shift towards investment in labour saving, faster, automated equipment. It has been estimated that the employment per unit of output in new textiles plant is between a third and a half that in marginally profitable plant. The main reason is the considerable increase in spinning and weaving speeds in new machines. For example the fastest shuttle-less, multiphase, looms have a weft insertion rate of 1700 yards per minute and a speed of 500 picks per minute as against 370 and 130 respectively in high speed conventional looms.[14] Employment falls as new technology is gradually diffused. New technology has had a particularly big impact on jobs in the UK. There, two-thirds of looms were non-automatic in 1965 and a negligible number were shuttleless, but by 1979 three quarters were automatic and over 20% shuttleless. Advances in clothing are so far less far-reaching but most phases of garment assembly have seen changes - automated cutting and improving sewing speeds - in the direction of greater capital intensity. The potential for further job losses due to productivity growth is great, particularly in those countries like Italy, which have a large number of low wage, low productivity, outworkers, many of whom are not officially recorded. Indeed, this experience pinpoints one of the underlying causes of labour-saving technological advance in other dcs: a wish in most of them to sacrifice jobs per se for higher wages and better conditions.

53. The employment experience of particular branches of textile and clothing is, furthermore, strongly influenced by changes in fibre demand, process technology and fashion changes. Thus, the 'knitting revolution", has accentuated the pressure on the old established textile industries with a large weaving sector, as in the UK and France. Within knitwear, there has been a switch from hosiery to knitted garments (and from stockings to tights). The woollen sector (with which ldcs are rarely competitive) has declined relative to other textile fibre users. In earlier days, the rise of the ready-made clothing industry resulted in serious adjustment problems for seamstresses and bespoke tailors.

Quantifying Job Losses Due to Imports

54. A wide range of methods have been applied to quantify the employment effects of import growth. The most widely used are the so-called "accounting procedure" attempts to quantify the first round impact on employment of changes in domestic demand, imports, exports and labour productivity. Several variants of the method have been employed in studies covering most MFA member countries, and these have been synthesised by the ILO which concludes that "the empirical evidence indicates that this ('cheap imports') is not the most important factor and that fluctuations in aggregate demand and productivity increases are much more important sources of unemployment".[15] One recent study, by de la Torre, and Barchetta which pulls together in a consistent way the evidence for clothing for the EEC over 1970-76, a period of rapid import growth (Table 19)[16] concludes that productivity changes were, overall, more than three times more important in their influence on jobs than changes in net trade, with a much larger differential (over eight) in the case of the least open economy, France (and with Italy gaining employment from a positive trade balance). Only in Holland was a deterioration in the trade balance sufficiently important for it to exceed the influence of productivity growth. Much more disaggregated studies by Anna Kreuger of the USA (Table 20)[17] and by the British government,[18] show that there is a great deal of variation at a detailed product level, but that, even at this level, labour productivity trends are invariably more powerful. A study of Australia similarly concluded, for 1968/9 to 1975/6, that "the reduction in employment due to increases in the share of imports is shown to be generally less than half the reduction due to productivity increases".[19]

55. It should be acknowledged that most of these studies are methodologically crude.[20] They exclude indirect effects (eg from clothing on textiles) which may be of the order of additional one job lost for every four lost directly. More important, they also ignore the interaction between one factor and another. It is argued for example that more intense import competition increases the pressure on firms to seek labour saving methods of ensuring their economic survival. This is plausible but the opposite phenomenon is also documented: protection facilities, through higher profits, new investment, often of the capital deepening, job destroying, kind. As it happens, the most open economies (Norway and Sweden) had the worst productivity growth record in textiles and clothing of any OECD country in the post 1973 period. Furthermore, interactions can work in ways which minimise the job displacing effect of imports (lower prices may raise overall demand for clothing for example). Thus, there is no reason to accept that the general thrust of the analysis is invalidated by academic criticism, though neither there should be too dogmatic an attachment to the arithmetic detail.

56. Two main conclusions need emphasis. The first is that as a relatively labour intensive industry facing relatively low growth of demand, and a capacity for average or above average labour productivity improvements, the textile and clothing sector (considered together) is bound to experience substantial loss of employment, relative to other parts of the economy. Even if the trade balance could be frozen, job loss would still go on at a rate not greatly less than at present. Second there is something inherently unsatisfactory about discussing, let alone trying to measure, 'causes' of unemployment in terms of one sector in isolation. Unemployment - other than frictional - is 'caused' by disequilibria at the macro economic level. Consequently it is in the fields of monetary and fiscal policy, or rigidities in wage levels, or measures to ease the movement of labour from one job to another, that remedies need to be sought, not in industry-specific trade restrictions. The use by Western governments of trade protection as a device for creating employment and alleviating regional and social problems is an extremely inefficient method of tackling difficulties which have other causes and better cures.

Inflation and the Effect of Trade Policy on Prices

57. It is one of the two major criteria for defining market disruption (Annex A Para 2(ii)) that import prices are "substantially below" those of

similar home produced goods. A necessary corollary is that the attempted removal of 'disruptive' cheap imports from the market will raise the average price of goods sold. Such action is not without significance for efforts, to which most Western governments give over-riding priority, to reduce inflation.

58. MFA restrictions affect prices in several ways. First, quota control creates economic rents deriving from relative scarcity. Rents are appropriated by exporters in the form of quota premia under the current export administered system and the cost passed on to consumers. There is a highly sensitive and volatile market in quotas in those ldcs which permit one to operate. One recent survey showed that the premium typically added (mid 1979) 70p to £1.50 to the landed price of a pair of jeans and 65 to 80p. per blouse.[21] The most recent (1980) record of quota premia in Hong Kong suggested that the average for the year had been for a knitted sweater in the following range: £1.70 (sold in Germany), £1.20 (Italy), £1.25 (Benelux). Second, quota restrictions offer an incentive to exporters to 'trade up' to maximise unit value, leading to a relative scarcity of cheaper items. The effect of this is to raise the prices of cheaper lines, typically by 25% to 30% as against 5% for higher quality products available under the same quota. A German study shows that imports meet 60 to 70% of the sales requirements in the lowest band of garments and households.[22] Thus there are income distributional as well as inflationary effects. Third, import restrictions not only raise the prices of imports but also import substitutes to the extent that price competition is less. A major source of pressure for protection is from manufacturers eager to take advantage of a tighter market to raise prices and thereby restore profit margins.

59. Several pieces of analytical work have been done which seek to give greater precision to the consumer cost of protection. A recent study of Canada, by Professor Glenn Jenkins, estimates that import quotas have 'saved' 6000 jobs but cost (consumers) C$33000 per job (currently C$1.20= US $1).[23] The total cost to consumers of textile protection is put at C$470 mn of which C$200 mn is attributed to the quota system and C$92 mn being lost to Canada in waste of resources, loss of consumption and quota premia. He also calculates that the cost to low income consumers is over three times as much, relative to their income, as to high income groups (confirming the German results, that the poorer buy a greater proportion of their clothes from quota items). A survey in the USA, by the Council

of Wage and Price Stability (COWPS) calculates that the cost to consumers of a system of quotas growing at 6% pa would be $790 mn in the fifth year and for 3% growth, $1060 mn.[24] The cost to consumers of saving jobs as a result of moving from 6% to 3% 'could be as high as $81,000 per job' (several times the average wage of a clothing worker). Finally an Australian study by the Industries Assistance Commission estimated that Australian clothing consumers were paying A$925 mn a year because of protection (A$0.9 = US $1), or A$200 per household.[25] The cost of protection paid by consumers (or in subsidies by tax payers) will clearly vary depending upon the wages and conditions of those kept in employment. It is inherently unlikely however that society will continue "to pay an ever-growing price for keeping workers on substandard jobs at standard earnings".[26] Rather, there will be pressure, even in a protected economy, to economise on this cost, by intensifying pressure to reduce labour intensity and employment or by a spread of 'outworker' low wage manufacture subject to few controls on conditions.

60. Two qualifying remarks need to be made. The effect of increased protection is one of many factors operating on prices. It is, therefore perfectly possible that other factors could be predominant, and that, as in the UK, the price of clothing could still rise less rapidly than other items. Were there no, or less, protection, prices would have risen even more slowly, offsetting higher prices elsewhere - as of energy. Second the analysis above relates primarily to the wholesale level. Retailers may choose not to pass on to consumers the value of 'cheap imports' but, at least in part, to composite prices of home and foreign goods. This does not invalidate the argument about the consumer costs of protection (which are reflected in higher composited prices) though effects may be invisible to the final consumer.

Wider Economic Consequences

61. The direct effects of trade on employment and prices in one sector are surface manifestations of the wider and deeper effects of trade. The main rationale for international trade is that it raises the overall efficiency of the economy, and the underlying rate of growth. Conversely, protection can impede this process. Support for the industry through trade and other measures has had the effect of artificially raising the return on capital above what it otherwise would have been. This is one factor (business miscalculation of trends in oil prices being another) which helps

to explain the considerable excess capacity in 'up-stream' textiles activity, notably manmade fibre production. There has also been, since the MFA was strengthened, some evidence of new investment (in the peripheral areas of the UK for example) in factories which have been attracted to a greater extent than would have been warranted by market forces. There are, therefore, costs in terms of what the same investment could have produced elsewhere, in the economy, without protection. It could also be the case that protection engenders the wrong kind of consumption and production pattern within the industry. Unfavourable contrasts have been made between the UK (and France) and Germany, the former having opted for mass marketing of standard items, seen essentially as a downstream outlet for man-made fibres, while the latter opted for a more specialised, quality, production of textiles, often for offshore assembly.

Developed Country Adjustment Measures

62. The MFA is quite explicit (Article 1:4) on the need for the Arrangement not to interrupt or discourage the autonomous industrial adjustment processes of participating countries. Furthermore, "actions taken under this Arrangement should be accompanied by the pursuit of appropriate economic and social policies...required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries, which policies would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries".

63. Member states are obliged to report regularly to the Textiles Committee on their 'adjustment policies'. What emerges from these reports is a great deal of confusion as to what 'appropriate' policies actually are. Governments in dcs interpret 'appropriateness' in this context in various ways:

(i) 'autonomous' adjustment; allowing the market to work freely without impediment.

(ii) 'positive' adjustment; intervention of a general, non-selective kind, designed to work with the grain of the market, including subsidies for retraining, incentives for new investment and R & D and generous treatment of redundancy.

(iii) selective programmes of a 'positive' kind; support for industries faced with (inter alia) trade adjustment problems, in the form of compensation to labour and capital and, possibly, support to move to new activities within the sector or outside it.

(iv) sectoral support programmes; inducements through new investment and other incentives to improve performance to restore competitiveness in industries threatened by decline because of adverse trade factors (with import controls giving a 'breathing space').

(v) 'relief measures'; no strategic objective but designed to postpone, or slow down, by selective or general subsidies for employment or for vulnerable enterprises, painful industrial changes.

64. All of these are at various times described as 'adjustment policies' though only (i) to (iii) could meaningfully be described as such. To confuse matters further many 'sectoral programmes' tend to have elements of both (iii) and (iv) and often (v) and the balance between them is difficult to assess. It must be said that the demands often made by UN agencies, and other bodies, for industrial countries to engage in adjustment assistance policies probably do more harm than good. Those countries (like Switzerland, Germany and, until the mid-1970s, the Scandinavians and the UK) which adjusted most freely to ldc imports did so primarily by accepting a process of 'autonomous' market adjustment. Policies of "adjustment assistance" even if initiated with admirable sentiments seem "in practice often designed to bolster the defences against imports rather than to clear the ground for them".[27] A brief summary of the main schemes is in Appendix II.

IV. THE EFFECTS OF RESTRICTIONS ON LDCs

65. The MFA declares that "a principal aim of this Arrangement shall be to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products" (Article 1.3). In considering questions of "market disruption" (Annex A) "account shall be taken of the interests of the exporting country, especially in regard to its stage of development, the importance of the textile sector to the economy, the employment situation, overall balance of trade in textiles, trade balance with the importing country concerned and overall balance of payments", and efforts shall be taken to ensure "the avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries" (Article 1.2).

Benefits of Textile and Clothing Exports to LDCs

66. The benefits to ldcs from being able to increase their export earnings from textiles and clothing should be self- evident, but perhaps need restating since there has grown up in Western countries a critique of development strategies which rely on a substantial labour intensive manufacturing export sector. These criticisms usually represent a somewhat odd fusion of special pleading by Western textile manufacturers and unions and Marxist or 'dependency' development theorists, to the effect that protection in dcs safeguards not only the interests of Western workers (and manufacturers) but also the people of ldcs who would be better served by 'self-reliance', and 'freedom' from 'dependence' on trade, transnational corporations etc. To this there are various replies. First, the majority of ldc members of the MFA are not 'export-orientated' ldcs in the Korean/ Taiwan mould. They include countries with a large variety of size, economic structure and guiding ideology - from Romania to Hong Kong, from Communist China to Uruguay - which nonetheless have a common interest in the expansion of their export earnings (and therefore import capacity) and employment opportunities. Second, it is true that the bulk of textile and clothing exports by value do originate in the small number of 'export orientated' ldcs (Korea, Taiwan, Hong Kong), but the development experience of these countries (especially the two former since they have large agricultural sectors) is both relevant and encouraging for others. Other ldcs - the ASEAN countries, Sri Lanka, and in varying degrees most others - have moved in the same direction with generally favourable results. Third,

Western dominated agencies like the IMF are urging upon their ldc clients (often making it a condition for assistance) that they adopt exchange rate and export promotion policies to facilitate manufactured exports, including textiles - on the grounds that such policies make economic sense.

67. The most tangible benefit derived by ldcs is in terms of employment. This is partly because clothing, especially, is a, relatively, very labour intensive industry but also because a given quantity of output will generate more employment than in dcs where less labour intensive methods are employed (including the use of less ancillary staff). An OECD survey suggests that a spinning or weaving mill in India or Korea will typically have around twice as many workers per unit of output as a comparable establishment in the US or Germany, and rather more in the Indian than the Korean case.[28] Where handloom textiles are considered, the labour intensity is, naturally, greater: perhaps ten times that in the mill sector and three times that in powerlooms (in respect of output - the labour intensity with respect to capital is vastly greater).

Effect of Restrictions

68. The effect of restrictions on exporters clearly varies depending upon (inter alia) the importance of clothing and textiles in the economy, on the stage of overall development, on the severity of restrictions and the capacity of the industry to adjust to changing quota and market conditions. Tables 21 and 22 try to capture the main features of textiles and clothing exports in relation to the various ldc economies. There are countries which are major net exporters of both textiles and clothing (Korea, Taiwan, India and Thailand), others which are predominantly textile exporters (Brazil, Pakistan, Egypt and Turkey), and others which export clothing incorporating imported fabrics (Hong Kong, Philippines, Singapore, most of the newer exporters such as Sri Lanka and Indonesia and others engaged in offshore processing - Tunisia, Malta and Cyprus). It is also possible to classify countries in terms of the importance of the textiles and clothing industries in relation to manufacturing as a whole (it is particularly high in Hong Kong and to a lesser degree in low income ldcs; Pakistan , Egypt and India) and of exports in relation to production and overall exports (both high in Hong Kong, Taiwan and Korea and to a lesser extent in India and Pakistan). These differences are reflected in the classification below.

(1) Major NIC Suppliers

69. Three countries - Hong Kong, Taiwan and Korea - are regularly separated out for special treatment as 'major suppliers'. This is done explicitly for Hong Kong, Taiwan and Korea in the US while the EEC and other importing countries have adopted particularly restrictive measures for these countries. Thus, in the US, partly as a result of measures taken in 1979, exports in that year from these three countries were lower than in any year since 1975 and little higher than in 1972. In exports to the EEC, Hong Kong, despite having perhaps the most adaptable industry of all the exporters, could only register 2.2% real growth p.a. in the 1976-79 period (see Table 23). The concern of these countries (and we are here primarily concerned with Hong Kong) is that since exports of textiles and clothing form such a large component of national economic activity, any sharp slow down in permitted exports could have serious repercussions for the economy as a whole. Exports form 75% of the output of Hong Kong's textile and clothing industries, while the industry accounts for 36% of all exports(1979) and employs 42% (1979) of the colony's labour force. There appears to have been a sharp slow down in growth in 1980 and 1981 after a succession of years in which quite spectacular growth had been recorded (from 17% in 1976 to 7% in 1979). The combination of restrictions on textile and clothing exports and a large influx of Vietnamese and Chinese refugees represent a considerable problem in the near future.

70. However, restrictions are not without some compensating benefits for this group of countries. First, there is a scarcity rent to exporters. Since Hong Kong's products usually face demand in excess of permitted exports under quota, the premium is particularly large. This was measured in 1976 at 15 to 25% of restrained textile export value, or at least 4% of Hong Kong's GDP (though 'rent' will fluctuate with demand and could even be negative in a recession year).[29] While 'rent' can be seen as a national gain for the economy - turning the terms of trade in its favour - it does have disadvantages: engendering amongst businessmen a speculative rather than productive motivation; widening income maldistribution in favour of manufacturers (and quota speculators) and against workers whose real wages are affected by a standstill or decline in export volume. Second, there is a strong incentive to move 'upmarket' into higher quality lines within quota categories and to specialised products for which protection is less of a threat. Such a move is particularly appropriate in Hong Kong which is seeking successfully to establish a reputation for quality fabrics and

fashionable product design. Third, restrictions intensify pressure on these economies to diversify out of clothing (in particular) and textiles into more capital intensive industries (heavy engineering, steel, chemicals and cars in Korea and, to a degree, in Taiwan), more income elastic, and technologically sophisticated industries (electronics, in each of the countries), and traded services. Rising wage costs are, in any event, promoting the relocation of clothing production to lower labour cost economies in Asia. Restrictions on exports, while they may affect the smoothness of this adjustment, should not fundamentally alter the long term economic prospects of these countries - though Hong Kong is likely to have an ability to supply quality textiles and clothing for a long time, quotas permitting, and is currently more specialised, and therefore, vulnerable.

(2) Small Suppliers

71. At the other extreme are suppliers whose exports, usually of clothing, are at present so minor in relation to world trade that one might question why they are affected by controls at all. At first sight, the MFA has some attractions for small suppliers whose position is recognised within it in general terms, and several of which were drawn into exporting in the first place by companies seeking to escape from quota control in major suppliers (eg Hong Kong businessmen setting up in Sri Lanka and Mauritius). This is in addition to several new suppliers which have benefitted from offshore processing (OP) trade - Malta, Tunisia and Cyprus - though in those cases geographical proximity and the special preferential access offered by the EEC to Mediterranean countries are important considerations. But the benefits of being small suppliers - reflected in spectacular growth rates rendered by Sri Lanka and Indonesia in the first two or three years of exporting - have now been curtailed by quota action, long before the countries concerned were exporting substantial quantities. These restrictions threaten severely to limit the development possibilities of potential textile and clothing exporting countries.

72. Of the Commonwealth small suppliers, Sri Lanka has had considerable difficulties as a result of quotas imposed in the EEC, the US, Canada and Sweden. The EEC imposed a quota limit in 1978 on five items of approximately 11mn pieces (in a four year agreement) and the US imposed a one year restriction of 17.5mn pieces covering 7 items. With roughly half of exports going to these countries, the quotas amounted to less than half of the 1978 capacity of the Free Trade Zone (quite apart from the substantial

industry outside it) and a small fraction of that originally planned (over 500 mn pieces capacity, some of it under construction). Hitherto, garment exports played a useful role in lifting Sri Lanka's hitherto unimpressive export growth; garment exports rose in value from $3.3 mn in 1975 to $70.8 mn in 1979 (almost half of the total export increment). Export growth, in turn, contributed much to improved overall economic growth. The Sri Lankan economic revival is now threatened by severe external financing problems, with a current account deficit of $125mn (1978) likely to have risen to $695 mn in 1980 (official estimate; some estimates are closer to $1,013 mn) and expected to rise officially to $815 mn in 1984. Even these future projections are based on fairly optimistic assumptions about export growth. If these are frustrated, as they may now be, the external prospects of Sri Lanka are not bright.

73. Mauritius provides a similar story on a small scale. After a long period of stagnation caused by almost total dependence on sugar, Mauritius emerged, in the 1970s, into a period of impressive economic growth (over 7% in the 1970s). One factor in this success was diversification, particularly into manufactures for export. By 1977/78 an export processing zone accounted for 20% of exports, with textiles well to the fore. Mauritius has, however, now been hit by textile restrictions in the EEC despite the provision within the Lomé convention of free access (subject to safeguards). The French held up shipments of knitwear at port, by administrative means, in 1979 until the seasonal peak was past, and then introduced quotas. Action by the UK led to agreed quotas for 1980, 25% below previous shipment levels. Both countries have quotas or informal understandings on mixed fibre garments also. The effects of a slow down in exports of non-traditional items are serious for an economy otherwise dependent on one product, sugar, which faced a depressed world market and little opportunities for volume expansion. There is a backlog of 30,000 unemployed in a population of under 1 million with 10,000 entrants to the labour market every year. Only the employment opportunities in manufacturing have hitherto kept the problem manageable.

74. A similar situation to that now faced by Mauritius would face any Commonwealth ACP country trying to export to the EEC. The EEC has sought, so far unsuccessfully, to incorporate an ACP global ceiling into its larger global ceilings. Though this has been resisted, it is clear that action will in any event, be taken bilaterally. Similar restrictions would

face other potential suppliers, such as Bangladesh - which has been served notice by the EEC in the form of a bilateral agreement - although for that country, with its immense problems of surplus labour and serious external imbalance, the possibility of manufactured exports is one of the few options available of reducing dependence on foreign aid. (Bangladesh's Plan suggests that by 1985, even with an optimistic 11% growth in non-traditional exports, projected imports will exceed exports by $3.44 bn. to $1.07 bn., and the current account deficit will increase to over $2bn.). Although problems for small suppliers have so far mainly concerned the EEC, the US has been more accommodating towards small suppliers in the Caribbean and Central America (possibly for strategic reasons) but the existence of a consultative agreement with Jamaica, and quotas for Haiti and the Dominican Republic suggest only limited flexibility in this respect.

(3) Major Low Income, Expanding, Producers

75. The third category of countries is perhaps the most seriously affected by the prospect of serious restraint. These are ldcs with relatively low incomes, a clear long term comparative advantage in the most labour intensive forms of production and with substantial experience already in exporting. India is the main Commonwealth country in this category. India has in the past seemingly been fairly tolerant of quotas on its relatively uncompetitive cotton textile goods (in 1980, only 60% of its piece goods quotas were used and, in the US, only 22%). But the effects on India of the MFA system have recently changed for the worse, for several reasons. First, as India has started to realise its comparative advantage in labour intensive garments production, it has been constrained by quotas on women's blouses, skirts and men's shirts. Moreover, as it has diversified, it has been caught - by the EEC - in the 'basket extractor', more times than any ldc except the Philippines. Second India has, uniquely, a well developed handloom sector whose fabrics form an important input to the garment industry, generating hundreds of thousands of jobs. The treatment in practice of handlooms under the MFA has been a serious problem for India. Third, India faces a growing problem of external disequilibrium having weathered the first oil crisis reasonably well; a trade deficit of $6.6 bn in 1980/81 - which is not sustainable for more than a few years without improbable levels of aid and of other external resource flows - could well widen even further, necessitating a more intense effort to develop exports.

(4) Middle Income LDCs

76. The final group is something of a mixed bag. It includes the Communist bloc countries, the Latin American and some of the Mediterranean countries. In the long term, most are unlikely to be able to compete on price with the really poor ldcs for standard items or with the specialised exporters (like Hong Kong or Italy) on items of fashion. But, in the short run, clothing exports (and less frequently, textiles) are a useful source of foreign exchange and of diversification. Singapore's exports are now beginning to decline, less because of quotas than because of high wages causing a structural shift in the economy. Malaysia has greater cause for concern. Despite its relatively high per capita income Malaysia is heavily dependent on commodities for export. Manufactures have played a growing role, and textiles and clothing firms, based on Export Processing Zones, succeeded in increasing exports from M$52mn in 1971 to M$452mn in 1978 making a useful contribution to overall growth. This growth has now largely been capped by quotas in the main markets.

77. There is a different problem for some of the Mediterranean suppliers, Malta and Cyprus (and also Portugal and Tunisia). These use a high proportion of EEC fabrics in clothing exports, either formally under OP provisions, or independently of them. It should be easier for the importing country to accept such trade without restrictions, though there has been pressure from clothing interests to curb it. Where action has been taken (with Malta for example) this is particularly damaging for exporters since they are largely tied to specific markets.

Conclusions

78. A few general points can be made about the consequences of textile protection for ldcs in general quite apart from the effect on specific countries. First the system introduces extreme rigidity into an international market which should be characterised by flexibility. As a result, emerging trends in both comparative advantage and disadvantage, as between specific products and as between textiles, clothing and the rest of the economy, are stifled. Restrictions inevitably fall mainly on the marginal entrepreneur who is seeking to become established. Tighter restrictions - and the threat of others - are a major disincentive to his taking risk investing over and above those already inherent in the trade. Second, administrative controls introduce, inevitably, possibilities for cartelisation

amongst existing exporters, favouritism in the award of export licences, corruption and speculative hoarding of quotas, all of which are damaging to the development of sensible industrial and trade policies and demoralising for efficient and competitive businesses. Third, the removal of much competition from international markets, as it affects MFA suppliers, removes for most newcomers to textile or clothing exports the vital element of 'learning by doing' - that of being forced to adapt to design and consumer taste and price competition through productivity improvement - which was available to major MFA suppliers as they become established and still is to dcs.

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 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 ldcs 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 growth[33]",

(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 <u>all</u> 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 ldcs, 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 <u>as a whole</u> 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 ldcs as a debating point (it is doubtful if they regard the issue any more profoundly) gives ldcs 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, ldcs 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 dcs and ldcs 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 dcs already operate such schemes and would be expected to support their extension (though there is a danger for ldcs 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 ldcs. Such an attempt was made, for example, in the negotiations over the Lome Convention. These demands have, in the past, been dismissed by ldcs 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 ldcs' 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 ldcs. 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 ldcs because they are poor,

(c) if dcs 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 ldcs 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 ldcs 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, ldcs 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 ldcs 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 to a 4/5 or 10 year agreement. The instinctive reaction of ldcs 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 ldcs 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 ldcs, the negotiations are likely to be defensive in character though possibly less so than in 1977. It is important however that ldcs 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 ldcs 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 ldcs 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.

APPENDIX I - HANDLOOM PRODUCTS

(a) MFA Treatment of Handlooms and Hand-Made Items

1. The MFA clearly intended that hand-made products should be traded free from restrictions. The MFA also represented an improvement and clarification of the special treatment given under the previous LTA which confined itself to handloom fabrics. Article 12:3 states:

> "This Arrangement shall not apply to developing country exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or to traditional folklore handicraft textiles products, provided that such products are properly certified under arrangements established between the importing and exporting participating countries concerned".

2. Various problems have however arisen in interpreting handloom exemption in the various bilateral agreements. The most serious is within the EEC. The Community accounts for over 40% of the overseas market for Indian handloom goods (the main source). In 1977, a dispute arose over Indian shirts, blouses and shirts certified as 'handloom', some of which were clearly not, but utilised powerloom fabric. Apart from abuse, and careless licensing procedures, there were genuine difficulties in identification. A mission of Community experts led by Commissioner Haverkamp to the subcontinent declared itself unable to accept that there was a sufficiently clear cut distinction between handloom and powerloom fabrics for the authorities to be able to guarantee satisfactory certification. There was a separate (and very much less convincing) complaint that the limited use of foot operated (sewing) machinery in garment assembly factories invalidated the handloom provision.

3. Following unilateral action by the UK and France on Indian products, the EEC itself instituted Community quotas in April 1977 for controversial items (skirts and blouses) from India and Pakistan which, in effect, subsumed handloom and machine-made products within the same quotas. The Indian government referred the matter to the TSB on the grounds that the EEC's action breached the exemption for handloom items, was excessively restrictive in relation to growth trends and capacity installed for the year, and was unilaterally imposed, not bilaterally agreed, and export administered. The TSB upheld the Indian complaint arguing that the EEC's action was 'illogical and illegal'. But the Community made no attempt to observe the

recommendation and its negotiator declared "no doubt India has a very strong legal position. But for the Community it is not a legal situation. It is an unusual and non-rational situation arising out of the unemployment situation".[38]

4. In the second phase of the MFA, the Community sought to regularise the situation through bilateral agreements. Quotas were introduced for Indian dresses and shirts (and skirts for Pakistan) incorporating handloom items. In addition the bilateral agreements sought to remove the elements of ambiguity in the definition of handlooms which existed in the first set of agreements (for those items for which certified products were still exempted); ie,

(a) more rigorous definition of hand-working to embrace making-up operations. Hitherto, certification was designed to ensure that it was the three primary actions of weaving - picking, beating and shedding - which should be provided by hands or feet without power. Made-up items and folkloric items were included in the exemption. The definition has been narrowed down to one requiring that garments and other products should be made by hand, denying the use of hand or foot operated machines. An exemption was made of Sri Lankan batiks.

(b) several countries were excluded altogether from hand made product exemption (including Egypt, Brazil and Guatemala).

(c) the protocols of many of the bilateral agreements (other than India) envisaged consultations "with a view to finding a quantitative solution" - should exempted products "cause difficulties" to the EEC.

5. A similar combination of quota restraints, more restrictive definitions and exclusions have been introduced in other importing countries. The <u>USA</u> introduced, and India accepted, restraints in 1976 but this was an emergency measure and subsequently withdrawn. Imposition and withdrawal had a great deal to do with fashion demand. Quotas were withdrawn in mid-1977 after evidence that the upsurge in demand for India's handloom items, experienced in the Spring and Summer of 1976, had fallen away; quotas were in fact substantially underutilised. There were however, subsequently, further restrictions which make handloom and machine made goods subject to the same quota and a more restrictive definition of exemption products ("value added to a particular handloom item by hand that is, in the case of garments, hand-stitching and all other such like processes should be done by hand").

There are defacto controls on handloom items as part of quotas on garments in Canada and in other importing countries. There have been problems with particularly restrictive definitions of handloom items in the Nordic countries and these are also the only countries which impose significant trade barriers on fabrics (tariffs on coloured items) and non-garment made ups (quotas for bedlinens and towels).

6. As for the future, the access position of handloom products could be threatened by various developments which extend the measures already introduced:

(a) cutbacks in the quotas for 'mixed' categories covering handloom and machine made items. Comitextil in the EEC argue that they are presently "artificially high",

(b) extension of existing quotas to more items and more importing and exporting countries,

(c) attempts to tighten the conditions for currently exempted items. For example, 'folklore' items, which have hitherto presented few problems, are now being put under much closer scrutiny and in the UK shipments of such 'Indian items' as Kurtas, and gararas have been refused admission outside quotas. Even countries such as Finland define folkloric items tightly (to exclude zip fasteners for example).

7. So far the Indian authorities have tried to protect the position of handloom weavers by guaranteeing them a fixed share of the 'mixed' quotas (66 2/3% for the US and 50% for other countries, including the EEC). This system has not been easy to operate since fashion affects the relative demand of power and handloom items and that for handlooms is currently insufficient to fill the quota allocation. Thus unused handloom quota has had to be switched in the last few months of the year. There is also a problem of 'crowding out' of handlooms by powerlooms for these fabrics where certification by the authorities is imperfect and where powerloom items can be passed off as handmade. At the time of writing however the balance was shifting back towards handlooms.

(b) The Importance of Handloom Exports

8. The restrictions potentially affected a variety of countries which have

a tradition of handweaving (Mexico, Guatemala) or handprinting, or with Batiks (Indonesia, Malaysia, Sri Lanka). But they fall with greatest severity on India (and to a lesser extent Pakistan) which have a sufficiently large handweaving sector to be able to produce substantial volumes of fabric for making up by the garment exporters.

9. The current significance of handloom exports for the Indian economy can be described in several ways. First, handloom goods provide a useful source of export earnings. The following figures give a rough breakdown (given that the boundary between handloom/powerloom items is a murky one).

	1977/78	1978/79	1979/80
		(bn. Rs.)	
A. Handloom textiles exports:	2.58	3.03	2.88
of which (fabrics	0.82	0.63	0.64
cotton (made-ups	0.35	0.29	0.26
(garments	1.09	1.69	1.51
silk items	0.32	0.40	0.47
other items	0.01	0.02	n.a.
B. Total textile and clothing (cotton and silk)	4.84	6.72	7.73
C. Total exports	54.08	57.26	64.27

Source: Monthly Statistics of Foreign Trade, for Overall Figures.
HEPC, for handlooms.
1979/80 data provisional.

10. The contribution of the handloom sector (of approximately 5% in these two years) is however rather understated by the figures. The import content of exports is very low (in contrast with important exports such as engineering goods and cut-diamonds). There is little opportunity cost in terms of other tradeable items (as is the case with major cash crops).

11. Second, and more important,there is employment. To get some appreciation of rough orders of magnitude we need estimates of the share of exports in handloom production and of total handloom employment. Rs.11 bn of goods was produced by the handloom sector in 1978/79 and around Rs.3 bn exported. But the garments component (Rs.1.7 bn) has only a 70% fabric content. On this basis exports contribute 22% of production by value though this is almost certainly an overestimation since values of exports are greater than of goods marketed domestically. In practice, 15 to 18% of production is probably exported, in terms of volume. There are currently somewhere between 3 to 4 million looms - probably 3.8 mn - though 1979/80 output figures suggest that the equivalent of only 2.2mn are operational 300 days per annum.

The government's own estimates are that each loom provides the equivalent of full time (300 days a year) employment of 2.4 persons per loom. Thus, there is the equivalent of 5.3mn jobs of which perhaps 900,000 for exports. In fact the situation is a great deal messier. Many looms work for only part of the year and there are rather more ancillary family workers than those indicated by the theoretical coefficients. Thus the number of people dependent on handloom exports for their livelihood could be nearer to 1.5mn. In very few cases are there opportunity costs in terms of labour in other activities. At the margin the investment required per additional job is close to zero since there is so much spare capacity. Even where investment is involved, the average capital per worker is currently around Rs.150 as against Rs.14,000 in the mill sector and substantially more in much of the modern sector.

12. The benefits in terms of employment and foreign exchange are almost entirely of recent origin and are so far under-developed, with only a narrow range of items so far produced for world markets. In 1979/71, the value of handloom exports was under 10% of the late 1970s: exports of handloom garments were negligible and volumes of handloom fabrics perhaps a quarter, in volume, of todays - mostly for Africa and S.E. Asia. Given some indication therefore of the potential as well as the actual levels of employment and earnings it is unsurprising that high priority is given to maximising sales. Market access barriers are one major constraining factor when 80% of sales are to Europe and the USA; 40% to the EEC (of which 70% are garments); 25% to the USA (of which 63% are garments).

(c) Negotiating a Way Forward

13. The main appeal in negotiating better treatment for handlooms is bound to be a humanitarian one since unrestrained competition between machine made and handmade fabric items is likely to be at the expense of the latter for all except a limited range of complex fabric designs and specialities which the handloom weaver can produce more cheaply. While the principle of unrestrained imports may seem threatening to import competing industries the potential, let alone the actual, exports of the handloom sector in world trade are negligible in relation to the total and it requires only a little ingenuity and concern to devise means of accommodating them.

14. Importing countries have, however, a perfectly legitimate interest (mingled in practice with cruder protectionist sentiments) to ensure that the system is not abused as it undoubtedly was in 1976/77 as a backdoor

method of importing machine-made quota items. There are essentially three different levels at which problems of management arise;

(i) identification of fabric: for some fabrics when made-up into garments (and some other items) it is extremely difficult to differentiate the weaves. The diagnostic hand-weave characteristics - templeholes, uneven picking, bars - are clearly detectable in piece cloth and in items made of certain kinds of fabrics, notably those characterised by high density. Moreover, fabrics with many colour changes and check designs are not made on machines. On the other hand, cheesecloth and crepe items are genuinely difficult to differentiate. If the TSB could, with expert advice, identify a standard list of those products for which problems of identification do not arise this could greatly improve the present indiscriminatory approach of the main bilateral agreements.

(ii) garments manufacture: although it is a side issue from the question of quota abuse, importing countries have tried to impose stringent conditions on the use of, even, simple pedal operated sewing machines in garments assembly. This is absurd, since the nature of the final assembly stage does not detract from the handloom character of the textile process which actually generates the rural employment. (No doubt it could be argued, taking the argument to its logical conclusion that handlooms should use only handspun, not (as now) mill cotton, or be transported from Asia by mule instead, of by air and ship). Nonetheless one can imagine the concern if handloom garments were made (to take an extreme example) by laser controlled cutting machines. One way of dealing with this largely artificial problem is for the TSB, as in (i) to compile a list of garments processes which might be incompatible with its 'cottage industry' character.

(iii) folkloric items: although not yet a serious issue, the recent behaviour of EEC governments suggests that there may be mounting problems over classification. The same basic approach as adopted in (i) and (ii) might help resolve such problems.

15. In return for dcs accepting that handloom products be given genuinely unrestricted access subject to a multilaterally defined specification of certifiable products and processes the exporters could, in turn, offer the reciprocal concession of inspection rights to nominated officials in order to ensure that abuse does not occur.

APPENDIX II - ADJUSTMENT POLICIES

1. There are essentially three schemes for which trade related adjustment assistance is on offer. The United States provides for 'adjustment assistance' under the 1974 Trade Act. Technical or financial assistance is provided to firms in industries where imports have "contributed importantly" to reduced sales. The stated objective is to facilitate the orderly transfer of resources to alternative uses but there is no mechanism to ensure that assistance is so directed, rather than to relief action. Other US measures, to supplement the incomes of redundant workers and to help job search, training and relocation do assist workers leaving the industry. The 1979 White Paper (which led to intensified 'anti surge' measures against ldc imports) provided for measures to step up adjustment assistance much of it designed to raise productivity and to get assisted firms involved in an export drive. The US government includes among the objectives of these industry policy measures "to improve the viability of current lines of protection" as well as to diversify (with the relative weight of these objectives left unclear). One critical appraisal of the US scheme - while acknowledging its ambition - concluded that it was "flawed in conception and execution, as is clear from the failure to still the rising chorus of protectionism".[39]

2. The Canadian Textile Policy, introduced in 1970, provides, under the General Adjustment Assistance Programme, for help to firms for restructuring out of existing lines, for payments to workers whose jobs are affected by import competition, and for **restructuring.** The Canadian authorities have sponsored an "upgrading of production and the vacation of low price categories"; indeed it is one of the conditions for recommending protection in enquiries held by the Textile and Clothing Board that sectors should submit plans for such restructuring. But several of the sources of special incentives to the industry - Federal aid for productivity assistance and regional assistance - are not focussed in this way. The Board moreover has no executive power and is increasingly criticised as leaning to the industry lobby. As in the USA the main emphasis of industry policy is now on helping firms to compete internationally and become 'more viable' without, necessarily, any 'positive' adjustment. Finally, the Dutch programme of 'adjustment assistance' has attracted a good deal of interest not least because it was concerned, to a much greater degree than the others, with ldcs and with an interventionist form of comprehensive structuring. The scheme is however now considered to have been a failure having disbursed only 5% of its small ($85mn) budget in the first four years.

The emphasis in Holland has shifted to straightforward assistance to the textile industry to make it more competitive, and to protection.

3. Special reference needs to be made to the UK which has perhaps the most experience of sectoral adjustment programmes in the textiles industry, aimed at rationalising and modernising a sector of the economy with problems of declining international competitiveness. The UK government notes that "it is not possible to distinguish between measures to improve viability of existing lines of textile production and those designed to encourage a move into more viable lines of production".[40] Both objectives have been involved. The Cotton Industry Act (1959) set out to re-equip and reorganise the industry with an ambitious programme of scrapping capacity, encouraging redundancy, promoting company mergers and re-equipping remaining firms. Caroline Miles noted that "the Act failed to achieve its stated objectives of restoring the industry's competitive position or its profitability and the pressure for import controls was...... intensified".[41] It is too early to judge subsequent schemes for woollens and clothing (and the government in power now has a different outlook to industrial intervention from the one which introduced them) but they had a similar mix of objectives and policies of which Keesing and Wolf concluded: "the aim has never been simply to compensate those leaving the industry or contracting their output, while giving the market the role of determining what production and industrial structure would be viable. On the contrary the aim was to create a financially viable industry in spite of the fact that it was unclear whether a profitable industry could be created without permanent protection".[42]

4. Several other countries - France, Belgium, have also had policies which are concerned - in a not dissimilar way - with textile industry restructuring. Belgium, which until recently had a modest programme of scrapping and re-equipment, is currently considering a 'restructuring' plan to cost BFr.35 bn ($2 bn) which has amongst its objectives the preservation of employment at the level of 100,000 workers. This kind of 'restructuring' and 'adjustment assistance' appeals considerably to textile firms and unions, not only in Belgium.

5. There is another group of industrial countries which have tried as far as possible to avoid being drawn into specific sectoral, 'adjustment', programmes. These include Germany - though there are substantial

subsidies from Land governments, and regional grants to textile firms - Denmark and Switzerland. By and large these are also the countries whose governments act as liberalising force in an MFA context. There is also the special case of Japan which does not maintain import quotas (though import penetration levels are low by OECD standards) and which has had an active industrial restructuring policy designed to be 'positive' in the sense used above.

Conclusion

6. In general, industry specific adjustment assistance programmes have not been strong or clearly focussed enough to head off protectionist pressure. Where they have been strong in principle and clearly focussed (as in Holland) they have not been taken up by firms. It is perhaps true also that specific programmes have generated beliefs in the industry that the government can 'save' it. The emphasis within such programmes has, seemingly inevitably, shifted towards preserving the branch or industry and towards re-equipping firms whose new investments then have had to be protected from 'low cost' competition.

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Statistical Tables

Table 1 - World Textile and Clothing Exports

Value (bn.$, f.o.b.)		1955	1963	1973	1975	1977	1978	1979
Manufactures	(1)	49.0	81.0	347.0	501.0	648.0	788.0	941.0
Textiles and clothing	(2)	5.5	9.2	36.0	43.5	57.6	69.2	83.7
Textiles	(3)	4.7	7.0	23.4	29.6	34.0	40.7	48.8
Clothing	(4)	0.8	2.2	12.6	16.7	23.6	28.5	34.9
Textile fibres	(5)	5.3	6.1	11.6	10.2	13.6	15.3	n.a
2 ÷ 1	(%)	11.2	11.3	10.4	8.7	8.8	8.9	8.9
(2 + 5) ÷ 1	(%)	22.0	18.8	13.7	10.7	11.0	10.7	n.a

Source: GATT Networks of International Trade.

Note: Manufactures are SITC 5 to 8 minus 68;
Textiles are SITC 65;
Clothing is SITC 84;
Fibres are SITC 26.

Table 2 - Trade in Textiles and Clothing as a Share of World Trade (1979)

Value (bn.$)	World Exports	DC Exports	DC Imports	Exports LDC(non oil) (1978)	DC to LDC(non oil)	LDC to DC
Total	1,625.0	1,035.0	1,088.0	159.6	151.0	132.0
Commodities less fuel	331.5	190.3	231.8	69.3	23.2	56.8
Fuel	323.5	59.7	243.9	23.2	2.8	23.2
Manufactures	941.0	768.0	599.3	63.9	120.8	51.0
Textiles and clothing	83.7	52.3	59.8	18.5	5.5	15.2
Textiles and clothing as % of:				(1978)		
total	5.1	5.1	5.5	11.6	3.6	11.5
non fuel	6.4	5.4	7.1	13.6	3.7	14.0
manufactures	8.9	6.8	10.0	29.0	4.6	29.8

Source: GATT International Trade 1979/80.

Note: Developed countries (DCs) include Southern European countries including Turkey, Yugoslavia and Malta but not Cyprus, and exclude Australia, New Zealand and S. Africa.

Table 3 - Share of LDCs in World Trade in Textiles and Clothing

Value (%)	1955	1965	1975	1976	1977	1978	1979
LDC share of world exports	13.4	17.2	22.8	26.8	25.8	26.1	n.a
LDC share of DC imports	10.2	15.8	21.7	26.8	25.6	26.1	25.4

Source: GATT.

Table 4 - Share of Imports by Various Suppliers (%)

(i) All D.C. Members (Excluding intra EEC trade)

	Textiles						Clothing					
	1973	1976	1977	1978	1979	1st half 1980	1973	1976	1977	1978	1979	1st half 1980
DCs	60	56	56	55	54	54	31	24	25	24	24	24
LDCs of which	35	38	38	39	40	40	64	71	69	70	69	69
MFA members	20	23	23	23	24	23	47	54	51	51	50	47
Eastern Area of which	6	6	6	6	6	7	6	5	5	5	6	7
MFA members	2	2	2	2	2	2	4	3	3	3	3	3

(ii) The EEC (Excluding intra EEC trade)

DCs	39	37	37	38	39	n.a.	15	12	13	13	13	n.a.
LDCs of which	54	55	56	55	54	n.a.	74	79	78	78	78	n.a.
MFA members	25	31	31	28	29	n.a.	56	59	56	54	53	n.a.
Eastern Area	8	7	7	7	7	n.a.	11	9	9	9	8	n.a.

(iii) The USA

DCs	67	54	57	57	52	n.a.	27	16	16	15	12	n.a.
LDCs of which	31	43	40	39	44	n.a.	73	83	82	83	84	n.a.
MFA members	25	34	32	31	35	n.a.	53	63	62	63	64	n.a.
Eastern Area	1	4	3	4	4	n.a.	20	19	20	20	20	n.a.

(iv) Canada

DCs	84	83	84	82	82	n.a.	44	31	34	30	28	n.a.
LDCs of which	11	12	12	13	12	n.a.	50	62	59	64	61	n.a.
MFA members	9	9	9	9	9	n.a.	33	46	42	43	42	n.a.
Eastern Area	5	5	4	5	6	n.a.	7	7	6	6	10	n.a.

Sources: GATT; Demand, Production and Trade in Textiles and Clothing since 1973 (COM/TEX/W/84.).

Note: DCs exclude S. Europe (including Spain, Greece and Portugal). Eastern Area includes China but excludes Romania and Yugoslavia. LDCs are the remainder.

Table 5 - Import Increments, Developed Country Members of the MFA

	1973-76		1976-79	
	$bn.	Share (%)	$bn.	Share (%)
Textiles				
Total	1.77	100	6.34	100
DCs (excluding intra EEC)	0.76	43	3.15	50
LDCs (members)	0.64	36	1.54	24
(non members)	0.24	14	1.15	18
E. Area (members)	0.04	2	0.10	2
(non members)	0.09	5	0.36	6
Clothing				
Total	4.77	100	7.64	100
DCs (excluding intra EEC)	0.75	16	1.92	25
LDCs (members)	2.98	62	3.31	43
(non members)	0.82	17	1.74	23
E. Area (members)	0.16	3	0.28	4
(non members)	0.77	1	0.34	4

Source: GATT Statistics on Textiles and Clothing (COM/TEX/W/76).

Note: As in Table 4.

Table 6 - Growth in Textile and Clothing Imports into Developed Country Members at Constant Prices ($ bn: 1973 prices)

	All	% Annual Growth	LDC members	% Annual Growth	DC members	% Annual Growth	Others	% Annual Growth
1973	13.6		4.4		6.0		3.2	
1974	14.2	4.4)	4.6	4.3)	6.1	1.7)	3.5	9.4)
1975	14.0	-1.4) 7.9	4.9	6.5) 12.4	5.8	-4.9) 2.9	3.3	-5.8) 10.3
1976	16.9	20.7)	6.2	26.5)	6.5	12.0)	4.2	27.2)
1977	16.9	-)	6.3	1.6)	6.9	6.1)	3.7	-11.9)
1978	18.4	8.8) 6.6	6.7	6.3) 5.1	7.0	1.4) 5.8	4.7	27.0) 10.9
1979	20.4	10.9)	7.2	7.5)	7.7	10.0)	5.5	17.0)
1979 (1st half)	(20.4)		(7.1)		(7.8)		(5.5)	
1980 (1st half)	(21.8)	(5.9)	(7.5)	(7.0)	(8.1)	(3.8)	(6.1)	(10.9)

Source: Approximations based on GATT estimates (COM/TEX/W/84).

Table 7 - Volumes, and Volume Changes, of Imports to the EEC (1976-79)

Countries \ MFA Groups	All MFA products	Group I items	Group II items	Group III items	Group IV items	Group V items
	(1) Average Annual Change, 1976-79 %					
All extra-EEC	5.7	2.4	3.8	16.8	0.0	12.4
Countries covered by bilaterals	2.4	0.8	1.9	14.1	0.4	4.2
LDCs	4.0	1.9	5.5	15.3	0.7	2.5
E. Europe	0.3	0.0	9.4	4.6	0.7	4.3
Mediterraneans	7.9	4.6	8.1	21.2	4.9	38.0
Lomé	8.8	4.7	95.2	33.3	16.7	-
	(2) '000 tonnes in 1979					
Extra EEC	1697	836	280	405	75	102
Countries covered by bilaterals	697	390	146	99	45	20
LDCs	667	389	123	101	40	14
E. Europe	176	60	44	42	10	18
Mediterraneans	447	274	63	72	22	17
Lomé	20	16	3	0.4	0.3	-

Sources: EEC Commission.

Table 8 - USA Imports of Textile Products by Sources, 1971-79
(mn. equivalent sq. yards)

Year	Clothing	All	Origin of Total: H. Kong/Korea/Taiwan	L. America	Other LDC
1971	2098	5951	1762	293	383
1972	2226	6236	1810	369	559
1973	2090	5125	1523	453	635
1974	1937	4410	1475	422	571
1975	2070	3828	1599	362	432
1976 a	2578	5138	2134	463	708
1977	2466	4977	1978	418	552
1978	2905	5740	2247	605	776
1979	2671	4648	1930	512	872
Annual Growth					
1971-78	4.8	-0.5	3.5	10.9	10.5
1971-79	2.7	-3.0	1.1	7.2	9.8

Source: D. Keesing & M. Wolf Textile Quotas Against Developing Countries.

Note: a Changes of minor kind in conversion factor

Table 9 - Growth of Imports of Industrial Countries of Textiles and Clothing from Developing Countries

Growth of real purchasing power (% p.a.)

	1973-76	1976-78
Textiles	7.2	4.6
Clothing	20.9	4.8
Total	14.1	4.8

Source: Keesing and Wolf.

Note: Real purchasing power calculated using UN index for exports of manufactures from developed market-orientated economies.

Table 10 - Net Balance of Trade; Developed Country MFA Members with Developing Countries

	1973	1977	1979
All Developed MFA Members		(bn. $)	
Textiles	+1.14	+2.05	+1.23
Clothing	-3.28	-7.05	-11.05
Total	-2.14	-5.00	-9.82
EEC			
Textiles	0.23	+0.02	-0.77
Clothing	-1.29	-3.07	-5.15
Total	-1.06	-3.05	-5.92
USA			
Textiles	-0.05		+0.23
Clothing	-1.26	-2.69	-3.91
Total	-1.31	-2.69	-3.68
Canada			
Textiles	-0.06	-0.09	-0.12
Clothing	-0.15	-0.33	-0.41
Total	-0.21	-0.42	-0.53
Japan			
Textiles	+1.34	+3.02	+2.38
Clothing	-0.20	-0.33	-1.21
Total	+1.14	+2.69	+1.17

Source: GATT Statistics on Textiles and Clothing.

Note: If the balances are deflated by the price index of developed country manufactured exports, the results for 1977 and 1979 are for all developed MFA members:

	1977	1979
Textiles	+2.44	+ 1.25
Clothing	-4.93	-6.11
Total	-2.49	-4.86

Table 11 - Trade Balances of Developed Countries; 1973 and 1979
(bn. US$; exports f.o.b. and imports c.i.f. except where noted)

	1973					1979				
	Textiles		Clothing		Net Balance	Textiles		Clothing		Net Balance
	Exports	Imports	Exports	Imports		Exports	Imports	Exports	Imports	
EEC [a]	11.02	9.05	4.91	5.80	+1.08	22.26	21.43	12.81	17.73	-4.09
Italy	1.53	0.91	1.30	0.19	+1.73	4.15	2.33	4.39	0.53	+5.68
Belg/Lux	1.69	1.01	0.57	0.56	+0.69	2.72 c	1.75 c	0.80 c	1.35 c	+0.42
Netherlands	1.29	1.10	0.41	0.86	-0.26	2.19	2.09	0.78	2.71	-0.83
France	1.69	1.40	1.04	0.59	+0.74	3.21	3.84	2.02	2.19	-0.80
W. Germany	3.04	2.74	0.91	2.54	-1.33	5.98	6.36	2.61	7.34	-5.11
UK	1.45	1.26	0.44	0.82	-0.19	2.79	3.57	1.59	2.54	-1.73
Finland	0.07	0.26	0.21	0.06	-0.04	0.15	0.53	0.56	0.16	+0.02
Norway	0.06	0.23	0.03	0.20	-0.34	0.10	0.41	0.06	0.59	-0.84
Sweden	0.19	0.51	0.14	0.40	-0.58	0.37	0.90	0.26	1.14	-1.41
Austria	0.45	0.48	0.16	0.20	-0.07	0.94	1.03	0.51	0.80	-0.38
Switzerland	0.64	0.50	0.12	0.50	-0.24	1.39	0.99	0.32	1.25	-0.53
USA b	1.22	1.58	0.29	2.17	-2.24	3.18	2.11	0.96	5.73	-3.70
Canada	0.15	0.78	0.12	0.33	-0.84	0.24	1.35	0.17	0.73	-1.67
Japan	2.45	1.13	0.37	0.57	+1.12	4.00	2.03	0.35	1.80	+0.52
Australia	0.04	0.62	0.02	0.11	-0.67	0.11	0.99	0.02	0.32	-1.18
N. Zealand	0.03	0.20	0.00	0.01	-0.18	0.08	0.34	0.03	0.02	-0.25

Source: UN Commodity Trade Statistics.

Note: a Includes intra-EEC trade.
b Imports f.o.b.
c 1978.

Table 12 - Balance of Trade Between Developed [b] and Developing Market Economies

			1975	1978
			($ mn)	
SITC	26	Textile fibres	+ 268	+ 143
	65	Textiles	-1,274	-1,426
	84	Clothing	+3,395	+7,603
	531/532	Dyes a	- 600	- 674
	717	Textiles Machinery a	-2,561	-2,805

Source: Compiled from UN Yearbook of Trade Statistics 1979.

Notes: a Approximations based on average of developed and developing country trade balance with market economies as a whole.

b Developed market economies include Greece, Malta, Spain, South Africa, Yugoslavia, Israel and Portugal, but exclude Cyprus and Turkey.

\+ = LDCs export surplus.

Table 13 - Import Penetration Ratios (Imports Divided by Apparent Consumption, %)

	1970	1973	1976	1977	(Change) 1970-77
EEC					
(1) Textiles					
All	21.4	28.5	31.8	32.1	10.7
LDCs of which	3.1	5.1	6.6	6.8	3.7
S. Europe	0.5	0.8	1.1	1.1	0.6
DCs of which	17.9	22.9	24.5	24.5	6.6
Internal EEC	14.6	18.7	19.5	19.4	4.8
E. Bloc	0.3	0.5	0.7	0.7	0.4
(2) Clothing					
All	23.4	33.9	46.1	46.7	23.3
LDCs of which	5.2	11.2	19.0	19.0	13.8
S. Europe	1.6	4.0	6.0	9.0	7.4
DCs of which	17.2	20.6	24.3	6.2	-11.0
Internal EEC	14.8	18.0	21.1	25.1	10.3
E. Bloc	1.9	2.1	2.8	2.6	0.7
USA					
(1) Textiles					
All	5.8	5.9	5.1	4.9	-0.9
LDCs	1.3	1.6	2.3	1.9	0.6
DCs	4.5	4.2	2.7	2.9	-1.6
E. Bloc	-	-	-	0.1	0.1
(2) Clothing					
All	4.0	4.3	7.5	8.1	4.1
LDCs	2.1	2.9	6.2	6.7	4.6
DCs	1.9	1.3	1.2	1.3	-0.6
E. Bloc	-	-	0.1	0.1	0.1
Japan					
(1) Textiles					
All	5.4	11.0	9.2	8.8	3.4
LDCs	3.1	7.5	5.9	5.4	2.3
DCs	2.3	3.5	3.3	3.4	1.1
(2) Clothing					
All	4.4	9.9	10.3	10.0	5.6
LDCs	3.1	8.1	8.4	7.6	4.5
DCs	1.3	1.8	1.9	2.4	1.1

Source: World Bank Import Penetration Project.

Table 14 - Per Capita Imports and Imports Per $1000 of GNP (Textiles and Clothing) 1979 - US $

	Per Capita Imports		Imports per $1,000 of GNP	
	All sources	LDCs	All sources	LDCs
USA	31.7	23.4	2.85	2.16
Canada	84.7	24.7	8.75	2.52
Japan	26.2	15.0	2.98	1.70
Australia	90.8	41.8	10.0	4.62
New Zealand	112.5	45.1	18.70	7.51
West Germany	223.8	64.8	19.08	5.51
United Kingdom	109.4	32.8	18.89	5.67
France	113.5	25.1	11.41	2.53
Belgium/Lux.	303.4	25.8	27.68	2.35
Italy	50.3	9.4	9.60	1.75
Denmark	272.5	52.0	22.86	4.38
Netherlands	342.8	53.4	33.63	5.05
Austria	230.4	25.8	26.70	2.99
Finland	140.6	20.8	16.92	2.42
Sweden	230.5	60.4	19.40	5.08
Switzerland	328.2	49.2	23.01	3.45

Source: Imports from OECD Trade by Commodities B & C Series 1979. Population and GNP from 1980 World Bank Atlas.

Note: SITC includes non-MFA items.

Table 15 - Import Penetration by Product

Product	EEC 1970 all	EEC 1970 LDC	EEC 1977 all	EEC 1977 LDC	EEC 1977 Value of LDC Imports	USA 1970 all	USA 1970 LDC	USA 1977 all	USA 1977 LDC	USA 1977 Value of LDC Imports
Cotton fabrics	19.8	6.7	39.4	11.1	394.2	5.4	2.6	8.2	6.0	256.3
Woollen fabrics	14.6	0.2	23.7	0.7	14.1	9.5	0.9	12.8	3.4	17.9
Mmf fabrics	32.6	2.0	60.6	8.2	199.1	3.3	0.1	3.2	0.3	25.3
Other fabrics (e.g. jute)	18.3	7.0	16.4	5.1	59.9	n.a.	n.a.	n.a.	n.a.	n.a.
Lace & trimmings	15.3	0.6	18.6	2.3	13.7	4.0	0.7	5.1	1.8	10.3
Yarn	24.5	2.3	36.1	7.3	609.9	6.6	0.7	3.3	0.5	36.9
Fibres not spun & waste	59.1	11.4	81.5	20.6	269.4	30.2	9.8	52.4	16.6	22.7
Special fabrics & madeups	19.3	8.0	39.8	20.4	137.3	9.6	3.9	5.0	4.0	80.5
Embroidery	15.4	0.4	66.7	7.6	9.2	0	0	0	0	0
Bags & sacks	31.5	5.7	50.2	11.6	48.1	1.7	0.1	2.3	0.2	1.3
Madeups (curtain, blankets etc.)	4.8	0.8	7.6	1.9	34.9	0.7	0.2	1.6	1.0	53.8
Products of knitting mills	8.8	0.3	9.3	1.0	90.2	1.3	0.1	0.6	0.1	7.1
Knitted carpets	44.5	40.5	38.2	36.6	394.2	8.9	7.4	30.8	26.5	64.4
Other carpets	16.1	2.3	25.0	3.0	63.2	1.7	0.2	2.2	0.3	12.6
Cordage rope & twine	16.3	3.7	38.8	14.8	44.1	21.3	13.9	19.3	17.1	71.6
Waste & scrap	33.2	10.4	32.0	6.8	8.9	2.5	0.2	4.5	0.9	0.4
Miscellaneous (wadding, lino, felt etc.)	19.3	1.3	27.6	2.3	21.5	1.3	0.4	1.6	0.2	27.1
Mens & boys outerwear	12.9	3.2	31.8	13.3	822.1	2.5	1.2	4.7	3.6	441.1
Womens & girls outerwear	18.3	3.0	42.6	14.4	715.4	2.8	1.4	6.8	5.6	781.3
Underwear	14.4	5.2	28.8	15.7	522.6	7.2	5.0	13.6	11.6	479.9
Leather & fur garments	32.0	11.1	66.5	39.4	417.9	22.2	9.5	44.6	38.6	369.7
Headgear	36.6	3.8	51.6	15.3	24.4	9.7	2.2	13.1	8.9	30.1
Accessories & waste	63.6	12.2	95.6	34.1	1,072.2	n.a.	n.a.	n.a.	n.a.	n.a.

Source: As in Table 10.

Table 16 - Commonwealth Supplying Countries Affected by Quotas in Developed MFA Members

Importers \ Exporters	Hong Kong	India	Singapore	Malaysia	Sri Lanka	Mauritius	Malta
EEC							
Import Value(1979) textile & clothing $m	1,955	781	166	122	41	74	183
% of imports	11.6	4.4	1.0	0.8	0.25	0.45	1.1
Agreements	(Jan) (Dec) 1978-1982	(Jan) (Dec) 1978-1981 (extendable by one year)	1978-1982	1978-82	1978-82	Non MFA agreement 1980-1982	Non MFA agreement after unilateral action
Nature of Restriction	44 products subject to bilateral agreements plus 'basket extractor' action by EEC members	18 products plus 'basket extractor'	17 products plus 'basket extractor'	11 products plus 'basket extractor'	5 products -	4 products -	5 products
USA							
Import Value	1,712	382	148	38	24	1	1
% of imports	24.4	5.4	2.1	0.55	0.35	-	-
Agreements	(Jan) (Dec) 1978-1982 Five major amendments	1978-82	1978-81	1978-80	(May) (May) 1980- 83		Consultation only
Nature of Restriction	Aggregate limits 4 group limits 31 selective limits plus consultation limits	Aggregate limits 2 groups limits Agreement amended to include several specific items	Aggregate limits 3 groups 10 selective limits plus consultation limits	3 groups 5 selective limits plus consultation limits	No group or aggregate limits 9 selective and consultation limits	-	-
CANADA							
Import Value	144	33	6	10	1	-	-
% of imports	6.7	1.4	0.25	0.42	0.04	-	-
Agreement	(Jan (Dec) 1979-1981	(Jan) (Dec) 1980-81	(July) (June) 1979-1982	(Jan) (Dec) 1980 - 81	(July) (Dec) 1979 - 81	-	-
Nature of Restriction	26 categories	9 categories; supercedes unilateral action	6 categories	3 categories	2 categories		
SWEDEN							
Import Value	101	27	11	10	4	0.4	7
% of imports	6.3	2.6	0.7	0.6	0.025	0.02	0.4
Agreements	1978-79 1979-1981 (Mar)(Apr)	1978-79 1979-1980 (July) (Dec)	(Mar)(Nov) 1978-79 Extension not yet notified	(Jan)(July) 1978-79 Extension not yet notified	1978-79 1979-80 (Aug)(July)	Two Non MFA agreements	Two Non MFA agreements
Nature of Restriction	17 items plus aggregate limit for others	11 items plus aggregate limit for others	8 items plus aggregate limit for others	5 items plus aggregate limit for others	4 items and aggregate limit for others		
NORWAY							
Import Value	41	7	3	2	-	-	-
% of imports	4.6	0.8	0.3	0.2	-	-	-
Agreements	Until early 1981 a global quota (on 25 items) operated for all suppliers, except EEC and EFTA and including those countries with bilateral agreements:Singapore, Malaysia, India and Sri Lanka.						
FINLAND							
Import Value	11	5	0.2	0.4	-	-	-
% of imports	2.3	1.1	0.04	0.1	-	-	-
Agreement	1978-80 1980-1982 (Aug)(July) 4 items	1978-82 (Jan)(Jan) 3 items	1978-81 (June)(Dec) 1 item	1979-81 (Mar)(Dec) 1 item			
AUSTRIA							
Import Value	41	5	2	2	-	-	-
% of imports	2.8	0.3	0.1	0.1	-	-	-
Agreements	1980-1981 (Feb) (Jan) 5 items	1978-81 (Jan) (Dec) 5 items					

Note: Cyprus also has a non-MFA agreement with the EEC.

Table 17 Utilisation of EEC Global Quotas in Sensitive Items (Group I) - %

Category	Year	EEC utilisation	Countries with utilisation substantially greater > or less < than the EEC average	
1	1978	82.8	> W. Germany	< Ireland, Italy, France
	1979	94.8	> W. Germany	< Ireland
2	1978	63.5	> Denmark	< Ireland, Benelux
	1979	74.4	> Italy, Denmark	< Ireland, Benelux
3	1978	80.2	> Italy	< Denmark, Ireland
	1978	75.1	> UK, Italy	< W. Germany, Denmark, < Benelux
4	1978	76.0	> W. Germany, Ireland	< France
	1979	73.1	> UK	< Ireland, Italy
5	1978	73.9	> W. Germany, UK	< Ireland, France, Denmark, < Italy
	1979	79.1	> W. Germany, UK	< Ireland, Benelux, Italy, < France
6	1978	84.4	> Benelux, W. Germany	< Ireland, Denmark, Italy, UK
	1979	93.6	> France	< Ireland, Italy
7	1978	96.7	> W. Germany, Benelux, Denmark	< Italy, Ireland, UK
	1979	93.7	> W. Germany, Denmark	< Italy, Ireland
8	1978	85.4	> Denmark, Benelux	< Ireland, UK
	1979	91.3	> Benelux, Denmark	< Ireland, Italy

Source: Based on European Commission documents.

Table 18 - Number of Basket Extractor' Actions notified to EEC in first half of 1977-82 Bilateral Agreements

Imposing / Affected	Joint EEC	UK	W. Germany	France	Italy	Benelux	Denmark	Ireland	Total
Singapore		1		1					2
Argentina		1							1
Philippines	3	5(2)		2		2		2(2)	14(4)
Malaysia				1		1			2
India		2(1)		1(1)	2(1)	3			8(3)
Romania				2	1	4			7
Thailand		1(1)			2	1(1)	3(2)		7(4)
Macao				3		1			4
Hong Kong	3								4
Brazil	1	2				1			4
Uruguay		2(2)			1(1)	1(1)			4(3)
Poland		1				1			2
South Korea		1				1(1)	1(1)		3(2)
Pakistan		2(1)		2(1)					4(2)
Indonesia		1							1
Hungary						1			1
	7	19(7)	-	12(2)	6(2)	18(3)	4(3)	2	

Brackets indicate number of actions taken by more than one EEC country.

Table 19 - Job Losses: The Impact of Changes in Demand, Productivity and Trade, Selected West European Countries, 1970-76

Total employment ('000)	Belgium	France	West Germany	Italy	Netherlands	UK	Total
1970	77	322	374	207	49	333	1,362
1976	70	280	276	206	21	291	1,144
Difference	- 7	-42	-98	- 1	-28	-42	-218
Net change %	- 9.7	-12.9	-26.2	- 0.5	-57.7	-12.6	- 16
Effects (% of 1970) on employment of changes in							
Demand	+38.6	+ 8.0	+ 0.5	+ 7.3	+17.6	+20.6	+ 11
Labour productivity	-33.2	-18.7	-19.0	-18.7	-37.0	-23.7	- 21.4
Net trade	-15.1	- 2.2	- 7.8	+10.9	-38.3	- 9.5	- 5.6

Source: Jose de la Torre: Decline and adjustment: European policies towards their clothing industries (1979) p.88

Table 20 - Sources of Labour Displacement in the US Apparel Industry, 1970-76

SIC Code		Demand growth	Labour productivity	Imports	Employment
2311	Men's and boys' suits and coats	-0.85	-1.73	-1.21	-3.79
2321	Men's & boys' shirts	5.06	-2.55	-2.38	0.25
2327	Men's & boys' pants	0.35	-2.76	0.65	-1.76
2328	Men's & boys' work clothing	6.32	-1.47	-1.45	3.41
2341	Women's & children underwear	0.23	-3.05	-0.03	-2.84
2342	Corsets and allied garments	-0.30	-7.20	-1.33	-8.84
2369	Children's clothing	8.30	-5.08	-4.47	-1.15
2386	Leather and sheepskin clothing	9.03	1.49	-6.81	3.72
2392	House furnishings	0.69	-2.01	-0.12	-1.45

Source: Anne Krueger: LDC Manufacturing Production and Implications for OECD Comparative Advantage (1979) p.34.

Table 21 - Trade Balances of LDC Exporters (mn. $: Latest Year Available)

	Year	Textiles Export	Textiles Import	(Balance)	Clothing Export	Clothing Import	(Balance)	Overall Net Balance
Major Suppliers								
Hong Kong	1979	1,363	2,354	(- 991)	4,180	393	(+3,787)	+2,796
Korea	1979	1,828	448	(+1,380)	2,855	a	(+2,855)	+4,235 b
Taiwan	1978	1,162	196	(+ 966)	1,746	7	(+1,739)	-2,705
Substantial Low Income Suppliers								
India	1977	882	a	(+ 882)	340	a	(+ 340)	+1,222 b
Pakistan	1979	731	181	(+ 550)	78	a	(+ 78)	+ 628 b
Thailand	1978	262	117	(+ 145)	148	a	(+ 148)	+ 293 b
Philippines	1978	44	92	(- 48)	160	a	(+ 160)	+ 112
Egypt	1979	261	47	(+ 214)	23	6	(+ 17)	+ 231
Middle Income LDCs								
Malaysia	1979	35	237	(- 202)	120	27	(+ 93)	- 109
Singapore	1979	360	761	(- 401)	373 c	111	(+ 262)	- 139 c
Malta	1978	3	96	(- 93)	141	11	(+ 130)	+ 37
Cyprus	1979	8	89	(- 81)	64	7	(+ 57)	- 24
Turkey	1979	321	46	(+ 275)	99	a	(+ 99)	+ 374 b
Tunisia	1978	30	148	(- 118)	202	55	(+ 147)	+ 29
Brazil	1979	608	73	(+ 545)	119	a	(+ 119)	+ 664 b
Uruguay	1977	27	9	(+ 18)	118	a	(+ 118)	+ 136 b
Argentina	1978	53	26	(+ 27)	146	a	(+ 146)	+ 173 b
Colombia	1977	84	21	(+ 63)	50	7	(+ 43)	+ 106
Mexico	1977	116	35	(+ 81)	30 d	29	(+ 1)	+ 82 d
New Entrants								
Sri Lanka	1979	a	130	(- 130)	71	a	(+ 71)	- 59 b
Mauritius	1976	4	32	(- 33)	31	5	(+ 26)	+ 7
Barbados	1978	2	14	(- 12)	21	12	(+ 9)	- 3
Indonesia	1979	52	217	(- 165)	66	a	(+ 66)	- 99

Source: UN Trade Statistics.

Notes: a Too small to be recorded.
b Does not include items too small to be recorded separately.
c Inflated by trans-shipment to Indonesia.
d Excludes border industries (US imports of clothing on this basis were $166m in 1976)

Table 22 - Importance to Various Countries of Textiles and Clothing Exports

	(1) Sector VA as % of industrial VA (1976)	(2) Sector Exports as % of Gross Output in Sector (1977)	(3) Sector Exports as % of total exports (1979)
Hong Kong	98	74	36
Korea	25	55	31
India	25	17	20
Pakistan	35	n.a.	20
Brazil	10	13(1974)	5
Turkey	23	11	19
Mexico	13	n.a.	3
Singapore	5	8	5
Malaysia	8	8	2
Philippines	13	17	4
Thailand	17	n.a.	10
Indonesia	16	0	1
Sri Lanka	23(1975)	1.5(1974)	7
Egypt	34(1975)	20	15
Italy	14	35	12
UK	9	18	5
Japan	7	11	4
France	6	20	5
W.Germany	7	28	5
USA	8	4	2.5

Notes: Concept of 'gross output' varies from one country to another.
Source: Value added and gross output from UN Yearbook of Industrial Production Statistics; exports and imports from UN Commodity Trade Statistics.

Table 23 - Growth Rates for Major Suppliers to EEC Markets: All MFA Products

Country	'000 Tonnes (1979)	1975-79 Average Annual Change %
Bilateral Agreements		
Hong Kong	134.9	2.2
S. Korea	80.0	7.6
India	74.5	0.9
Taiwan	60.8	2.3
Brazil	58.0	6.6
China	40.7	3.8
Pakistan	35.1	3.6
Malaysia	13.8	1.0
Singapore	13.8	0.7
Sri Lanka	2.2	(333.3)
Preferential Countries		
Greece	100.8	7.2
Portugal	81.0	15.9
Spain	58.0	7.7
Malta	11.4	11.4
Cyprus	2.2	(333.3)
Industrialised		
USA	211.5	13.4
Austria	78.5	8.9
Switzerland	71.1	10.8

Source: European Commission.

Table 24 - Indicators of Economic Activity in Industrial Countries

I = Index of Industrial Production, 1975 = 100
U = Rate of Unemployment, %

		1973	1974	1975	1976	1977	1978	1979	1980	1st 1981
Australia	I	105	108	100	106	104	103	112	114	(116)
	U	1.9	2.3	4.4	4.6	5.6	6.3	6.2	6.1	(6.4)
Canada	I	102	106	100	106	109	117	121	116	(116)
	U	5.7	5.5	6.9	7.1	8.1	8.4	7.5	7.5	(7.3)
USA	I	110	110	100	111	118	124	129	125	(129)
	U	4.9	5.6	8.5	7.7	7.1	6.0	5.8	7.1	(7.3)
Japan	I	116	112	100	111	116	123	133	142	(145)
	U	1.3	1.4	1.9	2.0	2.0	2.2	2.1	2.0	(2.1)
UK	I	108	105	100	103	108	111	115	107	(101)
	U	2.6	2.6	3.9	5.3	5.8	5.8	5.4	6.8	(9.5)
France	I	105	108	100	109	110	113	118	119	118
	U	n.a.								
W.Germany	I	107	106	100	107	110	113	119	119	-
	U	1.3	2.6	4.7	4.6	4.5	4.3	3.8	3.8	5.4
Italy	I	106	110	100	112	112	114	121	128	-
	U	6.4	5.4	5.9	6.7	7.2	7.2	7.7	7.6	-
Sweden	I	96	100	100	98	93	92	99	100	-
	U	2.5	2.0	1.6	1.6	1.8	2.2	2.1	2.1	2.5

Source: OECD Indicators.

Table 25 - Indicators of Textile and Clothing Production, 1975 = 100

	World	Developed	Developing (Market)	N.America	Asia and Japan	EEC
1970	84.5	93.5	69.9	97.4	59.3	96.9
1975	100	100	100	100	100	100
1976	106.4	107.1	105.2	112.9	110.4	102.5
1977	108.5	108.2	104.1	117.2	109.2	100.4
1978	110.7	108.8	107.8	117.9	111.5	97.4
1979	112.5	108.8	111.2	115.5	112.2	99.2
1980 Jan-Mar	115.8	109.2	102.9	114.4	103.1	106.7
Apr-June	-	105.6	-	115.3	-	93.8

Source: UN Monthly Bulletin of Statistics.

Table 26 - Bilateral Trade Balances (Overall Trade) with Countries Subject to Restraint (bn. $)

Country with which balance	EEC 1976	EEC 1977	EEC 1978	USA 1976	USA 1977	USA 1978
USA	- 9.2	- 6.2	- 6.0	-	-	-
Japan	- 4.0	- 5.2	- 6.3	- 5.8	- 9.7	-13.6
Oil exporters (total)	-20.2	-14.3	- 8.4	-14.4	-11.7	-16.3
Non oil LDCs (total)	+ 0.4	+ 1.1	+ 2.9	- 2.1	- 7.5	- 7.2
Hong Kong	- 1.16	- 0.98	- 0.79	- 1.52	- 1.81	- 2.14
Korea	- 0.50	- 0.70	- 0.51	- 0.63	- 0.79	- 0.93
Taiwan	- 0.43	- 0.67	- 0.70	- 1.64	- 2.24	- 3.36
India	- 0.29	- 0.30	+ 0.78	+ 0.33	- 0.09	- 0.13
Malaysia	- 0.71	- 0.85	- 0.72	- 0.18	- 0.36	- 0.87
Singapore	+ 0.26	+ 0.28	+ 0.48	+ 0.24	+ 0.25	+ 0.38
Sri Lanka	- 0.01	- 0.05	+ 0.06	- 0.01	- 0.02	- 0.01
Bangladesh	+ 0.02	+ 0.09	+ 0.16	+ 0.03	+ 0.08	+ 0.07
Philippines	- 0.05	- 0.13	- 0.05	- 0.18	- 0.36	- 0.30
Thailand	- 0.35	- 0.25	- 0.44	- 0.04	+ 0.13	+ 0.15
Pakistan	+ 0.28	+ 0.45	+ 0.45	+ 0.32	+ 0.23	+ 0.40
Cyprus	+ 0.11	+ 0.16	+ 0.21		negligible	
Mauritius	- 0.11	- 0.11	- 0.12	- 0.01	- 0.01	- 0.02
Malta	+ 0.14	+ 0.13	+ 0.21	+ 0.02	+ 0.02	+ 0.01
Egypt	+ 0.93	+ 1.11	+ 2.08	+ 0.70	+ 0.80	+ 1.0
Brazil	- 0.50	- 1.39	- 1.21	+ 0.92	+ 0.10	-
Mexico	+ 0.67	+ 0.42	+ 1.13	+ 1.25	+ 0.05	+ 0.49
Indonesia	+ 0.52	+ 0.28	+ 0.12	- 2.24	- 3.00	- 3.13
China	+ 0.33	- 0.09	+ 0.69	- 0.09	- 0.05	+ 0.47
Poland	+ 0.86	+ 0.47	+ 0.30	+ 0.28	+ 0.08	+ 0.20
Czechoslovakia	+ 0.27	+ 0.22	+ 0.15	+ 0.11	+ 0.03	+ 0.04
Romania	-	+ 0.19	+ 0.42	+ 0.03	-	- 0.05
Yugoslavia	+ 1.48	+ 2.30	+ 2.65	- 0.11	- 0.01	+ 0.05
Spain	+ 1.02	+ 0.75	- 0.38	+ 1.08	+ 0.85	+ 0.59
Turkey	+ 0.58	+ 1.53	+ 0.93	+ 0.21	+ 0.26	+ 0.17
Portugal	+ 0.80	+ 1.08	+ 0.95	+ 0.25	+ 0.39	+ 0.32

Source: IMF, Direction of Trade.

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