

## Editorial

There are many who believe that the most effective assistance that can be given to the development of the third world is through the continued liberalization of international trade. It is therefore encouraging that the United States has declared itself in favour of greater efforts in this direction. The Reagan administration has stated that it accepts the competitive challenge and that it will strongly resist protectionist measures. To this end it promises rapid action against those who violate international trade agreements, and it seeks to conclude what it describes as the unfinished business of the Tokyo Round. It proposes negotiations for the establishment of free trade in services to complement free trade in goods, and also negotiations to put curbs on investment practices which distort trade. It wishes for better access to U.S. high technology. It desires a halt to bilateral trade and barter deals, such as voluntary export restraints, with a return to a truly multilateral system. The administration also intends to remove the internal rules which unduly restrain exports.

These are brave words, and if they give added impetus to a further round of trade negotiations within GATT this is all to the good. To support the principle of free trade, however, is one thing, to put it into practice is another. For the difficulties must not be underestimated. As far as the developed countries are concerned, accommodation to the expanding trade on the part of the developing countries might in other circumstances have been tolerable, given a suitable process of restructuring. Today, however in the face of the ravages to employment caused by the recession and the technological revolution, this becomes most uncongenial.

One of the immediate problems to be tackled by the industrialized countries concerns the future of the Multifibre Arrangement (MFA) in GATT. Properly described as the Arrangement Regarding International Trade in Textiles, the MFA regulates most of the world trade in textiles and clothing. It numbers around forty participants (the EEC counting as one), and at the end of 1980 it accounted for four-fifths of the \$84 billion worth of relevant world trade. The Arrangement first came into force in 1974 for four years. In 1977 it was extended for a further four years until the end of 1981. The participants are at present meeting in Geneva to decide whether for 1982 the Arrangement shall be extended, amended or discontinued.

The aim of the Arrangement is described as being "to ensure the expansion of trade in textile products, particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual lines of production in both importing and exporting countries".

The MFA is a derogation against the GATT principle of most-favoured-nation treatment for its members, it discriminates against the developing countries, and it is in fact an orderly marketing arrangement on a very large scale. The importing countries have the right to impose restrictions in case of difficulties, unaccompanied by dumping or export subsidization on the part of the exporter. They may also under the Arrangement apply safeguard measures in respect of specific products from specific countries, whereas under Article XIX of the General Agreement such measures can only be taken in respect of individual products from all sources. For the exporting countries there are minimum levels of exports and a system of supervision under which any

restriction imposed by an importing country is reported to the Textiles Surveillance Body that will review the restriction with a view to its removal and provide a forum for the settlement of disputes. It is also specifically provided in the Arrangement that the quotas from low-cost exporters shall be enlarged by an annual increase which is fixed at six per cent.

Intended as a temporary measure, the Arrangement seems to have achieved a degree of permanence. In 1977 it was extended by a protocol which incorporated certain "understandings" agreed upon by the participants. It was specifically understood that in case of pressing import problems bilateral negotiations could include jointly agreed "reasonable departures" of a temporary nature from particular elements of the Arrangement in particular cases.

It is especially the countries of the EEC that are in present difficulties. Their imports have increased in spite of diminishing demand. The exports from developing countries, which are vital to them, are not significant, except for exports from India, Hong Kong, and South Korea. The greatest increase in exports however has come from the developed countries themselves, particularly the United States which is the greatest producer in the world exceeding all the EEC countries together. It is the EEC that is at present seeking to impose limitations on imports. Although West Germany, the Netherlands and Denmark were prepared to adopt a liberal approach, the other countries led by France have insisted on taking a hard line. This is astonishing in view of the new French government's promise of a change in attitude towards North-South relations.

The developing countries, however, are determined to adopt a robust attitude. Twenty countries, with China as an observer, had preliminary discussions in Hong Kong, where they expressed a desire to return to free trade. In the opening round of the negotiations in Geneva the developing countries have put forward a number of points which include that there should be no distinction between low-cost producers and others, that imports should first be cut back from the largest supplier of each specific product, that there should be no discrimination between the wealthier and the poorer developing countries, that there should be established objective criteria for determining the existence of disruption of markets, etc, and that there should be a detailed and time-bound programme for the implementation of adjustment programmes in the importing countries. Preferential treatment should be given to new entrants and small suppliers.

Although the proposals of the developing countries were put forward at the GATT meeting of the participants in July, the developed countries are unlikely to table any formal response before the resumption of the meeting in the autumn, which leaves little time for the parties to reach a fresh agreement by the end of the year.

If the negotiations are to result in agreement, they will be long and hard. It is encouraging to see that the developing countries are adopting a strong line and are improving their negotiating techniques. Although GATT started off as a forum for the industrialized nations, it has made a genuine effort to transform itself into an organization suited to the needs both of the industrialized and the developing countries. Developing countries now form the majority of the members of GATT, and it is in their interest that they should fully participate in all GATT activities and the agreements drawn up during the Tokyo Round. The GATT organization has one of the most competently manned secretariats and is most likely to produce satisfactory results.