

# Editorial

## MFA IV

On 31 July 1986 negotiations concluded in the GATT Textiles Committee on the Arrangement regarding international trade in textiles and clothing. The decisions was taken to extend the Multifibre Arrangement (MFA) until 31 July 1991.

The protocol of MFA IV is, on the whole, more restrictive than its predecessors. The distinguishing characteristic of this protocol is the expansion of product coverage; the new MFA restrictions cover a wider range of products than the traditional cotton, wool and man-made fibres. Vegetable fibres, notably ramie which is a flax-like fibre, jute fibres and silk blends are now included. The ingenuity of the Far Eastern producers, especially China, in getting over the hurdle of existing restraints, had resulted in the development of the new and popular fibre, ramie, which figured prominently in their exports in recent years. Hence, the U.S. mandate insisted on bringing these new products under the MFA. Not completely, however. Due to strong Chinese pressure concessions were made: fibres containing less than 50 per cent ramie will not be subject to quota; neither will textiles traded in commercially significant numbers before 1982, such as luggage bags and carpets which are typically made from jute fibres.

Further tightening under MFA IV is reflected in the authority of importing countries to control imports unilaterally for two years instead of one as before.

There is to be increased international collaboration to prevent fraud and circumvention of the rules, such as false customs declarations and country-of-origin certificates. There is also a great need to work against counterfeiting in clothing trade, but in the absence of an effective international *régime* for the protection of property rights these problems are to be dealt with within the relevant national laws.

Under the new MFA, the least developed countries (LLDCs) are to receive significantly more favourable treatment. Restraints will not normally be imposed on these countries, e.g., Bangladesh, Haiti etc., and if restraints have to be made then they should be significantly smaller than for the others. Cotton producers will also receive special consideration under this Arrangement and wool-producing countries will get marginally better treatment in certain circumstances.

Although managed trade in textiles and clothing dates back to the early 1960s, the extension of the MFA, as GATT stands on the threshold of a new round of multilateral negotiations, is of particular importance. The MFA has been, since 1974, negotiated under the auspices of the GATT but it is a derogation from GATT rules. Firstly, it admits discrimination between exporting countries—only the exports of the developing countries are subject to restriction. The Arrangement permits nine industrial countries U.S., EC, Canada, Japan, Switzerland, Norway, Sweden, Finland and Austria to restrict imports of textiles and clothing from twenty eight developing countries. (Japan and Switzerland do not apply the restrictions.) Australia and New Zealand are not members but have made their own arrangements with developing country exporters of textiles and

clothing. In 1984, the exports of the industrial countries amounted to 52 per cent of world exports of textiles and clothing and were not, of course, subject to MFA restrictions.

Secondly, the MFA allows the unilateral imposition of restrictions by importing countries. The existence of this mechanism casts a continuous shadow of uncertainty over previously secured opportunities to export on the part of developing countries. Effectively, the exporting countries have not unconditional access to the markets of the industrial countries within their jointly agreed quotas.

Thirdly, the MFA derogates from GATT rules in that no provisions are made for payment of compensation for the restrictive actions taken.

The history of the MFA shows that international trade in textiles and clothing has become increasingly restricted for developing countries in general and for the major suppliers in particular. Basic growth levels have been reduced, the number of countries and products to which restrictive measures apply has also increased, and administrative measures for unilateral action have been amplified. It is not necessary for the industrial countries to prove that imports from developing countries are injurious to their domestic industry before imposing restrictive measures.

The failure to liberalize the MFA was largely due to the intransigent position of the United States throughout the negotiations. This, in turn, had been dictated by domestic political pressures. The Jenkins Bill, which threatened to cut imports of textiles by 30 per cent, was up for re-election in Congress the week after the conclusion of the MFA talks in Geneva. Although President Reagan had vetoed the Bill earlier in the year, it still commanded such widespread support that Congress felt confident it would gain the necessary two thirds majority to override the presidential veto. Since 1982, due to the appreciation of the dollar and trade diversion from Europe—which was highly protectionist under MFA III—imports of textiles into the United States had swelled to political bursting point.

The European Community went to Geneva with a mandate for cautious liberalization. Its contribution was, however, limited to gaining better treatment for the least developed countries.

The developing countries were divided among themselves. Of the major Asian suppliers, Hong Kong was the first followed by Korea and Taiwan, to make bilateral agreements with the United States even before the multilateral stage of the negotiations was completed. This innovation in the negotiation process meant that no pretence of a united front on the part of the exporting developing countries was possible in Geneva. The few LDCs calling for a liberalization of the MFA were voices crying in the wilderness.

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