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# UPDATING THE 1984 GATT SECRETARIAT STUDY "TEXTILES AND CLOTHING IN THE WORLD ECONOMY"

Paper prepared by the Secretariat

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# INTRODUCTION

1. This paper has been prepared in accordance with the terms of reference contained in paragraph 2 of MTN.GNG/NG4/W/3. The paragraph reads as follows:

> (a) The statistical profiles of the textile and clothing industries in the main countries and geographical areas in Chapter 2 of the Study[1], comprising information on such subjects as production, employment, demand, trade and investment will be updated through the compilation of the most up-to-date data for the period subsequent to that set out in the 1984 Study. Adjustments will be made in the data as appropriate, to take into account recent developments, such as the expansion of the membership of the EEC. An additional set of tables, regrouping by country, the data on production, demand, trade, investment, etc., will be added at the end of the updated Chapter 2 material, together with a commentary on these tables.
>
> (b) The information on trade policies in Chapter 3 of the Study will be updated, including such areas as tariffs, tariff quotas, non-tariff measures, outward processing, safeguards, anti-dumping and countervailing actions, with reference being made in the text, where appropriate, to relevant GATT documents setting out a listing or inventory of such measures. Also, in respect of MFA IV an historical narrative on the negotiation process and a comparison with the provisions of MFA III will be included along the lines of the information on the other Protocols in the original Study. In addition the tables on pages 84-91 of the Study, setting out the evolution of restrictions under the MFA will be updated to include that portion of MFA III not covered by the 1984 Study, plus whatever data may be available on MFA IV. Finally, this section will include, subject to the necessary statistics being available, tables prepared by the Secretariat showing the value of trade in products affected by the extended product coverage under MFA IV.
>
> (c) In respect of the material prepared for the Working Party on Textiles and Clothing, a chapter will be included in the updated Study dealing with the establishment of the Working Party, the work it carried out and its final report. A fully annotated list of all documents prepared for the Working Party will be attached.
>
> The information set out in (a), (b) and (c) above will be compiled into a single document, to be made available by the end of this year.

2. Chapters I, II and III of this paper contain the material referred to above in sub-paragraphs (a), (b) and (c), respectively.

3. In preparing this update, an effort has been made to minimize the repetition of material from the original study. To facilitate the comparison of material in this paper with the tables and text in the original study, references to the corresponding table numbers or paragraph numbers in the original study are provided, generally in brackets.

# CHAPTER I. RELATIVE IMPORTANCE OF TEXTILES AND CLOTHING INDUSTRIES IN ECONOMIC ACTIVITY

4. This chapter updates most of the tables in Chapter 2 of the original study, and re-groups the data by country for the main countries (see Part 5 below). Generally speaking, the latest data available in the original study are for 1982. In this paper, it has been possible to extend most of the tables to include data for 1986. Many of the tables on trade flows in this paper compare figures for 1973 and 1986; figures for selected intervening years are available in the original study.

5. In order to make time-series data consistent throughout the period covered in the tables, adjustments have been made (whenever possible) to take account of the enlargement of the EC to include Portugal and Spain. The country groupings adopted in the 1984 Study have been modified accordingly; a key change is that the sub-group Southern Europe, considered part of the developing areas in the original study, has been dropped. Following the practice of GATT's annual report International Trade, those countries, other than Portugal and Spain, which were previously included in Southern Europe, are now classified in "other Western Europe". It should be kept in mind, therefore, that data in this paper are not always fully comparable with those in the corresponding tables of the original study.

6. It must be emphasized that much of the data used in this chapter suffer from numerous shortcomings. These statistical problems have been examined in detail in the original study [paragraph 2.4 and the "Technical Notes"].

## 1. PRODUCTION AND EMPLOYMENT

### Trends in production

7. Table I.1. reveals three main developments in textile and clothing production between 1973 and 1986 [Table 2.1 in 1984 study]. First, there was essentially zero growth in the production of both textiles and clothing in the developed countries as a group in the post-1973 period, in contrast to the relatively robust 3 to 4 per cent annual growth attained in the preceding ten years. In other words, the 1986 output of the textile and clothing industries in developed countries as a whole was more or less at the 1973 level in real terms. This should be seen, however, against the fact that the post-1973 period includes the two worst post-war recessions. In addition, the overall poor performance of the developed-country textile and clothing industries conceals large inter-regional differences in production performance.

TABLE I.1 - PRODUCTION OF TEXTILES AND CLOTHING BY MAIN AREAS AND COUNTRIES, 1973-1986

(Average annual percentage rate of change in volume)

| | 1973-86 | 1980-86 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| Textiles | | | | | | | | | |
| Developed countries | 0 | ½ | -1 | -3 | -4½ | 2½ | 3½ | ½ | 3 |
| United States | 1 | 2 | -3½ | -2½ | -9 | 13 | 3½ | -1 | 9½ |
| Canada | 1 | ½ | -3½ | 1 | -16 | 19 | -1½ | -½ | 5 |
| Japan | -1½ | -1½ | 0 | -4 | -1½ | ½ | 3 | -1½ | -5 |
| EC(12) | 0 | 0 | -1½ | -4 | -2½ | -2 | 3½ | 2 | 2½ |
| Other Western Europe | 1 | 0 | 4 | 0 | -5 | -1 | 5 | 2 | ½ |
| Developing areas | 2½ | 2½ | 2 | 1 | -½ | 3 | 3 | 3 | 6 |
| Eastern trading area[a] | 2½ | 1 | 2 | ½ | -½ | 2 | ½ | 3 | 2 |
| Clothing | | | | | | | | | |
| Developed countries | 0 | -½ | -2½ | -3½ | -4½ | 1½ | 4 | 0 | 2 |
| United States | 1 | 1 | -1 | -1 | -9 | 9 | 8 | -2 | 2½ |
| Canada | ½ | 0 | -7½ | -1½ | -11 | 5 | 5 | 0 | 3½ |
| Japan | -1 | -½ | -3 | 1 | 0 | -2 | 1½ | ½ | -2½ |
| EC(12) | -1 | -1½ | -3½ | -7 | -2 | -3 | 1½ | 1 | 2 |
| Other Western Europe | 1 | ½ | 4 | 1½ | -1½ | -2 | 1½ | 2½ | ½ |
| Developing areas[b] | 4 | 3½ | 4 | 4½ | -1 | 2 | 7 | ½ | 8 |
| Eastern trading area[a,b] | 4 | 2½ | 5½ | 2½ | ½ | 2 | 3½ | 3 | 3 |

[a] Excluding centrally planned economies in Asia.

[b] Including leather and footwear.

Sources: UN, Yearbooks of Industrial Statistics, Monthly Bulletin of Statistics; national statistics.

8. Among the major developed countries, the textile and clothing industries in North America, particularly the United States, as well as some Mediterranean and small West European countries, showed better production performance in the post-1973 period than those in Japan, the EC and some of the other West European countries whose textile and clothing production declined.

9. The textile and clothing industries in the developed countries experienced three recessionary periods (1974-75, 1977-78 and 1980-82) with recoveries in 1976, 1979 and 1983 onwards. The current recovery in textile and clothing production began first in North America, followed by Western Europe and Japan, reflecting the difference in the pace of general macroeconomic recovery. The recovery of textile production in the developed areas other than North America remained relatively weak, however. The recovery of clothing production generally followed the recovery of textile production, though at an even more modest pace. In the case of Japan, textile output declined in 1985 and 1986, with clothing production also down in 1986.

10. The second development to be noted is that the average annual growth rate of textile production in the developing areas as a group fell sharply to 2½ per cent in the post-1973 period from 5½ per cent between 1963 and 1973, while the annual expansion of clothing production dropped by one percentage point (from 5 to 4 per cent). Last year, however, textile and clothing production in the developing areas as a whole rose by an estimated 6 and 8 per cent, respectively - the largest yearly gains since 1976.

11. Thirdly, the average annual growth of textile and clothing production in the Eastern trading area decelerated substantially in the post-1973 period, compared with the pre-1973 period (from 5½ and 6½ per cent, respectively, to 2½ and 4). Furthermore, the slowdown in textile and clothing production became more pronounced in the 1980s.

Trends in employment

12. Due to serious shortcomings in the employment data for the developing areas and the Eastern trading area, the updating of employment statistics has been done only for the developed countries. While the expansion of the membership of the EC has been taken into account in the updating of production statistics, Table I.2. refers only to the EC(10) because of the lack of up-to-date data on employment in textiles and clothing for Portugal and Spain [Table 2.2 in 1984 Study].

TABLE I.2 - EMPLOYMENT IN TEXTILES AND CLOTHING BY MAIN AREAS AND COUNTRIES, 1973-1986

(Average annual percentage rate of change)

| | 1973-86 | 1980-86 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| **Textiles** | | | | | | | | | |
| Developed countries | -3* | -2* | -3½ | -3½ | -4½ | ½ | -3 | -½ | ... |
| United States | -2½ | -2½ | -4½ | -2 | -9 | ½ | 1½ | -5 | 1 |
| Canada | -2 | -2½ | -1 | -1 | -12 | ½ | -½ | -3 | 3 |
| Japan | -4½ | -2½ | -3 | -4 | -2 | -2½ | -2½ | -2½ | -3 |
| EC(10) | -5* | -4* | -6½ | -8½ | -6 | -5½ | -2½ | -½ | ... |
| **Clothing** | | | | | | | | | |
| Developed countries | -1½* | -1½* | -3 | -4 | -2½ | -2 | 1 | -½ | ... |
| United States | -2 | -2½ | -3 | -2 | -6½ | -½ | 2 | -5½ | -3 |
| Canada | -1 | -1½ | -4 | 0 | -5 | -2½ | -7 | 2½ | 4 |
| Japan | 0 | -½ | -2½ | -1½ | 1 | -2½ | -2 | ½ | 2 |
| EC(10) | -4½* | -5* | -5½ | -11 | -5 | -3 | -3 | -3 | ... |

*The latest year is 1985 (instead of 1986).

Sources: UN, Yearbooks of Industrial Statistics; GATT, Statistical Reporting Scheme; national statistics.

13. Both industries in the developed countries have experienced declining trends in employment since 1973. In the case of textiles, the long-term decline in employment was already evident as early as the 1950s. Between 1973 and 1985 textile employment in the developed countries as a group declined by 30 per cent, while clothing employment was down 18 per cent. The employment decline was most pronounced in the EC (in both textiles and clothing) and Japan (in the case of textiles). On the other hand, the level of employment in Japan's clothing industry in 1986 was essentially the same as in 1973.

14. As regards the employment declines in textiles and clothing, it should be noted that the general consensus emerging from the economic literature is that productivity growth plays a key role in explaining the declining employment, compared with the labour-displacement effect of import growth [paragraphs 2.59-2.64 in 1984 Study]. It is true that the threat of import competition can stimulate changes that raise productivity, but each of these markets - with the possible exception of Canada - is large enough to ensure that the level of competition among domestic firms is sufficient to stimulate productivity-increasing innovations. A recent study of the United States textile and clothing industries notes,

> "... for textiles in virtually all periods and for apparel at least until the 1970s and even prior to 1982, the adverse effect of imports on employment has been much more limited than that of labour productivity growth (and, in the case of textiles, slow growth in demand). While the import surge of 1982-85 temporarily pushed the negative employment effect of imports in apparel to a magnitude almost equal to that of productivity growth, the pace of this import growth is unlikely to continue."[2]

## 2. TRENDS IN DEMAND

15. The updating of statistics on demand is confined to consumer expenditure on clothing (including footwear) in the developed countries, since it is the only component of final demand for which relatively comprehensive data are available.

16. It is apparent from the figures in Table I.3 that behind the deterioration in production and employment performance in the developed countries since 1973 lies a corresponding slowdown in consumer expenditure on clothing in the developed countries [Table 2.9 in 1984 Study]. Real consumer expenditure on clothing in the developed countries as a whole has grown by an estimated 2½ per cent annually since 1973, compared with 4½ per cent during 1963-73. It should be noted, however, that clothing was not a special case - that is, that consumer expenditure on clothing increased during 1973-86 at the same slow pace as consumer expenditure on all products (only in the 1980s has it grown marginally slower than total consumer expenditure).

17. Demand trends in the three main developed areas have varied considerably. In Japan and the EC (except the United Kingdom), the growth rates in real consumer expenditure on clothing have declined sharply since 1973, and clothing expenditure has grown much less rapidly

TABLE I.3 - TOTAL CONSUMER EXPENDITURE AND EXPENDITURE ON CLOTHING[a] IN DEVELOPED COUNTRIES, 1973-1986

(Average annual percentage rate of change in volume)

| | | 1973-86 | 1980-86 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|---|---|
| Developed countries | Total | 2½ | 2½ | 1 | 1 | 1½ | 3 | 3 | 3½ | 4 |
| | Clothing | 2½[b] | 2[b] | 2 | 1½ | ½ | 2½ | 3 | 3 | ... |
| United States | Total | 3 | 3½ | 0 | 1 | 1½ | 4½ | 5 | 4½ | 4 |
| | Clothing | 5 | 5½ | 2½ | 6½ | 2 | 6½ | 7 | 4 | 7 |
| Japan | Total | 3 | 3 | 1½ | 1½ | 4 | 3 | 2½ | 2½ | 2½ |
| | Clothing | 1½[b] | ½[b] | 2 | -4 | 5 | -1 | ½ | 1½ | ... |
| EC(12) | Total | 2 | 1½ | 1½ | ½ | 1 | 1½ | 1½ | 2½ | 4 |
| | Clothing | 1 | ½ | 2 | -1 | -1½ | 0 | 0 | 1½ | 3 |

[a] Including footwear.

[b] The latest year is 1985 (instead of 1986).

Sources: OECD, National Accounts of OECD Countries, Vol.2; national statistics.

than total consumer expenditure. In contrast, clothing expenditure in the United States and the United Kingdom expanded relatively rapidly after 1973, and it has grown much faster than total consumer expenditure. Moreover, these diverging trends in demand among the three main developed areas have become more pronounced since the early 1980s.[3]

## 3. TRENDS IN WORLD TRADE

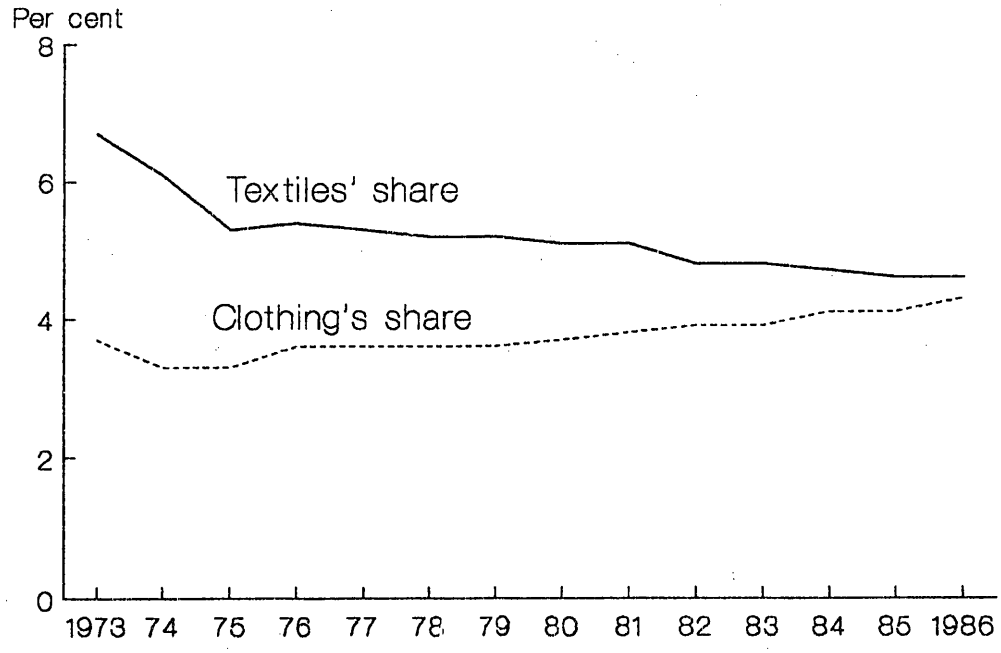
18. In evaluating the trade figures, it is important to keep in mind the strong impact of the US dollar's depreciation in 1986 on the dollar value of certain 1986 trade flows reported in this paper, in particular those originating in Japan and Western Europe. An indication of the valuation effect of the dollar's depreciation against most West European currencies can be seen from a comparison of the value of Western Europe's total 1986 merchandise exports in ECUs and in dollars: in dollar terms, they increased 21½ per cent over 1985, while in ECUs the value of merchandise exports was 5½ per cent below the 1985 level.

### Overview of trade in textiles and clothing

19. In 1986 the value of world exports of textiles and clothing is estimated to have been US$66.3 billion and US$61.8 billion, respectively. As such, textiles and clothing accounted for 3.1 and 2.9 per cent of world merchandise trade, and for 4.6 and 4.3 per cent of world trade in manufactures.

20. Chart I.1 provides a long-term perspective on developments in trade in textiles and clothing in relation to trade in total manufactures. It is clear from this chart that textile exports have been lagging behind - and clothing exports running ahead of - total manufactured exports.

CHART I.1 - SHARE OF TEXTILES AND CLOTHING IN VALUE OF WORLD EXPORTS OF MANUFACTURES, 1973-86



21. Tables I.4 and I.5 present world trade matrices for textiles and clothing in 1986 [Tables 2.10 and 2.11 in 1984 Study]. A comparison of these two tables reveals a number of interesting differences between textiles and clothing. Among others, these include:

(a) About half of world trade in textiles was mutual trade among the developed countries, while this type of trade was relatively less important for clothing (accounting for a little more than 40 per cent).

(b) Within the category of mutual trade among the developed countries, intra-EC trade accounted for more than half of trade in both textiles and clothing.

(c) The developed countries purchased 85 per cent of world exports of clothing. Of their total purchases of clothing, 48 per cent came from within the developed countries, 44 per cent from the developing areas, and 8 per cent from the Eastern trading area.

(d) Compared with clothing, the developed countries purchased much smaller amounts of textiles from the developing areas and the Eastern trading area.

(e) Trade among developing areas is important in the case of textiles (42 per cent of their total textile exports), but very minor in the case of clothing (8 per cent of their total clothing exports).

TABLE I.4. - TEXTILE EXPORTS BY MAIN AREAS, 1986

(Billion dollars)

| Origin ↓ Destination → | Developed countries | Developing areas | Eastern trading areas |
|---|---|---|---|
| Developed countries[a] | 33.2 | 8.0 | 2.0 |
| Developing areas | 7.1 | 6.9 | 2.5 |
| Eastern trading area | 2.4 | 2.8 | 1.5 |

[a] If intra-EC trade is excluded, mutual trade among developed countries is $14.7 billion, rather than $33.2 billion.

Source: GATT, World Trade Networks.

TABLE I.5. - CLOTHING EXPORTS BY MAIN AREAS, 1986

(Billion dollars)

| Origin ↓ Destination → | Developed countries | Developing areas | Eastern trading areas |
|---|---|---|---|
| Developed countries[a] | 25.2 | 2.1 | 0.8 |
| Developing areas | 22.7 | 2.1 | 0.6 |
| Eastern trading area | 4.3 | 1.3 | 2.7 |

[a] If intra-EC trade is excluded, mutual trade among developed countries is $11.2 billion, rather than $25.2 billion.

Source: GATT, World Trade Networks.

22. Tables I.6 and I.7 provide a measure of the relative importance of textiles and clothing in the trade of the three main areas [Tables 2.12 and 2.13 in 1984 Study]. Between 1973 and 1986 the share of textiles in exports of manufactures declined substantially for the developed countries and - especially - the developing areas, while it increased slightly for the Eastern trading area. The share of textile exports in total merchandise exports (that is, exports of all goods) also declined for the developed countries and the Eastern trading area, but increased in the case of the developing areas.

TABLE I.6. - SHARE OF TEXTILES IN EXPORTS OF MANUFACTURES AND IN TOTAL MERCHANDISE EXPORTS BY MAIN AREAS, 1973 AND 1986

(percentages)

| | 1973 | 1986 |
|---|---|---|
| Share of textiles in exports of manufactures: | | |
| World | 6.7 | 4.6 |
| Developed countries | 6.0 | 3.8 |
| Developing areas | 17.5 | 9.7 |
| Eastern trading area | 5.1 | 5.4 |
| Share of textiles in total merchandise exports | | |
| World | 4.0 | 3.1 |
| Developed countries | 4.2 | 2.9 |
| Developing areas | 3.8 | 4.0 |
| Eastern trading areas | 3.1 | 2.9 |

Source: GATT, World Trade Networks.

TABLE I.7. - SHARE OF CLOTHING IN EXPORTS OF MANUFACTURES AND IN TOTAL MERCHANDISE EXPORTS BY MAIN AREAS, 1973 AND 1986

(percentages)

| | 1973 | 1986 |
|---|---|---|
| Share of clothing in exports of manufactures: | | |
| World | 3.6 | 4.3 |
| Developed countries | 2.4 | 2.5 |
| Developing areas | 15.9 | 15.1 |
| Eastern trading area | 5.1 | 6.7 |
| Share of clothing in total merchandise exports | | |
| World | 2.2 | 2.9 |
| Developed countries | 1.7 | 1.9 |
| Developing areas | 3.5 | 6.1 |
| Eastern trading area | 3.1 | 3.6 |

Source: GATT, World Trade Networks.

23. The figures in Table I.7 for the share of clothing present a rather different picture from that of textiles. The relative importance of clothing in exports of manufactures increased markedly for the Eastern trading area between 1973 and 1986 (primarily because of China) while it remained virtually unchanged for the developed countries. In contrast, the share of clothing in the manufactured exports of the developing areas was nearly one percentage point lower in 1986 than in 1973. This reflects the increased diversification of exports of manufactures from the developing countries, partly as a result of their increasing industrialization and partly as a result of the above-average level of barriers to trade in clothing.

24. The share of clothing in total merchandise exports followed a trend similar to the share in exports of manufactures with an exception of the developing areas, where the share of clothing nearly doubled between 1973 and 1986. This can be explained by the fact that the developing areas' exports of non-fuel primary products expanded far less rapidly than those of clothing.

25. Figures on the relative importance of each of the three main areas in world trade in textiles and clothing are given in Tables I.8 and I.9. [Tables 2.14 and 2.15 in 1984 Study]. Although the developed countries continue to dominate world trade in textiles, their relative importance as both suppliers and purchasers decreased significantly between 1973 and 1986. In contrast, the developing areas and, to a lesser extent, the Eastern trading area increased their shares on both the export and import sides. In 1986 the latter two areas accounted for one-quarter and one-tenth of world trade (both exports and imports) in textiles, respectively.

TABLE I.8. - AREA DISTRIBUTION OF WORLD TRADE IN TEXTILES, 1973 AND 1986

(percentage shares)

| | 1973 | 1986 |
|---|---|---|
| EXPORTS (billion dollars) | 23.2 | 66.3 |
| World | 100 | 100 |
| Developed countries | 74 | 65 |
| (EC intra-trade) | (30) | (28) |
| Developing areas | 18 | 25 |
| Eastern trading area | 8 | 10 |
| IMPORTS | | |
| World | 100 | 100 |
| Developed countries | 70 | 64 |
| Developing areas | 23 | 27 |
| Eastern trading area | 7 | 9 |

Source: GATT, World Trade Networks.

TABLE I.9. - AREA DISTRIBUTION OF WORLD TRADE IN CLOTHING, 1973 AND 1986

(percentage shares)

| | 1973 | 1986 |
|---|---|---|
| EXPORTS (billion dollars) | 12.7 | 61.8 |
| World | 100 | 100 |
| Developed countries | 56 | 46 |
| (EC intra-trade) | (28) | (23) |
| Developing areas | 30 | 41 |
| Eastern trading area | 14 | 13 |
| IMPORTS | | |
| World | 100 | 100 |
| Developed countries | 79 | 84 |
| Developing areas | 9 | 9 |
| Eastern trading area | 12 | 7 |

Source: GATT, World Trade Networks.

26. As for clothing, Table I.9 indicates a marked decline in the share of world exports accounted for by the developed countries and a corresponding increase in that of the developing areas between 1973 and 1986, leaving almost unchanged the share of the Eastern trading area. On the other hand, the relative importance of the developed countries as the dominant purchasers increased further during this period. As the share of the developing areas in world clothing imports was the same in 1986 as in 1973, the increased developed country share was entirely at the expense of the Eastern trading area (whose share of world imports of clothing was nearly halved).

27. The fifteen leading exporters and importers of textiles and clothing are listed in Tables I.10 and I.11 [Tables 2.16 and 2.17 in 1984 Study]. Taking textiles first, it is evident that there were significant changes in the rankings of the leading exporters between 1973 and 1986. China and Hong Kong entered the top five, and the Republic of Korea and Taiwan the top ten, while India was not among the top fifteen in 1986. On the import side, the top fifteen were dominated by the major developed countries in both years. It should be noted, however, that Hong Kong moved from eighth in 1973 to third in 1986, and that China, which was not on the list in 1973, appeared among the top fifteen importers last year.

TABLE I.10 - MAIN EXPORTERS AND IMPORTERS OF TEXTILES, 1973 AND 1986

(Billion dollars)

| 1973 | | 1986 | |
|---|---|---|---|
| | | EXPORTERS | |
| Germany, Fed. Rep. | 3.04 | Germany, Fed. Rep. | 8.08 |
| Japan | 2.45 | Italy | 5.92 |
| France | 1.69 | Japan | 5.46 |
| Belgium-Luxembourg | 1.69 | China | 4.28 |
| Italy | 1.53 | Hong Kong | 3.95 |
| United Kingdom | 1.45 | Belgium-Luxembourg | 3.85 |
| Netherlands | 1.29 | France | 3.57 |
| United States | 1.23 | Korea, Rep. of | 3.20 |
| India | 0.69 | Taiwan | 3.05 |
| Switzerland | 0.64 | United States | 2.56 |
| China[a] | 0.60 | Netherlands | 2.48 |
| Taiwan | 0.56 | United Kingdom | 2.43 |
| Hong Kong | 0.46 | Switzerland | 1.88 |
| Austria | 0.45 | Pakistan | 1.26 |
| Pakistan | 0.44 | Austria | 1.22 |
| Percentage share of the fifteen in world exports | 78 | | 80 |
| | | IMPORTERS | |
| Germany, Fed. Rep. | 2.75 | Germany, Fed. Rep. | 6.61 |
| United States | 1.58 | United States | 5.83 |
| France | 1.40 | Hong Kong[b] | 5.41 |
| United Kingdom | 1.26 | France | 4.62 |
| Japan | 1.13 | United Kingdom | 4.59 |
| Netherlands | 1.10 | Italy | 3.33 |
| Belgium-Luxembourg | 1.01 | Netherlands | 2.38 |
| Hong Kong[b] | 0.94 | Belgium-Luxembourg | 2.20 |
| Italy | 0.91 | Japan | 2.12 |
| Canada | 0.78 | USSR[c] | 1.88 |
| USSR | 0.63 | Canada | 1.78 |
| Australia | 0.62 | China | 1.64 |
| Sweden | 0.51 | Austria | 1.28 |
| Switzerland | 0.51 | Switzerland | 1.22 |
| Austria | 0.48 | Australia | 1.15 |
| Percentage share of the fifteen in world imports | 67 | | 69 |

[a] Derived from imports of developed countries, Hong Kong and Singapore.

[b] Includes imports for re-exports.

[c] 1985.

Sources: UN Comtrade data base; national statistics.

TABLE I.11 - MAIN EXPORTERS AND IMPORTERS OF CLOTHING, 1973 AND 1986

(Billion dollars)

| 1973 | | 1986 | |
|---|---|---|---|
| | EXPORTERS | | |
| Hong Kong | 1.39 | Hong Kong | 8.39 |
| Italy | 1.30 | Italy | 7.57 |
| France | 1.04 | Korea, Rep. of | 5.48 |
| Germany, Fed. Rep. | 0.91 | Taiwan | 4.23 |
| Korea, Rep. of | 0.75 | Germany, Fed. Rep. | 4.20 |
| Taiwan | 0.71 | China | 2.97 |
| Belgium-Luxembourg | 0.57 | France | 2.56 |
| United Kingdom | 0.44 | United Kingdom | 1.80 |
| Netherlands | 0.41 | Portugal | 1.48 |
| Japan | 0.37 | Turkey | 1.20 |
| United States | 0.29 | Netherlands | 1.11 |
| Poland | 0.28 | Belgium-Luxembourg | 1.05 |
| Romania | 0.25 | United States | 0.88 |
| Finland | 0.21 | India | (0.79) |
| China[a] | 0.20 | Japan | 0.73 |
| Percentage share of the fifteen in world exports | 72 | | 72 |
| | IMPORTERS | | |
| Germany, Fed. Rep. | 2.54 | United States | 18.70 |
| United States | 2.17 | Germany, Fed. Rep. | 10.43 |
| USSR | 1.06 | France | 4.16 |
| Netherlands | 0.86 | United Kingdom | 3.49 |
| United Kingdom | 0.82 | USSR[c] | 3.12 |
| France | 0.59 | Netherlands | 2.97 |
| Japan | 0.57 | Japan | 2.85 |
| Belgium-Luxembourg | 0.56 | Hong Kong[b] | 2.53 |
| Switzerland | 0.50 | Switzerland | 2.13 |
| Sweden | 0.40 | Belgium-Luxembourg | 1.95 |
| Canada | 0.33 | Canada | 1.53 |
| Norway | 0.21 | Sweden | 1.52 |
| Austria | 0.20 | Austria | 1.29 |
| Italy | 0.19 | Norway | 1.13 |
| Hong Kong[b] | 0.12 | Italy | 1.16 |
| Percentage share of the fifteen in world imports | 88 | | 95 |

[a] Derived from imports of developed countries, Hong Kong and Singapore.

[b] Includes imports for re-exports.

[c] 1985.

Sources: UN Comtrade data base; national statistics.

28. In the case of clothing, there were also shifts in the rankings of the fifteen leading exporters between 1973 and 1986. Italy and the Federal Republic of Germany are now the only two developed country exporters among the top five. China moved from the fifteenth to the sixth largest exporter of clothing, while three countries which were not on the 1973 list - Portugal, Turkey and India - were among the top fifteen last year. On the import side, there were some changes in the rankings, but the top fifteen importers in 1973 were also the top fifteen importers in 1986. In many ways, the most important development was the very large increase in the share of world clothing exports purchased by the United States, from 17 per cent in 1973 to 30 per cent last year. China and Australia were among the top fifteen in 1986 but not in 1973, while the opposite was true of Sweden and Norway.

Origins of imports into the developed countries

29. A geographic breakdown of the sources of the developed countries' imports of textiles and clothing is provided in Table I.12 [Table 2.18 in 1984 Study]. Between 1973 and 1984 there was a gradual decline in the share of textile imports originating from the developed countries themselves. The EC's share fell from 59 per cent in 1973 to 54 per cent in 1984. The corresponding increases were registered in the share of imports from China, as well as the three East Asian developing suppliers and Latin American countries.

30. In the last two years, however, the long-term decline in the share of textile imports from within the developed countries appears to have been reversed (at least temporarily). The valuation effects (as distinct from the competitive effects) of the large depreciation of the US dollar against the major European currencies are largely responsible for the rise in the share of textile imports from West European countries into the developed countries.

31. The gains of the developing areas, particularly those in Asia, and China as suppliers of clothing to the developed countries were much more impressive than in the case of textiles. However, the last two years witnessed the rise in the share of Western Europe and the corresponding decline in the share of the developing areas, more precisely of the three East Asian developing suppliers. The valuation effect of the dollar's depreciation also played a role in this development, but it is only part of the explanation: the share of the Far Eastern suppliers declined from 35 per cent in 1984 to 32 per cent in 1985, while on a year-over-year basis, the dollar's nominal effective exchange rate actually appreciated slightly in 1985.

TABLE I.12 - ORIGIN OF IMPORTS OF TEXTILES AND CLOTHING INTO DEVELOPED COUNTRIES, 1973, 1982 AND 1986

| | 1973 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|
| TEXTILES | | | | | | |
| Total (billion dollars) | 16.0 | 30.3 | 29.8 | 32.5 | 34.1 | 43.0 |
| | | | (percentage shares) | | | |
| Developed countries | 79 | 77 | 76 | 74 | 75 | 77 |
| Canada | 1 | 1 | 1 | 1 | 1 | 1 |
| United States | 6 | 6 | 5 | 5 | 5 | 4 |
| Japan | 4 | 5 | 5 | 5 | 5 | 5 |
| EC(12) | 59 | 56 | 56 | 54 | 55 | 57 |
| (EC intra-trade) | (43) | (42) | (42) | (40) | (40) | (42) |
| Other Western Europe | 9 | 9 | 9 | 9 | 9 | 10 |
| Developing areas | 17 | 17 | 18 | 19 | 18 | 17 |
| Far Eastern suppliers[a] | 6 | 7 | 7 | 7 | 7 | 7 |
| India and Pakistan | 4 | 4 | 4 | 4 | 4 | 4 |
| Other Asia | 4 | 3 | 3 | 4 | 3 | 3 |
| Latin America | 2 | 2 | 3 | 3 | 3 | 2 |
| Africa | 1 | 1 | 1 | 1 | 1 | 1 |
| Eastern trading area | 4 | 6 | 6 | 7 | 7 | 6 |
| China | 2 | 4 | 4 | 5 | 5 | 4 |
| CLOTHING | | | | | | |
| Total (billion dollars) | 10.5 | 33.4 | 33.9 | 39.5 | 42.2 | 55.8 |
| | | | (percentage shares) | | | |
| Developed countries | 62 | 47 | 46 | 42 | 45 | 47 |
| Canada | 1 | - | - | - | 1 | - |
| United States | 1 | 1 | 1 | 1 | 1 | 1 |
| Japan | 3 | 1 | 1 | 2 | 2 | 1 |
| EC(12) | 47 | 37 | 36 | 33 | 34 | 37 |
| (EC intra-trade) | (35) | (27) | (25) | (22) | (22) | (24) |
| Other Western Europe | 9 | 7 | 7 | 6 | 7 | 8 |
| Developing areas | 33 | 46 | 46 | 50 | 47 | 45 |
| Far Eastern suppliers[a] | 26 | 32 | 32 | 35 | 32 | 30 |
| India and Pakistan | 1 | 2 | 2 | 2 | 2 | 2 |
| Other Asia | 4 | 7 | 7 | 8 | 8 | 8 |
| Latin America | 2 | 2 | 3 | 3 | 3 | 3 |
| Africa | - | 2 | 2 | 2 | 2 | 2 |
| Eastern trading area | 5 | 7 | 8 | 8 | 8 | 8 |
| China | 1 | 4 | 5 | 5 | 5 | 6 |

[a] Hong Kong, the Republic of Korea and Taiwan.

Source: UNSO Comtrade data base.

Shares of individual suppliers in the markets of United States and European Community.

32. Tables I.13 and I.14 reveal that there were important changes in the rankings of individual suppliers selling textiles and clothing to the United States between 1973 and 1986 [Tables 2.19 and 2.20 in 1984 Study]. There was a marked decline in the share of textile suppliers classified in the '5 per cent and above' category and a corresponding increase in the share of textile suppliers included in the '1.0-4.9 per cent' category (however, the combined share of these two categories

TABLE I.13 - SHARE OF INDIVIDUAL SUPPLIERS IN THE IMPORT MARKET FOR TEXTILES IN THE UNITED STATES, 1973 AND 1986

(Percentages)

| 1973 | | 1986 | |
|---|---|---|---|
| Total number of suppliers | 113 | | 139 |
| | Suppliers each with 5% or more of total imports | | |
| Japan | 19.1 | Japan | 15.7 |
| India | 11.9 | China | 8.7 |
| Germany, Fed. Rep. | 7.8 | Taiwan | 8.1 |
| United Kingdom | 6.6 | Italy | 8.1 |
| Italy | 6.3 | Korea, Rep. of | 6.9 |
| Hong Kong | 5.7 | | |
| 6 suppliers | 57.4 | 5 suppliers | 47.5 |
| | Suppliers each with 1-4.9% of total imports | | |
| Belgium-Luxembourg | 4.9 | Germany, Fed. Rep. | 4.8 |
| Bangladesh | 4.3 | India | 4.3 |
| France | 4.2 | Canada | 4.1 |
| Mexico | 3.7 | United Kingdom | 4.0 |
| Canada | 2.6 | Hong Kong | 3.3 |
| Switzerland | 2.0 | Mexico | 2.9 |
| Netherlands | 1.9 | France | 2.9 |
| Brazil | 1.7 | Brazil | 2.7 |
| Taiwan | 1.6 | Belgium-Luxembourg | 2.6 |
| Korea, Rep, of | 1.3 | Pakistan | 2.6 |
| Portugal | 1.3 | Thailand | 1.4 |
| Iran | 1.2 | Netherlands | 1.4 |
| Pakistan | 1.2 | Switzerland | 1.3 |
| Ireland | 1.1 | Turkey | 1.1 |
| | | Portugal | 1.0 |
| | | Spain | 1.0 |
| | | Iran | 1.0 |
| 14 suppliers | 33.0 | 17 suppliers | 42.4 |
| | Suppliers each with less than 1% of total imports | | |
| 93 suppliers | 9.6 | 117 suppliers | 10.1 |

Source: UN Comtrade data base.

TABLE 1.14 - SHARE OF INDIVIDUAL SUPPLIERS IN THE IMPORT MARKET FOR CLOTHING IN THE UNITED STATES, 1973 AND 1986

(Percentages)

| 1973 | | 1986 | |
|---|---|---|---|
| Total number of suppliers | 116 | | 148 |
| Suppliers each with 5% or more of total imports | | | |
| Hong Kong | 20.1 | Hong Kong | 19.6 |
| Taiwan | 16.9 | Taiwan | 15.1 |
| Japan | 11.5 | Korea, Rep. of | 14.6 |
| Korea, Rep, of | 11.3 | China | 10.0 |
| Italy | 5.5 | | |
| 5 suppliers | 65.3 | 4 suppliers | 59.3 |
| Suppliers each with 1-4.9% of total imports | | | |
| Mexico | 4.6 | Italy | 4.8 |
| Singapore | 3.8 | Philippines | 2.7 |
| Canada | 2.9 | Japan | 2.6 |
| Philippines | 2.6 | Singapore | 2.2 |
| France | 2.5 | India | 2.1 |
| United Kingdom | 2.3 | Mexico | 1.7 |
| Spain | 1.5 | Indonesia | 1.6 |
| Israel | 1.5 | Dominican Republic | 1.6 |
| Thailand | 1.2 | Sri Lanka | 1.5 |
| Germany, Fed. Rep. | 1.0 | Malaysia | 1.5 |
| Brazil | 1.0 | Macau | 1.3 |
| | | France | 1.3 |
| | | United Kingdom | 1.3 |
| | | Canada | 1.2 |
| | | Thailand | 1.2 |
| 11 suppliers | 24.9 | 15 suppliers | 28.6 |
| Suppliers each with less than 1% of total imports | | | |
| 100 suppliers | 9.8 | 129 suppliers | 12.1 |

Source: UN Comtrade data base.

remained close to 90 per cent). Four suppliers included in the former category in 1973 (India, the Federal Republic of Germany, the United Kingdom and Hong Kong) moved down to the latter category in 1986. In contrast, three suppliers (China, Taiwan and the Republic of Korea) have come to the fore as 'large' textile suppliers to the United States, joining Japan and Italy. Among other major suppliers of textiles to the United States, Thailand, Turkey and Spain moved up to the 1.0-4.9 per cent share category in 1986, while the shares of Bangladesh, Iran and Ireland were less than 1 per cent last year.

33. The relative decline in the combined share of 'large' suppliers to the United States market can be also found for clothing. There were six newcomers in 1986 compared with 1973 - India, Indonesia, Dominican Republic, Sri Lanka, Malaysia and Macau - out of fifteen suppliers classified in the '1.0-4.9 per cent' category. It should be also noted that only five out of nineteen suppliers with shares of 1 per cent or more in 1986 were developed countries.

34. The corresponding figures for the EC are provided in Tables I.15 and I.16 [Tables 2.21 and 2.22 in 1984 Study]. Apart from the fact that the EC member countries dominate the EC's imports of textiles and clothing, trends similar to those in the United States are evident:

(a) The relative decline in the share of textile and clothing suppliers with a share of '5 per cent and above' and the corresponding rise in the share of suppliers in the "1.0-4.9 per cent" category (this is particularly so in the case of clothing); and

(b) the emergence of a large number of new suppliers in the '1.0-4.9 per cent' category, namely, China, Pakistan, Spain and Turkey in the case of textiles, and China, India, Macau, Morocco, Thailand, Tunisia and Turkey for clothing.

35. One difference between developments in the EC and the United States concerns the change between 1973 and 1986 in the total number of exporters selling into those two areas. Already in 1973, there were 175 and 166 exporting areas, respectively, selling textiles and clothing to the EC, while the corresponding 1973 figures for the United States were 113 and 116. By 1986, the number of exporting areas selling textiles to the EC had declined to 163, while the number selling clothing increased marginally to 169. In contrast, there was a substantial increase - to 139 and 148, respectively - in the number of exporting areas selling textiles and clothing to the United States.

TABLE I.15 - SHARE OF INDIVIDUAL SUPPLIERS IN THE IMPORT MARKET FOR TEXTILES IN THE EUROPEAN COMMUNITIES, 1973 AND 1986

(Percentages)

| 1973 | | 1986 | |
|---|---|---|---|
| Total number of suppliers | 175 | | 163 |
| | Suppliers each with 5% or more of total imports | | |
| Germany, Fed. Rep. | 17.2 | Germany, Fed. Rep. | 16.9 |
| Belgium-Luxembourg | 13.3 | Italy | 13.3 |
| France | 11.5 | Belgium-Luxembourg | 11.4 |
| Netherlands | 10.3 | France | 8.3 |
| Italy | 10.1 | Netherlands | 6.6 |
| United Kingdom | 5.2 | | |
| 6 suppliers | 67.6 | 5 suppliers | 56.5 |
| | Suppliers each with 1-4.9% of total imports | | |
| Switzerland | 3.5 | Switzerland | 4.6 |
| United States | 3.5 | United Kingdom | 4.4 |
| Iran | 2.6 | Austria | 2.9 |
| Austria | 2.2 | United States | 2.6 |
| Portugal | 1.6 | Japan | 2.4 |
| Ireland | 1.4 | China | 2.1 |
| India | 1.4 | Portugal | 2.1 |
| Greece | 1.2 | Turkey | 1.9 |
| Hong Kong | 1.1 | Spain | 1.7 |
| Japan | 1.1 | Greece | 1.7 |
| Taiwan | 1.1 | India | 1.4 |
| | | Ireland | 1.3 |
| | | Pakistan | 1.1 |
| 11 suppliers | 20.7 | 13 suppliers | 30.2 |
| | Suppliers each with less than 1% of total imports | | |
| 158 suppliers | 11.7 | 145 suppliers | 13.3 |

Source: UN Comtrade data base.

TABLE I.16 - SHARE OF INDIVIDUAL SUPPLIERS IN THE IMPORT MARKET FOR CLOTHING IN THE EUROPEAN COMMUNITIES, 1973 AND 1986

(Percentages)

| 1973 | | 1986 | |
|---|---|---|---|
| Total number of suppliers | 166 | | 169 |
| | Suppliers each with 5% or more of total imports | | |
| Italy | 17.1 | Italy | 18.8 |
| Hong Kong | 12.0 | Hong Kong | 8.2 |
| France | 11.5 | Germany, Fed. Rep. | 7.8 |
| Germany, Fed. Rep. | 9.3 | France | 5.2 |
| Belgium-Luxembourg | 7.6 | | |
| Netherlands | 6.3 | | |
| 6 suppliers | 63.8 | 4 suppliers | 40.0 |
| | Suppliers each with 1-4.9% of total imports | | |
| Yugoslavia | 4.2 | Korea, Rep. of | 4.6 |
| United Kingdom | 3.1 | Greece | 4.0 |
| Taiwan | 2.3 | Turkey | 4.0 |
| Greece | 2.0 | Portugal | 3.9 |
| Korea, Rep. of | 1.8 | Yugoslavia | 3.7 |
| Portugal | 1.8 | United Kingdom | 3.6 |
| Hungary | 1.7 | Netherlands | 3.5 |
| Austria | 1.6 | Belgium-Luxembourg | 3.4 |
| Romania | 1.5 | China | 2.3 |
| Ireland | 1.3 | Tunisia | 2.1 |
| Poland | 1.2 | Austria | 2.0 |
| Spain | 1.2 | Taiwan | 1.9 |
| Switzerland | 1.1 | India | 1.8 |
| | | Morocco | 1.6 |
| | | Romania | 1.4 |
| | | Macau | 1.4 |
| | | Spain | 1.0 |
| | | Thailand | 1.0 |
| | | Hungary | 1.0 |
| | | Poland | 1.0 |
| 13 suppliers | 24.8 | 20 suppliers | 49.2 |
| | Suppliers each with less than 1% of total imports | | |
| 147 suppliers | 11.4 | 145 suppliers | 10.8 |

Source: UN Comtrade data base.

## 4. INVESTMENT

36. It was hoped that the data supplied by delegations to the Textile Committee's Sub-Committee on Adjustment (see COM.TEX/54) could be used to provide a table of up-to-date information on investment in the textile and clothing industries in a number of countries [paragraphs 2.102-2.108 in 1984 Study]. This turned out not to be possible, however, primarily because of the poor coverage of recent years and the fact that most of the data (other than for Canada) are given only in current value terms (see Tables I.17-I.27 below).

37. By drawing on supplementary data from various sources, it is possible to piece together a picture of investment developments in two developed countries plus - on a general level - the developing areas.

38. In the United States, investment (in constant prices) in the textile industry declined between 1980 and 1982. Thereafter, it stagnated in 1983 and recovered temporarily in 1984 but decreased thereafter in both 1985 and 1986. Investment last year was about one-quarter less than in 1980 measured in constant prices. The share of textiles and clothing in manufacturing investment declined from 3.5 per cent in the 1975-80 period to about 3 per cent in the 1981-86 period.

39. The level of real investment by the textile industry in the Federal Republic of Germany has shown strong year-to-year variations in recent years: a decline by one-quarter in 1980-81 was followed by a recovery of 20 per cent in 1982-83. In 1984, there was again a decrease of 6 per cent followed - according to preliminary data - by an increase of nearly one-third in the 1985-86 period. Comparing the 1975-80 and the 1981-86 period, the share of textiles and clothing in total manufacturing investment continued to decline from 2.9 to 2.5 per cent for the textiles industry and from 0.9 to 0.6 for the clothing industry.

40. An indication of the level of investment activity in the developing areas can be obtained by examining trends in the exports of textile machinery from the developed countries to the developing areas. Following a strong growth in the years 1980 and 1981, the value and volume of these shipments declined sharply in 1982 and 1983. Exports of textile machinery to the developing areas recovered during 1984-86, but had not - by 1986 - reached the previous 1980-81 peak.

## 5. RECENT DEVELOPMENTS BY MAIN COUNTRY

41. This section contains one table on textiles and clothing for each of seven developed countries, the EC and three developing economies, covering the period 1980-86. The goal in re-grouping the data in this way is not to discuss interesting individual statistics - most of which have already been discussed in the preceding sections - but to facilitate an analysis of the interaction between developments in production, employment, consumer expenditure, investment, and various aspects of trade flows in these two product groups.

42. Achieving this is a difficult goal, however, for two reasons: (a) it is necessary to rely on trade data expressed in current value terms, and those value figures are very poor proxies for the underlying volume figures during periods of inflation or large changes in exchange rates; and (b) the previously mentioned severe shortcomings in the available data on changes in the volume of production and the level of employment - shortcomings which not only reduce the usefulness of these two data series, but also limit the extent to which the interaction between changes in production and employment can be meaningfully analyzed.

Developed countries

43. As may be seen from the figures in Table I.17, the three-year period 1980-82 was one of declining output and employment in the United States textile and clothing industries (it should be recalled that the overall level of economic activity in the world economy was nearly stagnant during 1980 and 1981, and that there was a serious recession during 1982 and the first half of 1983). The data indicate a sharp increase in consumer expenditure on clothing in 1981, but most of the impact appears to have fallen on imports rather than domestic production. The strong recovery in United States production of textiles and clothing in 1983 and 1984, boosted by the strong recovery in consumer expenditure on clothing, improved the employment situation with a lag, and then only to a modest extent. Still, 1984 was the only one of the seven years shown in Table I.17 in which employment in both textiles and clothing increased.

44. In six of the seven years shown in Table I.17 (all but 1980), the percentage increase in imports of textiles by the United States was larger, or the percentage decline smaller, than the corresponding percentage change in exports of textiles. The same was true for clothing in five of the seven years. For the period 1980-86 United States exports of both textiles and clothing fell by 30 per cent, the poorest export performance of the countries covered in this section. United States clothing imports rose by 18 per cent annually as against 2½ per cent for world imports excluding the United States.

45. Developments in Canada's textile and clothing industries have been marked by wide swings in the 1980s (Table I.18). The recession year 1982 was particularly bad - with consumer expenditure on clothing off 3 per cent, production, employment and investment in both industries all fell sharply. In terms of production and employment, the recovery in 1983 was stronger in textiles than in clothing, whereas clothing out-performed textiles in the area of investment. Both industries had a good year in 1986, with employment recording the largest gains thus far in the 1980s, and investment in the clothing industry up by nearly as much as in the recovery year 1983.

46. In five of the seven years shown in Table I.18, Canada's exports of textiles out-performed imports of textiles (the percentage gain was larger or the decline smaller). The opposite was true for clothing, with exports out-performing imports only in 1980 and 1985.

TABLE I.17 TEXTILE AND CLOTHING DEVELOPMENTS IN THE UNITED STATES
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | -3.4 | -2.7 | -9.1 | 13.1 | 3.3 | -1.0 | 9.7 |
| | Clothing | -1.0 | -1.2 | -9.2 | 9.2 | 7.8 | -1.8 | 2.7 |
| Employment | Textiles | -4.5 | -2.0 | -9.1 | -0.3 | 1.6 | -5.0 | 0.8 |
| | Clothing | -3.1 | -2.0 | -6.3 | -0.6 | 2.2 | -5.6 | -2.9 |
| Consumer Expenditure | Clothing | 2.4 | 6.4 | 1.8 | 6.6 | 7.2 | 4.1 | 6.8 |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in total manufactures | Textiles | 1.4 | 1.3 | 1.2 | 1.3 | 1.4 | 1.2 | 1.1 |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 3.63 | 3.61 | 2.77 | 2.36 | 2.38 | 2.35 | 2.56 |
| | Clothing | 1.22 | 1.26 | 0.99 | 0.88 | 0.85 | 0.72 | 0.88 |
| Total Imports | Textiles | 2.54 | 3.07 | 2.85 | 3.27 | 4.61 | 4.97 | 5.83 |
| | Clothing | 6.95 | 8.12 | 8.79 | 10.42 | 14.60 | 16.21 | 18.70 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 13.9 | -0.4 | -23.2 | -14.9 | 0.7 | -0.9 | 8.7 |
| | Clothing | 27.2 | 3.0 | -21.4 | -10.5 | -4.2 | -14.5 | 21.6 |
| Total Imports | Textiles | 11.1 | 20.8 | -7.2 | 14.9 | 40.9 | 7.8 | 17.2 |
| | Clothing | 13.2 | 16.9 | 8.3 | 18.5 | 40.1 | 11.0 | 15.4 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developing areas and China in Total Exports | Textiles | 39.7 | 47.3 | 47.9 | 41.4 | 44.7 | 48.9 | 45.8 |
| | Clothing | 52.1 | 55.9 | 59.3 | 59.0 | 67.5 | 75.0 | 74.1 |
| Share of developing areas and China in Total Imports | Textiles | 32.2 | 32.1 | 32.5 | 31.2 | 35.3 | 36.3 | 35.2 |
| | Clothing | 88.0 | 88.4 | 89.0 | 88.4 | 85.9 | 84.4 | 85.1 |

Note: Sources to country tables 1.17 to 1.27 are as follows:
Production - see Table I.1
Employment - see Table I.2
Consumer expenditure - see Table I.3
Investment - countries' responses to the Adjustment Sub-Committee questionnaires.
Trade - UNSO Comtrade data base.

TABLE I.18 TEXTILE AND CLOTHING DEVELOPMENTS IN CANADA
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | | (percent change in volume) | | | |
| Production | Textiles | -3.7 | 1.2 | -15.9 | 18.8 | -1.7 | -0.4 | 5.0 |
| | Clothing | -7.6 | -1.6 | -11.1 | 5.2 | 5.0 | 0.2 | 3.7 |
| Employment | Textiles | -1.1 | -1.1 | -12.1 | 0.5 | -0.5 | -2.8 | 3.2 |
| | Clothing | -4.0 | 0.0 | -5.2 | -2.6 | -6.9 | 2.4 | 4.1 |
| Consumer Expenditure | Clothing | 0.0 | 2.6 | -3.0 | 5.0 | 4.4 | 6.1 | ... |
| Investment (a) | Textiles | 9.1 | -1.0 | -12.2 | -2.7 | 12.3 | 5.4 | 6.7 |
| | Clothing | 0.0 | -9.4 | -36.6 | 15.8 | 9.4 | 3.9 | 13.9 |
| | | | | | (billion current dollars) | | | |
| Total Exports | Textiles | 0.31 | 0.33 | 0.29 | 0.26 | 0.31 | 0.32 | 0.40 |
| | Clothing | 0.21 | 0.23 | 0.21 | 0.19 | 0.24 | 0.25 | 0.30 |
| Total Imports | Textiles | 1.28 | 1.41 | 1.13 | 1.40 | 1.56 | 1.61 | 1.78 |
| | Clothing | 0.71 | 0.84 | 0.84 | 1.03 | 1.30 | 1.29 | 1.53 |
| | | | | | (percent change in current dollars) | | | |
| Total Exports | Textiles | 24.9 | 6.9 | -11.9 | -8.7 | 18.6 | 3.8 | 22.2 |
| | Clothing | 22.7 | 9.5 | -10.4 | -9.2 | 25.1 | 6.3 | 17.5 |
| Total Imports | Textiles | -5.3 | 10.0 | -19.7 | 23.7 | 11.5 | 3.2 | 10.6 |
| | Clothing | -3.1 | 18.5 | -0.1 | 22.1 | 26.4 | -0.8 | 19.3 |
| | | | | | (percentage based on current dollars) | | | |
| Share of developing areas and China in Total Exports | Textiles | 19.0 | 25.4 | 21.9 | 20.5 | 17.9 | 15.1 | 15.4 |
| | Clothing | 7.1 | 7.4 | 5.8 | 5.3 | 4.6 | 4.0 | 4.1 |
| Share of developing areas and China in Total Imports | Textiles | 16.6 | 17.7 | 18.4 | 20.4 | 21.7 | 22.9 | 26.2 |
| | Clothing | 67.6 | 71.6 | 72.7 | 74.9 | 75.4 | 71.8 | 70.7 |
| Percent change of $CN/dollar | | 0.2 | -2.5 | -2.8 | 0.1 | -4.8 | -5.2 | -1.7 |

(a) Machinery and equipment only.

47. In contrast to the ups and downs of the textile and clothing industries in the United States and Canada thus far in the 1980s, the situation in Japan has been generally depressed. In 1983 - a time of sharp recovery in production in both industries in North America - textile production in Japan registered only a marginal gain, while clothing production actually declined. Textile production increased in only two of the seven years shown in Table I.19, and textile employment has either stagnated (one year) or declined (six years) thus far in the 1980s. These generally poor results presumably are an important part of the explanation behind the declining share of textiles in total manufacturing investment.

48. The figures in Table I.19 indicate that the percentage increase in Japan's imports of textiles was larger, or the percentage decline smaller, than the corresponding change in exports of textiles in four of the seven years 1980-86. The same was true of imports of clothing in five of the seven years (all but 1980 and 1983, when exports increased very sharply and imports declined very sharply).

49. Weak consumer demand for clothing in the EC in the 1980s has taken its toll on the textile and clothing industries. In the four years 1980-83, output and employment in both industries declined every year (Table I.20). Although the figures are not strictly comparable (because they are in current dollars), it is worth noting that imports of textiles and clothing declined in each of the three years 1981-83. Since 1983, there has been a modest recovery in output, but not enough to prevent continuing declines in employment in the EC's textiles and clothing industries.

50. In terms of annual percentage change, the EC's textile imports out-performed textile exports (the gain was larger or the decline smaller) in four of the seven years shown in Table I.20. Clothing exports, in contrast, out-performed clothing imports in five of the seven years (all but 1980 and 1986).

51. As is evident from the figures in Table I.21, developments in the French textile and clothing industries in the 1980s have for the most part mirrored those in EC as a whole. Except for moderate increases in 1981 and 1982, consumer expenditure on clothing has been lackluster. Employment in both industries has declined in every year thus far in the 1980s, and the output record is hardly better. It is interesting, against this background, to note that the available data indicate that in each of the three years 1982-84, the shares of textiles and clothing investment in total manufacturing investment increased.

52. A comparison of the percentage changes in France's imports and exports of textiles (Table I.21) reveals that in four of the seven years 1980-86, the increase in imports was larger, or the decline smaller, than the corresponding change in exports. Exactly the same situation occurred in clothing trade (although not in exactly the same four years).

TABLE I.19 TEXTILE AND CLOTHING DEVELOPMENTS IN JAPAN
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | | (percent change in volume) | | | |
| Production | Textiles | -0.2 | -3.8 | -1.6 | 0.6 | 3.2 | -1.7 | -5.1 |
| | Clothing | -2.8 | 1.1 | 0.1 | -2.1 | 1.4 | 0.3 | -2.6 |
| Employment | Textiles | 0.0 | -3.8 | -2.2 | -2.6 | -2.6 | -2.5 | -2.8 |
| | Clothing | -2.6 | -1.5 | 0.8 | -2.5 | -2.2 | 0.5 | 2.0 |
| Consumer Expenditure | Clothing | 2.1 | -3.8 | 4.9 | -1.0 | 0.6 | 1.7 | ... |
| | | | | | (percentage based on current values) | | | |
| Investment - Share in total manufactures | Textiles | 2.4 | 2.1 | 2.3 | 2.0 | 2.1 | 1.9 | ... |
| | Clothing | 0.3 | 0.4 | 0.4 | 0.3 | 0.4 | 0.3 | ... |
| | | | | | (billion current dollars) | | | |
| Total Exports | Textiles | 5.10 | 5.85 | 5.09 | 5.33 | 5.34 | 4.92 | 5.46 |
| | Clothing | 0.50 | 0.58 | 0.55 | 0.66 | 0.78 | 0.73 | 0.73 |
| Total Imports | Textiles | 1.65 | 1.63 | 1.61 | 1.49 | 1.93 | 1.90 | 2.18 |
| | Clothing | 1.53 | 1.80 | 1.83 | 1.50 | 1.95 | 2.00 | 2.85 |
| | | | | | (percent change in current dollars) | | | |
| Total Exports | Textiles | 27.5 | 14.6 | -13.0 | 4.7 | 0.2 | -7.8 | 11.0 |
| | Clothing | 42.5 | 15.6 | -5.4 | 20.3 | 17.9 | -6.2 | 0.8 |
| Total Imports | Textiles | -18.7 | -1.5 | -1.5 | -7.2 | 29.6 | -1.8 | 14.9 |
| | Clothing | -15.0 | 17.8 | 1.7 | -18.1 | 29.8 | 2.4 | 43.0 |
| | | | | | (percentage based on current dollars) | | | |
| Share of developing areas and China in Total Exports | Textiles | 71.4 | 71.1 | 68.6 | 68.5 | 68.2 | 67.5 | 65.6 |
| | Clothing | 29.8 | 27.3 | 30.0 | 25.5 | 21.0 | 19.5 | 17.3 |
| Share of developing areas and China in Total Imports | Textiles | 62.8 | 65.0 | 64.9 | 65.5 | 70.7 | 68.7 | 63.9 |
| | Clothing | 71.4 | 76.5 | 77.4 | 77.1 | 82.6 | 82.4 | 82.8 |
| Percent change of YEN/dollar | | -3.4 | 2.8 | -11.5 | 4.9 | 0.0 | -0.4 | 41.5 |

TABLE I.20 TEXTILE AND CLOTHING DEVELOPMENTS IN THE EUROPEAN COMMUNITIES
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | -1.4 | -4.2 | -2.4 | -2.0 | 3.4 | 2.1 | 2.4 |
| | Clothing | -3.7 | -7.0 | -1.9 | -3.1 | 1.4 | 0.8 | 1.8 |
| Employment (EC10) | Textiles | -6.7 | -8.3 | -5.9 | -5.5 | -2.7 | -0.7 | ... |
| | Clothing | -5.6 | -11.0 | -5.2 | -3.0 | -3.1 | -3.4 | ... |
| Consumer Expenditure | Clothing | 1.8 | -0.8 | -1.3 | -0.2 | -0.1 | 1.7 | 2.8 |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in | Textiles | 3.6 | 3.2 | ... | ... | ... | ... | ... |
| total manufactures (EC9) | Clothing | 0.9 | 0.9 | ... | ... | ... | ... | ... |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 25.31 | 22.25 | 20.98 | 20.86 | 21.59 | 22.92 | 29.18 |
| | Clothing | 15.54 | 13.84 | 13.61 | 13.65 | 14.35 | 15.92 | 22.18 |
| Total Imports | Textiles | 23.60 | 19.62 | 18.85 | 18.57 | 18.99 | 20.22 | 26.61 |
| | Clothing | 20.49 | 18.15 | 17.20 | 16.53 | 16.98 | 17.74 | 25.76 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 6.4 | -12.1 | -5.7 | -0.6 | 3.5 | 6.1 | 27.3 |
| | Clothing | 11.9 | -10.9 | -1.7 | 0.3 | 5.1 | 10.9 | 39.3 |
| Total Imports | Textiles | 6.7 | -16.9 | -3.9 | -1.5 | 2.2 | 6.5 | 31.6 |
| | Clothing | 14.6 | -11.4 | -5.2 | -3.9 | 2.7 | 4.5 | 45.2 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developing areas | Textiles | 14.3 | 16.3 | 15.0 | 14.3 | 13.6 | 13.3 | 12.4 |
| and China in Total Exports | Clothing | 8.9 | 12.0 | 9.8 | 9.1 | 8.0 | 7.2 | 5.7 |
| Share of developing areas | Textiles | 16.7 | 15.9 | 16.1 | 16.5 | 16.8 | 16.2 | 15.3 |
| and China in Total Imports | Clothing | 33.9 | 37.5 | 37.1 | 37.1 | 38.7 | 37.1 | 38.0 |
| Share of developing areas & | Textiles | 38.7 | 41.2 | 39.5 | 37.4 | 34.7 | 34.6 | 34.0 |
| China in External Exports | Clothing | 27.8 | 34.0 | 28.1 | 25.7 | 21.1 | 18.2 | 15.4 |
| Share of developing areas & | Textiles | 49.3 | 48.6 | 49.9 | 51.4 | 52.6 | 51.2 | 48.7 |
| China in External Imports | Clothing | 72.7 | 75.6 | 76.9 | 77.4 | 79.0 | 78.7 | 80.3 |
| Percent change of ECU/dollar | | -9.2 | -19.7 | -12.2 | -9.2 | -11.5 | -3.4 | 28.7 |

TABLE I.21 TEXTILE AND CLOTHING DEVELOPMENTS IN FRANCE
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | | (percent change in volume) | | | |
| Production | Textiles | -4.9 | -7.1 | -3.7 | -1.3 | 0.7 | 0.4 | -2.5 |
| | Clothing | ... | ... | ... | ... | -4.5 | 1.6 | -0.6 |
| Employment | Textiles | -4.4 | -4.6 | -2.1 | -3.1 | -2.6 | -3.3 | -4.8 |
| | Clothing | -4.5 | -11.1 | -0.6 | -3.6 | -3.1 | -3.8 | -4.0 |
| Consumer Expenditure | Clothing | 0.0 | 3.8 | 3.8 | -1.8 | -3.0 | -0.2 | 2.5 |
| | | | | | (percentage based on current values) | | | |
| Investment - Share in total manufactures | Textiles | 3.0 | 2.2 | 3.2 | 3.7 | 3.8 | ... | ... |
| | Clothing | 0.8 | 0.7 | 0.9 | 1.0 | 1.1 | ... | ... |
| | | | | | (billion current dollars) | | | |
| Total Exports | Textiles | 3.41 | 2.89 | 2.68 | 2.59 | 2.67 | 2.85 | 3.57 |
| | Clothing | 2.31 | 1.94 | 1.82 | 1.74 | 1.76 | 1.97 | 2.56 |
| Total Imports | Textiles | 4.10 | 3.40 | 3.43 | 3.16 | 3.18 | 3.43 | 4.62 |
| | Clothing | 2.64 | 2.46 | 2.60 | 2.45 | 2.46 | 2.74 | 4.16 |
| | | | | | (percent change in current dollars) | | | |
| Total Exports | Textiles | 6.4 | -15.2 | -7.5 | -3.2 | 3.2 | 6.4 | 25.3 |
| | Clothing | 14.2 | -15.9 | -6.4 | -4.0 | 1.0 | 11.9 | 29.7 |
| Total Imports | Textiles | 6.7 | -17.1 | 0.9 | -7.8 | 0.6 | 8.0 | 34.4 |
| | Clothing | 20.7 | -7.1 | 5.8 | -5.6 | 0.2 | 11.6 | 51.8 |
| | | | | | (percentage based on current dollars) | | | |
| Share of developing areas and China in Total Exports | Textiles | 15.2 | 16.3 | 16.7 | 15.8 | 15.2 | 15.5 | 15.3 |
| | Clothing | 14.6 | 17.1 | 19.3 | 19.3 | 17.1 | 15.8 | 14.1 |
| Share of developing areas and China in Total Imports | Textiles | 11.9 | 11.5 | 12.4 | 11.4 | 11.9 | 12.4 | 11.9 |
| | Clothing | 29.2 | 31.3 | 30.8 | 30.5 | 30.8 | 32.9 | 34.3 |
| Percent change of FR/dollar | | 0.7 | -22.2 | -17.3 | -13.8 | -12.8 | -2.7 | 29.7 |

53. Developments in the Federal Republic of Germany's textiles and clothing industries were remarkably similar to those in France - generally weak demand for clothing, seven consecutive years of declining employment in both industries, and nearly as poor a performance in terms of output (Table I.22). The parallel even extends to the increasing shares of textiles and clothing in total manufacturing investment, although the increases are not quite as pronounced as they are in France.

54. According to the figures in Table I.22, exports of textiles from the Federal Republic of Germany out-performed imports of textiles (the gain was larger or the decline smaller) in five of the seven years 1980-86 (1980 and 1983 were the exceptions). In the case of clothing trade, exports out-performed imports in four of the seven years.

55. Italy also fits the general EC pattern of developments in textiles and clothing (Table I.23). According to available statistics, employment has been declining steadily, and output has fallen as often as it has increased thus far in the 1980s. Again, weak consumer demand for clothing has been a key factor. Italian expenditure on clothing has declined every year since 1980, and weak consumer demand in other EC member countries has affected exports (Italy supplies nearly one-fifth of the EC's clothing imports).

56. In terms of annual percentage changes, Italy's imports of textiles out-performed exports of textiles (larger gain or smaller decrease) in five of the seven years shown in Table I.23. On the same basis, imports of clothing out-performed exports of clothing in four of the seven years.

57. Although the United Kingdom's record of steadily declining employment in textiles and clothing in the 1980s matches the EC pattern, in other respects the two industries have done better in the United Kingdom than in the EC as a whole (Table I.24). Largely as a result of a much more buoyant level of consumer expenditure on clothing, production of textiles and clothing generally out-performed the EC average during 1983-85 (but not in 1986). This in turn helped to raise the shares of textiles and clothing in total manufacturing investment.

58. In five of the seven years, imports of textiles recorded a larger gain, or a smaller decline, than did exports of textiles (1980 and 1985 were the exceptions). In those same five years, the percentage change in imports of clothing was also larger, or the decline smaller, than the corresponding change in exports of clothing.

Developing areas

59. Since the world economic recovery began in 1983, Hong Kong's textile and clothing industries have registered strong annual increases in output (the only exception being a decline of nearly 8 per cent in clothing production in 1985). Despite the substantial gains in output, employment has tended to decline, especially in textiles (Table I.25). The shares of textiles and clothing in total manufacturing - which are very much higher in Hong Kong than in the United States, Japan or the EC - also appear to be on a declining trend in the 1980s.

TABLE I.22 TEXTILE AND CLOTHING DEVELOPMENTS IN THE FEDERAL REPUBLIC OF GERMANY
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | -2.0 | -6.6 | -5.1 | 0.3 | 3.0 | 3.6 | 1.3 |
| | Clothing | -2.7 | -8.7 | -9.9 | -1.2 | 0.9 | -0.2 | 1.7 |
| Employment | Textiles | -2.0 | -7.6 | -7.9 | -6.1 | -1.6 | -2.0 | -1.4 |
| | Clothing | -2.5 | -9.3 | -8.4 | -6.1 | -1.6 | -1.1 | -2.2 |
| Consumer Expenditure | Clothing | 2.9 | -1.6 | -4.2 | 0.1 | 0.5 | 1.6 | 3.1 |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in | Textiles | 2.1 | 1.7 | 1.9 | 2.3 | 2.3 | ... | ... |
| total manufactures | Clothing | 0.5 | 0.6 | 0.5 | 0.6 | 0.7 | ... | ... |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 6.26 | 5.54 | 5.48 | 5.38 | 5.55 | 6.00 | 8.08 |
| | Clothing | 2.91 | 2.52 | 2.52 | 2.56 | 2.63 | 2.88 | 4.20 |
| Total Imports | Textiles | 6.81 | 5.29 | 4.81 | 4.94 | 4.84 | 4.96 | 6.61 |
| | Clothing | 8.37 | 7.18 | 6.71 | 6.73 | 7.01 | 7.05 | 10.43 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 4.6 | -11.4 | -1.0 | -1.8 | 3.2 | 8.1 | 34.5 |
| | Clothing | 11.5 | -13.4 | -0.1 | 1.5 | 2.7 | 9.8 | 45.6 |
| Total Imports | Textiles | 7.1 | -22.4 | -8.9 | 2.7 | -2.1 | 2.5 | 33.2 |
| | Clothing | 14.0 | -14.2 | -6.6 | 0.3 | 4.1 | 0.6 | 47.9 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developing areas | Textiles | 13.6 | 15.2 | 14.8 | 14.3 | 13.4 | 13.8 | 13.5 |
| and China in Total Exports | Clothing | 6.5 | 8.1 | 7.5 | 8.1 | 7.0 | 6.0 | 5.4 |
| Share of developing areas | Textiles | 22.1 | 21.9 | 21.4 | 22.2 | 23.1 | 20.9 | 20.1 |
| and China in Total Imports | Clothing | 39.7 | 43.9 | 44.3 | 45.2 | 47.3 | 46.0 | 46.9 |
| Percent change of DM/dollar | | 0.8 | -19.6 | -6.9 | -5.0 | -10.3 | -3.3 | 35.6 |

TABLE I.23 TEXTILE AND CLOTHING DEVELOPMENTS IN ITALY
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | | (percent change in volume) | | | |
| Production | Textiles | 4.8 | -0.5 | -1.9 | -8.3 | 7.7 | 1.2 | 3.7 |
| | Clothing | -0.3 | -5.4 | 1.6 | -5.8 | 8.5 | -2.1 | 3.2 |
| Employment | Textiles | -3.7 | -5.5 | -9.7 | -5.2 | -5.5 | -5.1 | -4.6 |
| | Clothing | -4.8 | -5.0 | -4.6 | -5.5 | -5.8 | -6.2 | ... |
| Consumer Expenditure | Clothing | 7.2 | -2.0 | -5.7 | -3.0 | -0.3 | -0.9 | -1.9 |
| | | | | | (percentage based on current values) | | | |
| Investment - Share in | Textiles | 6.7 | 6.7 | 5.5 | 5.2 | 6.2 | ... | ... |
| total manufactures | Clothing | 1.3 | 1.2 | 1.4 | 1.4 | 1.8 | ... | ... |
| | | | | | (billion current dollars) | | | |
| Total Exports | Textiles | 4.11 | 4.08 | 4.01 | 4.19 | 4.37 | 4.69 | 5.92 |
| | Clothing | 4.63 | 4.32 | 4.41 | 4.53 | 4.83 | 5.36 | 7.57 |
| Total Imports | Textiles | 2.62 | 2.01 | 2.12 | 1.97 | 2.27 | 2.51 | 3.33 |
| | Clothing | 0.80 | 0.75 | 0.68 | 0.63 | 0.66 | 0.79 | 1.16 |
| | | | | | (percent change in current dollars) | | | |
| Total Exports | Textiles | -1.0 | -0.6 | -1.7 | 4.5 | 4.1 | 7.4 | 26.3 |
| | Clothing | 5.5 | -6.8 | 2.1 | 2.8 | 6.6 | 11.0 | 41.3 |
| Total Imports | Textiles | 12.4 | -23.2 | 5.3 | -6.8 | 15.4 | 10.3 | 32.8 |
| | Clothing | 49.3 | -6.0 | -9.0 | -7.3 | 4.0 | 20.1 | 47.7 |
| | | | | | (percentage based on current dollars) | | | |
| Share of developing areas | Textiles | 14.1 | 16.8 | 13.9 | 12.9 | 11.8 | 11.8 | 11.8 |
| and China in Total Exports | Clothing | 7.4 | 11.0 | 7.1 | 7.0 | 5.6 | 4.9 | 3.9 |
| Share of developing areas | Textiles | 23.3 | 23.6 | 24.1 | 25.2 | 23.7 | 23.2 | 21.8 |
| and China in Total Imports | Clothing | 31.2 | 35.0 | 34.9 | 33.3 | 29.6 | 30.5 | 34.5 |
| Percent change of LIT/dollar | | -3.0 | -24.7 | -15.9 | -10.9 | -13.6 | -8.0 | 28.1 |

TABLE I.24 TEXTILE AND CLOTHING DEVELOPMENTS IN THE UNITED KINGDOM
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | -17.3 | -8.2 | -2.9 | 2.8 | 2.7 | 4.5 | 0.6 |
| | Clothing | -9.4 | -6.4 | 1.1 | 3.8 | 5.3 | 4.5 | 0.9 |
| Employment | Textiles | -13.4 | -15.2 | -4.7 | -6.2 | -3.9 | -0.3 | -3.1 |
| | Clothing | -9.5 | -16.5 | -6.3 | -3.8 | -3.0 | 0.0 | -2.1 |
| Consumer Expenditure | Clothing | -1.2 | -1.4 | 4.2 | 7.4 | 6.1 | 7.1 | 7.3 |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in | Textiles | 2.4 | 2.3 | 2.5 | 2.5 | 2.7 | ... | ... |
| total manufactures | Clothing | 0.9 | 1.0 | 1.0 | 1.3 | 1.3 | ... | ... |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 3.11 | 2.36 | 2.03 | 1.88 | 1.91 | 2.13 | 2.43 |
| | Clothing | 1.87 | 1.70 | 1.47 | 1.31 | 1.34 | 1.52 | 1.80 |
| Total Imports | Textiles | 3.55 | 3.50 | 3.34 | 3.47 | 3.58 | 3.86 | 4.59 |
| | Clothing | 2.85 | 2.87 | 2.62 | 2.42 | 2.69 | 2.68 | 3.49 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 11.5 | -24.1 | -14.2 | -7.1 | 1.7 | 11.2 | 14.1 |
| | Clothing | 17.5 | -9.1 | -13.9 | -10.6 | 2.1 | 13.4 | 18.5 |
| Total Imports | Textiles | -0.3 | -1.5 | -4.7 | 4.2 | 3.0 | 7.9 | 18.9 |
| | Clothing | 12.6 | 0.7 | -9.0 | -7.6 | 11.3 | -0.3 | 30.0 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developing areas | Textiles | 19.7 | 22.5 | 22.4 | 21.0 | 19.9 | 19.4 | 16.0 |
| and China in Total Exports | Clothing | 16.7 | 25.6 | 20.6 | 16.6 | 15.4 | 14.6 | 11.4 |
| Share of developing areas | Textiles | 16.8 | 15.4 | 15.1 | 15.3 | 15.8 | 15.6 | 15.2 |
| and China in Total Imports | Clothing | 52.3 | 54.6 | 53.3 | 50.4 | 51.7 | 47.2 | 49.0 |
| Percent change of £/dollar | | 9.6 | -12.8 | -13.7 | -13.3 | -11.9 | -3.0 | 13.2 |

TABLE I.25 TEXTILE AND CLOTHING DEVELOPMENTS IN HONG KONG
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | ... | ... | -5.4 | 9.4 | 11.1 | 4.0 | 25.4 |
| | Clothing | ... | ... | -0.4 | 6.4 | 7.4 | -7.7 | 18.9 |
| Employment | Textiles | -2.9 | -3.9 | -7.3 | -1.5 | 1.5 | -1.6 | 1.9 |
| | Clothing | 4.8 | 0.8 | -2.1 | -0.6 | 2.9 | -1.8 | 1.6 |
| Consumer Expenditure | Clothing | 6.3 | 1.9 | 8.4 | 9.4 | 3.4 | 9.4 | ... |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in total manufactures | Textiles | 17.4 | 11.7 | 7.6 | 15.3 | 12.0 | ... | ... |
| | Clothing | 14.5 | 20.7 | 14.2 | 12.8 | 11.9 | ... | ... |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 1.77 | 2.18 | 1.89 | 2.03 | 2.72 | 3.02 | 3.95 |
| | Clothing | 4.95 | 5.40 | 5.22 | 5.29 | 6.75 | 6.72 | 8.39 |
| Total Imports | Textiles | 2.97 | 3.43 | 2.97 | 3.26 | 4.16 | 4.25 | 5.41 |
| | Clothing | 0.69 | 0.93 | 1.06 | 1.17 | 1.48 | 1.70 | 2.53 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 29.9 | 23.3 | -13.6 | 7.7 | 33.9 | 11.1 | 30.6 |
| | Clothing | 18.4 | 9.2 | -3.3 | 1.3 | 27.6 | -0.6 | 24.9 |
| Total Imports | Textiles | 26.0 | 15.5 | -13.4 | 9.9 | 27.5 | 2.1 | 27.3 |
| | Clothing | 76.3 | 34.1 | 14.1 | 10.0 | 27.3 | 14.4 | 49.0 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developed countries in Total Exports | Textiles | 25.6 | 20.9 | 20.0 | 20.0 | 17.5 | 13.6 | 11.8 |
| | Clothing | 84.4 | 82.6 | 81.9 | 81.5 | 82.6 | 80.4 | 75.7 |
| Share of developed countries in Total Imports | Textiles | 32.2 | 28.8 | 30.2 | 30.6 | 27.5 | 25.9 | 22.6 |
| | Clothing | 21.6 | 18.4 | 17.8 | 16.0 | 13.3 | 13.5 | 9.8 |
| Percent change of $HK/dollar | | 0.5 | -11.0 | -7.9 | -16.5 | -7.0 | 0.3 | -0.2 |

60. A comparison of the annual increases in Hong Kong's exports and imports of textiles and clothing during 1980-86 reveals that (a) in five of the seven years exports of textiles increased more than imports, and (b) in six of the seven years the percentage change in imports of clothing exceeded the corresponding change in exports.

61. The production of textiles and clothing in the Republic of Korea have increased in six out of seven years thus far in the 1980s (the exceptions were 1982 for clothing and 1985 for textiles). As is evident from Table I.26, employment in the textile industry has been declining in the 1980s, while at the same time employment in the clothing industry has been on the rise. Another interesting fact in the Table is that whereas trade in clothing is larger than trade in textiles, the share of textiles in total manufacturing investment during 1980-83 was about six times larger than the share of clothing investment. These employment and investment trends point to a textile industry which is becoming more capital intensive and a clothing industry which is remaining labour intensive.

62. According to the figures in Table I.26 on the percentage changes in the Republic of Korea's exports and imports of textiles, imports increased more or declined less in five of the last seven years (all but 1980 and 1983).

63. Production of textiles in Taiwan has increased in each of the last seven years, with the exception of 1982 (Table I.27). Clothing production, in contrast, has declined three times thus far in the 1980s - in 1982, 1982 and 1985 - despite bouyant consumer demand. Employment in textiles has been relatively flat, with recent gains balancing losses at the beginning of the 1980s. In the clothing industry, there have been substantial increases in employment beginning with a 15 per cent increase in 1981.

64. Import of textiles into Taiwan have out-performed exports (larger percentage gains or smaller declines), in four of the seven years covered in Table I.27.

TABLE I.26 TEXTILE AND CLOTHING DEVELOPMENTS IN THE REPUBLIC OF KOREA
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | (percent change in volume) | | | | |
| Production | Textiles | 10.4 | 11.4 | 2.5 | 4.1 | 4.3 | -0.1 | 8.9 |
| | Clothing | 1.9 | 25.8 | -2.2 | 13.1 | 8.1 | 2.1 | 9.8 |
| Employment | Textiles | -2.9 | -0.1 | -2.3 | -0.3 | -2.0 | 0.0 | ... |
| | Clothing | -2.9 | 13.8 | 2.0 | 3.2 | 7.9 | 2.5 | ... |
| Consumer Expenditure | Clothing | -4.3 | 1.8 | -4.5 | 7.5 | 3.1 | -0.3 | 3.8 |
| | | | | (percentage based on current values) | | | | |
| Investment - Share in total manufactures | Textiles | 9.2 | 10.3 | 8.0 | 10.3 | ... | ... | ... |
| | Clothing | 1.2 | 1.6 | 1.3 | 1.8 | ... | ... | ... |
| | | | | (billion current dollars) | | | | |
| Total Exports | Textiles | 2.20 | 2.45 | 2.24 | 2.41 | 2.60 | 2.52 | 3.20 |
| | Clothing | 2.95 | 3.86 | 3.78 | 3.70 | 4.50 | 4.45 | 5.48 |
| Total Imports | Textiles | 0.41 | 0.49 | 0.50 | 0.51 | 0.60 | 0.64 | 0.92 |
| | Clothing | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 |
| | | | | (percent change in current dollars) | | | | |
| Total Exports | Textiles | 21.0 | 11.5 | -8.6 | 7.9 | 7.7 | -3.0 | 26.9 |
| | Clothing | 3.4 | 31.1 | -2.2 | -2.0 | 21.6 | -1.1 | 23.0 |
| Total Imports | Textiles | -7.3 | 20.8 | 0.8 | 1.4 | 19.0 | 6.0 | 44.9 |
| | Clothing | -23.5 | -23.1 | 30.0 | -7.7 | 25.0 | 6.7 | 31.3 |
| | | | | (percentage based on current dollars) | | | | |
| Share of developed countries in Total Exports | Textiles | 44.1 | 40.5 | 41.9 | 37.7 | 43.0 | 43.7 | 40.6 |
| | Clothing | 88.1 | 84.2 | 85.9 | 89.4 | 91.7 | 89.2 | 93.2 |
| Share of developed countries in Total Imports | Textiles | 86.6 | 82.0 | 79.7 | 78.8 | 76.2 | 68.0 | 63.2 |
| | Clothing | 100.0 | 90.0 | 92.3 | 91.7 | 86.7 | 87.5 | 90.5 |
| Percent change of WON/dollar | | -20.3 | -10.8 | -6.8 | -5.8 | -3.8 | -7.4 | -1.3 |

TABLE I.27 TEXTILE AND CLOTHING DEVELOPMENTS IN TAIWAN
1980-1986

| | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|---|---|
| | | | | | (percent change in volume) | | | |
| Production | Textiles | 11.8 | 0.5 | -1.2 | 3.1 | 12.1 | 3.4 | 9.1 |
| | Clothing | 22.5 | 16.4 | -0.4 | -1.0 | 12.6 | -5.9 | 6.2 |
| Employment | Textiles | -3.7 | -2.0 | -2.8 | 0.2 | 3.3 | 3.1 | ... |
| | Clothing | -4.8 | 15.3 | 7.9 | 2.9 | 9.6 | 9.0 | ... |
| Consumer Expenditure | Clothing | 8.9 | 7.2 | 5.0 | 5.9 | 9.3 | 5.4 | ... |
| | | | | | (billion current dollars) | | | |
| Total Exports | Textiles | 1.77 | 2.02 | 1.75 | 1.80 | 2.17 | 2.49 | 3.05 |
| | Clothing | 2.43 | 2.85 | 2.90 | 2.99 | 3.76 | 3.50 | 4.23 |
| Total Imports | Textiles | 0.29 | 0.33 | 0.30 | 0.34 | 0.43 | 0.38 | 0.55 |
| | Clothing | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| | | | | | (percent change in current dollars) | | | |
| Total Exports | Textiles | 13.8 | 14.2 | -13.6 | 3.1 | 20.3 | 14.8 | 22.3 |
| | Clothing | 38.9 | 17.3 | 1.5 | 3.2 | 26.0 | -7.0 | 21.0 |
| Total Imports | Textiles | 12.9 | 13.5 | -7.6 | 11.9 | 26.3 | -12.2 | 46.9 |
| | Clothing | 0.0 | 0.0 | -16.7 | 20.0 | 16.7 | 14.3 | 25.0 |
| | | | | | (percentage based on current dollars) | | | |
| Share of developed countries in Total Exports | Textiles | 31.7 | 30.0 | 32.2 | 34.7 | 36.9 | 36.9 | 34.2 |
| | Clothing | 77.4 | 76.6 | 78.7 | 80.4 | 83.2 | 83.1 | 84.5 |
| Share of developed countries in Total Imports | Textiles | 73.6 | 76.1 | 81.5 | 77.5 | 73.8 | 77.9 | 74.8 |
| | Clothing | 83.3 | 83.3 | 100.0 | 83.3 | 85.7 | 75.0 | 80.0 |
| Percent change of $NT/dollar | | 0.1 | -2.0 | -5.7 | -2.7 | 1.2 | -0.6 | 5.3 |

# CHAPTER II: EVOLUTION OF POLICIES AFFECTING TRADE IN TEXTILES AND CLOTHING

65. The first two sections of Chapter 3 of the original study cover, respectively, "Policies Prior to the Second World War" and "Policies: 1948-61". The third section, which takes up the bulk of the Chapter, and which is the focus of this update, deals with "Policies 1961 to Present". In general, the cut-off date for policies to have been included in the original study was 31 March 1984. Again, generally speaking, the cut-off date for this paper is 30 September 1987, which means an additional three and one-half years of data on developments in trade policies affecting textiles and clothing.

66. From the viewpoint of this Chapter, there have been two important "institutional" changes which affect the discussion of trade policies: the entry of Portugal and Spain into the European Community, and the decision of Norway to rejoin the MFA.

## 1. THE NINE CURRENT DEVELOPED COUNTRY PARTICIPANTS IN THE MFA

### (a) Tariffs

67. Data on post-Tokyo Round tariffs for textiles and clothing in the nine developed areas may be found in Tables 3.2, 3.3, 3.4, 3.16 and 3.17 in the original study.

68. Some brief comments on these earlier tariff data are in order. First, apart from (i) minor corrections in the list of Tokyo Round concessions and (ii) changes in the ad valorem equivalents of specific tariff rates (related to the unit values of imported goods), the post-Tokyo Round simple tariff averages presented in the above tables of the original study provide the relevant tariff profile of the textile and clothing industries as of January 1987 (the last phase of the Tokyo Round tariff reductions). Changes in the import pattern might cause some differences for the weighted tariff averages (in the original study, 1976 or 1977 imports were used as weights), but at a highly aggregated level, which is the case in this paper, upward or downward movements of weighted tariff averages would probably not exceed one percentage point.

69. Second, the conversion of the present tariffs based either on the CCCN or national nomenclatures (in the case of the United States and Canada) to the new Harmonized System (HS) nomenclature would almost certainly show a different picture of the level of tariff protection measured by the simple tariff averages, because the number of tariff lines in the HS is at least 50 per cent greater than the existing tariff lines, and thus, the latter has to be subdivided according to the concordances provided by the participating countries. At this stage, however, data limitations preclude such an exercise.

70. Although the level of tariff averages for textiles and clothing varies considerably among the nine developed countries, the post-Tokyo Round tariff profile reveals the following characteristics common to these countries:

(a) the post-Tokyo Round tariffs on textiles and clothing are generally between two and three times higher than the tariffs on manufactured goods as a whole; and

(b) there is a clear tendency for tariffs to rise with the stage of production ('tariff escalation').

71. Table II.1 presents another interesting aspect of the tariff structure in the nine developed areas. It shows the percentage distribution of total imports of textiles and clothing in 1984 by categories of post-Tokyo Round MFN tariff rates. It should be kept in mind that Table II.1 provides different information on the tariff structure from Table 3.4 in the original study, which indicates the frequency distribution of tariff lines on textiles and clothing by the post-Toyko Round MFN tariff rates, irrespective of the actual level of imports on the particular tariff line.

72. The figures in Table II.1 indicate, among other things, that

(a) all textile and clothing products entering the EC market under post-Tokyo Round tariffs are subject to a maximum of 15 per cent import duty (half of the imports paid a maximum of 10 per cent);

(b) with minor exceptions, the import tariffs of Sweden and Switzerland on textiles and clothing also had an upper limit of 15 per cent;

(c) nearly 40 per cent of textile and clothing imports into Japan in 1984 were duty-free, while those under relatively high tariff brackets (over 15 per cent) accounted for about one-tenth of total imports of textiles and clothing; and

(d) in the rest of the nine developed areas, the majority of textile and clothing imports were subject to relatively high tariff rates.

73. It should be recalled that paragraphs 3.29-3.33 of the original study contain a brief discussion of the remaining unbound tariffs on textiles and clothing and non-MFN tariffs (Article XXIV arrangements and various preferential arrangements extended by developed to developing countries, in particular, GSP schemes). An analysis of the interaction between tariffs and quantitative restrictions is available in paragraphs 4.29 through 4.41 of the original study.

TABLE II.1. PERCENTAGE DISTRIBUTION OF TEXTILE AND CLOTHING IMPORTS BY POST-TOKYO ROUND MFN TARIFF RATES IN NINE DEVELOPED AREAS; 1984

(Percentages)

| Post-Tokyo Round MFN tariff level | United States | Canada | Japan | EC |
|---|---|---|---|---|
| Free | 1 | 7 | 39 | 19 |
| Up to 5% | 7 | 0 | 10 | 3 |
| 5.1-10% | 25 | 5 | 19 | 28 |
| 10.1-15% | 7 | 13 | 21 | 50 |
| 15.1-20% | 22 | 8 | 10 | 0 |
| 20.1-25% | 12 | 67 | 1 | 0 |
| Over 25% | 26 | 0 | 0 | 0 |

| Post-Toyko Round MFN tariff level | Austria | Finland | Norway | Sweden | Switzerland |
|---|---|---|---|---|---|
| Free | 12 | 12 | 7 | 3 | 0 |
| Up to 5% | 3 | 7 | 6 | 2 | 33 |
| 5.1-10% | 7 | 10 | 5 | 18 | 48 |
| 10.1-15% | 3 | 4 | 7 | 75 | 16 |
| 15.1-20% | 4 | 1 | 37 | 2 | 2 |
| 20.1-25% | 23 | 0 | 38 | 0 | 1 |
| Over 25% | 48 | 66 | 0 | 0 | 0 |

Source: GATT, Tariff Study files, 1984.

(b) MFA restrictions

74. The original study examined policies under the MFA from its inception until the period leading to the third phase of the MFA. The following description picks up the thread from the 1981 Protocol of Extension and brings it forward to September 1987.

The Protocol of Extension, 1981

75. The participating countries decided in December 1981 to renew the MFA for a further term of four years and seven months, beginning 1 January 1982. The Protocol of Extension, containing the conclusions of the Textiles Committee on the future operation of the instrument, attempted to balance the desire of the exporting countries to restore greater discipline in its implementation with the anxiety of the importing countries to retain adequate flexibility in regard to the obligations imposed by it. This was achieved by replacing the provision for "reasonable departures" in the 1977 Protocol with new specific dispensations.

76. The need for increased discipline was met by the reiteration of full respect for the discipline of Annex A and the procedures of Article 3 and 4 of the MFA. It was also tacitly recognised that the particular provisions in the MFA in regard to base level, growth rate and flexibility of quotas are in the nature of rights of exporting countries which can only be waived in agreed circumstances.

77. Even though the "reasonable departures" option was eliminated, the possibility of quota levels, growth rates and flexibility being reduced in certain cases was retained. The demand for cut-backs in quotas of predominant suppliers was set off by an expression of goodwill on their part to find mutually acceptable solutions, which was another way of assuring that it would be bilaterally negotiated. In addition, the possibility was also provided for improved performances within under-utilized quotas being restrained in certain situations. This provision came to be popularly known as the "anti-surge clause".

78. The reduction in growth rates was tied to situations of recurrence or exacerbation of market disruption which permit lower growth in exceptional cases. An additional provision was made for reduction in flexibility in such situations and a similar facility was also extended to importing countries with small markets and high level of imports. A specific provision was also made for dealing with the circumvention of quotas.

79. The Protocol also lent more precision to the favourable treatment meant for small suppliers, new entrants and cotton producing/exporting countries.

80. On the institutional side, a Sub-Committee of the Textiles Committee was established to review the developments in the structural adjustments of the textile and clothing industries.

81. There were forty-two participants in MFA III. China, an important trading nation in textiles and clothing, acceded for the first time. Norway rejoined the MFA midway through MFA III after being a non-participant during the previous phase. Australia remained a non-participant, regulating its trade through a system of global tariff quotas.

Trade Policies of the Third Phase

82. The trade policies adopted by the importing countries during this period generally continued the previous patterns. All the importing countries in using the new instrument continued to show a marked preference for bilateral agreements under Article 4 to prevent possibilities of market disruption. Some of these agreements also provided for the possibility of provisional limits on non-restrained exports pending consultation. The frequency of unilateral measures increased in the second half of the period and led to a larger number of disputes among participants, necessitating examination by the Textiles Surveillance Body.

83. The product range of restraints also remained the same. The European Community and the United States continued to apply restraints on both textile and clothing items. The restrictions of the other importing countries were concentrated mostly on clothing items. This difference was also reflected in the structure of the bilateral agreements. The major importing countries maintained the format of comprehensive type of agreements covering the whole range of the MFA products, with or without aggregate ceilings. The others followed a more selective approach in regard to product coverage. A notable change was seen in the movement of Norway and Sweden towards a comprehensive system with regard to their restraints on clothing and made-up items.

84. The MFA since its inception has been applied almost exclusively to products from the developing countries. This direction remained constant during MFA III. Over the period, however, restraints were applied to Japanese exports to the United States.

85. The 1981 Protocol contained provisions for the favourable treatment to small suppliers, new entrants and cotton producing/exporting countries. In practice, however, restrictions came to be applied also to small supplying countries like the Maldive Islands, and to a least-developed country like Bangladesh. In several instances, when a new entrant, which was also a small supplier, came to be restricted in one market, similar actions were quickly taken in other importing markets. This happened in the case of Bangladesh, Indonesia, Turkey and Uruguay. Over MFA III came an increase in the number of supplying sources subject to restraints.

86. Restraints under MFA III were not only more extensive but were in many cases more restrictive. At the same time, the coverage of products under restraint also continued to expand. Most importing countries had recourse to extensive invocation either of "exceptional circumstances" or of the need to maintain minimum viable production (mvp). The Textiles Surveillance Body observed in its review of the operation that "while some progress may have been made during the life of MFA III with respect to the orderly development of world trade in textiles and to the increase in export earnings of developing countries, little or no headway has been made in the objectives of achieving the reduction of barriers and the progress liberalization of world trade." (COM.TEX/SB/984, para. 7.12).

87. The bilateral agreements negotiated under MFA III by the EEC incorporated reductions in the base levels of the quotas on the most sensitive group of products from the predominant suppliers, and low rates of growth and limited flexibility for this group of products for all supplying countries in general. However, while an anti-surge provision was included in the bilateral agreements, the EEC did not invoke it during the entire phase. The basket exit mechanism was also invoked less frequently than in the preceding period.

88. The trade policies of the United States at the beginning of the third phase were seen to carry forward the trends started in the earlier period. Aggregate ceilings which had been a traditional element in its bilateral agreements were dismantled in a number of instances, including the agreements with the major suppliers. The restrictive system, however, was extended to more sources and many more products. The latter feature was accentuated half way through this period in the wake of a very strong expansion of consumer demand and imports. The United States introduced a new system for initiating consultations with its trading partners with a view to reaching agreement on new quotas. There were more than a hundred calls for such consultations given in each year between 1983-85. In almost all cases, new restrictions were either agreed upon or unilateral measures taken. In addition, the United States also made some modifications in the criteria for determining origin for textile products.

89. Canada continued to apply restrictions mainly in the clothing area. The number of countries facing such restrictions increased during the period. The product coverage under restraint in the agreements generally expanded as compared to the previous agreements. The annual growth rates and flexibility in the administration of the quotas generally followed the minima mentioned in Annex B of the MFA.

90. The approaches of the Nordic countries varied in their use of the special provisions meant for the 'mvp' countries. Finland maintained restrictions in a highly selective manner in regard to both sources and products. The growth rates were less than 6 per cent in view of the 'mvp' provision, but they were generally higher than the rates provided in similar agreements of Norway and Sweden.

91. Norway's product coverage in bilateral agreements was wider than the preceding Article XIX action. The quota levels were higher than actual trade levels of the immediate past. The growth rates were often less than 6 per cent, the 'mvp' provision in the MFA being invoked. In many cases there was no provision made for swing.

92. Sweden maintained most of the restrictions of the previous phase and introduced group and aggregate limits in some cases which made the agreements comprehensive in character covering the whole range of the clothing area. There were small increases in the quota levels and the growth rates were often very low. Sweden also reduced the quota levels and/or growth rates, compared to the past, for the so-called dominant suppliers. A noticeable feature was the introduction of flexibility in many agreements of this phase.

Renewal Negotiations in 1986

93. The consideration of the future of the MFA began in the Textiles Committee in July 1985. The general economic situation in the major importing countries in respect of textiles and clothing during the third phase of the MFA was also changing. 1982 witnessed in the United States the start of a recovery from the recession of the previous two years. It gathered momentum in the subsequent two years when there was a very strong expansion of consumer expenditure. This was reflected in the marked improvement in the domestic production of textiles and clothing, but also in a very sharp rise in imports, aided to some extent by the presence of a strong dollar.

94. The recovery in the European Community, on the other hand, was tardy and weaker than the United States. Consumer demand did not expand significantly until 1985. A noticeable feature in the Community was the marked rise in exports to the United States due to the relatively strong growth of domestic demand and to the strength of the dollar in relation to the major European currencies.

95. By the time the actual negotiations for the renewal of the MFA were engaged, the general economic trend appeared to be of a slow down in the recovery. The movement of the key indicators for textiles and clothing in the United States and the European Community is specified in Tables I.17 and I.20 in Chapter I.

The Third Protocol of Extension - 1986

96. The MFA was extended for a further term of five years through a Protocol of Extension adopted on 31 July 1986. As in the past, the Protocol included the conclusions of the Textiles Committee governing the behaviour of the participants and the use of the instrument over the extended period.

97. The Protocol repeats many of the operational provisions of the previous ones, either verbatim or in a modified form. These pertain to the procedures for restrictive actions; application of exceptional cases, and anti-surge mechanism; the use of 'mvp' clause; the treatment of small suppliers, new entrants and cotton producing exporting countries; prevention of circumvention; review of adjustment policies; and the functioning of the Textiles Committee and the Textiles Surveillance Body.

98. The most important new element in the current Protocol is the extension of the restrictive system of the MFA to the products of other vegetable fibres, and blended products containing silk, which are interchangeable with the usual MFA products (see below). The non-apparel products of the new fibres which have been historically traded in the past will not be restricted.

99. Unlike in the previous extensions, the predominant suppliers were not to be subjected this time to any reductions in their rights of access. Instead they were required to accept lower rates of growth and flexibility. Another provision permitted the extension of unilateral measures by a year. These, along with the continuation of provisions for treatment of exceptional cases and anti-surge mechanism, it is considered, provide sufficient controls against recurrence of abnormal import increases in future.

100. The importing countries also committed themselves to making improvements in the bilateral agreements for increased access; this commitment was shared, subject to certain qualifications, by the 'mvp' countries. In addition, some precision was given to the circumstances for determining market disruption.

101. It was specified that changes affecting bilateral agreements should be avoided as far as possible, and introduced when necessary only after consultations among the affected parties. Such changes could be related to the category system, rules of origin, customs procedures and similar matters.

102. Least developed countries were added to the category of small suppliers and new entrants for more favourable treatment. Special consideration would also be shown to the needs of the wool producing developing countries and of those dependent on the offshore processing trade.

Evolution of restrictions in the seven countries

103. Japan and Switzerland have continued their practice of not imposing quantitative limitations under the MFA. The other seven current developed country participants continue to impose such limitations. A brief summary of participants' arrangements is provided in this section. It should be noted that the description of actions under MFA IV relates to information available up to 30 September 1987.

104. Most of the developed countries in the MFA currently maintain quantitative restrictions on imports of textiles and clothing from exporting areas which are not members of the MFA - in particular, Taiwan and certain countries in Eastern Europe. In most instances, these restrictions have been notified to the TSB and are included in the following pages.

105. Since MFA III, Austria [paragraph 3.84 in 1984 Study] has shifted the focus on restrictions to clothing, compared to the first phase when textiles and clothing were almost equally restricted (Table II.2).

TABLE II.2 - EVOLUTION OF AUSTRIA'S RESTRICTIONS
(Figures in brackets indicate number of products under quota.
Pre-MFA restrictions cover all types of restrictions
including LTA restrictions.)

| | PRE-MFA | MFA I | MFA II | MFA III | MFA IV[a] |
|---|---|---|---|---|---|
| ALL PRODUCTS | Czechoslovakia<br>Japan<br>Hungary | | | | |
| COTTON TEXTILES AND CLOTHING | Egypt<br>India<br>Korea, Rep. of<br>Pakistan | Pakistan | | | |
| SELECTED TEXTILE PRODUCTS | Philippines<br>Poland<br>Romania | Egypt(1)<br>India(4)<br>Japan(3)<br>Korea, Rep. of(1) | Brazil(2)<br>India(1) | Brazil(2)<br>Egypt(1) | Egypt(1) |
| SELECTED MADE-UP PRODUCTS | Poland<br>Romania | Korea, Rep. of(1) | India(1) | India(1) | |
| SELECTED CLOTHING PRODUCTS | Poland<br>Romania | Hong Kong(4)<br>Korea, Rep. of(5)<br>Macao(1)<br>Singapore(1) | Hong Kong(3)<br>India(2)<br>Korea Rep. of(7)<br>Macao(1) | China(2)<br>Hong Kong(4)<br>India(2)<br>Korea, Rep. of(8)<br>Macao(3)<br>Philippines(2)<br>Singapore(1) | Hong Kong(4)<br>India(2)<br>Korea, Rep. of(5)<br>Macao(2) |

[a] Includes all agreements reviewed or transmitted by the TSB up to 30 September 1987.

106. The Austrian agreements under MFA IV continue to be very selective in coverage. A few products previously under restraint have been either liberalized, or placed under surveillance. In several cases annual growth rates are slightly higher than in the previous agreements, although they continue to be below 6 per cent. However in some cases substantial increases in base levels yield compound growth rates which are higher than 6 per cent. One agreement which lapsed on 31 December 1986 was replaced by an export authorization system covering one clothing product.

107. Under MFA III the number of agreements concluded by Canada [paragraphs 3.85-3.87 in 1984 Study] increased significantly (Table II.3). For the most part, the new agreements introduced restraints on clothing and made-up items. In some agreements the product coverage was expanded to include additional clothing items, whereas in some others the product coverage was reduced. Some agreements contained an aggregate or group ceiling with a mixture of individual quotas and consultation levels. Base levels generally showed some increases, except for a few cut-backs in the case of East European suppliers. Annual growth of 6 per cent was usually provided, with lower rates for some products from some countries. The treatment of flexibility varied widely according to product sensitivity. Canada used the anti-surge procedure in one of its agreements.

108. During MFA IV, Canada has concluded agreements with Bangladesh, Brazil, China, Czechoslovakia, Hong Kong, India, Indonesia, Korea, Macao, Malaysia, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Turkey, Uruguay, and also with Bulgaria, the Maldives, Mauritius, North Korea and Vietnam. To date, available information on the bilateral agreements concluded by Canada under MFA IV is not sufficient for the purpose of making an assessment of the evolution of Canada's policies in this area.

109. The European Community [paragraphs 3.88-3.90 in 1984 Study] used the 'reasonable departures' provision of the first Protocol to cut back the quota levels of a few suppliers. Such cuts were again made with respect to East Asian suppliers under MFA III. Under MFA II and MFA III growth rates of the EC's quotas in the most sensitive group of categories were drastically reduced. Outside this group, growth rates varied according to product and supplier, generally below (but occasionally exceeding) 6 per cent. The flexibility provisions in the agreements were somewhat circumscribed during this period. Although MFA III agreements provided for the possibility of using the "anti-surge" mechanism, it was never invoked.

110. Based on available information, product coverage in agreements concluded by the EC under MFA IV has remained unchanged, although, as a result of the introduction of a new categorization system adapted to the Harmonized System, the number of EC textile categories applied therein has been reduced from 114 to 93 (Table II.4). Several restraints at the Community and at the regional level have been terminated. A new agreement

TABLE II.3 - EVOLUTION OF CANADA'S RESTRICTIONS
(Figures in brackets show the number of categories subject to quotas or fixed consultation levels.)

| | PRE-MFA | MFA I | MFA II | MFA III | MFA IV[a] |
|---|---|---|---|---|---|
| YARN | Brazil(1)<br>China(1)<br>Egypt(1)<br>Greece(1)<br>Hong Kong(1)<br>India(1)<br>Mexico(1)<br>Portugal(1)<br>Spain(1)<br><br>Global quota for cotton yarn on other suppliers 1973-74 | | Brazil(1)<br>Hong Kong(1)<br>Japan(1)<br>Korea, Rep. of(2)<br>Malaysia(1)<br>Philippines(1)<br><br>ART. XIX quota on acrylic yarn 1976-78 | Brazil(1)<br>Korea, Rep. of(1)<br>Malaysia(1)<br>Singapore(1) | |
| FABRICS | China(1)<br>Hungary(1)<br>India(1)<br>Japan(2)<br>Korea, Rep. of(5)<br>Poland(1) | Hong Kong(1)<br>India(1)<br>Japan(3)<br>Korea, Rep. of(3)<br>Poland(1)<br>Romania(1)<br><br>ART. XIX quota on double knit fabrics 1976-79 | China(2)<br>Hong Kong(4)<br>India(1)<br>Japan(3)<br>Korea, Rep. of(4)<br>Poland(4)<br>Romania(1) | China(1)<br>Czechoslovakia(1)<br>Hong Kong(1)<br>India(1)<br>Korea, Rep. of(1)<br>Poland(3)<br>Romania(2)<br>Uruguay(1) | Uruguay(1) |
| MADE-UP GOODS | China(3)<br>Hong Kong(1)<br>Hungary(2)<br>Japan(2)<br>Korea, Rep. of(2)<br>Poland(2)<br>Romania(2) | China(1)<br>Hong Kong(1)<br>Japan(2)<br>Poland(2) | China(4)<br>Hong Kong(4)<br>India(1)<br>Korea, Rep. of(2)<br>Pakistan(1)<br>Poland(3) | Brazil(1)<br>China(5)<br>Czechoslovakia(1)<br>Hong Kong(3)<br>India(2)<br>Korea, Rep. of(5)<br>Macao(1)<br>Pakistan(2)<br>Poland(1)<br>Singapore(1)<br>Sri Lanka(1)<br>Thailand(2) | Pakistan(2) |
| CLOTHING | China(1)<br>Hong Kong(2)<br>Japan(1)<br>Korea, Rep. of(1)<br>Malaysia(1)<br>Singapore(1)<br><br>ART. XIX quota on shirts 30.11.1971 - 31.12.1978 | China(1)<br>Japan(1)<br>Korea, Rep. of(2)<br>Singapore(1)<br><br>ART. XIX quota on 17 clothing items 29.11.1976-31.12.1978 | Bulgaria(8)<br>China(21)<br>Hong Kong(24)<br>India(6)<br>Korea, Rep. of(19)<br>Macao(10)<br>Malaysia(2)<br>Poland(7)<br>Philippines(10)<br>Romania(8)<br>Singapore(7)<br>Sri Lanka(2)<br>Thailand(5) | Bangladesh(3)<br>Brazil(3)<br>Bulgaria(5)<br>China(13)<br>Czechoslovakia(2)<br>Hong Kong(12)<br>Hungary(1)<br>India(5)<br>Indonesia(10)<br>Korea, Rep. of(11)<br>Macao(6)<br>Malaysia(7)<br>Maldives(13)[b]<br>Mauritius(2)[b]<br>Pakistan(5)<br>Philippines(10)<br>Poland(7)<br>Romania(5)<br>Singapore(9)<br>Sri Lanka(5)<br>Thailand(8)<br>Turkey(1)<br>Vietnam(8)[c] | North Korea(13)<br>Maldives(13)[b]<br>Mauritius(2)[b]<br>Pakistan(4)<br>Vietnam(8)[c] |

[a] Includes agreements reviewed or transmitted by the TSB up to 30 September 1987.
[b] The agreement concluded under MFA III is valid until 31.12.1990
[c] Agreement valid for the period 22.7.1986-31.12.1991.

has been concluded with Argentina. Previous restraint agreements with Bangladesh and Uruguay have been replaced by consultation agreements. Base levels for the bilateral agreements concluded under MFA IV are in most cases higher than the corresponding levels of the last year of the previous bilateral agreements. These increases range from less than 6 per cent to over 6 per cent. In the case of two suppliers some base levels are lower than the corresponding levels of the previous agreement. Growth rates are in almost all cases higher than in the previous agreements, though mostly lower than 6 per cent. Flexibility provisions are higher than in the previous agreements, although in some instances the cumulative use of flexibility falls below the level provided for in Annex B of the MFA. Provision has been made in all agreements containing restraints for carry over and carry forward between the last year of the previous agreement and the first year of the new agreement.[4] The growth and flexibility provisions in one agreement (Republic of Korea) were agreed pursuant to paragraph 10 of the 1986 Protocol of extension.

111. The new agreements provide under certain conditions for the automatic transfer of unused regional quota-shares of Community limits to other regions. In the case of several clothing categories, five units of children's garments will be counted as three quota units. Additional quantities for outward processing trade have been agreed for some products from ASEAN suppliers. The agreements with countries in Eastern Europe continue to contain a price clause. The "anti-surge" provision which under previous agreements were applicable to Group I products has been replaced by a consultation clause. The threshold levels for the utilization of consultation procedures for the introduction of new restraints are in all cases twice (and in some cases more than twice) those applicable in the previous agreements.

112. During the entire MFA period, Finland [paragraph 3.91 in 1984 Study] has continued with a selective restraint system, concentrating on a few clothing items. As is apparent from Table II.5, the number of restricted sources increased in the second phase and since then the country coverage has remained essentially unchanged.

113. Under MFA IV there has been some reduction in product coverage. Some restrictions have been liberalized, whereas in some other cases new products were put under restraint. Base level increases were mostly lower than 6 per cent. Although the annual growth rates for most categories are somewhat higher than before, they continue to be below 6 per cent. In a few instances, flexibility provisions have been improved over those available under the third phase of the MFA. Finland has utilized the MFA provision which allows countries with small markets to grant "low" growth rates for quotas in order to sustain a "minimum viable level" of production.

TABLE II.4 - EVOLUTION OF THE EUROPEAN COMMUNITY'S RESTRICTIONS

| SUPPLIER | PRE-MFA | | | | | | | MFA I | | MFA II | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | EC | BN | F | G | I | DK | GB | IR | CQ | RQ | CQ | RQ |
| Argentina | - | - | - | - | - | - | - | - | - | - | SC (Tex.2) | Tex (1) |
| Bangladesh | - | - | - | - | - | - | - | - | - | - | - | - |
| Brazil | - | - | QR (2) | - | - | - | QR (c) | - | SC (Tex.4) | - | SC (Tex.5;clo.5) | Tex (1); clo (4) |
| Bulgaria | - | QR (8) | - | BQ | QR (11) | QR | - | GQ (28) | SC (Tex.2;clo.4) | Tex (2); clo (8) | SC (Tex.6; clo.11) | Tex (8); clo (3) |
| China | - | - | - | QR | QR (5) | - | QR (8) | GQ (28) | SC (Tex.2;clo.1) | Tex (1); clo (9) | SC (Tex.5; clo.7) | clo (5) |
| Colombia | - | - | QR (c) | - | - | - | QR (c) | - | - | SC (Tex.4) | SC (Tex.3) | - |
| Czechoslovakia | - | QR (19) | QR | BQ | QR (15) | QR | QR (18) | GQ (28) | SC (Tex.3;clo.9) | Tex (2); clo (10) | SC (Tex.19; clo.22) | Tex (11); clo (4) |
| Egypt | LTA | - | QR | - | - | - | QR (c) | - | - | - | SC (Tex.1) | Tex (2); clo (1) |
| Hong Kong | LTA | - | QR (13) | - | - | QR | QR (18) | GQ (28) | SC (Tex.3;clo.13) | clo (3) | SC (Tex.9; clo.35) | Tex (1) |
| Hungary | - | QR (20) | QR | BQ | QR (15) | QR (15) | QR (24) | GQ (28) | SC (Tex.3;clo.11) | Tex (1); clo (9) | SC (Tex.12; clo.19) | Tex (2); clo (3) |
| India | LTA | - | QR (6) | - | - | - | LTA | GQ (28) | SC (Tex.4;clo.1) | clo (3) | SC (Tex.5; clo.9) | clo (6) |
| Indonesia | - | - | - | - | - | - | - | - | - | - | SC (clo.3) | - |
| Japan | LTA | BQ (8) | QR (10) | QR (6) | QR (16) | - | LTA | GQ (28) | SC (Tex.2) | clo (2) | - | - |
| Korea, Rep. of | LTA | - | QR (8) | QR (6) | - | QR (4) | QR (c) | - | SC (Tex.6;clo.10) | clo (3) | SC (Tex.14; clo.31) | Tex (3); clo (3) |
| Macao | - | - | QR (5) | - | - | - | QR (c) | GQ (28) | SC (clo.1) | clo (3) | SC (Tex.2; clo.21) | clo (6) |
| Malaysia | - | - | - | - | - | - | QR (c) | GQ (28) | SC (clo.1) | Tex (2); clo (2) | SC (Tex.3; clo.7) | clo (2) |
| Mexico | - | - | QR | - | - | - | - | - | SC (Tex.2) | Tex (2); clo (4) | SC (Tex.2) | - |
| Pakistan | LTA | - | - | - | - | - | LTA | GQ (28) | SC (Tex.3) | - | SC (Tex.3; clo.6) | Tex (1); clo (4) |
| Peru | - | - | - | - | - | - | - | - | - | - | SC (Tex.2; clo.1) | - |
| Philippines | - | - | - | QR (8) | - | - | - | - | - | - | SC (clo.11) | clo (6) |
| Poland | - | QR (17) | QR | BQ | QR (13) | QR | QR (18) | GQ (28) | SC (Tex.4;clo.6) | Tex (1); clo (11) | SC (Tex.14; clo.14) | Tex (2); clo (2) |
| Romania | - | QR (21) | QR | BQ | QR (16) | QR | QR (6) | GQ (28) | SC (Tex.3;clo.7) | clo (9) | SC (Tex.16; clo.17) | Tex (1); clo (7) |
| Singapore | - | - | QR (4) | QR (8) | - | - | QR (c) | - | SC (clo.1) | Tex (2); clo (2) | SC (Tex.3; clo.10) | clo (5) |
| Sri Lanka | - | - | - | - | - | - | - | - | - | - | SC (clo.5) | clo (1) |
| Thailand | - | - | - | QR (8) | - | - | QR (c) | - | SC (Tex.2;clo.2) | Tex (2) | SC (Tex.3; clo.10) | Tex (1); clo (2) |
| Uruguay | - | - | - | - | - | - | - | - | - | - | - | Tex (3) |
| Yugoslavia | LTA | - | - | QR | - | - | LTA | GQ (28) | SC (Tex.5;clo.17) | Tex (1); clo (4) | SC (Tex.7; clo.12) | - |

1. During the pre-MFA period, apart from the LTA restrictions at the level of the Community of six (LTA), the member States maintained some restrictions (QR). There were global quotas (GQ) as well as bilateral quotas (BQ) generally for the state-trading countries. Some of these restrictions were only for cotton products (c). The numbers in parenthesis indicate the number of products restrained in France, the Federal Republic of Germany and the United Kingdom and the BTN positions restrained in Denmark, Italy and Ireland.

2. The bilateral agreements from the second phase are comprehensive in product coverage but actual restrictions are limited to selected categories (SC).

3. The product categories restrained during the MFA period is on the basis of the standard product categorization adopted in 1977. The figures show the number of categories restricted separately for textiles (Tex) and clothing (clo).

4. CQ denote the number of categories restricted in all the member states and RQ the number restricted in one or more of the member States.

TABLE II.4 - EVOLUTION OF THE EUROPEAN COMMUNITY'S RESTRICTIONS (cont'd)

| SUPPLIER | MFA III | | MFA IV[a] | |
|---|---|---|---|---|
| | CQ | RQ | CQ | RQ |
| Argentina | NA | NA | SC(Tex.2; clo.1) | - |
| Bangladesh[1] | - | clo (1) | Consultation agreement | - |
| Brazil | SC (Tex.2; clo.3) | clo (4) | SC(Tex.7; clo.1) | clo(2) |
| Bulgaria | SC (Tex.4; clo.10) | Tex (7); clo (4) | | |
| China | SC (Tex.8; clo.10) | Tex (7); clo (25) | | |
| Colombia | SC (Tex.2) | - | | |
| Czechoslovakia | SC (Tex.14; clo.23) | Tex (10); clo (4) | SC(Tex.14; clo.21) | Tex (4); clo(1) |
| Egypt | SC (Tex.1; clo.1) | Tex (1) | | |
| Hong Kong | SC (Tex.6; clo.34) | Tex (2); clo (4) | | |
| Hungary | SC (Tex.11 clo.20) | Tex (1); clo (3) | | |
| India | SC (Tex.4; clo.10) | clo (3) | | |
| Indonesia | SC (clo.3) | Tex (2) | SC (clo.3) | Tex (2) |
| Japan | - | - | | |
| Korea, Rep. of | SC (Tex.14; clo.32) | Tex (2); clo (6) | SC(Tex.13; clo.28) | Tex (2); clo(1) |
| Macao | SC (Tex.3; clo.22) | clo (12) | | |
| Malaysia | SC (Tex.3; clo.6) | clo (4) | SC(Tex.3; clo.4) | - |
| Mexico | SC (Tex.1) | - | | |
| Pakistan | SC (Tex.4; clo.3) | Tex (1); clo (6) | | |
| Peru | SC (Tex.2; clo.1) | clo (1) | | |
| Philippines | SC (clo.12) | clo (10) | SC (clo.11) | clo.(4) |
| Poland | SC (Tex.11; clo.16) | Tex (2); clo (4) | SC(Tex.7; clo.13) | Tex.(2); clo.(4) |
| Romania | SC (Tex.12; clo.18) | Tex (2); clo (8) | SC(Tex.10; clo.16) | Tex.(2); clo.(5) |
| Singapore | SC (Tex.3; clo.9) | Tex (1); clo (3) | SC(Tex.2; clo.5) | - |
| Sri Lanka | SC (clo.4) | clo (2) | | |
| Thailand | SC (Tex.3; clo.11) | Tex (1); clo (4) | SC(Tex.3; clo.11) | Tex.(2); clo.(3) |
| Uruguay | SC (Tex.1) | Tex (1) | Consultation agreement | |
| Yugoslavia | SC (Tex.4; clo.9) | Tex (1); clo (2) | | |

[a]Includes all agreements reviewed or transmitted by the TSB up to 31 September 1987.

1. During the pre-MFA period, apart from the LTA restrictions at the level of the Community of six (LTA), the member States maintained some restrictions (QR). There were global quotas (GQ) as well as bilateral quotas (BQ) generally for the state-trading countries. Some of these restrictions were only for cotton products (c). The numbers in parenthesis indicate the number of products restrained in France, the Federal Republic of Germany and the United Kingdom and the BTN positions restrained in Denmark, Italy and Ireland.

2. The bilateral agreements from the second phase are comprehensive in product coverage but actual restrictions are limited to selected categories (SC).

3. The product categories restrained during the MFA period is on the basis of the standard product categorization adopted in 1977. The figures show the number of categories restricted separately for textiles (Tex) and clothing (clo).

4. CQ denote the number of categories restricted in all the member states and RQ the number restricted in one or more of the member States.

TABLE II.5 - EVOLUTION OF FINLAND'S RESTRICTIONS
(Figures in brackets indicate number of products under quota)

| | PRE-MFA | MFA I | MFA II | MFA III | MFA IV[b] |
|---|---|---|---|---|---|
| AGGREGATE TRADE OF ALL MFA FIBRES | China<br>Romania | China<br>Romania | | | |
| TEXTILE PRODUCTS | | | | | |
| MADE-UP ARTICLES | | | India(1) | China(3)<br>Pakistan(1)[a] | China(1)<br>Pakistan(1)[a] |
| ALL CLOTHING PRODUCTS | | | | | |
| SELECTED CLOTHING CATEGORIES | | Hong Kong(2)<br>Macao(2) | Hong Kong(5)<br>India(2)<br>Korea, Rep. of(8)<br>Macao(3)<br>Malaysia(1)<br>Romania(4)<br>Singapore(1)<br>Sri Lanka(1)<br>Thailand(2) | China(6)<br>Hong Kong(3)<br>India(3)<br>Korea, Rep. of(5)<br>Macao(5)<br>Pakistan(1)[a]<br>Romania(4)<br>Sri Lanka(1)[a]<br>Thailand(2) | China(6)<br>Hong Kong(4)<br>India(3)<br>Korea, Rep. of(3)<br>Macao(5)<br>Pakistan(1)[a]<br>Romania(4)<br>Sri Lanka(1)[a]<br>Thailand(1) |

[a]Validity of agreements: Pakistan: 1.7.86-30.6.91; Sri Lanka: 1.6.86-31.12.90.

[b]Includes all agreements reviewed or transmitted by the TSB up to 30 September 1987.

114. Norway [paragraphs 3.184-3.196 in 1984 Study] accepted the 1981 Protocol of Extension on 1 July 1984 and brought all of its restrictions into conformity with the MFA within one year, during which the system of global quotas was phased out. Under MFA III, Norway concluded bilateral agreements with sixteen countries. Some of the restraints in these agreements replaced restrictions previously maintained under the Protocols of Accession (in the case of Hungary and Romania) and/or Article XIX of the GATT. As can be seen from Table II.6, the emphasis in Norway's measures was on selected textile made-ups and clothing items, although there were a few restraints involving fabric items. Growth rates were generally very low. In general, where flexibility was provided, it was set at very low levels. Norway has made use of the MFA provisions relating to "minimum viable production" and "exceptional circumstances" to justify the low growth rates and reduced flexibility provisions (including in most cases the total absence of swing) in the agreements.

115. Norway is in the process of renegotiating its bilateral agreements under MFA IV. New agreements have been initialled with China, Czechoslovakia, Hong Kong, Hungary, India, the Philippines and Thailand, but information is not available on these agreements. Unilateral restrictions are maintained on imports from the German Democratic Republic and a bilateral agreement has been concluded with Malta.

TABLE II.6 - EVOLUTION OF NORWAY'S RESTRICTIONS
(Figures in brackets indicate number of products under quota)

| | PRE-MFA | MFA I | MFA II[a] | MFA III[b,c] | MFA IV[g] |
|---|---|---|---|---|---|
| FABRICS | Japan(3)<br>Korea, Rep. of (comprehensive) | Japan(3)<br>Korea, Rep. of | Bilateral quotas. | Czechoslovakia(3)<br>Hungary(1)[e] | |
| ALL CLOTHING AND MADE-UPs | Korea, Rep. of (comprehensive) | | Article XIX global quotas on various textile items imported from all countries except EFTA, EEC and countries subject to bilateral quotas. | | |
| SELECTED MADE-UP AND CLOTHING CATEGORIES | Bulgaria<br>China<br>Czechoslovakia<br>Germany, D. Rep.<br>Hungary<br>Japan(4)<br>Poland<br>Romania | Bulgaria<br>China<br>Czechoslovakia<br>Germany, D. Rep.<br>Hungary<br>India(3)<br>Japan(4)<br>Korea, Rep. of<br>Poland<br>Romania | | China(10)<br>Czechoslovakia(14)[d]<br>Hong Kong(15)[f]<br>Hungary(13)[e]<br>India(10)<br>Korea, Rep. of(12)<br>Malaysia(12)[f]<br>Malta(21)<br>Pakistan(1)<br>Philippines(13)[f]<br>Poland(10)[f]<br>Singapore(12)[f]<br>Sri Lanka(12)<br>Yugoslavia(3)[d]<br>Germany, D. Rep.(14) | China(10)[h]<br>Malta(21)[h]<br>Germany, D. Rep.(11) |
| SELECTED CLOTHING CATEGORIES | Hong Kong(8)<br>Malaysia(1)<br>Singapore(1) | Hong Kong(15)<br>Macao(3)<br>Malaysia(1)<br>Philippines(4)<br>Singapore(2)<br>Sri Lanka(1)<br>Thailand(3) | | Macao(9)<br>Romania(7)[e]<br>Thailand(12)[f] | |

[a] Norway did not participate in MFA II.

[b] Norway accepted the MFA as extended by the 1981 Protocol on July 1984.

[c] The system of global quotas notified under Article XIX was phased out by 1 July 1985

[d] The restraints replaced Article XIX measures.

[e] The restraints replaced restrictions previously maintained under the Protocol of Accession to GATT, or notified as measures taken under Article XIX.

[f] Certain categories under restraint had previously been covered by Article XIX measures.

[g] Includes all agreements reviewed or transmitted by the TSB up to 30 October 1987.

[h] Validity of agreement: 1.1.86-31.12.88.

116. Sweden [paragraphs 3.92-3.93 in 1984 Study] continued to apply very low growth rates and very small flexibility under MFA III.

117. To date, no information is available on bilateral agreements concluded by Sweden under MFA IV (Table II.7).

118. The United States [paragraphs 3.94-3.98 in 1984 Study] had consistently followed a system of aggregate control of trade in textiles and clothing before the second phase of the MFA II. Under MFA II, however, there was some evidence of aggregate controls being dismantled in favour of quotas on selected categories. This process was carried forward during MFA III, and also involved large suppliers, though in their case a considerable number of categories continued to be subject to specific limits (see below).

119. Some bilateral agreements are comprehensive in product coverage, while some others are selective (Table II.8). Under MFA I and II, unrestrained categories were in a majority of cases subject to consultation levels which

TABLE II.7 - EVOLUTION OF SWEDEN'S RESTRICTIONS
(Figures in brackets indicate number of products under quotas.
Pre-MFA restrictions cover all types of restrictions including LTA restrictions)

| | PRE-MFA | MFA I | MFA II | MFA III | MFA IV[b] |
|---|---|---|---|---|---|
| TEXTILES | Japan | | | | |
| ALL CLOTHING AND MADE-UPS (COMPREHENSIVE) | | Mauritius | Hong Kong<br>India<br>Korea, Rep. of<br>Macao<br>Malta<br>Mauritius<br>Pakistan<br>Philippines<br>Singapore<br>Sri Lanka<br>Thailand<br>Yugoslavia | Hong Kong<br>India<br>Korea, Rep. of<br>Macao<br>Malaysia<br>Malta<br>Mauritius<br>Pakistan<br>Philippines<br>Singapore<br>Sri Lanka<br>Thailand<br>Yugoslavia | |
| SELECTED MADE-UP CATEGORIES | Hong Kong(1)<br>India(1)<br>Macao(1) | Hong Kong(1)<br>India(1)<br>Japan(1)<br>Pakistan(2) | Brazil(2)<br>Malaysia(1) | Brazil(3)<br>Turkey(1) | |
| SELECTED CLOTHING CATEGORIES | Hong Kong(7)<br>India(2)<br>Korea, Rep. of(2)<br>Macao(3)<br>Malaysia(1)<br>Singapore(3) | Hong Kong(9)<br>Korea, Rep. of(3)<br>Macao(4)<br>Malaysia(4)<br>Malta(1)<br>Pakistan(1)<br>Singapore(5)<br>Sri Lanka(3)<br>Thailand(4) | Brazil(6)<br>Malaysia(5) | Brazil(8)<br>Indonesia(4)<br>Turkey(4)[a] | |

[a] Article 3:5 measures on two categories rescinded in August 1985 and on one category expired in September 1985.
[b] No information available regarding MFA IV up to 30 September 1987.

could not be exceeded without agreement by the importing country. Since MFA III, there has been a move to replace these levels by general consultation procedures meant to be invoked in the situations defined in the MFA.

120. Although under MFA III several actions were taken on imports of textiles, the United States continued to focus on restrictions on clothing imports.

121. There were a few instances of the United States reducing quotas in MFA III agreements. The growth rates in the aggregate always remained at 6 per cent or more, except in the agreements with East Asian countries. The wool sector has always been given a low growth rate of 1 per cent. However, this has generally been compensated by higher rates elsewhere. Flexibility provisions were generally in conformity with the MFA. There were a few instances of their reduction during MFA II.

122. Under MFA IV, the product coverage of several agreements notified by the United States has been expanded to include textiles and/or apparel of silk blends and other vegetable fibres (Hong Kong, India, Republic of Korea, Macao, and the Philippines); in some cases restraints were introduced on products of these fibres.

123. Under MFA IV the process of dismantling aggregate and group limits mentioned above seems to have been reversed: while agreements with India, Macao and the Philippines continue to be subject to aggregate or group limits, group limits were introduced in three agreements (Hong Kong, Japan and the Republic of Korea).

124. The number of product categories restrained, particularly from larger suppliers, has expanded. Base level increases in the agreements under MFA IV are in a large number of cases more (or substantially more) than 6 per cent. Growth rates remain mostly unchanged, but have been reduced in a few cases. Low growth rates and low flexibility provisions contained in the agreements with three countries (Hong Kong, Japan and the Republic of Korea) were agreed pursuant to paragraph 10 of the 1986 Protocol of Extension. For the other new agreements (India and the Philippines) swing is generally available at 7 per cent. In certain cases special swing at 10 or 20 per cent is available. There has been a shift from multi-year limits to annual limits in the new agreement with Japan.

TABLE II.8 - EVOLUTION OF THE UNITED STATES' RESTRICTIONS
(Figures in brackets indicate number of categories under restraints)

| | PRE-MFA | MFA I | MFA II | MFA III | MFA IV[c] |
|---|---|---|---|---|---|
| AGGREGATE TRADE OF ALL MFA FIBRES | Hong Kong<br>Japan<br>Korea, Rep. of<br>Macao<br>Malaysia<br>Singapore<br>Taiwan | Colombia<br>Hong Kong<br>Japan<br>Korea, Rep. of<br>Macao<br>Malaysia<br>Mexico<br>Philippines<br>Singapore<br>Romania<br>Taiwan<br>Thailand | Hong Kong<br>India<br>Korea, Rep. of<br>Macao<br>Philippines<br>Poland<br>Singapore<br>Taiwan | Brazil<br>Indonesia[e]<br>Macao<br>Pakistan<br>Philippines<br>Poland<br>Singapore[a] | Brazil<br>Hong Kong<br>India[f]<br>Indonesia[e]<br>Japan<br>Korea<br>Pakistan[d]<br>Philippines<br>Macao |
| COTTON AND MMF PRODUCTS | | Haiti | | | |
| COTTON PRODUCTS | Brazil<br>Colombia<br>Czechoslovakia<br>Egypt<br>El Salvador<br>Greece<br>Haiti<br>Hungary<br>India<br>Jamaica<br>Malta<br>Mexico<br>Nicaragua<br>Pakistan<br>Peru<br>Philippines<br>Poland<br>Portugal<br>Romania<br>Spain<br>Thailand<br>Yugoslavia | Brazil<br>Czechoslovakia<br>Egypt<br>India<br>Pakistan<br>Poland | Brazil<br>Pakistan | Egypt(4)<br>Guatemala(2)<br>Nepal(4)[g] | Germany, Dem. Rep.(1)<br>Nepal(4)[g] |
| ALL CLOTHING | | | Colombia<br>Malaysia<br>Romania<br>Thailand | | |
| SELECTED PRODUCT CATEGORIES | Belize(1)<br>Costa Rica(2)<br>Italy(1) | | China(13)<br>Dominican Rep.(4)<br>Haiti(5)<br>Japan(10)<br>Mexico(9)<br>Sri Lanka(4)<br>Yugoslavia(1) | Bangladesh(7)<br>Bulgaria(1)<br>China(59)<br>Colombia(5)<br>Costa Rica(1)<br>Czechoslovakia(2)<br>Dominican Rep.(5)<br>Haiti(10)<br>Hong Kong(49)<br>Hungary(6)<br>India(16)<br>Japan(25)<br>Korea, Rep. of(67)<br>Malaysia(26)<br>Maldives(1)<br>Mauritius(15)<br>Mexico(13)<br>Panama(1)<br>Peru(6)<br>Romania(13)<br>Singapore(22)[b]<br>Sri Lanka(24)<br>Taiwan(35)<br>Thailand(29)<br>Turkey(12)<br>Uruguay(7)<br>Yugoslavia(7) | Bangladesh(12)<br>Bulgaria(1)[d]<br>China(66)<br>Hungary(8)<br>Maldives(1)<br>Mauritius(19)[d]<br>Mexico(14)[d]<br>Peru(7)[d]<br>Turkey(14)[d]<br>Yugoslavia(12) |

[a] Agreement for the period 1.1.82-31.12.85
[b] Agreement for the period 1.1.86-31.12.90
[c] Includes all agreements reviewed or transmitted by the TSB up to 30 September 1987.
[d] Including additional limit, within the MFA III agreement which is yet to expire.
[e] Agreement for the period 1.6.85-30.5.88
[f] Except wool products.
[g] Agreement valid for the period 10.10.85-31.12.90

The extended product coverage under MFA IV

125. There are two difficulties involved in presenting data on trade in products covered by the extended product coverage under MFA IV: the imprecision as to which products are covered by the extended coverage, and a lack of detailed statistics.

126. Table II.9 provides data on imports of textiles and clothing by type of fibre, into the United States for the twelve-month period ending 31 July 1987 (collection of separate data on vegetable and silk fibres began only on 1 August 1986). The definitions used in the Table are those of the United States government; they are used in this paper only for convenience, and do not indicate any Secretariat position or pre-judgement regarding the precise definition of "extended product coverage".

127. As regards trade in textiles, two of the more interesting facts in Table II.9 are that while (i) textiles made of vegetable or silk fibres are a very small part of United States imports of textiles, it is also true that (ii) such products account for a significant share of total textile exports to the United States for certain countries - in particular Poland and the Philippines, but also Romania and Belgium.

128. Products made from vegetable or silk fibres are more important in the case of imports of clothing into the United States (8.2 per cent of total clothing imports, versus 3.1 per cent for textiles). Trade in these products is important for three of four largest suppliers of clothing to the United States - Hong Kong, China and the Republic of Korea - accounting for 12 to 19 per cent of their total clothing exports to the United States during the period August 1986-July 1987.

TABLE II.9 UNITED STATES. IMPORTS OF TEXTILE AND CLOTHING PRODUCTS BY FIBRE, 12 MONTHS ENDING 31 JULY 1987

(Million dollars and percentages)

| TEXTILES | million dollars | Percent of shipments of all fibres | CLOTHING | million dollars | Percent of shipments of all fibres |
|---|---|---|---|---|---|
| Cotton,Wool and Man-made fibres | 5195.5 | 96.9 | Cotton,Wool and Man-made fibres | 16021.2 | 91.8 |
| Vegetable and silk fibres | 167.7 | 3.1 | Vegetable and silk fibres | 1439.6 | 8.2 |
| of which | | | of which | | |
| Major shippers | | | Major shippers | | |
| Korea.Rep. of | 23.7 | 4.9 | Hong Kong | 428.0 | 19.0 |
| Italy | 19.8 | 5.7 | China | 410.3 | 12.1 |
| Taiwan | 19.7 | 3.5 | Korea, Rep. of | 325.6 | 14.2 |
| Belgium | 16.3 | 10.9 | Italy | 73.1 | 8.6 |
| China | 13.5 | 2.2 | Taiwan | 68.3 | 2.7 |
| Philippines | 12.9 | 39.0 | Macau | 21.9 | 7.5 |
| United KIngdom | 9.8 | 5.0 | Thailand | 8.3 | 3.5 |
| Japan | 5.8 | 0.8 | Philippines | 7.7 | 1.5 |
| Poland | 4.6 | 61.3 | Romania | 5.2 | 5.4 |
| Thailand | 3.4 | 3.9 | | | |
| Hong Kong | 4.3 | 2.2 | | | |
| Brazil | 4.4 | 3.8 | | | |
| Romania | 3.6 | 15.3 | | | |
| Mexico | 2.1 | 1.8 | | | |
| Dominican Republic | 1.4 | 7.3 | | | |
| Canada | 0.8 | 0.5 | | | |
| Haiti | 0.4 | 3.3 | | | |

Source: United States Department of Commerce, Major Shippers' Report.

A Digression: the structure of current bilateral agreements of the European Community and the United States

129. As noted above, bilateral agreements under Article 4 have become the preferred mode for controlling trade under the MFA. Because the MFA's rules govern only the general framework of bilateral agreements, it is necessary to examine particular agreements to get an idea of their specific contents. Most of the restraining countries have adopted a uniform format for such agreements. The agreements of the European Community and the United States are described briefly below, based on information currently available to the GATT Secretariat. It must be emphasized that these descriptions are neither definitive nor exhaustive.

130. The European Community has continued to use the same format for all the bilateral agreements negotiated under Article 4 of the MFA since 1977. It contains an undertaking on its part not to introduce QRs under Article XIX of the GATT or Article 3 of the MFA. The agreements are applicable to the total range of MFA products. However the "new fibres" mentioned in paragraph 24 of the 1986 Protocol of extension are not included in the coverage of the agreements concluded under MFA IV. These agreements are divided into 93 categories (previously 114 categories). The change was made to bring the categories into line with the Harmonized System. The categories are grouped together according to their perceived sensitivity, with the original five groups being reduced to three since 1983, and each sub-divided into textile and clothing items; Group I is considered to be the most sensitive.

131. Though the product coverage is comprehensive, restraints are placed on selected categories and may vary with each exporting country, depending upon its importance in the bilateral trade. The largest number of restraints are usually found in the agreements with East Asian and East European suppliers.

132. The quotas at the Community level are further sub-divided for each member State. There is a provision for the automatic transfer (under certain conditions) of unutilized regional quotas from one member State to another. In addition to the quotas at the Community level, the unrestrained categories may be restricted for one or more member States, if imports in that particular member State or States are believed to be causing problems.

133. The remaining categories are subject to what is known as the "basket exit procedure". Should the exports from a given country reach a specified percentage of the total imports of the product into the Community in the previous year, the EC may call for consultations with a view to arriving at an agreed quota level; in the absence of agreement a quota may be imposed unilaterally. The procedure can also be activated for a single member State, if imports reach a prescribed share of total imports.[5] In practice, the basket exit mechanism has not been used in an automatic manner. Quite often, imports well in excess of the threshold have not resulted in a call (in the MFA IV bilateral agreements the threshold levels have been at least doubled).

Calls for consultations have generally been issued when the imports have far exceeded the trigger points. Moreover, in such cases, quota levels have generally been well above the current trade levels. There were nearly two hundred calls under MFA II agreements, and a limited number under MFA III.

134. In addition to the Community and country quotas, the member States may, if approved by the Commission, apply Article 115 of the Treaty of Rome to restrict imports of the products under quota from other member States. The application of this Article prevents free circulation and entry via another member State. It has not been used frequently.6

135. In MFA IV agreements, quota levels can be adjusted, up to 7 per cent, by carrying over from the previous year's unutilized portion, and up to 5 per cent by advance drawing against next year's quota (with the exception of Korea for which carry over is available between 2 and 7 per cent and carry forward between 1 and 5 per cent). Except for category 1, it is also possible to transfer quotas from one category to another, up to 7 per cent in some agreements, at 4 or 5 per cent in some others (swing into category 1 is generally not available). The annual growth rates vary from category to category within agreements, and from agreement to agreement, from as low as 0.1 per cent in the most sensitive categories to well above the prescribed rate of 6 per cent in others. Annual growth rates in the agreements concluded under MFA IV were usually set at levels higher than in the previous agreements, and some quotas were liberalized. However, quotas often have growth rates below 6 per cent.

136. The bilateral agreements concluded by the United States since 1 August 1986 generally involve comprehensive product coverage, which divides all the MFA products into 134 categories. The categories are usually placed in five groups: one for textile items of cotton, wool and/or man-made fibres, another for apparel products of cotton, wool and/or man-made fibres, a separate group for apparel products of silk blends and/or other vegetable fibres other than sweaters, a group for sweaters of silk blends and/or other vegetable fibres and a group for other products of silk blends and/or other vegetable fibres. The extent of coverage of the new fibres in the agreements varies. In some cases all new fibres categories are included, in others only new fibre clothing categories; some agreements do not cover the new fibres. A few agreements are limited to cotton products or clothing items. The agreements contain provisions for consultation on any changes resulting from the adoption of the Harmonized System by the United States.

137. During MFA I and MFA II the standard pattern of the comprehensive agreements was to provide ceilings for the aggregate trade as well as for imports in each group. Some individual product categories are also restricted by specific limits. There was evidence of the United States moving away from this pattern under MFA III, but this trend seems to have been reversed in the agreements concluded under MFA IV.

138. The consultation level system which existed in the previous agreements was replaced in most cases by consultation procedures during the third phase of the MFA. The new mechanism does not contain indicative levels.

If situations or threats of market disruption arise with respect to any unrestrained category, consultations can take place for the purpose of arriving at a mutually agreed quota. In most agreements, the United States can impose a unilateral quota according to agreed formulae which are higher than the norms set in the MFA. These consultation provisions have been applied in numerous cases.

139. Annual growth rates are applied to the ceilings at the aggregate, group and category levels. The rate for the woollen product group and categories is generally set at one per cent, and is generally compensated by other provisions of the agreement. For Hong Kong, Japan and the Republic of Korea, the growth rates for all products are considerably lower than the 6 to 7 per cent growth contained in most other agreements. The flexibility provisions are generally in conformity with the norms contained in Annex B of the MFA, except in the cases of Hong Kong and the Republic of Korea.

(c) Outward processing trade

140. As was noted in the original study [paragraphs 3.124-3.131], both the United States and the EC provide special tariff provisions to facilitate outward processing trade (OPT). The United States maintains a general tariff régime making no distinction between textile and clothing imports entering under the Tariff Schedule of the United States (TSUS) Item 807 and imports subject to bilateral quantitative restrictions. However, within the framework of the programme under the Caribbean Basin Economic Recovery Act, a distinction has been introduced between certain imports falling under Item 807 (e.g. imports in which United States-made fabrics are used) and other imports of textile products subject to quantitative limitation or designated consultation levels. The EC includes OPT quotas in its bilateral restraint agreements under the MFA or otherwise. Those quotas that are established outside the quantitative limits established under the MFA agreement are specified in bilateral agreements with Indonesia, Malaysia, Philippines, Singapore and Thailand. Whether in fact the existence of OPT leads indirectly to larger quotas, or whether it has an effect on quota utilization, are subtle questions which cannot easily be answered. (Despite the importance of the quota aspect, it is important to keep in mind that special tariff treatment is the feature of OPT.)

141. In respect of OPT trade under the new Item 807 provision, the United States requires that the exporting country negotiate guaranteed access levels for the specific clothing categories involved and that the products be assembled in the exporting country from United States-formed fabrics, cut in the United States, for re-export thereto. To date, such agreements have been concluded with the Dominican Republic, Haiti, Jamaica and Trinidad and Tobago.

142. OPT in the United States has increased steadily since the late 1960s, but the total remains relatively small, between 4 and 5 per cent for textiles and clothing combined. However, imports of clothing under 807 account for 8-10 per cent of total United States clothing imports. The Dominican Republic and Mexico account for the largest share of OPT imports into the United States (nearly 90 per cent of the Dominican Republic's and about 80 per cent of Mexico's clothing exports to the United States enter under item 807). Other important suppliers include Haiti, Costa Rica, and Jamaica.

143. For the EC as a whole, 5.5 per cent of textile and clothing imports consisted of OPT in 1986. The share for clothing imports alone was 16 per cent. About 35 per cent of the EEC's OPT in textiles and clothing involves Yugoslavia, about 45 per cent other Eastern European countries (Bulgaria, Czechoslovakia, Romania, Hungary and Poland) and about 15 per cent Cyprus, Egypt, Malta, Morocco and Tunisia.

144. In the absence of solid information on the impact of the OPT tariff provisions on the size of the MFA (and other) quotas, it is not possible to judge the impact of OPT on the level of world trade in textiles and clothing.

(d) Safeguard, anti-dumping and countervailing duty actions

145. In the notification period covered in this study (January 1982 through June 1987), Norway was the only one of the nine current developed country participants in the MFA which invoked Article XIX in the area of textiles and clothing [paragraphs 3.137-3.141 and 3.189-3.192 in 1984 Study]. Prior to rejoining the MFA, Norway used Article XIX on "varying textile items", in force from January 1979 through June 1984; in that instance, the countries principally affected were Hong Kong and the United States.

146. Turning to anti-dumping and countervailing duty actions, it is necessary to preface the discussion by noting that the data described below refer only to actions notified to the GATT Secretariat under the Anti-Dumping and Subsidy/Countervailing Duties Codes (see the semi-annual reports of the Committee on Anti-dumping Practices and the Committee on Subsidies and Countervailing Measures). It must be kept in mind that some Code participants notify only their actions against other Code participants. (At present time, there are 24 participants in the Anti-Dumping Code and 25 participants in the Subsidy and Countervailing Duties Code, in each case the European Community counting as one).

147. From January 1982 until June 1987, Canada, the EC and the United States (among the nine MFA participants covered in this section) notified the GATT Secretariat regarding the initiation of anti-dumping actions on yarns, fabrics or made-ups (synthetic baler twine, ropes, camping tents, woven polyolefin bags, male industrial overalls, waxed cotton motorcycle garments, strapping, carpets, woollen garments, towels, sheets and pillowcases, and so forth).

148. The eighteen Canadian actions (including six reviewed cases) during this time period involved seven actions where definitive (final) anti-dumping duties were imposed (the affected countries were Brazil and the Republic of Korea twice, Portugal, China and German Democratic Republic). A finding of "no dumping" was the result in one case (the

Republic of Korea) and the finding of "no injury" in five cases (the Republic of Korea twice, and Italy/France/Spain, Japan and Czechoslovakia). One action was withdrawn (Portugal) and the remaining four actions are pending (Brazil, Portugal, the Republic of Korea and China).

149. Three of the five EC actions resulted in a "price undertaking" by the exporting country (Brazil), and twice in a finding of no injury (Romania and Yugoslavia). The remaining two are pending (the United States and Romania).

150. Of the eighteen anti-dumping actions initiated by the United States during this time period (including seven reviewed cases), seven resulted in the imposition of a definitive duty. The affected countries were Japan (this action, however, was later withdrawn), China twice, Belgium, Taiwan, the Republic of Korea and France.[8] Eleven of the actions are outstanding (the countries involved are Japan seven times, Finland twice, China and Italy).

151. In the case of countervailing duties, the Secretariat's records indicate that from January 1982 through June 1987, the only notifications of the initiation of actions in the area of textiles and clothing (by countries covered in this section) were received from the United States and Japan.

152. Of the forty-five United States actions (including eleven reviewed cases), eighteen resulted in the imposition of a definitive countervailing duty; the affected countries were Peru six times, Argentina four times, Sri Lanka and Thailand twice, Colombia, Mexico, Pakistan and Sweden.[9] Five of the actions resulted in a "price undertaking" by the exporting countries (Colombia twice, Mexico, Peru and Thailand). The finding of "no subsidy" resulted in five cases (Malaysia and Singapore twice, and Peru). Cases were withdrawn in eleven actions (Indonesia, Panama, Philippines, Portugal and Turkey twice, and China). Six cases are outstanding (two involving Argentina, and one involving Mexico, Peru, Sri Lanka, and Sweden). The single Japanese case, which involved carded cotton yarn from Pakistan, was terminated on the finding of "no subsidy" in February 1984.

## 2. AUSTRALIA AND NEW ZEALAND

153. Australia participated in MFA I, but did not participate in MFA II, nor in MFA III, and is not currently participating in MFA IV [paragraphs 3.144-3.183 in 1984 Study]. New Zealand has never participated in the MFA. Thus, the rules of the General Agreement are, in principle, applicable to the trade in textiles and clothing of these two countries.

### (a) Tariffs

154. The post-Tokyo Round tariff rates for textiles and clothing in Australia and New Zealand are given in Tables 3.16 and 3.17 of the original study. The figures in the above tables indicate that, as in the case of the nine developed country participants in the MFA, the tariff averages for textiles and clothing in Australia and New Zealand (except in the case of the weighted averages) are substantially higher than the tariffs on manufactured goods as a whole, and also show a clear escalation of tariff levels with the stage of production.

155. There are, however, large differences in the tariff bindings between these two countries and the nine developed country participants in the MFA. In 1984 (the latest year for data in the GATT Tariff Study), combined textiles and clothing imports covered by bound tariffs accounted for only 7 and 38 per cent of imports of these products into Australia and New Zealand, respectively, in comparison to between 73 per cent (Austria) and 100 per cent (Canada, the EC, the United States and Switzerland).

156. Developments in the GSP schemes of Australia and New Zealand, and the regional preferential arrangements involving these two countries, have been discussed in detail in paragraphs 3.150-3.153 of the original study. The principal development since then was the introduction by Australia in 1986 of a revised GSP scheme. As a result of this revision, all dutiable items will eventually be covered by GSP, with transitional measures for sensitive items, including certain textile and clothing items. GSP rates have been uniformly set at "the MFN rate minus 5 percentage points". This preferential margin is less significant whenever the MFN duty is high, as is the case for many textile and clothing items.

(b) Tariff-quota system and other import measures: Australia

157. Since the mid-1970s, Australia's textile and clothing industries have been protected by a tariff-quota system in which imports over a specified level are subject to an additional specific ("penalty") duty, usually expressed in dollars per unit. In most cases, the ad valorem equivalents of the penalty duties have been so high as to preclude effectively over-quota imports.[10] The share of over-quota imports in total imports of textiles and clothing subject to tariff-quotas was about 3 per cent in 1984.[11] Under the current seven-year programme of assistance to both industries, which was introduced in 1982, global tariff quotas continue to apply to imports of clothing and some fabrics and finished textile products.

158. In November 1986, the government announced a new comprehensive plan to restructure the textile and clothing industries (including footwear) which would involve, among other things, the phasing out of all tariff quotas by early 1996. At that time, protection will be limited to tariffs, plus some subsidy assistance for the production of yarns. The new plan is scheduled to come into effect from 1 March 1989.[12]

159. The proposed phase-out of all tariff quotas by early 1996 is considered by the government to be an "important break" from past trade policies toward the textile and clothing industries. Under the same plan the government has also proposed that the 'base' (within quota) tariff rates for clothing and finished textiles will be raised from the current level of 50 per cent to 60 per cent with a view to making the phase-out process smooth.[13] Thus, on completion of the phasing out, the above 'base' rate will apply as the end rate of duty, except for developing country suppliers, which will receive a five percentage point margin of preference. The textile and clothing industries are still considered to be "afforded considerably higher levels of assistance than other manufacturing industries".[14]

160. Between January 1982 and June 1987, Australia initiated twenty-six anti-dumping actions (but no countervailing duty actions) in the area of textiles and clothing. Six of the actions resulted in the imposition of a definitive duty (the Republic of Korea and Taiwan twice, and Israel and China), while two involved a "price undertaking" by the exporting country (France and China). Twelve actions were terminated by the finding of either "no dumping" or "no injury", and four cases involving China, the United Kingdom, Japan and Taiwan were resolved in "other" ways. The remaining two are outstanding (China and Norway).

(c) Non-tariff measures: New Zealand

161. New Zealand has used an import licensing system as a means of protecting the textile and clothing industries.[15] Notifications to the GATT Secretariat indicate that imports of clothing and of many made-up textiles and some yarns (mainly made of wool) and fabrics have been subject to import licensing procedures, the majority of which involve global quotas.[16]

162. The New Zealand government has committed itself in general terms to "changing from an import regime based largely on import licensing to a regime based on the tariff".[17] Since the early 1980s, the government has introduced the Import License Tendering Scheme as an important step toward a more liberal import regime. More than half of the licenses tendered in the first six rounds of auctions between April 1981 and February 1983 were for clothing items.[18]

163. Since 1984, auctions have been done on a global basis, except for certain sensitive goods covered by industry development programmes (IDPs) and those under the provisions of certain trade agreements and special schemes. The government has announced that license controls on those goods under the Import License Tendering Scheme will be removed on 1 July 1988. In addition, license controls for most of the industries covered by IDPs will be eliminated in the next few years. Fixed dates for the removal of licenses have not been set, however, for the four sensitive industries, including textiles and clothing.

164. In the notification period covered by this study (January 1982 - June 1987), there have been no notifications of countervailing duty actions by New Zealand (it is not a member of the Anti-dumping Code).

## 3. DEVELOPING AREAS

(a) Tariffs

165. Charts 3.1 and 3.2, and Tables 3.21 and 3.22 in the original study provide a tariff profile of the textile and clothing industries in selected developing areas in the early 1980s. There is no reason to presume that there have been any major changes since those data were compiled.

166. A brief comment on those charts and tables is in order. First, only simple (unweighted) averages of ad valorem duties are provided. In other words, no account was taken of such elements as duty-free items, specific

duty rates, exemptions, and the number of tariff lines which are country-specific. In addition to the well-known problems facing tariff averaging, the lack of detailed information on these elements makes an inter-country comparison of the tariff structures in the developing areas extremely difficult.

167. Second, the processing and regular updating of tariff data (together with trade statistics) for a large number of countries is feasible only through the use of computers. This is not possible in the case of developing areas because none of them are currently participating in the GATT Tariff Study.

168. For these reasons, it is not possible at present to provide an accurate, up-to-date picture of tariff protection for the textile and clothing industries in the developing areas. The tariff profile presented in the charts and tables in the 1984 Study should be considered, therefore, as a rough guide indicating only a general order of magnitude.[19]

(b) Non-tariff measures

169. Table II.10 presents a list of non-tariff measures (NTMs) affecting imports of textiles and clothing in nineteen developing economies.[20] Some remarks on the coverage and quality of the data used in this table are in order.

170. As regards the coverage of the data, it should be noted that the information on NTMs in Table II.10 has been taken entirely from notifications by the restricting countries themselves.[21] The information contained in the self-notifications is often incomplete in terms of the product coverage and the type of restrictive measure(s). It must be emphasized, therefore, that this table is not intended to be a comprehensive listing of NTMs on imports of textiles and clothing maintained by the reporting countries.

171. In selecting the nineteen reporting countries among the developing areas, the following two criteria have been applied: the notification by the reporting country is (i) sufficiently detailed (at least, 4 digit CCCN heading) and (ii) as recent as 1984 (the cut-off date in the original study was the end of 1983).

172. A third point concerns the quality of the data dealt with in this section. The computerized GATT inventory of QRs became operational in mid-1983. Since then, there have been significant improvements in terms of (a) the country coverage, (b) the consistency of the data involved and (c) the information-processing capabilities. Nevertheless, the conceptual and definitional problems which must be faced in identifying the NTMs remain formidable.[22] And the problem of "ex" items in the QR notifications has yet to be resolved.[23] All these 'quality' problems of the NTM data make it very difficult at this stage to compile an accurate and analytically useful profile of NTM restrictions, not just for developing but also for developed countries.

TABLE II.10 - NON-TARIFF MEASURES ON IMPORTS OF TEXTILES AND CLOTHING REPORTED BY 19 DEVELOPING AREAS
(As of 1986-87, unless otherwise noted)

(Number of CCCN 4-digit positions affected)[a]

| | Type of NTMs | FIBRES | | | | YARNS | | | | FABRICS | | | | MADE-UPS | | CLOTHING[c] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Wool [5] | Cotton [4] | Man-made [4] | Other [11] | Wool [5] | Cotton [2] | Man-made [5] | Other [8] | Wool [2] | Cotton [3] | Man-made [2] | Other [12] | Industrial [17] | Other [8] | [15] |
| Argentina | NAL | 4+(1) | . | (4) | 2 | 5 | 1+(1) | 2+(3) | 1+(2) | 2 | 2+(1) | 1+(1) | 9+(1) | 10+(4) | 8 | 15 |
| Bangladesh | NAL | . | . | . | 1+(2) | (3) | (2) | (5) | 1 | . | (1) | (2) | (4) | 1+(5) | 1+(1) | (2) |
| | P | 4+(1) | 3+(1) | 2 | 7+(1) | 2+(3) | (1) | (5) | 6 | 1+(1) | 1+(2) | (2) | 5+(4) | 6+(8) | 5+(1) | 13+(2) |
| | ST | (1) | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Brazil | LS | 5 | 4 | 4 | 10 | 5 | 2 | 3+(2) | 6+(2) | 2 | 3 | 1+(1) | 12 | 12+(3) | 7+(1) | 15 |
| Colombia | NAL | 2+(1) | 3+(1) | 1+(3) | 6+(3) | 4+(1) | 2 | 2+(3) | 2+(3) | 1+(1) | 2+(1) | 2 | 7+(5) | 13+(4) | 6+(2) | 9+(6) |
| Côte d'Ivoire* | L | . | 1 | . | 1+(1) | . | . | . | . | 1 | 2 | (2) | 4+(1) | 2+(1) | 2+(2) | 7+(3) |
| | P | . | . | . | (1) | . | . | . | . | . | . | . | . | . | (1) | . |
| Ghana* | NAL | . | 1 | 4 | 1 | . | 1+(1) | . | . | (2) | (3) | (2) | 5+(7) | 17 | 5 | 3+(5) |
| India | NAL | (2) | . | (1) | (1) | . | 1 | (3) | (1) | . | 1 | (2) | (3) | (1) | . | . |
| | ST | . | 1 | (4) | (4) | . | . | (5) | . | . | . | . | . | . | . | . |
| Indonesia* | R | . | . | (2) | . | . | (2) | 1+(2) | 1 | . | 3 | 2 | 4+(3) | 3 | 5 | . |
| Israel* | NAL | . | . | (3) | 1 | (4) | 1 | (2) | . | 1 | 2 | 2 | 1+(1) | 3 | 1 | 7 |
| Jamaica* | L | . | . | . | 1 | . | . | . | . | . | 1 | . | 2+(1) | 1 | 2+(1) | 15 |
| Korea, R. | NAL | . | . | (3) | (2) | . | . | . | 1+(1) | . | . | . | (1) | . | . | . |
| Malaysia* | L | . | . | . | . | . | . | . | . | . | . | . | . | (1) | . | . |
| | P | . | . | . | . | . | . | . | . | . | . | . | . | . | . | (1) |
| Nigeria | P | . | . | . | . | . | . | . | . | 2 | 2 | 2 | 7+(4) | 1 | (1) | 6 |
| Pakistan | L | . | . | . | . | (1) | . | (2) | . | . | . | . | . | . | . | . |
| | P | . | . | 1 | (2) | . | . | (5) | (1) | 1+(1) | 2+(1) | (2) | 7+(4) | 5+(7) | 6+(2) | 4+(11) |
| | R | . | . | . | (1) | . | . | (5) | . | . | . | . | . | (1) | (1) | . |
| | ST | . | . | . | . | . | . | . | (1) | . | . | . | . | . | . | . |
| Peru | NAL | 5 | . | 4 | 9 | 5 | 2 | 5 | 8 | . | . | 1 | 5+(2) | 8 | . | (2) |
| | P | . | 4 | . | 2 | . | . | . | . | 2 | 3 | 1 | 2+(2) | . | 6+(1) | 11+(3) |
| Singapore | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Sri Lanka | NAL | . | . | . | 1+(1) | . | 2 | 1+(1) | . | . | 1 | (1) | 1+(1) | . | . | (1) |
| | ST | . | . | . | . | . | . | . | . | . | . | . | (1) | . | . | . |
| Thailand | NAL | . | . | . | 1+(1) | . | . | . | 2+(1) | . | . | . | . | . | . | . |
| | P | . | . | . | (2) | . | . | . | . | . | . | . | (1) | . | (1) | (6) |
| Tunisia | GQ | . | . | . | 1 | . | . | . | . | 1 | 2 | 2 | 5 | . | 1 | 11 |
| | P | 2+(1) | 2 | 2 | 1 | 5 | 2 | 4 | 2 | 1 | 1 | . | 6 | 13+(1) | 7 | 4 |
| | ST | . | . | . | . | . | . | . | 1 | . | . | . | . | . | . | . |

*1984-85.

[a] This table shows, for each heading (wool fibres, cotton fibres, and so on), the number of CCCN 4-digit positions which are affected by one or another type of NTMs (those only partly affected are shown between brackets). The total number of CCCN 4-digit positions within each heading is indicated between [ ]; the exact content of the headings can be found in Technical Notes.
NAL = Non-automatic licensing; L = Licensing (type unknown); ST = State trading; GQ = Global quota; LS = License suspended; P = Prohibition; R = Restriction (type unknown).

[c] Excluding headgear and parts thereof (CCCN Chapter 65).

Sources: NTM/W/6/Rev.4 (14 September 1987) and NTM(TG)/W/3 (30 September 1987).

173. Notwithstanding these qualifications, the figures in Table II.10 reveal a number of interesting features with respect to the NTMs on imports of textiles and clothing into the developing areas. First, only one of the nineteen reporting countries in the Table (Singapore) has notified no restrictions on imports of textiles and clothing.[24]

174. Second, the Republic of Korea, Malaysia, Sri Lanka, and Thailand have notified that they maintain only a small number of restrictions on imports of textiles and clothing.[25]

175. Third, the remainder of the nineteen countries have reported that imports of textiles and clothing are subject to a relatively large number of import restrictions. Import licensing (non automatic or of unknown type) is the most frequently used measure in many countries. Most of the imports of textiles and clothing into Argentina, Bangladesh, Brazil, Colombia, Peru and Tunisia are subject to non-automatic licensing or are under import prohibition or a de facto equivalent of it (for example, a suspension of import licenses).[26]

176. Fourth, there is a clear tendency for import barriers to increases with the stage of production. Imports of textile fabrics and clothing are more frequently subject to barriers of one type or another than are those of textile fibres and yarns.[27]

177. Finally, it should be noted that most of the reporting countries in Table II.10, which maintain import restrictions on textiles and clothing, have justified their action by invoking GATT's balance-of-payments provision, Article XVIII:B.[28]

178. Among the developing areas, only Chile made use of countervailing duty actions on imports of textiles and clothing in the notification period (January 1982 - June 1987) covered by this study. Secretariat records indicate that Chile initiated more than forty actions on various textiles and clothing items mainly against developing area suppliers (Argentina, Brazil, Colombia, the Republic of Korea, Peru and Uruguay) and China, and that most of the actions were undertaken in 1982 and 1983. However, the notifications are incomplete, and the final outcomes were all listed in the "other" category (in many cases decions were taken not to apply a definitive study). During this period, none of the developing areas notified an anti-dumping action or an Article XIX action.

## 4. TRADE POLICIES IN THE EASTERN TRADING AREA

179. The 1984 Study covered the trade policies of four Eastern trading area countries - Czechoslovakia, Poland, Romania and Hungary (paragraphs 3.212-3.223). This update provides additional information on two issues: the distribution of Hungary's imports by level of tariff duty, and a brief description of China's trade policies in the textiles and clothing area.

### Hungary's imports by tariff level

180. Table II.11 provides a brief summary of the percentage distribution of imports of textiles and clothing (combined) by the level of duty. With an upper limit of 20 per cent on import duties on textiles and clothing, the structure of Hungary's tariffs on these items is similar to those of Japan, Sweden and Switzerland (see Table II.1).

TABLE II.11 - PERCENTAGE DISTRIBUTION OF TEXTILE AND CLOTHING IMPORTS BY POST TOKYO ROUND MFN TARIFF RATES IN HUNGARY, 1984

| Post-Tokyo Round MTN tariff level | Hungary |
|---|---|
| Free | 25 |
| Up to 5% | 12 |
| 5.1-10% | 21 |
| 10.1-15% | 31 |
| 15.1-20% | 11 |
| 20.1-25% | 0 |
| Over 25% | 0 |

Source: GATT, Tariff Study files, 1984.

China's trade regime for textiles and clothing

181. The following description of China's trade policies in the textiles and clothing area is taken from China's submission to the TSB (see COM.TEX/SB/1080 dated 5 July 1985).

(1) Tariff rates

According to the stipulations in the Regulations Covering Import and Export Duties of the People's Republic of China, the tariffs for imports fall into two categories: general tariff rates and minimum tariff rates. The general tariff rates apply to the imports originating in the countries with which the People's Republic of China has not concluded trade treaties or agreements containing reciprocal favourable tariff clauses; the minimum tariff rates apply to imports originating in the countries with which the People's Republic of China has concluded trade treaties or agreements with reciprocal favourable tariff clauses therein. The above principle and tariff rates also apply to the imports of textiles and clothing.

(2) Licensing system

(i) China has been practising a licensing system on imports since the founding of the People's Republic of China. The licensing system has been amended twice in 1980 and 1983. The latest Provisional Regulations on Licensing System for Import Commodities of the People's Republic of China was promulgated in January 1984 in which import licensing system was clearly stipulated. All commodities to be imported into China shall, unless otherwise stipulated by the State, require application for the import licences in advance. The customs shall give clearance after examination on the strength of the licences and other certificates concerned. The import licences for textiles and clothing will be administered according to the above regulations as the case may be.

As for the imports of man-made fibres (including yarns, threads, tops) and man-made fibre fabrics and blended fabrics (including piece-goods, apparel, knitted garments of man-made fibres, skirts, socks and stockings, mosquito nets), import licences are required, and the customs clearance for those commodities will be given on the presentation of import licences.

(ii) Licence issuing authorities: the Ministry of Foreign Economic Relations and Trade is the authority to issue licences for import commodities on behalf of the State. It also empowers the administrative authorities of foreign economic relations and trade at the provincial level to issue some of the import licences under their jurisdiction.

(iii) Procedures of issuing the import licences

The unit applying for import licence is required to submit to the licence issuing authorities an application. Then an import licence will be issued by the licence issuing authorities if, after examination, the formalities are found to be in good order.

(iv) Criteria of eligibility for licence

Import licences are issued in the light of the domestic production and supplying position, the requirements of the national economic development and of the market and on the availability of foreign exchange, and imports are made in the the following priority order: (a) products which cannot be produced domestically and for which there are requirements by the production units or in the market; (b) products which can be produced domestically but can not meet the domestic demand both in quantity and quality; (c) raw materials for which there are temporary requirements by the users.

(v) China's import licencing system is without discrimination and all suppliers will be accorded equal treatment.

(vi) Justification for China's licensing system applied to man-made fibres and fabrics of man-made fibres:

- The industry of man-made fibres is an infant branch of the textile industry in China and is now still in the early stage of development. China does not prohibit imports of man-made fibres and products of man-made fibres. China's production of these fibres and products can not meet its domestic consumption and has to import certain amounts of these fibres and products to make up the domestic shortage. The licensing system is designed to regulate the flow of imports.

- China is a developing country. With limited foreign exchange earnings, China has to give priority to imports of advanced technology and equipment for the construction of key projects and the technical transformation of some existing industrial enterprises. To ensure adequate foreign exchange for this purpose it is, therefore, necessary to impose appropriate restrictions on the importation of some consumer goods and other products which are less essential to its economic development.

# CHAPTER III. THE WORKING PARTY ON TEXTILES AND CLOTHING 1984-86

## Background to the establishment of the Working Party

182. During the session of the CONTRACTING PARTIES at Ministerial level, held in November 1982, it was decided: (a) to carry out, on a priority basis, a study on textiles and clothing; (b) to examine expeditiously, taking into account the results of such a study, modalities of further trade liberalization in textiles and clothing including the possibilities for bringing about the full application of GATT provisions to this sector of trade; and (c) that this work should be completed for their consideration at the 1984 session (BISD 29/20).

183. Pursuant to this decision, a background study entitled "Textiles and Clothing in the World Economy" was prepared by the Secretariat and circulated in May 1984 (Spec(84)24 and addenda). The Council, at its meeting of 15/16 May, 1984 (C/M/178), considered the Study and set up a working party with the following terms of reference:

> "To examine modalities of further trade liberalization in textiles and clothing including the possibilities for bringing about the full application of GATT provisions to this sector. For this purpose, the Working Party will take into account the background study produced by the GATT Secretariat and circulated in documents Spec(84)24 and Addenda and any conclusions that it can draw with respect to the matters covered under Paragraph 1 of the Decision on textiles and clothing taken by the CONTRACTING PARTIES at their November 1982 meeting.
>
> The Working Party should complete its work and present its conclusions to the Council in time for the Council to submit the matter for consideration by the CONTRACTING PARTIES at their Session in November 1984."

## Procedures developed by the Working Party

184. The Working Party held its first meeting in June 1984 to organize its work. It began the examination envisaged in the terms of reference at its July meeting by looking at the possibilities for bringing about the full application of GATT provisions to the textiles and clothing sector. To set a framework for the discussions, participants were invited to submit suggestions on modalities for liberalization and the ways they might be examined, for consideration by the Working Party (Spec(84)45). The submissions presented in response to this request, on a non-attributable basis, were set out in document MDF/W/6; submissions by the group of developing countries, exporters of textiles and clothing, were distributed in documents MDF/W/7, MDF/W/11 and MDF/W/15.

185. At its meeting in September 1984 the Working Party considered the following three broad options: (A) full application of GATT provisions, with a movement towards liberalization; (B) full application of GATT provisions as envisaged in Option A, combined with liberalization of other trade measures irrespective of their GATT conformity; (C) liberalization under existing frameworks. Also at this meeting the Working Party began its examination of Option A.

Progress report and continuation of the work

186. In October 1984, the Working Party met to consider its report to the Council in compliance with the schedule set out in the terms of reference. In so doing, the Working Party noted that it was not able to complete its work in time for consideration by the CONTRACTING PARTIES at their 1984 session and that the Council might wish to consider an extension of the mandate of the Working Party for a further period to permit it to make a more complete report to the Council and to the CONTRACTING PARTIES (L/5709). In November 1984, the CONTRACTING PARTIES adopted the Working Party's report and agreed to extent its mandate (L/5760 Rev.1). Following this decision, the Working Party continued its examination of the three broad options from February to October 1985.

Documents prepared for the Working Party

187. To assist the Working Party in its examination of these three broad options, notes were prepared by the Secretariat, with the help of delegations, identifying the kinds of questions that would arise under each of these options and what they would involve. The principal questions involved in Option A were identified and set out in document MDF/W/13. These mainly related to a consideration of what was meant by the full application of GATT provisions; the possible approaches to such full application and the possible elements of a transition period. The principal questions relevant to Option B were set out in MDF/W/24 and its corrigendum, and included a list of categories of trade measures which could be considered for liberalization such as tariffs and tariff quotas, quantitative restrictions, subsidies, countervailing and anti-dumping measures, etc. In respect of Option C, document MDF/W/32 set out a number of possible approaches to liberalization under an MFA-type arrangement.

188. In addition, the Secretariat in response to requests by the Working Party, in the course of its examination, put together two technical papers, one indicating the information available with respect to tariff and non-tariff measures affecting trade in textiles and clothing (MDF/W/12), and the second, setting out a description of the relevant GATT provisions that would have to be taken into account in considering the possibility of the full application of GATT provisions to trade in textiles and clothing (MDF/W/22).

189. At its meeting in March 1985, the Working Party requested the Secretariat to prepare, on its own responsibility, a checklist of points relating to the options which had been raised and discussed in the meetings. The initial Checklist of Points was prepared in March 1985, and set out in MDF/W/28. This list was revised on three occasions to include additional points raised in subsequent meetings (MDF/W/28, Revs. 1, 2 and 3).

Report of the Working Party and continuation of its work in 1986

190. In October 1985, the Working Party submitted a report to the Council (L/5892) which contained the following conclusions:

"The Working Party has noted that there may be scope for a fuller examination of certain issues, such as the practical steps which would be involved in the implementation of various options; the possible combination of various options; the consequences for economic and trade prospects including the impact on investment in importing and exporting countries, of a phasing-out of restrictions on the basis of the provisions of the General Agreement, or of the continued maintenance of restrictions under the existing régimes, principally the MFA. Nevertheless, the Working Party considered that it has, in terms of its mandate, helped to focus attention on a number of elements and instrumentalities involved in a movement towards further trade liberalization in textiles and clothing, including the possibilities for bringing about the full application of GATT provisions to this sector.

"The Working Party did not develop any common view on the modalities or techniques to achieve further trade liberalization in textiles and clothing. The Working Party recognized the importance of the issue of textiles and clothing in international trade and its relevance to the broader objective of trade liberalization and the strengthening of the GATT system. There is general recognition that GATT provisions should be ultimately applied to international trade in textiles an clothing, though in the view of some participants certain conditions would need to be met.

"The Working Party agreed that there is need to continue consideration of how the treatment of textiles and clothing can be improved consistent with GATT objectives and with the Ministerial Declaration of 1982, in pursuance of which this Working Party has been established."

191. The report was considered by the Council in November 1985 (C/M/194) and it was agreed to forward it to the CONTRACTING PARTIES for consideration of appropriate action. Subsequently, at its forty-first session in November 1985 (SR/41/3), the CONTRACTING PARTIES adopted the report of the Working Party and agreed that it should continue its work and report again to the 1986 session.

192. The Working Party met once, in March 1986. It did not meet again, in view of the ongoing negotiations in the Textiles Committee on the future of the Multi-fibre Arrangement and the discussions in the Preparatory Committee on the subject of textiles and clothing.

Termination of the work of the Working Party

193. In the light of these developments, the Chairman of the Working Party consulted informally with many delegations on its future activities. In these consultations it was noted that work in the area of textiles and clothing would be pursued within the context of the Uruguay Round. Accordingly, the Chairman of the Working Party, on its behalf, submitted a report to the Council and the CONTRACTING PARTIES (L/6071), which stated that the CONTRACTING PARTIES might consider it appropriate for the Working Party to terminate its work. This report was considered by the Council at its meeting in November 1986 (L/6091) and it was agreed to forward it to the CONTRACTING PARTIES for appropriate action. Subsequently, at its forty-second session in November 1986, the CONTRACTING PARTIES adopted the report and agreed that the Working Party should terminate its work in the light of the considerations referred to in the report and the statements made at the meeting (SR/42/1).

## LIST OF DOCUMENTS RELATING TO THE WORKING PARTY ON TEXTILES AND CLOTHING

| | |
|---|---|
| Spec(84)24 and Addenda<br>May 1, 1984 | "Textiles and Clothing in the World Economy". Background study prepared by the Secretariat to assist the work undertaken by the Contracting Parties in pursuance of the Decision on Textiles and Clothing taken at the November 1982 Ministerial meeting. Covers developments up to 1981/82. |
| C/W/440<br>May 15, 1984 | Terms of reference for a Working Party on Textiles and Clothing. Adopted by the Council at its meeting on 15-16 May 1984. |
| Spec(84)45<br>July 16, 1984 | Summing up by the Chairman of the meeting on 11-12 July 1984 inviting participants to submit modalities for liberalization. |
| MDF/W/6<br>September 17, 1984 | Submissions pursuant to the invitation made by the Chairman of the Working Party to submit modalities for liberalization and the ways they might be examined. These submissions were made on a non-attributable basis and did not commit any delegation. |
| MDF/W/7<br>September 18, 1984 | Meeting of 17-18 September 1984: statement by the Representative of Pakistan on behalf of developing countries, exporters of textiles and clothing. |
| MDF/W/11<br>October 2, 1984 | Communication from Pakistan ("Technical non-paper prepared by the Group of Developing Countries, Exporters of Textiles and Clothing"). Relates to the "full application of GATT rules". |
| MDF/W/12<br>October 2, 1984 | Note by the Secretariat indicating the information available with respect to tariff and non-tariff measures affecting trade in textiles and clothing, prepared at the request of the Working Party. |
| MDF/W/13<br>October 2, 1984 | Note prepared by the Secretariat with the help of delegations identifying some of the principal questions involved in Option A (full application of GATT provisions, with a movement towards liberalization), prepared at the request |

| | |
|---|---|
| | of the Working Party. Not intended to be exhaustive nor to engage the responsibility of any delegation. Subjects covered included what is meant by full application of GATT provisions; what are the possible approaches to full application; what are the possible elements of a transition period. |
| MDF/W/14<br>October 19, 1984 | Draft progress report by the Working Party on Textiles and Clothing for consideration at its meeting on 23 October 1984 (see final progress report as L/5709). |
| MDF/W/15<br>October 23, 1984 | Communication from Pakistan, on behalf of the Programme of Cooperation among Developing Countries, Exporters of Textiles and Clothing, of a study on "The MFA in Theory and Practice", distributed for the meeting of 23 October 1984. |
| L/5709<br>October 26, 1984 | Progress report of the Working Party on Textiles and Clothing, covering five meetings of the Working Party from 29 June 1984 to 23 October 1985. It notes that it was unable to complete its work on time for consideration by the Contracting Parties at their 1984 session, and asks the Council to consider an extension of its mandate. |
| MDF/W/22<br>February 1, 1985 | Note prepared by the Secretariat pursuant to the discussions on the full application of GATT provisions at the request of the Working Party describing the relevant GATT provisions that would have to be taken into account in considering Option A. |
| MDF/W/24<br>February 28, 1985 | Note prepared by the Secretariat at the request of the Working Party, with the help of delegations, identifying some of the principal questions involved in Option B (full application of GATT provisions as envisaged in Option A combined with liberalization of trade measures irrespective of their GATT conformity). This note was not intended to be exhaustive nor to engage the responsibility of any delegation. Subjects covered included tariffs, quantitative restrictions, subsidies, countervailing and anti-dumping measures, etc. |
| MDF/W/24/Corr. 1<br>March 7, 1985 | A corrigendum to the note on Option B. |

| | |
|---|---|
| MDF/W/28<br>April 4, 1985 | Checklist of points, prepared by the Secretariat on its own responsibility, relating to options for action raised and discussed by the Working Party, covering discussions up to 15 March 1985. |
| MDF/W/32<br>April 12, 1985 | Note prepared by the Secretariat at the request of the Working Party, with the help of delegations, identifying some of the principal questions involved in Option C (liberalization under existing frameworks). This note was not intended to be exhaustive nor to engage the responsibility of any delegation. Subjects covered included possible approaches to liberalization under an MFA-type arrangement. |
| MDF/W/28/Rev. 1<br>June 7, 1985 | Checklist of points, prepared by the Secretariat on its own responsibility, relating to options for action raised and discussed by the Working Party. This revision covers discussions up to 25 April 1985. |
| MDF/W/28/Rev. 2<br>July 8, 1985 | Checklist of points, prepared by the Secretariat on its own responsibility, relating to options for action raised and discussed by the Working Party. This revision covers discussions up to 18 June 1985. |
| MDF/W/28/Rev. 3<br>September 30, 1985 | Checklist of points, prepared by the Secretariat on its own responsibility, relating to options for action raised and discussed by the Working Party. This revision covers discussions up to 10 July 1985. |
| L/5892<br>October 25, 1985 | Report of the Working Party on Textiles and Clothing to the Council covering twelve meetings of the Working Group held between June 1984 and October 1985. This report sets out the conclusions of the Working Party. |
| L/6071<br>October 24, 1986 | Report by the Chairman to the Council, concerning the Working Party's activity subsequent to the continuation of its mandate by the Contracting Parties in November 1985. It reports that pursuant to informal consultations with a very large number of delegations it was noted that work in the area of textiles and clothing would be pursued in the context of the Uruguay Round, and that the Contracting Parties might consider it appropriate for the Working Party to terminate its work at the present time. (This was accepted by the Contracting Parties at their 42nd Session in November 1986). |

FOOTNOTES

[1]"In those cases where a Chapter 2 table refers to an Appendix table, the latter will also be updated". There was no need, in the course of preparing this update, to refer to any of the Appendix Tables in the original Study.

[2]William R. Cline, The Future of World Trade in Textiles and Apparel, Institute for International Economics; Washington, DC., 1987; p.95.

[3]This can be explained, in part, by the fact that in these two countries clothing prices have increased much less rapidly than overall prices. The smaller the price increase, the larger is the volume figure obtained when the current value figures are deflated by the price indices. Scattered evidence on increases in producer prices and import prices during the latter part of the 1970s and early 1980s point to larger price increases than are indicated by the clothing component of the United States' consumer price index; if trends in the clothing CPI are too low, that would overstate the estimated "constant price" increase in United States clothing demand in those years (this would, in turn, cause the figures for the developed countries as a group to be overstated).

[4]The exception is the agreement concluded with Argentina (as there was no agreement between the parties under the 1981 Protocol).

[5]See footnote 17 in Chapter 3 of the original Study.

[6]See footnote 18 in Chapter 3 of original Study.

[7]Imports into the United States under tariff item 807, in terms of square yard equivalent were ranked as follows in 1986: Dominican Republic 135.0 million SYE; Mexico 99.3 million SYE; Haiti 87.2 million SYE; Costa Rica 46.8 million SYE; Jamaica 36.5 million SYE; Belize 14.5 million SYE; Honduras 12.9 million SYE; Colombia 11.0 million SYE; Guatemala 6.0 million SYE; Netherlands Antilles 5.1 million SYE; St. Lucia 2.5 million SYE; St. Vincent 1.7 million SYE. Total imports from all sources under tariff item 807 in 1986 amounted to 518.5 million SYE.

[8]In the case of the Republic of Korea, this action was terminated by a finding of "no injury" on December 5, 1983.

[9]In the case of Colombia, the final outcome is under continued investigation, but an undertaking remains in effect.

[10]See paragraph 3.158 - 3.166 of the original Study for a detailed account of Australia's tariff-quota system and its developments until the early 1980s. A recent study by C.F. Bergsten et al. contains a comparative analysis of the quota auction systems of Australia and New Zealand (see C.F. Bergsten et al., Auction Quotas and United States Trade Policy, Institute for International Economics; Washington DC, September 1987, Chapter 7).

[11]This is based on the GATT Tariff Study 1984. Imports of textiles and clothing, which came under the by-law concessional items, were excluded from this calculation.

[12]The other key elements of the new assistance plan include:

a. simplifying the administration of quota expansion;
b. phased introduction of ad valorem tendering by 1 March 1992 when all quotas will be sold by ad valorem tender;
c. rationalising rates of tariff and bounty; and
d. modifications to policy by-laws.

For a detailed account of the new plan, see Industries Assistance Commission, Annual Report 1986-87, pp. 113-121.

[13]For textile fabrics, the 'base' rate will be 40 per cent.

[14]Industries Assistance Commission, op. cit., p. 121.

[15]For a detailed account of the import licensing system of New Zealand in the area of textiles and clothing, see paragraph 3.173 - 3.179 (pp. 116-117) of the original study. See also L/5640/Add.18/Rev.1 (8 October 1987), which provides a more up-to-date, but general, information on import licensing procedures of New Zealand.

[16]Based on the two GATT documents, NTM/W/6/Rev.4 (14 September 1987) and NTM(TG)/W/3, Annex 14 (30 September 1987).

[17]L/5640/Add.18/Rev.1, p.1.

[18]Bergsten et al (1987), op.cit., p.98.

[19]The latest national sources of tariff information available in the GATT Secretariat are listed in document TAR/W/40/Rev.4 (18 March 1987).

[20]Unless otherwise noted, the NTM data used in this section are based on the following two GATT documents: NTM/W/6/Rev.4 (14 September 1987), and NTM(TG)/W/3 (30 September 1987). These two documents reflect the state of notifications to the Secretariat as at 30 June 1987.

[21]See paragraph 3.206 of the original study for an explanation of the decision to report only self-notified policies in this paper.

[22]These problems are briefly discussed in paragraphs 3.203-3.205 of the original study.

[23]An "ex" indicates that the restrictive measure does not apply to all of the trade within the category in question. See C/W/521 (Appendix I) for a more detailed account of this problem and other related issues.

[24]Hong Kong has also notified to the TSB that it "maintains no restrictions except on exports covered by bilateral agreements entered into between Hong Kong and certain importing countries under the provisions of the MFA" (COM.TEX/SB/1315/Add.6, 30 October 1987).

[25]In the case of the Republic of Korea and Sri Lanka, it should be noted, however, that there are a number of reverse-notifications which suggest that they maintain import restrictions on textiles and clothing to a greater magnitude than Table II.10 indicates.

[26]Of the nineteen reporting countries, Tunisia is only one which has notified the use of a (global) quota.

[27]In the case of India, a more recent notification to the TSB indicates that imports of clothing are allowed only for export production (COM.TEX/SB/1315(Add.8).

[28]For some products, Indonesia and Malaysia have used Article XVIII:C, while Thailand has invoked Article XX(h).