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**CHALLENGES AND OPPORTUNITIES ASSOCIATED WITH THE NEW
INTERNATIONAL TRADE AGREEMENTS (URUGUAY ROUND)
FOR ESCWA MEMBER COUNTRIES IN SELECTED SECTORS:
THE TEXTILES AND CLOTHING INDUSTRY**

UN ECONOMIC AND SOCIAL COMMISSION
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ABBREVIATIONS AND EXPLANATORY NOTES

ATC	Agreement on Textiles and Clothing
DSB	Dispute Settlement Body
DSU	Understanding on Rules and Procedures Governing the Settlement of Disputes (also known as the Dispute Settlement Understanding)
EEC	European Economic Community
EU	European Union
FDI	Foreign direct investment
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GNP	Gross national product
GSP	Generalized system of preferences
HS	Harmonized Commodity Description and Coding System
LTA	Long-Term Arrangement Regarding International Trade in Cotton Textiles
MDEs	More diversified economies
MFA	Multifibre Arrangement (Arrangement Regarding International Trade in Textiles)
MFN	Most favoured nation
MVA	Manufacturing value added
NICs	Newly industrializing countries
OECD	Organization for Economic Cooperation and Development
R&D	Research and development
SITC	Standard International Trade Classification
STA	Short-Term Arrangement Regarding International Trade in Cotton Textiles
TMB	Textiles Monitoring Body
TSB	Textiles Surveillance Body
VER	Voluntary export restraint
WTO	World Trade Organization

The following symbols have been used in the tables throughout the report:

Two dots (..) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A hyphen (-) indicates that the item is not applicable.

A slash (/) indicates a crop year, a school year or a financial year, e.g. 1981/82.

References to "dollars" (\$) indicate United States dollars, unless otherwise stated.

INTRODUCTION

One of the major achievements of the Uruguay Round is the Agreement on Textiles and Clothing (ATC). The ATC provides for the gradual dismantling of the discriminatory restrictions applied under the Arrangement Regarding International Trade in Textiles, better known as the Multifibre Arrangement, or MFA, as well as other restrictions over a 10-year period. One of the key World Trade Organization (WTO) agreements, the ATC applies to all WTO members whether MFA signatories or non-MFA signatories, but not to those MFA signatories that are non-members of the WTO.¹ The importance of this Agreement is linked to the prominence of the textiles and clothing industry in production and international trade in developing countries in general and in the ESCWA member countries in particular.

Under the ATC, textile and clothing products must be integrated into GATT 1994 and the WTO regime over a 10-year period. This "breathing-space" will give producers and exporters of such products in the ESCWA region, in particular the less efficient suppliers, an opportunity to improve their competitiveness in the international market—to identify textile and clothing products with respect to which they have a competitive advantage, upgrade these products, increase their level of efficiency, and develop their marketing capabilities. The transition period will also give policy makers in the region time to harmonize national policies and legislation with WTO provisions and to help producers and exporters deal with the challenges presented by the new international trade regime.

There are a number of features of the ATC that are of concern to developing countries, including those in the ESCWA region.

First, the integration process is characterized by "end loading". Under the provisions of the ATC, almost half (49 per cent) of each WTO member country's imports of textiles and clothing, their liberalization of quota restrictions and their integration into the General Agreement on Tariffs and Trade (GATT) 1994 is deferred until the last day of the Agreement's 10-year transition period. This means that market access opportunities for restricted exports are not expected to be significant during the first three phases of the Agreement (1995 to 2004), and that a large part of the secured market for unrestricted exports from developing countries, including the ESCWA member countries, is expected to remain unchanged until the end of 2004.

Second, it is up to each importing country to select those products from each textile and clothing category for which quota restrictions are to be liberalized. The developed countries are expected to choose products that have never been subject to restrictions for integration during the earlier phases and to leave the more important products for the last phase.

Third, there may be political pressure to have the implementation of the last phase (the integration of the last 49 per cent of the products) postponed.

Fourth, new types of trade barriers may be imposed, in particular against major competitive exporters (and perhaps some of the ESCWA region's suppliers), taking the form of anti-dumping actions, environment-related measures or technical barriers, for example. All of this could delay the full implementation of the ATC—to the possible benefit of many suppliers in the ESCWA member countries.

It is widely anticipated that the implementation of the WTO Agreement will bring about increased trade opportunities, and that the new, more effective multilateral disciplines will create a more secure and

¹ As at 30 April 1997, WTO members from the ESCWA region included Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates; Jordan and Saudi Arabia were in the process of acceding. Egypt and Oman were the only ESCWA member countries that were signatories to the MFA as at 31 December 1994.

predictable trading environment. It should be noted, however, most of these agreements have limited their benefits to WTO members alone; therefore, many non-WTO member countries in the ESCWA region will find themselves at a disadvantage in international trade. Policy makers in these countries will be faced with new challenges. Non-WTO members will not benefit from the provisions of the ATC relating to trade liberalization, in particular the integration programme and the phasing out of the MFA and non-MFA quotas for textile and clothing products, nor will they be able to take advantage of other ATC provisions regarding annual quota increases for restricted textile and clothing products during the transition period. In addition, ESCWA member countries that do not belong to the WTO may have new quotas applied to their exports of textiles and clothing, without time-limits and at very low levels. The present study will analyse the challenges and opportunities created by the Agreement on Textiles and Clothing for the ESCWA member countries, as well as the adjustments that must be made by the industry in the countries of the region.

Chapter I presents an analysis of the role of the textile and clothing industry in international trade. It includes a brief evaluation of the special features of international trade in this industry and an analysis of its importance in the world economy in general and in the ESCWA region in particular. Chapter II presents an analysis of the reasons behind the exclusion of textile and clothing products from GATT. Some reference is made to restrictive arrangements existing in ESCWA member countries. The chapter also evaluates the implications of the restrictions imposed by developed countries on imports of textiles and clothing from developing countries prior to the conclusion of the Uruguay Round. Chapter III examines the main articles of the ATC in some detail with the aim of providing a better understanding of the Agreement's most relevant provisions. It also briefly examines the provisions of other WTO agreements that relate to international trade in textiles and clothing. Chapter IV includes a comparative analysis of the WTO schedules of commitments for the integration of textiles and clothing and for the elimination of quotas and reducing tariffs on these products in selected ESCWA member countries and in the developed countries that are major importers of these products. In this chapter, an effort is made to identify (a) those areas (products and product groups) in which concerned ESCWA member countries now or may eventually enjoy market access opportunities and (b) those areas in which they are facing, or may later face, high levels of competition. Chapter V presents a number of conclusions and recommendations.

The study includes four annexes. Annex I presents an analytical review of the main GATT/WTO rules and disciplines that govern the multilateral trading system and will govern international trade in textiles and clothing after the integration of the industry into GATT 1994. The main exceptions to these rules and disciplines allowed under GATT/WTO are also reviewed briefly. Annex II summarizes the main elements of the short-term and the long-term arrangements regarding international trade in cotton textiles. Annex III examines the main elements of the Multifibre Arrangement and its implications for international trade in general and for the ESCWA member countries' trade in particular. Understanding the main provisions of the Agreement on Textiles and Clothing requires some familiarity with the MFA, as the first is in many respects an elaboration of the second. Annex IV contains a number of supplementary tables which provide additional information on particular issues examined in the study.

I. TEXTILES AND CLOTHING IN INTERNATIONAL TRADE

This chapter examines the special features of trade in textiles and clothing at the international and ESCWA regional levels, as well as the trends in international trade in textiles and clothing in developed and developing countries and in the ESCWA region.

A. SPECIAL FEATURES OF INTERNATIONAL TRADE IN TEXTILES AND CLOTHING

The textile and clothing industry contributes significantly to growth and employment in developing countries, and its products can generally be easily exported by these countries. The principles of comparative advantage are directly applicable to trade in such products. However, there are notable differences between textiles and clothing in terms of production. In most respects, textile production tends to be capital intensive and amenable to economies of scale; as a result, developed countries enjoy an advantage in this area. Clothing production, however, continues to be largely labour intensive, since it has been less affected by technological progress.² These factors explain the recent decline in the developing countries' share in world textile exports and the rise in their clothing export share (see table 1). The direction of trade in these two products also tends to be different. While almost all clothing exports are destined for developed countries, only half of the textiles exported go to these countries. It is clear from the above that the industrialized countries are the major markets for exports of clothing originating from developing countries (see table 2). The clothing industry is highly protected in developing countries, and the local demand for ready-made clothes is relatively low. Most of the exports come from a few Asian countries/areas including Hong Kong, the Republic of Korea and Singapore.³

During the last decade, the production structure of the clothing industry has been influenced by various factors, including the increasingly widespread use of computer-aided design and cutting, electronic point-of-sale and just-in-time systems, and the increased competition from low-cost suppliers, especially in South and South-East Asia. Differential production costs, especially labour costs, constitute the chief consideration in this industry, so it is not surprising that the clothing industry in South and South-East Asian countries is shifting away from the newly industrializing countries (NICs), where wage costs are rising, to economies where wages are still relatively low.⁴

B. TRENDS IN INTERNATIONAL TRADE IN TEXTILES AND CLOTHING

World trade in textiles and clothing has been expanding during the past decade, amounting to around \$291 billion in 1994 (see table 2). In relative terms, this represents around 7 per cent of world merchandise trade and more than 9 per cent of world manufacturing trade for that year.⁵ Certain trends are evident from the reported data for the period 1980-1994 with respect to both the significance of the industry in world merchandise trade and its composition. World trade in textiles and clothing grew relatively slowly during

² Chris Byrne, "The industrial and social impact of new technology in the clothing industry into the 2000s" (Manchester, David Rigby Associates, downloaded from the Internet in May 1997).

³ Junichi Goto, "Effects of the Multifibre Arrangement on developing countries: a survey", working paper (Washington, D.C., World Bank, 1988); and Xiaobing Tang, "World trade in textiles and clothing, trade policy and the ESCWA region", unpublished materials (November 1995).

⁴ Ibid.; and Chris Byrne, op. cit.

⁵ United Nations, *International Trade Statistics Yearbook 1995*, vol. II (New York, 1996).

this period, in particular after 1988, a trend that was shared by world merchandise trade.⁶ However, textile and clothing exports grew at a faster rate than both world manufacturing and world merchandise exports. Consequently, their share in world merchandise trade increased, though only marginally (by around 2 per cent) over the reported period. Within the industry itself, the changes were more dramatic: the position of world clothing exports relative to textile exports improved, rising from 41 per cent of the industry's combined exports in 1980 to almost 52 per cent in 1994 (see annex table 1).

TABLE 1. THE COMPOSITION OF WORLD EXPORTS OF TEXTILES AND CLOTHING (1980, 1990 AND 1994)
(Millions of US dollars and percentages)

	Textiles ^{a/}			Clothing ^{b/}			Total		
	1980	1990	1994	1980	1990	1994	1980	1990	1994
World (millions of US dollars)	55 748	110 426	141 233	38 693	108 776	149 794	94 441	219 202	291 027
Developed economies (percentage)	70	59	49	52	41	34	62	50	41
Canada	1	1	1	1	—	1	1	—	1
EEC	46	43	34	40	35	27	44	39	31
Japan	9	5	5	1	1	—	6	3	3
United States	7	4	5	3	2	4	5	3	4
Developing economies (percentage)	28	39	49	44	56	62	34	47	56
Middle East region ^{c/}	2	2	2	1	4	4	2	3	3
ESCWA region	1	1	1	—	1	1	1	1	1
Other Asian countries	21	33	43	38	48	52	28	40	48

Source: ESCWA, based on data obtained from national and international sources.

a/ Textiles and yarn (SITC 65).

b/ Clothing only (SITC 84).

c/ Including Bahrain, Cyprus, Iraq, the Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, Turkey, the United Arab Emirates and Yemen.

The clothing industry has witnessed increasing import penetration in national markets and an emerging global trend in which the production process is divided into pre-assembly and assembly activities. The levels of research and development (R&D) and foreign direct investment (FDI) have not been consistent with the relative importance of the industry in the international economy. This has been attributed chiefly to the strong correlation between foreign investment and preferential market access measures established mainly by the United States of America and the European Union (EU). Intra-firm trade has remained low and has concentrated on projects that qualify for preferential market access. Intraregional trade in textiles and clothing has increased in all major regions of the world, particularly in East Asia, but has remained highest in Europe.⁷

⁶ WTO, "International trade trends and statistics 1995" (Geneva, 1995).

⁷ Xiaobing Tang, op. cit.

1. Trends in developed countries

Developed countries constitute the largest market for textiles and clothing. Table 2 indicates that in 1994 they accounted for about two thirds of world imports of these products. The table also shows that the share of developed countries in world clothing imports was, at 80 per cent, significantly larger than their share in world textile imports, which amounted to 51 per cent (see table 2). Furthermore, there are indications that the developed countries' demand for clothing will continue to grow and will be increasingly met by developing countries. It should also be noted that developed countries are sending a growing proportion of their textiles to developing countries each year for outward processing.

TABLE 2. WORLD IMPORTS OF TEXTILES AND CLOTHING (1980, 1990 AND 1994)
(Millions of US dollars)

	Textiles ^{a/}			Clothing ^{b/}			Total		
	1980	1990	1994	1980	1990	1994	1980	1990	1994
World	55 748	110 426	141 233	38 693	108 776	149 794	94 441	219 202	291 027
Developed economies	35 472	66 380	71 508	30 924	89 574	118 822	66 396	155 954	190 330
Canada	1 135	2 269	2 916	582	2 291	2 490	1 717	4 560	5 406
EEC	23 580	44 633	44 822	18 077	45 778	57 202	41 657	90 411	102 024
Japan	1 684	3 868	4 904	1 409	8 051	14 354	3 093	11 919	19 258
United States	2 458	6 466	9 701	5 884	22 545	32 834	8 342	29 011	42 535
From developing economies	7 054	15 175	21 555	13 035	48 343	72 468	20 089	63 518	94 023
(percentage)	(20)	(23)	(30)	(42)	(54)	(61)	(30)	(41)	(49)
Developing economies	16 734	38 819	62 888	5 261	14 097	25 984	21 995	52 916	88 872
From developing economies	7 176	25 475	46 361	2 997	9 893	18 069	10 173	35 368	64 430
(percentage)	(43)	(66)	(74)	(57)	(70)	(70)	(46)	(67)	(72)
ESCWA members ^{c/}	..	3 212	4 152	..	1 733	1 946	..	4 945	6 098

Source: ESCWA, based on data obtained from national and international sources.

a/ Textiles and yarn (SITC 65).

b/ Clothing only (SITC 84).

c/ Including Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

In 1994, almost 90 per cent of all textile and clothing imports entered the "quad countries", that is, Canada, the European Economic Community (the EEC, now the EU),⁸ Japan and the United States. The United States was the largest single importing country, with imports of almost \$43 billion; other figures were \$102 billion for the EEC countries as a group, more than \$19 billion for Japan (which has been importing textiles and clothing at an increasing rate), and more than \$5 billion for Canada.⁹

⁸ The countries of the EEC/EU are designated as one bloc.

⁹ Estimates are based on data reported in: United Nations, *International Trade Statistics Yearbook 1995*, vol. II (New York, 1996) and earlier issues of the same publication.

It is important to note that over the past three decades, exports of textiles and clothing from developing to developed countries have not been permitted to expand to their full potential. As will be discussed later, the industrialized countries have limited the volume of clothing and textile imports from developing countries by imposing barriers, including relatively high tariffs and quantitative restrictions.

2. Trends in developing countries

Textile and clothing industries are extremely important to the economies of developing countries. As mentioned earlier, these countries collectively dominate the world export market in textile and clothing products. According to a United Nations report on international trade statistics for 1995, developing countries had an average annual growth rate of 12 per cent for exports of these commodities, in comparison with an average of about 2 per cent for developed countries.¹⁰ Between 1990 and 1994, the share of the former increased from 47 to 56 per cent (see table 1), and this proportion is likely to rise even higher if the present international market trends continue.

A closer look at the composition of exports reveals that developing countries enjoy a competitive advantage in clothing. In 1994, 62 per cent of world exports of clothing originated in these countries (see table 1). The countries of Asia alone, excluding Middle Eastern countries, accounted for over one half of the world's clothing exports for that year. In textiles, the developing countries were not as successful, but they remained significant contributors with strong potential for growth. In 1994, around 49 per cent of world textile exports originated from developing countries (see table 1).

At the country level, China is the world's largest exporter of textiles and clothing, with exports valued at \$35.7 billion in 1994.¹¹ China, Hong Kong, the Republic of Korea and Taiwan Province of China have traditionally been the four largest exporters. Hong Kong's exports amounted to \$34 billion in 1994, and those of the Republic of Korea \$16.4 billion. India has focused increasing attention on this area and was able to export around \$7.5 billion worth of textiles and clothing in 1994, followed by Indonesia and Pakistan, with \$5.8 billion and \$5.6 billion respectively. The shares of other countries in Asia, including Thailand, the Philippines and Bangladesh, are also increasing.¹² Outside Asia, Mexico and Turkey are among the world's fast-growing exporters of these products.

It is important to keep in mind that the developing countries, and specifically the Asian countries, have been able to achieve and maintain a strong position in the textile and clothing export market in spite of the quantitative restrictions and high tariffs that have been imposed on them by developed countries.

C. TRENDS IN INTERNATIONAL TRADE IN TEXTILES AND CLOTHING IN THE ESCWA MEMBER COUNTRIES

The contribution of the ESCWA member countries to world textile and clothing exports has been insignificant, averaging only 1 per cent in 1994. However, these exports have been growing steadily; an average annual growth rate of almost 15 per cent was achieved during the period 1985-1994 (see table 3). The region's position in this industry is insignificant at the global level, with total exports amounting to only \$2 billion in 1994; however, its exports of textiles and clothing represent an important share of the region's

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

manufacturing exports (around 17 per cent¹³ in 1994) (see table 4). Egypt, followed by the Syrian Arab Republic and the United Arab Emirates, are the major contributors to this industry. In most other ESCWA member countries, textiles and clothing constitute a small portion of exports. This is especially true of the oil-exporting Gulf Cooperation Council (GCC) countries and Jordan.

TABLE 3. ANNUAL GROWTH OF TEXTILE AND CLOTHING EXPORTS IN THE ESCWA MEMBER COUNTRIES AND AREAS (1985-1990, 1990-1994 AND 1985-1994)
(Percentages)

	Textiles ^{a/}			Clothing ^{b/}			Total		
	1985-1990	1990-1994	1985-1994	1985-1990	1990-1994	1985-1994	1985-1990	1990-1994	1985-1994
More diversified economies	23.5	-8.3	8.2	38.3	9.1	24.5	27.1	-1.9	13.3
Egypt	13.8	2.8	8.8	46.8	12.4	30.4	17.5	5.0	11.8
Iraq	..	..	..	..	..	..	..	..	..
Jordan	2.1	5.0	3.4	-18.1	16.7	-4.1	-6.2	8.5	0.1
Lebanon	..	-17.4	..	..	31.2	..	..	26.4	..
Syrian Arab Republic	47.7	-28.1	7.3	46.2	5.1	26.2	47.2	-11.2	17.6
West Bank and Gaza Strip	..	..	..	..	..	..	..	..	..
Yemen	..	401.8	..	..	16.2	..	..	103.6	..
Gulf Cooperation Council countries	42.9	-10.7	16.0	49.0	-2.6	23.3	47.7	-4.0	22.0
Bahrain	..	..	..	148.1	-47.5	24.4	148.1	-16.5	52.9
Kuwait	..	-16.6	..	..	-19.9	..	..	-18.4	..
Oman	..	-18.0	..	39.3	35.3	37.5	47.7	27.2	38.2
Qatar	..	-21.6	..	..	72.3	..	..	72.1	..
Saudi Arabia	26.6	7.4	17.7	-5.3	-31.5	-18.0	8.2	-1.9	3.6
United Arab Emirates	36.6	-40.2	-5.4	63.3	-12.0	24.1	59.2	-13.7	21.3
Total for ESCWA region	24.4	-8.5	8.5	42.0	4.9	24.1	30.0	-2.4	14.5

Source: ESCWA, based on data obtained from national and international sources.

a/ Textiles and yarn (SITC 65).

b/ Clothing only (SITC 84).

1. The textile and clothing industry

The textile and clothing industry contributes substantially to manufacturing activity in the ESCWA region, particularly in the more diversified economies (MDEs). The industry constitutes an important source of employment in several of the member countries; in 1994, it employed one quarter of the total manufacturing labour force in the MDEs and the same proportion in the GCC countries (see table 5). The relative importance of the industry in the MDEs is greater in some respects. For example, in 1994, textile and clothing exports from the MDEs accounted for more than 42 per cent of the subregion's total manufacturing exports, a sizeable share compared with the GCC subregion's 4 per cent for the same year (see table 4). The industry also produced around 19 per cent of total MDE manufacturing output in 1994, compared with 5 per cent for the GCC countries (see table 5).

¹³ Excluding Iraq.

TABLE 4. THE CONTRIBUTION OF TEXTILE AND CLOTHING EXPORTS TO MANUFACTURING AND TOTAL EXPORTS (1985, 1990 AND 1994)
(Percentages and millions of US dollars)

	Total exports ^{a/} (millions of US dollars)			Manufacturing exports (SITC 5, 6, 7, 8) (millions of US dollars)			Contribution of textile and clothing exports to manufacturing exports (percentage)			Contribution of textile and clothing exports to total exports ^{a/} (percentage)		
	1985	1990	1994	1985	1990	1994 ^{b/}	1985	1990	1994 ^{b/}	1985	1990	1994
More diversified economies	6 400	8 922	9 112	1 129	3 542	3 616	44.1	46.7	42.3	7.8	18.5	16.8
Egypt	3 714	2 582	3 475	522	1 319	1 531	59.8	53.0	55.5	8.4	27.1	24.5
Iraq	10 409	10 401	480	..	..	..	..	..	..	..	..	..
Jordan	649	922	1 136	408	595	854	14.2	7.1	6.8	8.9	4.6	5.1
Lebanon	400	496	572	..	121	513	..	21.9	13.2	..	5.4	11.8
Syrian Arab Republic	1 638	4 212	3 555	199	1 503	706	64.4	58.9	78.1	7.8	21.0	15.5
West Bank and Gaza Strip	—	—	—	..	..	..	..	..	..	..	..	..
Yemen	—	710	374	..	4	12	..	3.2	8.8	..	—	0.3
Gulf Cooperation Council countries	62 038	88 609	85 555	2 994	8 723	8 615	2.0	4.8	4.1	0.1	0.5	0.4
Bahrain	2 782	3 761	3 454	336	779	1 139	—	0.4	0.1	—	0.1	—
Kuwait	10 476	8 149	11 614	..	443	658	..	10.1	3.0	..	0.6	0.2
Oman	4 972	5 215	5 418	238	327	957	1.8	9.0	8.0	0.1	0.6	1.4
Qatar	3 541	3 529	3 405	—	659	572	..	1.0	10.0	..	0.2	1.7
Saudi Arabia	27 480	44 416	42 614	1 305	3 713	4 071	2.0	1.1	0.9	0.1	0.1	0.1
United Arab Emirates	12 788	23 539	19 050	1 115	2 802	1 218	2.6	10.6	18.6	0.2	1.3	0.9
Total for ESCWA region	68 438	97 531	94 667	4 123	12 265	12 230	14	17	15	1	2	2

Source: ESCWA, based on data obtained from national and international sources.

a/ Excluding Iraq.

b/ 1993 for the United Arab Emirates.

TABLE 5. THE RELATIVE IMPORTANCE OF THE TEXTILE, CLOTHING AND LEATHER* SECTOR
IN THE ESCWA MEMBER COUNTRIES AND AREAS (1985 AND 1994)
(Percentages)

	Contribution of textiles and clothing to manufacturing production		The share of individual ESCWA members in total textile and clothing production		The textile and clothing industry's contribution to manufacturing employment		The share of individual ESCWA members in total textile and clothing sector employment	
	1985	1994 ^b	1985	1994 ^b	1985	1994 ^b	1985	1994 ^b
More diversified economies	15	19	96	96	29	25	98	94
Egypt	17	19	39	18	31	27	75	61
Iraq	12	18	23	50	22	17	12	6
Jordan	4	5	2	1	10	13	1	3
Lebanon	..	15	..	3	..	21	..	6
Syrian Arab Republic	18	26	32	24	34	28	9	14
West Bank and Gaza Strip	..	..	..	..	..	33	..	4
Yemen	..	2	..	—	..	12	..	1
Gulf Cooperation Council countries	1	5	4	4	7	25	2	6
Bahrain	—	5	—	—	—	25	—	2
Kuwait	2	4	3	1	14	22	2	3
Oman	..	7	..	—	..	20	..	—
Qatar	2	6	—	—	12	35	—	2
Saudi Arabia	..	..	..	..	..	..	..	..
United Arab Emirates	1	5	—	2	2	..	—	..
ESCWA region	11	17	100	100	27	25	100	100

Source: ESCWA, *Statistical Abstract of the ESCWA Region*, No. 16 (E/ESCWA/STAT/1996/15).

* Separate information on textiles and clothing was not available, thus data include leather and leather products.
a/ 1993 for Iraq, Kuwait and the United Arab Emirates; 1992 for Bahrain; 1991 for Egypt.
b/ 1993 for Iraq, the Syrian Arab Republic and the United Arab Emirates; 1992 for Bahrain; 1991 for Egypt.

In the MDEs, the traditional producers of textiles and clothing in the region, the industry is well established, and its performance has been generally stable since 1985, indicating that it has matured. In 1994, the MDEs accounted for nearly 94 per cent of the ESCWA region's total employment in this industry, produced 96 per cent of the regional textile and clothing output (see table 5), and were responsible for 81 per cent of the region's exports of these products (see table 6).

The textile and clothing industry was virtually non-existent in the GCC countries before the mid-1980s, but by 1990 it had grown substantially; its contribution to manufacturing employment in the subregion rose from 7 per cent in 1985 to 25 per cent in 1994.¹⁴

The development of the textile and clothing industry in the GCC countries in the late 1980s came about as a result of efforts by Asian quota-hopping exporters to circumvent the quantitative MFA restrictions imposed on their respective countries. This was supported by an industrial policy adopted in the GCC countries aimed at promoting industrialization and diversification in the manufacturing industry, with particular emphasis on the development of small- and medium-scale industries. These developments have allowed the industry (especially the clothing industry) to expand dramatically, particularly in the United Arab

¹⁴ Estimates are based on data reported in the *Statistical Abstract of the ESCWA Region*, No. 16 (E/ESCWA/STAT/1996/15).

Emirates and, to a lesser extent, Oman. These countries lack both raw materials and labour resources, so both factors of production have had to be imported. As a consequence, the contribution of the industry to domestic employment has not been great; most of the GCC countries rely on expatriate labour, mainly women from neighbouring Asian countries such as India, Pakistan and Sri Lanka.

TABLE 6. THE REGIONAL STRUCTURE OF TEXTILE AND CLOTHING EXPORTS (1985, 1990 AND 1994)
(Percentages and millions of US dollars)

	Textiles ^{a/}			Clothing ^{b/}			Total		
	1985	1990	1994	1985	1990	1994 ^{c/}	1985	1990	1994 ^{c/}
More diversified economies (percentage)	96.7	93.4	94.0	68.5	59.9	70.2	89.3	79.7	81.1
Egypt	70.7	45.2	72.0	14.4	17.0	22.5	55.9	33.7	45.1
Iraq	..	..	..	..	..	..	..	..	..
Jordan	6.8	2.5	4.4	20.3	1.3	2.0	10.4	2.0	3.1
Lebanon	..	0.4	0.2	..	2.6	6.4	..	1.3	3.6
Syrian Arab Republic	19.1	45.3	17.3	33.7	39.0	39.3	23.0	42.7	29.2
West Bank and Gaza Strip	..	..	..	..	..	..	..	..	..
Yemen	..	—	0.1	..	—	—	..	—	0.1
Gulf Cooperation Council countries (percentage)	3.3	6.6	6.0	31.5	40.1	29.8	10.7	20.3	18.9
Bahrain	..	..	0.2	—	0.4	—	—	0.2	0.1
Kuwait	..	1.7	1.2	..	2.9	1.0	..	2.2	1.1
Oman	..	0.6	0.4	2.8	2.6	7.2	0.7	1.4	4.1
Qatar	..	—	—	..	0.8	5.6	..	0.3	3.0
Saudi Arabia	1.9	2.0	3.9	12.8	1.7	0.3	4.7	1.9	1.9
United Arab Emirates	1.4	2.3	0.4	15.8	31.7	15.8	5.2	14.3	8.8
Total for ESCWA region = 100% (millions of US dollars)	412	1 226	860	147	848	1 025	558	2 073	1 885

Source: ESCWA, based on data obtained from national and international sources.

a/ Textiles and yarn (SITC 65).

b/ Clothing only (SITC 84).

c/ 1993 for Yemen.

The textile and clothing industry in the GCC countries has stabilized. The number of new entrants into the industry tends to be limited. The MDEs could learn a lot from the experiences of the GCC countries. By implementing assembly-line production systems, countries such as the United Arab Emirates have been able to increase labour productivity and thus offset the higher wages of imported labour. Further, the GCC subregion has provided an enabling business climate characterized by greater access to financing, unrestricted raw material imports, competitive shipping rates, and a supportive infrastructure.

At the country level, the relative importance of the textile and clothing industry in terms of production is greatest in the Syrian Arab Republic, where it accounted for more than one quarter of the country's manufacturing output in 1994, followed by Egypt (19 per cent in 1991), Iraq (18 per cent in 1994), Lebanon (15 per cent in 1994) and Jordan (5 per cent in 1994) (see table 5).

The industry is also an important employer in the MDEs, contributing 28 per cent to manufacturing employment in the Syrian Arab Republic in 1994, 27 per cent in Egypt in 1991, and 21 per cent in Lebanon in 1994 (see table 5). However, the greatest reliance on the textile and clothing industry for employment has been in the area governed by the Palestinian Authority, where the industry accounted for 33 per cent of manufacturing jobs in 1994 (see table 5). It is important to note that these jobs were created by the Israeli textile and clothing industry, which has long subcontracted production to the West Bank and Gaza Strip in order to take advantage of cheaper Palestinian labour. Only recently has it become possible for the Palestinians in these areas to establish direct contact with the outside world as an initial step in creating an independent Palestinian textile and clothing industry.

2. Trends in international trade in textiles and clothing

This section examines the production methods of the main exporters of textile and clothing products in the region, areas of specialization within the industry, competitive advantages and disadvantages associated with the region's exports within the global market context, and future prospects for exports of these products.

(a) Regional trends

Several countries in the region, in particular Egypt, Lebanon and the Syrian Arab Republic, depend heavily on textile and clothing exports. In 1994, the share of textile and clothing exports in total exports averaged around 25 per cent in Egypt, 16 per cent in the Syrian Arab Republic, and 12 per cent in Lebanon (see table 4). That same year, the major exporters of textiles and clothing in the region were Egypt, the Syrian Arab Republic and the United Arab Emirates. It should be pointed out, however, that the total for all textile and clothing exports from the ESCWA region is less than the corresponding figure for any one of the East Asian exporters.

It may be useful to highlight a few regional trends. The ESCWA member countries' exports expanded steadily during the period 1985-1994, growing at an average rate of more than 14 per cent per year (see table 3). The regional focus has shifted to clothing; its share in textile and clothing exports increased from 26 per cent in 1985 to more than 54 per cent in 1994 (see table 7). The MDEs have been largely responsible for this shift: the GCC countries have concentrated heavily (and consistently) on clothing, whose share rose from 77 to 86 per cent over the period 1985-1994; in the MDEs, however, even in countries considered traditional suppliers of yarn and textile fabrics (namely Egypt and the Syrian Arab Republic), there has been a dramatic change, with the share of clothing rising from 20 to 47 per cent during this period. There are strong indications that this trend is likely to continue. The GCC countries reached their export peak in textiles and clothing in 1990, when this group accounted for around 40 per cent of the ESCWA region's total exports of clothing and close to 7 per cent of its textile exports (see table 6).

In spite of the dramatic expansion in textile and clothing exports in the GCC countries after the mid-1980s, most of the region's exports of these products have continued to originate in the MDEs (80 per cent in 1994; see table 6). As implied above, the export mix in the MDEs has become more balanced, while the GCC countries have continued to increase their already heavy reliance on clothing (see table 7).

Oman, Qatar and the United Arab Emirates are the largest clothing exporters among the GCC countries. The United Arab Emirates alone contributed around 16 per cent to the ESCWA region's total

clothing exports in 1994 (see table 6), and clothing accounted for around 98 per cent of the country's textile-clothing export mix (see table 7). Saudi Arabia and Bahrain concentrated more on textile exports, while Kuwait had the only equitable distribution of textile and clothing exports in 1994 (see table 7). All of this notwithstanding, the textile and clothing industry does not contribute significantly to total exports in these oil-producing economies.

TABLE 7. THE COMPOSITION OF TEXTILE AND CLOTHING EXPORTS IN THE ESCWA MEMBER COUNTRIES AND AREAS (1985, 1990 AND 1994)

(Percentages and millions of US dollars)

	Textiles ^{a/} (percentage)			Clothing ^{b/} (percentage)			Total (millions of US dollars)		
	1985	1990	1994 ^{c/}	1985	1990	1994 ^{c/}	1985	1990	1994 ^{c/}
More diversified economies	79.9	69.3	52.9	20.1	30.7	47.1	498	1 653	1 528
Egypt	93.2	79.3	72.9	6.8	20.7	27.1	312	699	850
Iraq	..	..	..	..	..	..	..	..	..
Jordan	48.6	74.0	65.1	51.4	26.0	34.9	58	42	58
Lebanon	..	16.6	3.0	..	83.4	97.0	..	27	68
Syrian Arab Republic	61.4	62.7	27.0	38.6	37.3	73.0	128	885	551
West Bank and Gaza Strip	..	..	..	..	..	..	..	..	..
Yemen	..	5.5	82.4	..	94.5	17.6	..	—	1
Gulf Cooperation Council countries	22.7	19.2	14.4	77.3	80.8	85.6	60	421	357
Bahrain	..	..	84.4	..	..	15.6	—	4	2
Kuwait	..	45.7	49.7	..	54.3	50.3	..	45	20
Oman	..	25.4	4.4	..	74.6	95.6	4	29	77
Qatar	..	0.4	—	..	99.6	100	..	7	57
Saudi Arabia	28.9	63.5	91.3	71.1	36.5	8.7	26	39	36
United Arab Emirates	20.3	9.4	2.2	79.7	90.6	97.8	29	297	165
Total for ESCWA region	73.7	59.1	45.6	26.3	40.9	54.4	558	2 073	1 885

Source: ESCWA, based on data obtained from national and international sources.

^{a/} Textiles and yarn (SITC 65).

^{b/} Clothing only (SITC 84).

^{c/} 1993 for Yemen.

ESCWA member countries play a larger role in world imports than in world exports of textiles and clothing. In 1994, these countries imported more than \$6 billion worth of such commodities, which represented more than 2 per cent of world trade in textiles and clothing (see table 2 and annex table 2). The region's textile imports have been more important than clothing imports, however, accounting for almost 3 per cent of world textile imports in 1994. This is partially attributable to the fact that larger quantities of textiles have been needed for the expansion of clothing production and exports in the region.

The ESCWA region suffers from a deficit in its balance of trade in textiles and clothing; this deficit amounted to more than \$4 billion in 1994. While this and other factors would seem to make intraregional trade possibilities worth pursuing, very little has been done in this respect. The ESCWA member countries have stronger ties with the developed world than with the countries in their own region, a situation which is reflected in the individual countries' trading statistics. Egypt, for example, exported only around 10 per cent of its textiles and clothing to other ESCWA member countries in 1995; it could have supplied the textiles needed for clothing production to a number of countries in the region.

The textile and clothing industry accounts for a significant portion of manufacturing exports in many ESCWA member countries. These countries differ in their areas of specialization, so the establishment of vertical intraregional linkages within the industry could create comparative advantages for the countries concerned. For example, Lebanon could increase its competitiveness by subcontracting some of its work to cheaper Syrian labour, while continuing to rely on its own high-quality designs. In addition, funds and assembly production techniques could be transferred from GCC countries to Egypt's outdated textile manufacturing companies. The countries in the region should explore opportunities for maximizing their potential and improving their competitiveness in the international market.

(b) *Trends in selected major exporting countries*

Egypt and the Syrian Arab Republic accounted for almost three quarters of textile and clothing exports from the ESCWA region in 1994 (see table 6). Both countries have a long history of textile and clothing production, a solid raw material base, and relatively cheap labour, all of which have allowed them to develop a strong textile and clothing industry; however, they have been unable to secure a competitive position at the global level, as is evidenced by their modest export performance in the last few years. Egypt and the Syrian Arab Republic failed to capitalize on their industry's export growth of the 1980s. Their share of the ESCWA region's textile and clothing export market has fluctuated; Egypt's share actually fell between 1985 and 1994, while that of the Syrian Arab Republic increased only slightly during the same period.

(i) *Egypt*

Egypt, the industry's largest exporter in the region, dominates textile exports; in 1994, Egypt alone exported 72 per cent of the region's textiles (see table 6). The textile component accounts for 73 per cent of the country's textile-clothing export mix (see table 7). Textile exports grew rapidly during the period 1985-1990, averaging almost 14 per cent per year; however, between 1990 and 1994 growth declined to less than 3 per cent annually (see table 3), mainly owing to the global recession in textiles and the country's internal production constraints. Textile production in Egypt is based largely on the country's cotton crop, and government monopolization and price disincentives, as well as reduced cotton production, led to a decline in the annual growth rate for textile production. During the same period, domestic consumption and the demand for clothing increased, and there was little left to export. In addition, the modernization strategy for textiles during the 1980s was unbalanced; the spinning industry was left with over-capacity, and there was no corresponding modernization of the textile mills. Presently, this industry is undergoing radical changes as a direct result of the Government's overall economic reform and privatization programmes.

The outlook is more positive for Egypt's clothing industry. Its share in the textile-clothing export mix increased steadily from 7 per cent in 1985 to 27 per cent in 1994 (see table 7). During this period, the industry expanded at an annual rate of more than 12 per cent (see table 3), which is more than four times the corresponding growth rate for textiles. It should be noted, however, that this growth was only about one fourth of that achieved during the period 1985-1990 (see table 3). The driving force behind this growth has been the expansion of private sector involvement in the less regulated clothing industry. Through garment franchising, in particular, private firms have reversed some of the chronic problems the industry has faced.

With the stricter quality control requirements of the franchisers and better management, companies began to produce high-grade outputs suitable for export. These achievements contributed to increasing Egypt's share in the ESCWA region's clothing exports from around 14 per cent in 1985 to almost 23 per cent in 1994 (see table 6). While clothing manufacturing has become a profitable industry in the private sector, as indicated by its continuous expansion, public enterprises still dominate this field.

Egypt's clothing industry relies mainly on local raw materials (cotton) and on an industry that supplies the necessary cotton yarns and fabrics. Egypt is also endowed with a large pool of cheap labour possessing traditional skills in clothing manufacture. Although no employment statistics are available, Hanaa Kheir-El-Din and Hoda El-Sayed report that close to 500,000 workers¹⁵ are directly or indirectly employed in this industry. According to the authors, the average hourly wage in Egypt is relatively low, at around \$0.50, compared with \$0.83 in India, \$3.67 in Taiwan Province of China, and \$7.92 in the United States. Companies manufacturing internationally known brands are producing ready-made clothing in Egypt using the local industry.

The same source shows that the production environment in Egypt's public textile and clothing industry has turned the country's most valued natural competitive advantage into a manufacturing disadvantage. With poor supervision and mismanagement, Egypt's skilled labour force operates at low productivity, cancelling the benefits of its low cost. The elimination of market forces within the textile and clothing industry through monopolistic government control has reversed the advantages of having a vertically integrated industry. The supply of insufficient quantities of poor quality inputs at non-competitive prices has been one factor responsible for the losses in public clothes manufacturing, as such manufacturers are generally unable to meet the quality and price requirements of the export market. Private sector garment manufacturers have avoided this problem by importing their fabric inputs, thus bypassing the disadvantages associated with local industrial links.¹⁶

The problems facing the Egyptian clothing industry are highlighted further when its performance is compared with that of the GCC countries in recent years. Within a relatively short period of time, and without any locally based raw materials or labour, the GCC countries were able to increase their contribution to the ESCWA region's total clothing exports from around 32 per cent in 1985 to 40 per cent in 1990, while Egypt's share rose only slightly, from 14.4 to 17 per cent, over the same period (see table 6).

(ii) *The Syrian Arab Republic*

The Syrian Arab Republic is the largest exporter of clothing in the ESCWA region; it accounted for 39 per cent of the regional total in 1994 (see table 6). Clothing fared significantly better than textiles in terms of export performance; however, both industries shared the same constraints and were unable to realize their full export potential. Although the public sector still dominates textile and clothing manufacturing, the private sector share has been increasing in the clothing industry. Nevertheless, the low ratio of export to output in both the public and private sectors, averaging 9 and 14 per cent respectively, supports the assertion

¹⁵ Hanna Kheir-El-Din and Hoda El-Sayed, "Potential impact of a free trade agreement with the EU on Egyptian textile industry" (n.p., n.d.).

¹⁶ For information on the subject, see Hanna Kheir-El-Din and Hoda El-Sayed, "Potential impact of a free trade agreement with the EU on Egyptian textile industry" (n.p., n.d.); and the Economist Intelligence Unit, *Egypt Industrial Review* (London, EIU/UNIDO, 1994).

that this industry has still not achieved its full export potential.¹⁷ Poor quality and a relatively narrow selection of products are some of the problems faced by this industry.

The most notable difference between Egypt and the Syrian Arab Republic is the latter's specialization in clothing; in 1994, clothing accounted for 73 per cent of the Syrian export mix (see table 7). Between 1985 and 1994, clothing exports grew at variable rates ranging from 5 to 46 per cent, averaging 26 per cent over the decade; however, high annual textile export growth of 48 per cent between 1985 and 1990 was followed by a sharp 28 per cent annual decline during the rest of the decade, resulting in an overall growth rate of only 7 per cent for the period under review (see table 3). The overall result has been a drastic decline in the relative importance of textile exports, from a leading 63 per cent of total Syrian exports of textiles and clothing in 1990 to 27 per cent in 1994 (see table 7).

There are a number of reasons for this dramatic decline. As was the case with Egypt, the 1991 world textile recession and the loss of Eastern European markets are probably the most significant factors. Internal production problems linked to the poor management and control of the public sector have also played a significant role in this decline. Unbalanced modernization schemes focused on the weaving industry and left the outdated spinning industry unchanged; low-quality yarn inputs have thus been used to make low-quality fabric outputs that have, in turn, affected the quality of goods in the garment industry. As a consequence, the Syrian Arab Republic's competitive advantage in having a vertically integrated textile and clothing industry has turned into a disadvantage, as in Egypt. Poor maintenance and a low rate of utilization of installed capacity, excess employment, and low productivity are among the numerous problems that have affected performance and competitiveness. The Syrian Arab Republic exported more than half of its raw cotton rather than taking advantage of the opportunity to process it and produce higher value added goods.¹⁸

As mentioned above, the loss of certain markets also affected textile exports. The country once exported most of its production to the Soviet Union and Eastern Europe and to a number of Arab countries. After the dismantling of the Soviet Union, however, the Syrian Arab Republic found it difficult to locate suitable export markets. In recent years, the country has managed to increase its clothing exports to developed countries.

(iii) *Jordan and Lebanon*

Jordan and Lebanon are relatively small exporters of textiles and clothing in the ESCWA region; their respective contributions to the regional total were 3 and 4 per cent in 1994. While the two countries share similarities, including the lack of a raw material base, there are some interesting differences between them.

Lebanon's textile and clothing industry relies almost entirely on clothing; textile exports are virtually non-existent. It is interesting to note that although Lebanon's clothing industry is the second largest manufacturing industry, representing around 12 per cent of the country's total exports (see table 4), it suffers from significant disadvantages. The high annual growth rate of 31 per cent in clothing exports recorded during the period 1990-1994 (see table 3) was achieved through the utilization of installed capacity which had been largely unused during the war in Lebanon. Lebanese clothing exports were also severely hit by the

¹⁷ Shawkat Mourad, "The garment and textile sector of the Syrian Arab Republic: changes in the light of international developments including the Middle East peace process", a paper presented at the Expert Group Meeting on the Impact of the Peace Process on Selected Sectors, organized by ESCWA, Friedrich Ebert Stiftung (FES) and the Economic Research Forum for the Arab Countries, Iran & Turkey (ERF) and held in Amman from 23 to 25 June 1997.

¹⁸ Syrian Arab Republic, General Organization for the Textile Industry, unpublished information (September 1994).

Gulf crisis. The Lebanese clothing industry has high labour costs relative to other countries in the region, along with minimal tariff protection which presently stands at no more than 20 per cent, compared with 50 per cent in Jordan, 70 per cent in Egypt, and 29-102 per cent in the Syrian Arab Republic (see chapter IV). It also experiences the same production problems as other MDEs. Lebanon's textile and clothing industry still has a competitive advantage in design and quality, but its future prospects are unclear at this point.

The textile and clothing industry in Jordan is relatively new in comparison with that in other countries in the region. The contribution of the textile and clothing industry to its manufacturing exports is half that of Lebanon (see table 4). With its cheaper labour, the capital-intensive textile industry has been the main focus; this industry represented 65 per cent of the country's export mix of textiles and clothing in 1994 (see table 7). Overall, the industry remains an insignificant source of exports, representing only 5 per cent of the country's total exports in 1994 (see table 4).

In both Jordan and Lebanon the industry experienced a gradual decline in its contribution to manufacturing exports over the period 1985-1994.

II. THE IMPLICATIONS OF RESTRICTIVE ARRANGEMENTS FOR INTERNATIONAL TRADE IN TEXTILES AND CLOTHING

In this chapter, the exclusion of textile and clothing products from earlier GATT provisions is addressed. Some reference is made to restrictive arrangements existing in the ESCWA member countries. The chapter ends with a brief analysis of the implications of the restrictive arrangements that have been imposed for international trade in textile and clothing products.

A. THE EXCLUSION OF TEXTILE AND CLOTHING PRODUCTS FROM GATT PROVISIONS

Since 1974, a large part of international trade in textiles and clothing has been regulated by quantitative restrictions through the MFA. The MFA, an exception to GATT rules, constituted a system through which developed countries could impose quantitative restrictions on imports of textiles and clothing from more competitive developing countries. In principle, the MFA was an arrangement that was aimed at reconciling the interests of importing developed countries with those of exporting developing countries;¹⁹ the main objective was to provide a means of increasing and liberalizing trade in textiles and clothing without disrupting the market. In 1994, during the Uruguay Round, the participating countries agreed to terminate the status of the textile and clothing industry as an exceptional case by integrating it gradually into GATT 1994.

1. *Special treatment granted to the textile and clothing industry in developed countries*

For many decades, textile and clothing industries in the developed countries were granted special treatment, as these countries believed that the trade-related problems faced by these industries were unique. The textile and clothing industries were relatively large employers, their workforce had special characteristics, and the local industries had strong protectionist lobbies. Various trade restrictions were imposed on imports of the products, and by the time the Second World War began the textile and clothing industry was one of the most highly protected industries in the developed countries.²⁰ In 1936, the first known voluntary export restraint (VER) applied to textiles was imposed on Japanese textile exports to the United States.²¹ Until recently, trade in textiles and clothing remained exempt from GATT rules, immune to the various multilateral arrangements that were made for trade liberalization under that institution's auspices.

2. *The key role played by textiles and clothing in the industrialization process*

The textile and clothing industry played a key role in the early stages of the industrialization process in most countries, including Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States. Countries in the initial stages of industrial development usually have a low level of physical capital and a relative abundance of low-skilled workers; their comparative advantage lies in industries such as textiles and clothing which rely heavily on the latter. Over the years, with the implementation of appropriate economic policies, effectively run textile and clothing firms have been able to expand and eventually become

¹⁹ GATT, *GATT: What It Is, What It Does* (Geneva, 1992), p. 11.

²⁰ William R. Cline, *The Future of World Trade in Textiles and Apparel*, revised edition (Washington, D.C., Institute for International Economics, 1990).

²¹ Junichi Goto, *op. cit.*, p. 1.

competitive as low-cost suppliers in the international market. Typically, as countries progress in the industrialization process and move up the development ladder, real wages rise, and they face competition from new low-cost suppliers. This was the case in Japan in the early 1960s, and a number of developing countries have followed the same pattern since the 1970s.²²

3. *The introduction of restrictive arrangements in developed countries*

Early in the 1960s, Japan and certain developing countries gained a comparative advantage in textile and clothing products and began to penetrate the global cotton textile market. At that time, the world's consumption of textiles and clothing was expanding relatively slowly, and the industry found it difficult to accommodate new entrants. Strong pressure was placed on decision makers to come up with new ways of controlling "low-wage imports" entering developed countries. The concept of "market disruption" was introduced into GATT discussions; it was argued that imports from low-cost suppliers were considered likely to hurt the domestic industries of developed countries and should therefore be subject to restrictions.²³

Developed countries negotiated special arrangements with developing countries that exempted the former from GATT obligations. Under these conditions, the developed countries' post-war trade policies for textiles and clothing continued to be restrictive, going against the general trend of trade liberalization pursued under GATT. This resulted in the conclusion of successive quantitative restriction arrangements effected on a discriminatory basis. Over the years, these arrangements diverged from the original objectives and became progressively more restrictive and discriminatory, with continued increases in country and product coverage. The departure from the initial aims was largely attributable to actions taken by the strong protectionist lobbies emerging in the EEC countries and the United States.²⁴ The arrangements started with constraints on trade in cotton textiles, eventually extending their coverage to include almost all types of fibres. Until recently, textiles and clothing were the only products exempted from GATT rules and given a regime of their own.²⁵

Prior to the Uruguay Round of multilateral trade negotiations, developing countries were unable to secure any important commitments to liberalize the industry. With each of the previous rounds of negotiations, increased trade liberalization was introduced for export products of great importance to the industrialized countries, while trade in textiles and clothing became progressively more restricted. The restrictions were eventually placed within more comprehensive frameworks known as the Short-Term Arrangement Regarding International Trade in Cotton Textiles (STA) in 1961 and the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA) in 1962, culminating in the MFA between 1974 and 1994; there were a multitude of other unilateral restrictions and discretionary bilateral arrangements as well. Annexes II and III examine the main provisions of the most far-reaching of these arrangements.

²² GATT, "Textiles and clothing in the world economy", a background study prepared by the GATT secretariat to assist the contracting parties in complying with the Decision on Textiles and Clothing taken at the November 1982 Ministerial meeting (Geneva, July 1984), p. 4.

²³ William R. Cline, *op. cit.*

²⁴ UNCTAD, *Trade and Development Report, 1994* (New York and Geneva, 1994).

²⁵ GATT, "Textiles and clothing in the world economy" ..., p. 5.

4. *GATT principles and international trade*

The MFA and non-MFA restrictions that were imposed on international trade in textiles and clothing were obvious deviations from the principles of GATT. The new trade regime established with the conclusion of the Uruguay Round, however, required that all GATT/WTO principles be applied to all sectors in international trade, including textiles and clothing. Annex I briefly examines the main principles and provisions of this regime.

The Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement) and GATT embody certain principles applicable to all aspects of the multilateral trading system.²⁶ These principles have been instituted with the objective of promoting liberalization in international trade on the basis of fair competition. In the initial stages, action was taken to protect tariff concessions agreed upon earlier between member countries. At the time when GATT was established, tariffs were very high and constituted the principal means through which countries protected their domestic markets from imports. The GATT negotiations were essentially discussions on tariff concessions, with the contracting parties agreeing to bind their tariffs at existing levels and to honour them. In order to protect these concessions, some rules and disciplines were established to regulate operations, and the member countries were required to respect them. From the 1960s until the entry into force of the WTO Agreement, these principles were not applied to trade in textiles and clothing; such trade was regulated by the MFA, a separate arrangement concluded under the auspices of GATT.

5. *Restrictive arrangements affecting the ESCWA member countries*

The ESCWA member countries have faced restrictions on textile and clothing imports in American, Canadian and EU markets. However, the number of products subject to restriction has been very limited; in particular, a wide range of textile products can enter these markets quota-free, which opens up a number of export possibilities for the ESCWA region.

Canada, the EU and the United States, all MFA members, have notified their restrictions to the WTO Textiles Monitoring Body (TMB).²⁷ Norway is an MFA signatory as well, but it does not maintain quotas applicable to any products exported by the countries in the ESCWA region. (A detailed analysis of the restrictions imposed on the ESCWA member countries is provided in chapter IV.)

B. THE IMPLICATIONS OF RESTRICTIVE ARRANGEMENTS FOR INTERNATIONAL TRADE IN TEXTILES AND CLOTHING

In order to understand the provisions of the ATC and its implications for international trade in textiles and clothing in the ESCWA member countries, it is necessary to study the conditions under which restrictive arrangements were established prior to the conclusion of the Uruguay Round. Of particular importance are the main elements of the MFA and their implications, since the ATC is in many respects an extension of the MFA, which will continue to influence international trade in textiles and clothing over the current transition period of 10 years. The MFA restrictions contained in the WTO members' bilateral agreements will continue to prevail until the targeted products are integrated into GATT 1994. The transitional safeguard provisions

²⁶ WTO, *Trading into the Future: World Trade Organization* (Geneva, 1995).

²⁷ These restrictions are mentioned in article 2.1 of the Agreement on Textiles and Clothing (ATC), the MFA restrictions in articles 4, 7 or 8 of the MFA, and the restrictions other than non-MFA restrictions imposed by importing countries in article 3.1 of the ATC.

of the ATC are similar, in terms of criteria and procedures, to those of the MFA. In addition, the monitoring system established under the ATC applies the same standards as those adopted by the Textiles Surveillance Body (TSB) under the MFA.²⁸ Annex III reviews the main provisions of the MFA, providing the background information necessary to understand the ATC.

In the course of its implementation, the MFA became increasingly restrictive, a fact reflected in the successive extension protocols of 1978, 1982, 1986 and 1991. In these extensions, additional restrictive devices were incorporated, relating to, for example, reasonable departure, basket exit procedures, cumulative market disruption, call mechanisms, and surge protection. All of this contributed to the establishment of a protective regime of unrivaled longevity and scope.²⁹

The MFA was not always implemented in accordance with its provisions, and attempts to improve discipline in its implementation failed. Many of the problems were directly related to the unfavourable economic climate which prevailed in the developed countries, in particular the United States and the countries of the EU, well into the 1980s; within this context, the developed countries were unwilling to loosen their restrictions on textile and clothing imports. Most of the restrictions imposed under the MFA were not in accordance with the Arrangement's stated objectives.³⁰ Further, when a particular situation was clearly causing market disruption, as defined in the MFA text, that situation was often interpreted subjectively. In addition, new problems emerged with regard to the Arrangement's workability in terms of the requirements that had to be met to claim market disruption.³¹ It must be pointed out that the incorporation of the concept of market disruption in the MFA led to the institutionalization of practices which were diametrically opposed to the principles and rules of GATT and which caused an imbalance in the rights and obligations of the different countries concerned.³² The MFA provisions on minimum levels (relating to elements such as growth rates of quotas and base years) were often ignored or not totally adhered to in applying individual quota restrictions. Further, restrictions were in many instances applied to the products of exempted countries.

The MFA affected the textile and clothing exports of developing countries to varying degrees and in different ways. A number of countries, including some ESCWA members, were able to enter certain export markets as a result of the restrictions placed on major traditional exporting countries, in particular the NICs. For China, the effects were minimal; it would have prospered in this industry with or without the MFA. The dismantling of the MFA may pave the way for traditional exporters and efficient newcomers to capture a greater share of the export market—at the expense of the less efficient exporters, among which may be a number of suppliers in the ESCWA region.

There are several quantitative studies on the losses incurred by developed and developing countries as a result of the MFA. In a recent study, Yongzheng Yang shows that the global welfare cost of the MFA

²⁸ UNCTAD, *The Outcome of the Uruguay Round: An Initial Assessment; Supporting Papers to the Trade and Development Report, 1994* (New York, 1994), p. 128.

²⁹ William R. Cline, op. cit.

³⁰ Gary Sampson and Wendy Takacs, "Returning textiles trade to the normal workings of GATT: a practical proposal for reform", in Carl B. Hamilton (ed.), *The Uruguay Round: Textiles Trade and the Developing Countries; Eliminating the Multi-Fibre Arrangement in the 1990s* (Washington, D.C., World Bank, 1990), p. 292.

³¹ GATT, "Textiles and clothing in the world economy"..., p. 76; and Junichi Goto, op. cit.

³² Xiaobing Tang, op. cit.

amounted to \$7.3 billion per year in the mid-1980s.³³ He argues that most of this cost was borne by the established developing countries/areas such as Hong Kong, the Republic of Korea and Taiwan Province of China, all large exporters to the major MFA developed markets. Emerging suppliers from developing countries also incurred significant losses because of the depressed market. The extent to which developing countries were harmed by the MFA remains a controversial issue.

A study by Vincent Cable³⁴ concludes that many developing countries benefited from the MFA, since these countries were often able to secure markets in restricted importing countries with higher prices, and quotas were frequently not binding. However, several other studies assert that almost all developing countries suffered significant losses as a result of the MFA.³⁵ Irene Trela and John Whalley recently estimated that the losses incurred by developing countries from the MFA amounted to around \$3 billion per year, taking into account the gains achieved through quota rents.³⁶ The losses appeared to be more substantial in the clothing industry, amounting to around \$2 billion annually. In most of the quantitative studies reviewed it is assumed that developing countries will benefit greatly from the removal of MFA restrictions; it is also suggested that textile and clothing exports could increase by several hundred per cent.³⁷

Some analysts contend that the abolition of the MFA could generate a global gain of around \$7.3 billion, which represents around 8 per cent of world textile and clothing exports and over 1 per cent of world production. Most of the gain—around \$6.9 billion—would be generated by the clothing industry; this figure represents 14 per cent of world clothing exports and 4 per cent of world clothing production. MFA exporters would also benefit from the removal of the Arrangement, gaining around \$3.8 billion (see table 8), with the NICs gaining the most (79 per cent), followed by China (11 per cent) and the other MFA exporters (9 per cent).

The main effects of the MFA on developing countries are summarized below.

1. The MFA affected trade patterns in the short run. Importing countries generally imposed quotas to limit competition and protect their domestic markets. In so doing, they decreased the imports from competitive exporting countries, and the share of imports from less competitive exporters was allowed to increase.³⁸ Over the long term, the MFA has caused the diversion of trade from the more restricted countries to the less restricted countries. It has also offered some of the less competitive exporting countries, including some ESCWA members, an opportunity to enter export markets which, under normal circumstances, would have been closed to them. Egypt, for example, was able to secure a market for its

³³ Using a world clothing and textiles model and estimates of tariff equivalents (see Yongzheng Yang, "The impact of MFA phasing out on world clothing and textiles markets", *Journal of Development Studies*, vol. 30, No. 4 [London, July 1994], pp. 902-903).

³⁴ Vincent Cable, "Adjusting to textile and clothing quotas: a summary of some Commonwealth countries' experiences as a pointer to the future", in Carl B. Hamilton (ed.), *The Uruguay Round: Textiles Trade and the Developing Countries; Eliminating the Multi-Fibre Arrangement in the 1990s* (Washington, D.C., World Bank, 1990).

³⁵ Irene Trela and John Whalley, "Unraveling the threads of the MFA", in Carl B. Hamilton (ed.), *The Uruguay Round: Textiles Trade and the Developing Countries; Eliminating the Multi-Fibre Arrangement in the 1990s* (Washington, D.C., World Bank, 1990); Junichi Goto, op. cit.; and others.

³⁶ Irene Trela and John Whalley, op. cit.

³⁷ Ibid.

³⁸ Junichi Goto, op. cit., p. 23; and Gary Sampson and Wendy Takacs, op. cit.

textile and clothing products in the American and European Union markets; this would have been difficult, if not impossible, had it not been for the MFA and non-MFA restrictions imposed on others, and had the exporters in Egypt been forced to compete with the major Asian exporters. The same situation prevailed in other ESCWA member countries with similar market shares, including Lebanon and the Syrian Arab Republic.

TABLE 8. ESTIMATED WELFARE EFFECTS OF THE ABOLITION OF THE MFA ON MFA EXPORTERS, 1986
(Billions of US dollars)

	NICs ^{a/}	China	Other MFA exporters	Total
<i>Clothing</i>				
Producers	4.86	1.14	1.17	7.17
Restricted	4.23	0.57	0.75	5.55
Unrestricted	0.63	0.57	0.42	1.62
Quota rents	-1.38	-0.27	-0.48	-2.13
Consumers	-0.50	-0.47	-0.38	-1.38
Net gain	2.97	0.41	0.31	3.66
<i>Textiles</i>				
Producers	0.27	0.22	0.20	0.69
Restricted	0.14	0.07	0.09	0.30
Unrestricted	0.13	0.15	0.11	0.39
Quota rents	-0.08	-0.04	-0.06	-0.18
Consumers	-0.11	-0.15	-0.11	-0.37
Net gain	0.08	0.03	0.04	0.15

Source: Yongzheng Yang, "The impact of MFA phasing out on world clothing and textiles markets", *Journal of Development Studies*, vol. 30, No. 4 (London, July 1994), table 6, p. 905.

Notes: Product and consumer surpluses are used to calculate welfare changes. Totals may not add precisely because of rounding.

a/ Newly industrializing countries.

2. The quantitative MFA restrictions encouraged diversion in the lines of production. In many instances, exporters shifted to less efficient lines of production so that equipment and labour would not remain idle. In other instances, diversion was directed towards more sophisticated products with higher value added or improved quality;³⁹ many of the targeted exporters realized that since MFA restrictions were placed on quantity rather than on value, they could increase their returns if they moved into exports with the highest possible value per physical unit.⁴⁰

Overall, the MFA had a disruptive effect on production lines in the affected exporting countries, especially in cases where importing countries imposed "group limits" which tended to encompass a number of products that were causing no market disruption and posed no real threat to the domestic market.⁴¹ At the same time, the MFA and its restrictions constituted an incentive for exporters to move from textile fabrics to clothing products which had a higher added value for the same physical quantity. With the dismantling

³⁹ Marcelo Raffaelli and Tripti Jenkins, *The Drafting History of the Agreement on Textiles and Clothing* (Geneva, International Textiles and Clothing Bureau, November 1995), p. 265.

⁴⁰ William R. Cline, *op. cit.*

⁴¹ Marcelo Raffaelli and Tripti Jenkins, *op. cit.*, p. 266.

of the MFA, new investment opportunities are likely to open up which will allow exporters from the ESCWA member countries to increase textile exports and reduce the competitive pressure on the clothing industry; as the focus shifts, suppliers are expected to have greater opportunities to expand their lines of textile production.

3. The existence of quota restrictions tended to discourage investment both in the textile and clothing products under restraint and in the countries producing and exporting such goods. When exporting countries succeeded in expanding their exports of unrestricted textile and clothing products, the importing countries were inclined to increase the coverage of their restrictions to include those products;⁴² in effect, the MFA was used to prevent exporting countries from becoming "too successful".⁴³ This strategy was applied even to the less competitive or poorer countries that began to achieve some gains in textile and clothing exports; for example, quota restrictions were placed on Egypt's competitive exports of yarns and textile fabrics. All of this served to discourage new suppliers from becoming major exporters. Foreign investors were reluctant to invest in areas which produced textile and clothing exports subject to trade restrictions, as the growth prospects did not appear promising, so FDI gradually shifted from restricted to unrestricted countries.⁴⁴ This trend affected domestic production in restricted countries/areas such as Hong Kong and the Republic of Korea (and earlier Japan). In order to meet local market demand and produce enough to satisfy the (restricted) foreign markets, many of the suppliers in these countries were forced to establish subsidiaries or joint ventures overseas.

It was concluded in the Trela and Whalley study that new MFA signatories tended to be relatively less efficient suppliers that were the most recent recipients of FDI.⁴⁵ In this sense, the MFA contributed to economic development in the unrestricted and less restricted developing countries (including some ESCWA member countries), which were typically poorer than the restricted developing countries. It follows from the above that, with the dismantling of the MFA, trade in textiles and clothing will tend to gravitate back towards the major exporting countries and areas such as Hong Kong, the Republic of Korea and Taiwan Province of China⁴⁶ at the expense of the less efficient exporting countries (the latter group may include some ESCWA members).

4. Some analysts argue that, over the long run, the MFA helped maintain the established trade configuration by inhibiting any dynamic shifts in textile and clothing trade patterns that might have taken place on the basis of comparative advantage and/or responses to changes in cost factors.⁴⁷ This view is partly based on the assumption that the MFA did not allow competitive exporters that had no export entitlement to join any kind of trading arrangement.⁴⁸ This argument leads to the controversial conclusion that the MFA was responsible for restricting development in poorer and smaller developing countries: if the

⁴² Ibid.

⁴³ Junichi Goto, *op. cit.*, p. 24.

⁴⁴ Irene Trela and John Whalley, *op. cit.*, p. 23.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Junichi Goto, *op. cit.*, p. 33.

⁴⁸ Gary Sampson and Wendy Takacs, *op. cit.*, p. 294.

quota system did not exist, these countries would have had the opportunity to follow the same path to industrialization as that taken by the NICs and to replace them as major clothing exporters.⁴⁹ It would then follow that the elimination of the MFA could help these countries to accelerate their industrialization process. The weakness of this argument is linked to the fact that some of the developing countries, in particular the NICs, were able to achieve exceptional economic growth even under the MFA quota system. It should be mentioned as well that the leading growth industries in some developing countries were industries other than textiles and clothing; examples include rubber, palm oil and timber in Malaysia, petrochemicals in the GCC countries, and agriculture in Argentina.⁵⁰ In the final analysis, the extent to which the dismantling of the MFA contributes to economic growth in the region will depend partly on whether or not the above argument can be proved correct.

⁴⁹ Irene Trela and John Whalley, *op. cit.*, p. 31; and Junichi Goto, *op. cit.*, p. 33.

⁵⁰ In other words, in a number of successful cases, industrialization did not have to start with the acceleration of production and trade in the textile and clothing sector (see Irene Trela and John Whalley, *op. cit.*, p. 34).

III. THE AGREEMENT ON TEXTILES AND CLOTHING AND ITS IMPLICATIONS FOR THE ESCWA REGION

This chapter examines the provisions of the main articles of the ATC in some detail and assesses their implications for the ESCWA member countries. The terms of the Agreement are quite complicated, and the aim here is to simplify and clarify the most relevant aspects of the ATC so that they may be more easily understood. This is particularly critical in the light of the fact that no Arabic translation of the Agreement is presently available. The chapter also examines various provisions of the WTO agreements on safeguards, anti-dumping and countervailing measures, all of which have a bearing on trade in textiles and clothing.

A. AN EXAMINATION OF THE MAIN ARTICLES OF THE AGREEMENT ON TEXTILES AND CLOTHING RELEVANT TO THE ESCWA MEMBER COUNTRIES

The ATC is contained in annex 1A to the WTO Agreement and constitutes one of the multilateral agreements on trade in goods.⁵¹ The ATC, which replaces the MFA, is a transitional arrangement that permits member countries to continue to impose new quantitative restrictions (quotas) on textile and clothing imports during the transition period. The MFA expired when the ATC entered into force. The ATC incorporates many features of the MFA in order to facilitate the transition process; at the same time, it firmly establishes a new system which conforms with GATT principles and requirements and which is aimed at the eventual elimination of trade restrictions and the liberalization of trade.

More specifically, the Agreement provides for the gradual elimination of the discriminatory restrictions on trade in textiles and clothing contained in the bilateral agreements concluded under the MFA, as well as other restrictions, over a period of 10 years (1 January 1995 to 31 December 1994). There will be no extension of the ATC (article 9); as of 1 January 2005, international trade in textiles and clothing will be governed by the rules, disciplines and principles of GATT and the WTO.

Unlike the MFA, the ATC forms an integral part of the overall trade regime. The WTO constitutes a single undertaking, so all of the WTO multilateral trade agreements apply to every member; MFA membership was optional and was open to both contracting and non-contracting parties to GATT. Consequently, at the regional level, the provisions and various procedures and mechanisms of the ATC apply to all ESCWA member countries that have joined the WTO, whether they were signatories to the MFA or not, but do not apply to those countries in the region that are not members of the WTO, even if they were MFA signatories (Oman is an example).

The ATC specifies a number of rights and obligations. The WTO members of the ESCWA region can exercise their rights and take advantage of new opportunities, but they must also fulfil their obligations within the context of this Agreement; it is important for each country to have a clear idea of what is required in this regard.

The provisions of the ATC do not apply to non-GATT members. Countries that were not GATT contracting parties upon the entry into force of the WTO cannot benefit from the provisions of the ATC, even if their textile and clothing exports to developed markets were restricted under the MFA; most ESCWA member countries fall within this category (see chapter IV). Even if such countries join the WTO, some of the ATC provisions will not automatically apply to them, as a number of elements are subject to negotiation. All negotiations take place during the accession process; ESCWA member countries such as Jordan and Saudi

⁵¹ GATT, *The Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations* (Geneva, 15 April 1994), p. 35.

Arabia will have to familiarize themselves with the concerns of WTO members and must be prepared to face some resistance in their efforts to obtain their rights and benefits. Of primary concern to the member countries is whether the acceding country is intending to apply transitional safeguards (see article 6 of the ATC). WTO members may attempt to secure concessions from the acceding country in areas relating to tariff levels, the import regime, intellectual property rights, subsidies and countervailing measures.

1. The scope of the Agreement (article 1)

The ATC applies to all of the textile and clothing products listed in its annex. Most of these products fall under chapters 50 to 63 of the Harmonized Commodity Description and Coding System (HS) nomenclature; a small number of items in the ATC annex fall under chapters 30 to 49 and 64 to 96 of the HS code. Developed countries succeeded in widening the scope of products covered under the ATC in order to make it easier for them to meet their obligations in the implementation of the integration programme. Consequently, the annex includes many HS lines that have never been restricted in any country.⁵² This is important in the light of the fact that the transitional safeguard mechanism may be used for any item on the list unless it has already been integrated into GATT 1994.⁵³

2. Particular interests of groups of suppliers (article 1)

In the implementation of the Agreement, special consideration is given to the interests of specific groups of suppliers, including small suppliers (a category under which all ESCWA member countries fall), least developed countries, and members that are cotton producers and exporters. This provision was taken from article 6 of the MFA, which provided for special treatment for particular groups of suppliers. The status of these groups under the WTO regime is further elaborated in articles 2 and 6 of the ATC. Earlier, the MFA acknowledged the concerns of cotton-producing countries that had been obliged to go into textile and clothing manufacturing because they produced cotton. Within the MFA/ATC context, the term cotton-producing countries refers only to cotton-producing countries that are also exporters of textiles and clothing. In the ESCWA region, Egypt may be the only country to benefit from this provision; the Syrian Arab Republic is another possibility, but only if it becomes a WTO member.

3. Autonomous industrial adjustment

The ATC emphasizes that members should facilitate the integration process by allowing "for continuous autonomous industrial adjustment" (article 1:5); this recommendation is directed at developed countries, with the objective of increasing market access for developing countries.

4. The integration and liberalization programme: the elimination of MFA restrictions (article 2)

Article 2 constitutes the core of the ATC, as it contains the modality to be used to replace the MFA and non-MFA quota system with a liberalized system of trade based on the principles of GATT and the WTO. WTO members are given plenty of time to adjust to the elimination of MFA and non-MFA

⁵² Sanjoy Bagchi, "The integration of the textile trade into GATT", reproduced from the *Journal of World Trade* (n.p., n.d.).

⁵³ Textile and clothing products that shall not be subject to the safeguard provisions of article VI of the ATC include the following: (a) developing country members' exports of cottage industry fabrics and products and folklore handicraft textile and clothing products; (b) historically traded textile products which were traded internationally in commercial quantities prior to 1982; and (c) pure silk products (see paragraph 3 of the ATC annex).

quantitative restrictions (including quotas), as the complete removal of these restrictions will be carried out in four stages over a period of 10 years through a process of integration and liberalization.

Integration is required from two groups of countries: the first group comprises countries that maintained quotas under the MFA, namely Canada, the members of the EU, Norway and the United States; the second group of countries includes all WTO members that did not maintain quotas under the MFA but have chosen to use transitional safeguard measures, as outlined in article 6 of the ATC.⁵⁴

WTO members who notified their intention to the TMB not to retain the right to use the provisions of article 6 were deemed to have integrated all their textile and clothing products into GATT 1994 upon their accession (article 6:1). These countries had no need for the integration programme (article 2:9), so their trade in such products is now governed by the provisions of other instruments of the WTO, mainly the Agreement on Safeguards, rather than the ATC.

The integration programme contains two elements: the integration of products (the removal of quotas) and the liberalization of restrictions (growth in the levels of the remaining quotas).

(a) *The integration programme*

As previously mentioned, the integration programme requires the removal of existing quotas in four stages over a period of 10 years (articles 2:6 and 2:8). There are specific proportions of textile and clothing imports that have to be integrated during the first three stages. The calculations for these proportions are expressed in percentages of the total volume of imports of the products in 1990 (article 2:6). During each stage, products from each of the four groups of tops and yarns, fabrics, made-up textile products and clothing should be integrated (article 2:7) (see box 1).

Box 1. The four stages of the integration of textile and clothing products into GATT 1994

Stage one: 1 January 1995 to 31 December 1997. Each WTO member must integrate no less than 16 per cent of the total volume of its 1990 imports of those textile and clothing products listed in the annex to the ATC (article 2:6).

Stage two: 1 January 1998 to 31 December 2001. Each member must integrate no less than 17 per cent of such imports (article 2:8(a)).

Stage three: 1 January 2002 to 31 December 2004. Each member must integrate no less than 18 per cent of such imports (article 2:8(b)).

Stage four: 1 January 2005. On the final day of the transition period, each member shall integrate the balance (49 per cent) of its imports. On this day, the textile and clothing industry shall stand integrated into GATT 1994, all restrictions under this Agreement having been eliminated (article 2:8(c)).

Source: WTO, Agreement on Textiles and Clothing.

The selection of products for integration (article 2:6). No limitations are placed on the selection of products to be integrated, though the programme at each stage should incorporate tops and yarns, fabrics,

⁵⁴ Mohamed Maamoun Abdel-Fattah and Sanjoy Bagchi, unpublished information.

made-up textile products and clothing. All of the four product groups must be represented, though the proportion of each and the actual product mix will be determined by the member on the basis of considerations related to its domestic production, national economy and trade situation.

The consequences of integration (article 6:1). The products that are integrated at each stage of the programme will no longer be governed by rules of the ATC. Instead, they will be subject to the provisions of article XIX of GATT as interpreted by the Agreement on Safeguards. The integration of the textile and clothing industry into GATT does not mean that trade barriers will disappear; it means that GATT principles will be applied to trade in textiles and clothing in the same way they are applied to trade in other goods.

The base year (1990). Acceding countries must possess data on the volume of their textile and clothing imports for 1990, arranged according to the HS lines listed in the annex to the ATC. A more recent year could perhaps be negotiated during the accession process, as 1990 might no longer be regarded as a good representative year in some cases. The same applies to those countries that join the Organization during the second or third stage of the integration programme.⁵⁵

The Harmonized Commodity Description and Coding System. All WTO members must follow this system of product classification. Many countries that applied the HS code relatively late experienced some problems with reclassification. To avoid such difficulties, the ESCWA member countries should start preparing their base year data according to HS designations. Those countries that fail to apply the Harmonized System will have to calculate the integration percentages for each stage by converting their customs nomenclature to the HS nomenclature, which has proved to be a complicated process.⁵⁶

ESCWA member countries acceding to the WTO Agreement after it enters into force will be required to implement all concessions and obligations contained in the multilateral trade agreements as if they had accepted the Agreement on the date it came into effect (see the WTO Agreement, article XIV:2).

(b) *The liberalization of restrictions: "growth over growth"*

Definition. During the first three stages of the integration programme, the quotas imposed on imports of textiles and clothing (those products that will remain under restriction until a later stage) must be increased by an additional percentage over and above the annual rate of growth established under the MFA bilateral agreements (see box 2). This "growth over growth" discipline is applied to every outstanding restriction imposed during the year before the ATC entered into force, whether maintained under article 4 of the MFA (that is, between members of the MFA) or articles 7 and 8 of the MFA (MFA-type restrictions imposed on non-MFA members). In calculating the increase in quota levels, the base levels are considered to be those that existed on 31 December 1994. Box 3 illustrates the differences in the MFA and ATC growth rates.

The essence of the liberalization process. Quotas increasing steadily by such sizeable percentages will become so large that importing countries will likely find little reason to maintain them. Once these quotas are eliminated, the products can be easily integrated into GATT 1994.⁵⁷

⁵⁵ Sanjoy Bagchi, unpublished information.

⁵⁶ Mohamed Maamoun Abdel-Fattah and Sanjoy Bagchi, unpublished information.

⁵⁷ Hector A. Millan (WTO), unpublished information.

Box 2. Quota growth rates applied during the first three stages of the integration process (article 2 of the ATC)

Stage one: 1 January 1995 to 31 December 1997. The level of each quota (restriction) "shall be increased annually by not less than the growth rate established [under the MFA] .. increased by 16 per cent". This means that the annual growth rates for those quotas fixed under the MFA and in force on 31 December 1994 should be increased by 16 per cent to establish the new annual growth rates applicable during the period 1995-1997 (article 2:13).

Stage two: 1 January 1998 to 31 December 2001. The annual growth rate for each remaining quota shall be the newly established growth rate for stage one increased by 25 per cent (article 2:14(a)).

Stage three: 1 January 2002 to 31 December 2004. The annual growth rate for each remaining quota shall be the newly established growth rate for the second stage increased by 27 per cent (article 2:14(b)).

Source: WTO, Agreement on Textiles and Clothing.

Box 3. An example of "growth over growth"

A quota increased by 6 per cent annually under the MFA will rise by the following percentages under the ATC programme:

(a) During the first stage, the quota is increased by 16 per cent, so the total annual growth rate will be as follows: $6.00 + (6.00 \times 16/100 = 0.96) = 6.96$ per cent;

(b) During the second stage, the quota is increased by 25 per cent, so the total annual growth rate will be as follows: $6.96 + (6.96 \times 25/100 = 1.74) = 8.70$ per cent;

(c) During the third stage, the quota is increased by 27 per cent, so the total annual growth rate will be as follows: $8.70 + (8.70 \times 27/100 = 2.35) = 11.05$ per cent.

To illustrate the impact of the liberalization process, between 1 January 1995 and 31 December 2004 a quota of 100 units with a 6 per cent annual growth rate will rise to 234 units.

Source: WTO, Agreement on Textiles and Clothing.

The application of the MFA growth rates. Countries imposing MFA quotas did not apply the normal 6 per cent annual growth rate to every quota level or to all suppliers. The quotas of large suppliers were typically raised by only 1 per cent and those of medium suppliers by only 2 to 3 per cent per year. For these suppliers, the impact of growth over growth will not be as significant. For example, with a 1 per cent annual growth rate and the extra elements of growth allowed under the ATC, a quota level of 100 units will rise only slightly, to 116 units, by the end of the 10-year period (see table 9), and the same initial quota raised by 3 per cent annually (plus the extra growth elements) will be increased to 154 units.

Special categories of countries. Special consideration is given to small suppliers to allow them increased market access for their products (article 2:18). Their quota growth rates shall be increased by 25, 27 and 27 per cent respectively during the first three stages of integration instead of 16, 25 and 27 per cent

(see table 9). Under this regime, a quota of 100 units with an established annual growth rate of 6 per cent under the MFA will rise to 252 units instead of 234 units by the end of the 10-year transition period.

Small suppliers, as defined in article 2 of the ATC, are those members whose restricted exports (as of 31 December 1991) represented 1.2 per cent or less of the total volume of the corresponding restricted imports of the importing members, namely Canada, the EU, Norway and the United States. All of the ESCWA member countries except Egypt belong in this category; however, Egypt succeeded in having this provision applied to its textile and clothing exports, even though it did not meet the requirements for special treatment.⁵⁸

(c) *Flexibility provisions (article 2:16): duplicated from the MFA*

Provisions on the flexibility of maintaining quotas (swing, carryover and carry forward) agreed upon under the MFA bilateral agreements for the 12-month period prior to the entry into force of the WTO Agreement remain the same. However, the ATC, unlike the MFA, stipulates that no quantitative limits shall be placed or maintained on the combined use of swing, carryover and carry forward.

(d) *Notification requirements*

For the implementation of the integration and liberalization programme, strict disciplines have been imposed on WTO members, including notification requirements. Each notification is made to the TMB based on certain rights and obligations the member in question may have. These notifications are verified by counter-notifications from any other member(s) which may find that its/their interests are jeopardized by possible incorrect notifications, and by the decisions of the TMB, the body responsible for supervising the implementation of the Agreement.

For the ESCWA member countries, the notification exercise is important only if (a) they are members of the WTO (such as Egypt), (b) they retain the right to use transitional safeguards, and (c) they maintain quantitative restrictions on textiles and clothing. More details about the notification requirements under this article and other articles of the ATC are provided later in this chapter.

5. *Transitional safeguards (article 6)*

With article 6, the ATC continues to allow the application of new MFA-type quantitative restrictions on imports of textiles and clothing during the transition period under what is known as the "transitional safeguards" regime. Member countries can use the special safeguards to protect their import markets from being flooded with cheap products that could cause serious damage or which constitute an actual threat to the domestic industry producing similar and/or directly competitive products. Egypt has already notified the TMB of its intention to retain the right to invoke this article during the transition period. Acceding countries such as Jordan and Saudi Arabia can also retain this right if they wish, provided they notify their intention to do so to the TMB upon their accession.

As mentioned previously, all countries (including ESCWA members) acceding to the WTO Agreement after it enters into force will have to fulfil their obligations and submit concessions as if they had been members from the day the WTO was established (WTO Agreement, article XIV:2).

⁵⁸ Mohamed Maamoun Abdel-Fattah, unpublished information.

TABLE 9. INCREASES IN GROWTH RATES PROVIDED FOR IN THE AGREEMENT ON TEXTILES AND CLOTHING
(Percentages)

Stage of integration	Year	Growth factor (percentage) ^{a/}	Increase envisaged in the Agreement			
			Original growth rate of 1 per cent	New quota (base quota = 100 units) ^{b/}	Original growth rate of 6 per cent	New quota (base quota = 100 units) ^{b/}
A. In accordance with paragraphs 13 and 14 of article 2						
I	1		1.16	101.16		
	2	16	1.16	102.33	6.96	107.00
	3		1.16	103.52	6.96	114.45
II	4		1.45	105.02	8.70	122.41
	5	25	1.45	106.54	8.70	133.00
	6		1.45	108.09	8.70	144.57
	7		1.45	109.66	8.70	157.15
	8		1.84	111.67	11.05	170.82
III	9	27	1.84	113.73	11.05	189.70
	10		1.84	115.82	11.05	210.66
						233.94
B. In accordance with paragraph 18 of article 2 (for small suppliers)						
I	1		1.25	101.25	7.50	107.50
	2	25	1.25	102.52	7.50	115.56
	3		1.25	103.80	7.50	124.23
II	4		1.59	105.45	9.53	136.07
	5	27	1.59	107.13	9.53	149.04
	6		1.59	108.83	9.53	163.24
	7		1.59	110.56	9.53	178.80
	8		2.02	112.79	12.10	200.43
III	9	27	2.02	115.07	12.10	224.68
	10		2.02	117.39	12.10	251.87

Source: UNCTAD, "A preliminary analysis of opportunities and challenges resulting from the Uruguay Round Agreement on Textiles and Clothing", *Selected Proceedings: Expert Group Meeting on Industrial Strategies and Policies [and] Managerial and Entrepreneurial Skills under Conditions of Global and Regional Change, Bahrain, 20-23 November 1995* (E/ESCWA/ID/1996/2), p. 189.

^{a/} Applied to the rate recorded in the bilateral agreements under the MFA.

^{b/} Obtained by applying the additional increase (growth factor) provided for in the Agreement on Textiles and Clothing to the original bilateral growth rate (see the first column of the table).

If a country imposing quantitative restrictions on imports of textiles and clothing is acceding to the WTO Agreement and wishes to protect its domestic industry, it has the right to do so under either the WTO Agreement on Safeguards or article 6 of the ATC relating to transitional safeguards. If the country wishes to impose quotas on its imports without targeting any particular foreign country, it may use the WTO Agreement on Safeguards; however, if it wants to reduce imports from one or a number of specified countries, then it can apply the provisions of article 6 of the ATC, provided that the country retained this right upon its accession.

Countries also have certain obligations. If a country accedes to the WTO Agreement during the second stage of the integration programme and retains the right to apply the safeguard provisions of article 6, it will have to implement the first stage as well as the second stage of the integration programme for the product(s) in question. In other words, it has to integrate 16 per cent of the total volume of its imports of the product(s) (stage one) plus another 17 per cent (stage two). If it joins the Organization during the third stage, it will have to integrate 51 per cent of its imports before the end of that stage.

The transitional safeguards regime comprises two important components: the scope for the application of safeguards and the procedures and disciplines governing consultation, the determination of serious damage, the determination of restriction levels, the duration of the safeguard action, special treatment for specific categories of countries, notification, and TMB review. The last two items will be elaborated later in the chapter under relevant sections on notification and the TMB.

(a) *Scope (article 6:1)*

In principle, all WTO members have the right to apply transitional safeguard measures, provided they retained this right at the beginning of 1995 (for WTO members) or plan to retain it during the accession process (for countries acceding later than 1 January 1995). These measures can be applied to all products listed in the annex to the ATC, except those that have been integrated into GATT 1994 under the integration programme and those that are already under restriction (quotas). The ATC transitional safeguards are applied to one or more specific products of a particular member, that is, on a discriminatory country-by-country basis.⁵⁹ If a member not maintaining any MFA restrictions (see article 2), decides to use transitional safeguard measures, it must make appropriate arrangements based on normal commercial practices in export and import transactions, taking care to avoid over-categorization (article 6:16).

To reiterate the most important points, ESCWA member countries that are acceding to the WTO Agreement and wish to retain the right to use article 6 of the ATC on transitional safeguards can do so, but they will have to notify their intention to the TMB; if they choose this option, they are required to apply article 2 of the ATC and submit a programme for the integration of their imports of textiles and clothing over the 10-year transition period. Since most of the ESCWA members planning to join the WTO will have acceded to the Agreement after 1 January 1995, they must be made aware of the fact that they will have to apply the integration programme as if they had been members from the day the WTO was established.

⁵⁹ Products already integrated into GATT 1994 are governed by GATT article XIX as interpreted by the Agreement on Safeguards, and such safeguards are applied to products without discrimination.

(b) *Disciplines*

(i) *Determination of serious damage*

Transitional safeguard measures can only be used in cases where imports are "being imported into a territory in such increased quantities as to cause serious damage, or [the] actual threat thereof, to the domestic industry" of the importing country (article 6:2). Unlike the MFA, the ATC does not allow the application of preventive action to avoid "real risks" or serious damage; the existence of serious damage to the domestic industry has to be proven. The member seeking consultation must show that there has been a sharp and substantial rise in imports of like or competitive products. It also has to identify the member causing the serious damage (article 6:4). The process required for the application of the transitional safeguard provisions is illustrated in the figure below.

The ESCWA region's WTO members may be subjected to transitional safeguards if their exports of a particular textile product or products to another member rise sharply and substantially and cause or threaten to cause serious damage to the domestic industry of the importing member. Countries targeted for the application of safeguard measures can challenge the claim of serious damage and oppose the application of these measures. The ESCWA region's WTO members can also protect their own textile and clothing industries from serious damage by applying transitional safeguards, provided they have retained this right and notified it to the TMB. It should be noted that ESCWA member countries that have not joined the WTO will not be able to benefit from the protection offered through the ATC and the other WTO agreements; they may even face the imposition of additional restrictions on their exports.

(ii) *Level of restrictions*

An importing member applying safeguard measures to its imports of textiles and clothing must impose quotas at a minimum level "not lower than the actual level of exports from the member concerned during the 12-month period terminating two months preceding the month the request for consultation was made" (article 6:8).

(iii) *Duration of action*

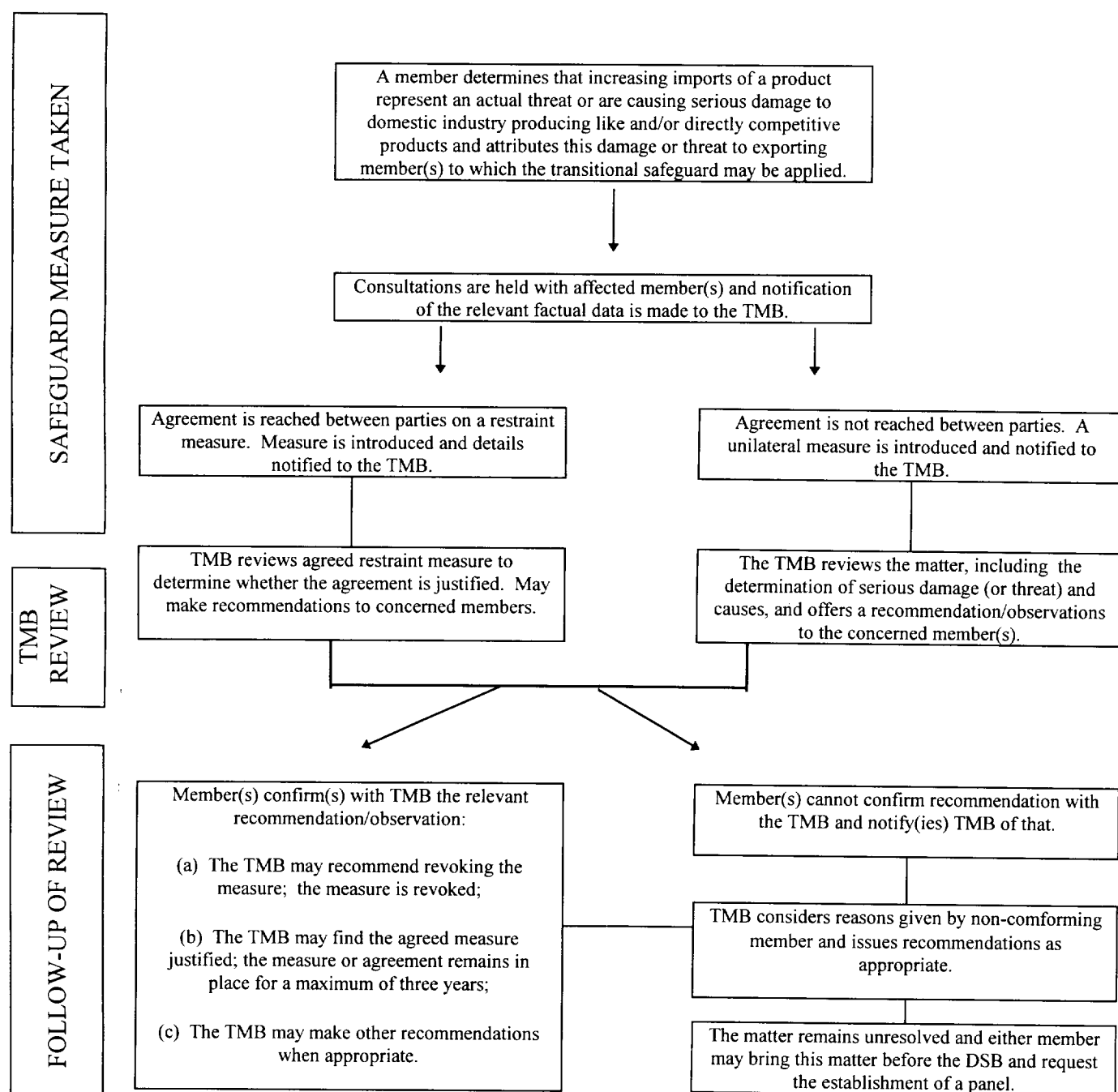
Safeguard measures cannot be applied for more than three years (article 6:12). In cases where restraint measures remain in force for more than one year, increases in restraint levels (growth rates) and other flexible possibilities (swing, carryover and carry forward) should be similar to those included in annex B to the MFA (article 6:12-13 of the ATC).⁶⁰

(iv) *Emergency situations*

In cases where delay would cause damage that would be difficult to repair, the invoking member can introduce a provisional restriction before requesting consultation (article 6:11). However, this member must request consultation and notify the TMB within five working days of the imposition of the restriction. This is followed by the regular consultation/notification procedures.

⁶⁰ The restraint level for the second and third years must be increased by a growth rate of not less than 6 per cent per year, with some exceptions (ATC article 6:13). This level may be exceeded in either the second or the third year, by the carryover and/or carry forward of 10 per cent, of which carry forward shall not represent more than 5 per cent. There shall be no quantitative limits placed on the combined use of carryover, carry forward and swing (article 6:14).

FIGURE. FLOW CHART OF THE MAIN ELEMENTS OF THE INTRODUCTION AND REVIEW OF TRANSITIONAL SAFEGUARD ACTIONS



Source: WTO, "Textiles and clothing: the Textiles Monitoring Body", *Focus*, No. 10 (Geneva, May 1996).

(v) *Specific categories of countries*

Special and differential treatment is given to certain categories of suppliers in the application of transitional safeguards. Of concern to ESCWA member countries are those provisions relating to small suppliers and to countries dependent on outward processing exports. Small suppliers (article 6(b)) must be accorded differential and more favourable treatment in the fixing of economic terms (relating to quota levels, growth rates and flexibility provisions), and due attention is to be given to the future development of imports from them. Additionally, more favourable treatment must be given to re-imports of a member's textile and clothing products in the context of outward processing. It should be noted that this special and differential treatment is somewhat vague and may be subject to different interpretations.

(vi) *Relationship with the WTO Agreement on Safeguards*

All products listed in the ATC annex that have not yet been integrated are governed by the ATC. Once the products are integrated into GATT 1994, they become subject to other WTO provisions, namely those of article XIX of GATT 1994 as interpreted by the Agreement on Safeguards (ATC article 2:19).

If a safeguard measure is applied under article XIX of GATT 1994 for more than one year, the restriction level(s) must be progressively liberalized at regular intervals during the period of application. In such a situation, the exporting member concerned cannot exercise its right to suspend substantially equivalent concessions or other obligations listed in paragraph 3(a) of article XIX of GATT 1994 (see article 2:20 of the ATC and box 4 below).

Box 4. Main procedures for applying safeguard measures (article 6:7-10 of the ATC)

The following are the main procedural steps for applying transitional safeguards under the ATC (they are similar to those included in article 3 of the MFA):

- (a) The member proposing the safeguard action must request a consultation with the affected member(s); this request must be communicated to the latter and to the TMB;
- (b) The request for consultation must be accompanied by (i) the name(s) of the member(s) against which the safeguard action is to be imposed and (ii) specific and relevant factual information regarding the magnitude of the damage or threat resulting from the increase in imports of the product(s) in question;
- (c) The member calling for the action must also indicate the restraint level(s) they wish to impose on the product(s) under consideration. The restraint level(s) should not be lower than the actual level(s) of imports prevailing during the 12-month period ending two months from the date of the request for consultation;
- (d) Consultations shall be completed within 60 days of the date on which the request was received;
- (e) If during the consultation a mutual understanding is reached, the level of restraints will be fixed, and the details of the agreed restraint measures will be communicated to the TMB;
- (f) If no mutual agreement is reached within the 60-day consultation period, the proposing member may apply the restrictions within 30 days of the end of the above consultation period and at the same time refer the matter to the TMB.

Source: WTO, Agreement on Textiles and Clothing.

6. Circumvention (article 5)

In the ATC, particular importance is given to the problem of circumvention, as it may frustrate the implementation of the Agreement. Article 5 contains rules and procedures for dealing with the circumvention of quota restrictions through transshipment, re-routing, false declaration concerning country or place of origin, and falsification of official documents.

Circumvention has increased in the last decade and is expected to remain a problem as long as quotas on imports are maintained, or more specifically, until the ATC expires on 31 December 2004. Before the Uruguay Round, circumvention was referred to in the STA, LTA and MFA regimes, as well as in the extension protocols of 1981 and 1986, but the term was never clearly defined. In the MFA (article 8), it was stated that circumvention could occur through transshipment, re-routing, or action by non-participants; however, no explanation was provided to clarify what these terms denoted. From 1986 on, circumvention occurred more frequently, and cases were referred to the TSB. (Prior to 1986, no such incidents had been referred to that body.)⁶¹ The ATC expands upon the circumvention provision incorporated in the MFA.

(a) *Procedural steps in cases of alleged circumvention*

The ATC requires each member to establish the national legal framework and administrative procedures necessary to deal with the problem of circumvention (article 5:1). WTO members, whether under restrictions or not, agree to prevent, investigate or, if necessary, take legal/administrative action against circumvention consistent with national laws and procedures (article 5:3). Most countries already have laws and administrative procedures and institutions to deal with circumvention; however, in some instances national Governments may have to introduce specific rules to prevent transshipment and/or re-routing. Acceding countries, including some ESCWA member countries, will have to prepare themselves in advance, making sure their national legislation is consistent with the requirement of this article.

(b) *Circumvention without the knowledge of Governments*

In cases of alleged circumvention, there should be consultation and full cooperation between the members involved to seek a mutually satisfactory solution (article 5:2), and the investigation of such practices should be "consistent with their domestic laws and procedures" (article 5:3). Before taking any action, sufficient evidence must be produced establishing the occurrence of circumvention; it is important to determine, in the investigation, whether the circumvention occurred intentionally or not. When sufficient evidence is obtained, several types of action may be taken to remedy the situation, including denying entry to circumvented goods. Countries of transit in which no changes have been introduced to shipped goods are not expected to monitor circumvented transit shipments within their territories (article 5:5).

One of the main problems with circumvention is that it usually occurs without the knowledge of the Governments concerned; names and official documents are often used without official authorization, and the countries are held responsible and punished. Recent estimates place the annual value of circumvented goods at between \$2 billion and \$4 billion.⁶² The United States is possibly the only importing country complaining about circumvention and has responded by denying access, curtailing quotas and even prohibiting

⁶¹ Marcelo Raffaelli and Tripti Jenkins, *op. cit.*

⁶² Jennifer Hillman, "Trade activities involving textiles and clothing", *The GATT, the WTO and the Uruguay Round Agreements Act: Understanding the Fundamental Changes* (New York, Practising Law Institute, September 1995), p. 1.

imports of certain categories of goods from certain countries;⁶³ quotas have even been imposed on countries whose exports had always been free.

(c) *ESCWA member countries*

Within the ESCWA region, Bahrain, Kuwait, Lebanon, the United Arab Emirates and possibly some of the other GCC countries were each charged at least once with circumvention,⁶⁴ and low quota levels were imposed on some GCC countries as a result of their suspected involvement. The Governments in the ESCWA region have to make sure that their countries' names are not misused by business profiteers that are not necessarily nationals of these countries; actions benefiting businesses outside the region could diminish access opportunities for the ESCWA member countries, and their economies could suffer.

7. *Other obligations (article 7)*

Article 7 of the ATC calls upon WTO members to abide by all GATT 1994 rules and disciplines as they apply to textiles and clothing so as to "achieve improved market access" ... "to ensure the application of policies relating to fair and equitable trading conditions in such areas as dumping and anti-dumping rules and procedures, subsidies and countervailing measures and protection of intellectual property rights" ... and "to avoid discrimination against imports in the textile and clothing sector when taking measures for general trade policy reasons" (article 7:1). Developed countries made sure this article was included in the ATC, and through it they managed to convince developing countries to make tariff reduction commitments during the Uruguay Round negotiations. The ESCWA member countries should understand that countries joining the WTO will be forced to offer concessions in the area of textiles because of this article.

Within the framework of article 7, developed countries hoped to pressure developing countries into adopting integration and liberalization commitments which matched their own. However, during the negotiations, developing countries insisted that the "other obligations" being discussed should be imposed on all countries. They managed to incorporate in article 7 of the ATC some of the language of article 9 of the MFA, which called upon participants to "refrain from taking additional trade measures which may have the effect of nullifying the objectives of this Arrangement".

All WTO member countries have submitted their lists of tariff concessions; these commitments are contained in the WTO concession schedules. Compliance is compulsory; if an exporting member of the WTO is found not to be honouring its commitments, the Dispute Settlement Body (DSB) or the Council for Trade in Goods may prevent the country concerned from applying the quota growth factors. A developed country can claim during the transitional period that developing countries have not fulfilled their obligations under article 7 and may then retaliate by refusing to continue with their phasing out of quotas. If an ESCWA member country, for example, does not fulfil its commitment to reduce its tariffs, the other members are permitted to retaliate and discontinue similar concessions. However, if the former country maintains certain tariff or non-tariff protection because it has invoked section B of article XVIII of GATT (restrictions for balance-of-payment reasons), it is not obliged to reduce its tariffs on textile imports.

Within the WTO context, the establishment of equitable and fair trading conditions may involve the introduction of anti-dumping and countervailing measures, action on subsidies, and the protection of intellectual property rights. WTO member countries will be required to open up their markets, and there may

⁶³ Mohamed Maamoun Abdel-Fattah, *op. cit.*

⁶⁴ *Ibid.*

be some members that will try to export underpriced products in order to secure a market niche in certain importing countries. All WTO members must take steps to protect their domestic markets by formulating or strengthening national laws to deal with dumping. Conversely, members of the WTO that are exporters of textiles and clothing may be accused of dumping and subsidizing their exports and may then be subjected to anti-dumping and countervailing measures.⁶⁵

Textile and clothing imports have been subject to a number of anti-dumping and countervailing cases in Canada, the EU and the United States. Egypt appears to be the only country in the ESCWA region that has been affected; since 1991, there have been three anti-dumping cases in the EU against Egypt relating to cotton yarns, fabrics and certain made-up items. Other ESCWA member countries may be affected by such measures in the future.

Provisions for the protection of intellectual property rights are important, as there are problems with the counterfeiting of trademarks in the textile and clothing trade.

The ESCWA region's WTO members must study their rights under the various WTO agreements and make sure that their exports are not unduly harassed by the types of actions described above. Developed countries, especially the EU, are using these measures to protect their industries, so there is a strong probability that anti-dumping and countervailing measures will be applied to the region's exports in the future.

8. *Administration of quotas (article 4)*

Article 4 of the ATC includes procedures for the administration of restrictions. It stipulates, for example, that quota restrictions, whether inherited from the MFA and maintained under this Agreement or applied under article 6 of the ATC, will continue to be administered by the exporting member countries. It is noted in article 4:1 of the ATC, however, that importing member countries will not be obliged to accept shipments in excess of the restrictions notified under article 2 or of those applied pursuant to article 6.

(a) *Consultation requirements before the introduction of administrative changes*

The ATC includes requirements for administrative changes. It states that any action taken by a member relating to administrative changes, such as changes in restraint levels, practices, rules, procedures, and/or the categorization of textile and clothing products, "should not upset the balance of rights and obligations between the members concerned under this Agreement" (article 4:2). Such changes should be instituted only after consultations have been held and mutual agreement reached between the member taking such action and the affected member; the parties may refer the matter to the TMB for recommendation if no satisfactory solution is found (article 4:4).

(b) *Rules of origin*

An important part of quota administration is verifying the country of origin of imports through the rules of origin, as care must be taken to ensure that restricted imports produced in more than one country are debited against the quota of the appropriate exporting country.

At the conclusion of the Uruguay Round, the Agreement on Rules of Origin was finalized with the aim of harmonizing disciplines in this area. There is some cause for concern, however. The rules of origin

⁶⁵ Sanjoy Bagchi, "The integration of the textile trade into GATT", op. cit.

applied in the United States differ from those of the EU, and the changes made in certain American laws and regulations concerning rules of origin have been the subject of international debate. These changes affect a broad range of products including dresses, T-shirts and trousers—all of which are exported by the ESCWA member countries to the United States. The new rules define the country of origin as that in which the assembly or sewing (rather than the cutting) takes place.⁶⁶ These rules entered into force on 1 July 1996, and further investigation is required to determine the extent to which ESCWA member countries will be affected by them.

9. *Notification requirements*

All notifications related to the provisions of the ATC are made to the TMB; they are required for almost every step of each action taken in order to provide members with information and ensure transparency. Some of these notifications must be made by members at specific times; the list of restricted products to be integrated into GATT 1994 at each stage is one example. Others are ad hoc and relate to actions such as the application of safeguard measures or changes in the administration of quotas. Notifications on transitional safeguards must be made at each step to ensure that certain criteria are met in the application of such measures. In some cases, an action can be notified to another WTO body; however, a summary report on this action should be submitted to the TMB (articles 3 and 7). All notifications can be challenged by counter-notifications from the affected members if these members feel that their rights are being violated through incorrect notifications and the decisions of the TMB.

(a) *The integration programme*

As outlined in article 2 of the ATC, notifications must be made within stipulated time frames for each step and action of the integration and liberalization process. The TMB has already received notifications for 1995 and 1996. Those members that had maintained quotas under the MFA, namely Canada, the EU, Norway and the United States, notified such restraints to the TMB in 1995 (see article 2:1 of the ATC). These countries also notified their integration programmes for the first stage; it should be noted that the products they integrated had never been subject to quantitative restrictions before they were integrated into GATT 1994. (There was a single exception: Canada integrated one product that had been subject to quantitative restrictions prior to its integration.)

Notifications of the integration programmes from members other than the countries mentioned above were required only if the former retained the right to use the provisions of article 6 on transitional safeguards (see box 5). A total of 51 WTO members notified the TMB of their integration programmes. Several members notified their decision to integrate their entire textile and clothing industry into GATT 1994 upon their accession; this group includes Australia, Chile, Cuba, Hong Kong, Macau, New Zealand and Singapore.⁶⁷

(b) *The integration of products on which non-MFA restrictions are imposed*

With regard to the integration of products subject to non-MFA restrictions (ATC article 3), the ATC requires that members notify the initial state of all non-MFA quantitative restrictions (quotas) they maintained as at 31 December 1994 to the TMB within 60 days of the entry into force of the WTO Agreement and either

⁶⁶ Jennifer Hillman, *op. cit.*

⁶⁷ WTO, "Technical cooperation handbook on notification requirements" (Geneva, 12 August 1996) (WT/TC/NOTIF/INF/1); and WTO, *Annual Report 1996* (Geneva, 1996).

bring them into conformity with GATT 1994 or phase them out progressively. Nineteen members notified the TMB in 1995 that they maintained such restrictions; four of them (Cyprus, Hungary, Japan and Slovenia) opted for the phase-out programmes for their GATT-inconsistent restraints. Another nine members notified the TMB that they did not maintain such restrictions.⁶⁸

10. *The Textiles Monitoring Body (article 8)*

(a) *Status*

The TMB has a unique status within the framework of the WTO and is responsible for monitoring the implementation of the ATC (article 8:1). It is a quasi-judicial standing body which is limited in size and reports directly to the Council for Trade in Goods. Its main tasks are to resolve disputes arising from the implementation of the ATC and to review the restrictions imposed on products under the transitional safeguard provisions (see the figure). The TMB consists of a chairman and 10 members; the latter are appointed by WTO member countries designated by the Council on Trade in Goods to serve on the TMB and act in their personal capacity. According to the ATC, the membership of the TMB should be balanced and broadly representative of WTO members and should be rotated at appropriate intervals; all members, including ESCWA member countries, are eligible to be represented therein. The composition of the first TMB was decided by the General Council in January 1995, and the members selected were asked to serve for a term of three years (1995 to 1997).⁶⁹

All decisions of the TMB are by consensus (article 8:2), and it should offer recommendations within 30 days unless otherwise specified (article 8:8). Members shall endeavour to accept in full and act upon these recommendations (article 8:9). In the event that the member or members involved are unable to comply with the initial and any further recommendations issued by the TMB and the dispute remains unresolved, the party or parties in question may bring the matter before the DSB and request the establishment of a panel (article 8:10). The United States has reportedly been involved in disputes with Costa Rica (on cotton and man-made-fibre underwear) and India (on woven wool shirts and blouses) that have had to be referred to the DSB.⁷⁰

(b) *Functions*

The TMB is responsible for monitoring the day-to-day implementation of the ATC and reviewing all related actions to ensure the compliance of all members with the provisions of the Agreement. It reviewed notifications of existing quota restrictions and related integration programmes at the beginning of the

⁶⁸ WTO, *Annual Report 1996* (Geneva, 1996).

⁶⁹ The present Board is composed of 10 constituencies. Canada, the EU, Japan and the United States, plus one other importing country (Norway in 1995 and Switzerland in 1996/97), were allocated four seats. The remaining constituencies were allocated the remaining six seats: Egypt, India, Morocco and Tunisia as a group; China and Pakistan (the former after accession); the Republic of Korea with Hong Kong; the Association of South-East Asian Nation (ASEAN) countries; the Latin American and Caribbean members; and a group composed of the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Turkey, Switzerland (in 1995) and Norway (in 1996/97). Governments from the above constituencies named individuals to serve (in their personal capacity) on the TMB, while the Council selected the Chairman (see WTO, "Textiles and clothing: the Textiles Monitoring Body", *Focus*, No. 10 [Geneva, May 1996]; and Richard Hughes, "The Uruguay Round: a new approach for the textiles and clothing sector", *International Trade Forum* [Geneva, April 1995]).

⁷⁰ UNDP and UNCTAD, "Implementation of the WTO multilateral trade agreements from the viewpoint of developing countries", a paper presented at the National Workshop on the Implications of the Uruguay Round for Jordan, organized by UNCTAD, UNDP and the Ministry of Industry and Trade (Jordan) in close cooperation with the WTO and ESCWA and held in Amman from 22 to 24 September 1996.

transition period. The TMB also reviews bilaterally agreed restraint measures applied under the transitional safeguard provisions to ensure their compliance with the ATC. If members are unable to reach an agreement during bilateral discussions, the TMB will study the case in question and make recommendations; if the dispute remains unresolved in spite of further efforts by the TMB to conclude an agreement, either party may bring the matter before the DSB. The TMB may be requested to review disagreements emanating from the introduction of changes in the administration of quotas (related to, for example, rules of origin) or allegations of circumvention. In sum, the TMB will promptly review any matter brought to its attention by any member who considers a particular action or actions detrimental to its interests under the ATC, if consultations between the parties themselves have failed to produce the desired results (article 8:6).

Box 5. Main notifications required for ad hoc actions

Under article 6, transitional safeguard notifications are required when a member requests consultations with another member regarding possible safeguard actions (article 6:7). Notifications are also required within a specified time frame if agreement is reached or not reached during consultation (articles 6:9 and 6:10), and if temporary action is taken under "critical" circumstances (article 6:11). In this regard, members agreed that "the transitional safeguard should be applied as sparingly as possible" (article 6:1). However, there has been frequent recourse to the application of such measures; one of the major importing countries made 24 "calls" for consultation during the first half of 1995,^{a/} and an exporting developing country (Brazil) recently announced the imposition of a safeguard measure (quotas) on imports of textiles from other developing exporting countries (two ASEAN WTO members).^{b/}

In the administration of quotas (article 4), concerned members can notify the TMB and obtain a recommendation if mutual agreement is not reached on changes in rules, practices, procedures and the categorization of textile and clothing products (article 4:4). During the first half of 1996, the TMB received several such notifications relating to bilaterally agreed arrangements regarding aspects of the administration of export control regimes, such as consultations, the monitoring of exports, quota flexibility and licensing.^{b/}

Agreements reached on problems of circumvention should be notified to the TMB (article 5:4). If no agreement is reached, the TMB should be notified so that it may review the situation and make recommendations (articles 5:4 and 5:6). A case involving Pakistan and the United States (an alleged occurrence of circumvention concerning exports of bed sheets to the United States)^{b/} was brought to the attention of the TMB in early 1996. The TMB was later notified that the problem had been resolved through mutual consultation.

With respect to other WTO obligations (article 7), members are required to notify the TMB of all actions taken under other WTO rules which have a bearing on the implementation of the ATC. When the action taken is notified to other WTO bodies, a summary of such notifications should be referred to the TMB. In either case, concerned members are permitted to make counter-notifications. The TMB has already taken note of Hong Kong's and India's requests for consultation with Turkey under GATT articles XX:1 and XIII:1, and has received notification of the European Union's changes in existing restrictions under GATT article XIV.^{b/}

Under article 8 of the ATC, any member can notify the TMB of any matter if the member believes that its interests are threatened or negatively affected by the actions of others. This notification should be done after undertaking consultations with the concerned member(s) (article 8:6). The TMB will then review the case and offer recommendations.

^{a/} UNDP and UNCTAD, "Implementation of the WTO multilateral trade agreements from the viewpoint of developing countries", a paper presented at the Workshop Seminar on the Implications of the Uruguay Round for Jordan, organized by UNCTAD, UNDP and the Ministry of Industry and Trade (Jordan) in close cooperation with the WTO and ESCWA and held in Amman from 22 to 24 September 1996.

^{b/} WTO, *Annual Report 1996* (Geneva, 1996).

The TMB is responsible for preparing a comprehensive report on the implementation of the ATC at each stage of integration and submitting it to the Council for Trade in Goods (article 8:11). On the basis of this report, the Council undertakes a major review before the end of each stage of integration to assess the progress made in the implementation of the Agreement. "In the light of its review, the Council for Trade in Goods shall, by consensus, take such decisions as it deems appropriate to ensure that the balance of rights and obligations embodied in this Agreement is not being impaired" (article 8:12). For example, the TMB may release a restraining member from its obligation to increase the annual growth rates for quotas on imports (from a particular member or members) that are distorting the balance.

B. AN EXAMINATION OF THE MAIN PROVISIONS OF OTHER RELEVANT WTO AGREEMENTS

This section includes a brief examination of the main provisions of other WTO agreements, including the Agreement on Safeguards, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (concerning anti-dumping measures), and the Agreement on Subsidies and Countervailing Measures, all of which have a bearing on international trade in textiles and clothing. The ATC is the main instrument that will govern international trade in this industry during the period 1995-2004; however, many of the other WTO agreements relating to international trade in general will affect this sector as well. With the gradual liberalization of the textile and clothing industry during the transition period and the substantial reduction in tariffs in both developed and developing countries, the rules of the WTO agreements relating to safeguard, anti-dumping and countervailing measures will become the disciplines under which quantitative restrictions on exports of textiles and clothing can be imposed. For that reason, these agreements were selected for examination in this section.⁷¹ In the year 2005, when all textile and clothing products are integrated into GATT 1994, all trade will become subject to the rules of provisions of these agreements.

1. *New contingent protection measures*

These agreements are important to the WTO members from the ESCWA region because the textile and clothing products they are integrating into GATT 1994 may be subject to safeguard or countervailing measures. It is important to note that there has been an increase in recent years in the application of contingent trade protection measures, including anti-dumping and countervailing measures. During the period 1993-1994, 86 and 57 per cent of investigations involved non-members of the Organization for Economic Cooperation and Development (OECD) exporting goods to the EU and the United States respectively.⁷² If the WTO members from the ESCWA region are to benefit from these agreements, they must be aware of their rights and obligations under the relevant provisions and to understand their implications.

⁷¹ There are other WTO provisions that may have some effect on the sector, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Understanding on the Balance of Payments Provisions of the General Agreement on Tariffs and Trade 1994, the Agreement on Import Licensing Procedures, the Agreement on Rules of Origin, the Agreement on Technical Barriers to Trade, and other elements of the WTO Agreement.

⁷² UNCTAD, "Enhancement of the understanding of the implications of the new rules deriving from the Uruguay Round agreements and their follow-up, and identification of where and how developing countries and economies in transition concerned could be assisted to: (a) make use of the special clauses of the Final Act providing differential and more favourable treatment; and (b) implement and benefit from the commitments undertaken", a report presented by the UNCTAD secretariat at the second session of the Ad Hoc Working Group on Trading Opportunities in the New International Trading Context, organized by the Trade and Development Board and held in Geneva on 4 December 1995 (TD/B/WG.8/6).

2. Special treatment for developing countries

All of the WTO agreements grant developing countries differential and more favourable treatment. Least developed countries and countries with per capita gross national product (GNP) of less than \$1,000 (including many ESCWA members) are accorded treatment which is much more favourable than that given to other developing countries. Within this context, differential treatment means longer transition periods, higher or lower thresholds for specific obligations, and greater flexibility in commitments and procedures. The textile and clothing producers and Governments in the ESCWA region must make an effort to take advantage of the transition period and the special allowances offered to developing countries.

3. The complexity and costliness of procedures

The textile and clothing enterprises in the countries of the ESCWA region are mainly small and medium-sized firms, which may find it difficult to defend their rights and protect their interests within the context of these agreements and the relevant legislation in the major importing members, including the EU and the United States. The disciplines regulating the contingent protection measures in these countries, including the investigations and other procedures required, are both costly and complex. Small and medium-sized exporters in developing countries are unfamiliar with the laws, regulations and administrative practices of the major importing countries, and they lack expertise in dealing with allegations of dumping and subsidization. This state of affairs has led some exporters in developing countries to withdraw from markets. The countries in the ESCWA region must secure substantial human and financial resources in order to protect the interests of their exporters and ensure that they are able to benefit from these agreements (most of the countries in the region currently lack such a support structure). Non-compliance investigations are very expensive; a case brought by a developed country such as Canada or the United States against a developing country exporter might cost between \$500,000 and \$1 million. The Governments in the region can provide only limited assistance to their exporting enterprises in these investigation proceedings. Thus, it is likely that cases arising against textile and clothing exporters in the ESCWA region will result in the imposition of restrictions—whether fair or not. These are problems that need to be addressed.⁷³

4. Non-WTO members

Only WTO members can apply and benefit from the rules and disciplines of the multilateral trade agreements. ESCWA member countries that are not WTO members will be placed at a disadvantage, and policy makers in these countries will face new challenges. New VERs and quantitative restrictions may be arbitrarily imposed on exports of textiles and clothing in ESCWA member countries that are not WTO members, and countervailing and anti-dumping measures may be applied to their exports based on allegations of subsidization and dumping. As non-members of the WTO, these ESCWA member countries will not have the right to apply the provisions of the agreements to protect their interests; they will have no recourse to the consultation, investigation, or dispute settlement mechanisms and will be unable to benefit from the differential treatment provided to developing country members.

(a) Safeguards

The Agreement on Safeguards concluded during the Uruguay Round constitutes the instrument of protection for WTO member countries against imports of textile and clothing products that have been integrated into GATT 1994. It allows member countries to apply safeguard measures to protect domestic industries from unexpected increases in imports of products which are causing or are likely to cause serious

⁷³ Ibid.

injury. The safeguard provisions of this Agreement allow members, under certain conditions, to impose temporary restrictions on imports of the products in the form of either quantitative restrictions or additional tariffs.

(i) *Rights and obligations*

In cases where a specific product is causing or threatening to cause serious injury to a particular domestic industry, the Agreement on Safeguards allows the importing country to do one of the following: (a) impose quantitative restrictions on imports of the product; (b) impose additional tariffs; or (c) agree to secure a tariff increase from the exporting country on the imported product, which would constitute a compensatory liberalization remedy. The Agreement incorporates a multilateral surveillance system and strengthened disciplines. A safeguard measure cannot be applied without an investigation, and once such a measure has been applied, it cannot be reapplied to the same product before a certain amount of time has elapsed. The duration of safeguard measures is limited to four years, with a possible extension to eight years provided continued injury to the concerned industry is proved. It should be noted, however, that products restrained under safeguard measures for more than one year must be gradually liberalized.

(ii) *"Grey areas"*

Safeguard provisions were used less and less over the years prior to the Uruguay Round, as GATT contracting parties preferred to rely on bilateral arrangements to deal with cases in which increased imports were thought to be harming domestic industries.⁷⁴ The Uruguay Round negotiators revised the provisions on safeguards in order to strengthen and clarify the rules drawn up to protect industries in difficulty. Under the Agreement on Safeguards, member countries, including those from the ESCWA region, can impose temporary restrictions on imports of textiles and clothing, provided the items involved are integrated and meet the requirements summarized above. This Agreement was formulated with the intention of encouraging member countries to use safeguard measures instead of uncontrolled, discretionary, and non-transparent measures of emergency protection, such as VERs and similar "grey area" measures.

(iii) *Special treatment for developing countries*

The Agreement on Safeguards provides for the granting of special and differential treatment to developing countries, and the ESCWA member countries should be able to benefit from the relevant provisions. Specifically, safeguards are not to be applied to products of developing countries that account for 3 per cent or less of an importing country's imports of such products when this share collectively accounts for no more than 9 per cent of the total imports of the products concerned. Safeguard measures applied by developing countries can be extended to a maximum of 10 years, two years beyond the maximum period normally permitted. Another privilege that ESCWA member countries can benefit from is the right of a developing WTO member country, under certain conditions, to reapply a safeguard measure to a product.

(iv) *ESCWA member countries*

The implications of the new WTO Agreement on Safeguards for the textile and clothing industry in the ESCWA region's WTO member countries are not yet clear. In principle, with the elimination of VERs, this Agreement should allow these countries to provide protection to textile and clothing products that are integrated into GATT 1994. This is particularly important for the products of infant industries that could be

⁷⁴ Patrick Low and Alexander Yeats, "Non tariff measures and developing countries: Has the Uruguay Round leveled the playing field?", Policy Research Working Paper No. 1353 (Washington, D.C., World Bank, August 1994).

threatened or injured by like or competitive imports. There are fears among some producers in the region that the use of safeguard measures may expand, particularly in the developed countries, since the Agreement eases the non-discrimination and retaliation rule and weakens the obligation to provide compensatory liberalization remedies. There are other fears about the emergence of measures that would have effects similar to those of VERs and safeguards and about the use of measures by developed countries resulting in unfair trade treatment. In such cases, the ESCWA members and many other developing countries would find it difficult to defend their rights and preserve their interests because of the complexity of the system and because of their lack of experience and expertise in such matters. The member countries in the region may be able to benefit from the Agreement on Safeguards, but they may also be forced to forfeit some of their rights; much of what happens will depend on the new rules governing countervailing and anti-dumping duties and on the strength of the new discipline in preventing the re-emergence of VER "substitutes".

(b) *Anti-dumping*

The revised anti-dumping agreement, namely the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, embodies clearer and more transparent rules on dumping, eliminating many of the uncertainties that existed in the past. More important is the fact that all WTO members are bound by this Agreement, which includes detailed multilateral instruments to regulate the application of anti-dumping measures. During the Uruguay Round, the negotiations were strongly influenced by the EU and the United States, so many of the rules of the Agreement are based on the practices of these two members.

The available information indicates that anti-dumping duties were applied by very few countries in the past. Since 1989, however, anti-dumping actions have increased; during the period 1989-1993, the number of such actions virtually tripled.⁷⁵ In recent years, the trade of developing countries has increased in general, and their exports have been more frequently subjected to anti-dumping and countervailing measures. Most of the investigations launched and the anti-dumping and countervailing measures imposed during the period 1 July 1994 to 30 June 1995 were against developing countries.⁷⁶ Exporting developing countries expressed their fear during the Uruguay Round negotiations that anti-dumping measures would be used as tools of harassment and instruments of unjustifiable protection. This highlights the importance of the anti-dumping issue to the textile and clothing industry in the ESCWA member countries in the light of the eventual liberalization of the industry and its integration into GATT 1994.

(i) *The main elements of the Agreement*

According to the Agreement, a member has the right to apply an anti-dumping measure against a product imported at a price below its "normal value" to prevent injury to a particular domestic industry. A product is considered "dumped" when its export price is lower than the price of the same or like products in the market of the exporting country.⁷⁷

⁷⁵ UNCTAD, "Anti-dumping", *Trade and Development Report*, 1994 (offprint: part three) (New York and Geneva, 1994).

⁷⁶ UNDP and UNCTAD, "Implementation of the WTO multilateral trade agreements from the viewpoint of developing countries"..., p. 7.

⁷⁷ GATT, "Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994", *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations* (Geneva, GATT secretariat, 1994) (Sales No. GATT/1994-4).

a. *Initiating an anti-dumping action*

In initiating an anti-dumping case, importing member countries are required to establish a causal relationship between the dumped import(s) and injury to the domestic industry or industries in question. In cases where competing imports from more than one country are allegedly being dumped and an investigation is called for, the Agreement allows for the cumulation of these imports (under specific conditions) so that their collective impact on the domestic industry can be evaluated.

b. *Procedures for initiating and investigating a case*

The Agreement establishes clear-cut procedures for initiating and investigating a dumping case. The request for an investigation must contain detailed information (evidence) on issues relating to the existence and extent of dumping and injury. It should be made by or on behalf of domestic producers that collectively account for more than 50 per cent of the total production of the same or like products produced by that portion of the domestic industry. However, no investigation will not be initiated if domestic producers supporting the application account for less than 25 per cent of output of the like product. The domestic producers in that market that do not take a stand with respect to the request will not be included in the calculation. The Agreement specifies a time-limit for the conclusion of the investigation, as well as minimum quantitative criteria for dumping margins. It also sets a threshold for the duty to be imposed once it has been established that dumping has occurred. Finally, the Agreement includes procedures for monitoring the situation and a time-limit for the application of the anti-dumping duties.

c. *Special treatment for developing countries*

Greater flexibility is allowed for developing country members. Under this Agreement, positive remedies should be explored before anti-dumping measures are applied against the exports of such members. The relevant provisions are only recommendations and are not binding for developed countries.

(ii) *Pending issues*

Many of the issues important to exporting countries were not conclusively dealt with during the Uruguay Round and were left to be governed by national legislation. Among these issues are the circumvention of anti-dumping measures and problems relating to the administration of national anti-dumping systems. Leaving such matters to the discretion of individual countries increases the likelihood that unilateral actions will be taken that might impede and limit trade.

(iii) *The concerns of ESCWA member countries*

a. *The liberalization of the textile and clothing industry and anti-dumping practices*

The adoption of the Agreement by many developing countries during the Uruguay Round and the eventual liberalization of the textile and clothing industry creates a number of new opportunities for recourse to dumping actions. The ESCWA member countries that have joined the WTO can monitor dumping practices and protect their domestic textile and clothing industries by applying WTO anti-dumping and countervailing measures; they must also take steps to defend themselves against anti-dumping and countervailing measures that are unfairly imposed against their exports of textiles and clothing (which are expected to increase with time), especially in the major export markets. Some members that are major importers of textiles and clothing may feel compelled to use anti-dumping measures to protect their domestic textile and clothing industries from increased import competition. If the provisions of the Agreement are

properly implemented, exporters in the ESCWA region may benefit from the indirect protection of their textile and clothing exports against the dumping practices of others in various export markets.

b. *National laws*

The implications of the anti-dumping agreement for the textile and clothing industry in the ESCWA region will depend largely on the extent to which these rules are subject to discretionary interpretation by national authorities. The effectiveness of the provisions of the anti-dumping agreement will be influenced to varying degrees by national laws and administrative practices. ESCWA member countries that are liberalizing their trade regimes, whether they are members of the WTO (such as Egypt), or in the accession process (such as Jordan or Saudi Arabia), need to introduce or revise their own national anti-dumping legislation to ensure that it conforms with relevant WTO provisions. This is a necessary step which will allow these countries to protect their industries from anti-competitive practices in international trade.

The WTO members from the ESCWA region must make sure that they have a thorough understanding of the issue of dumping within the framework of the WTO agreements so that they can protect their textile and clothing industries from the dumping practices of other exporting countries and avoid the imposition of anti-dumping measures against their exports of certain products.

(c) *Subsidies*

The Agreement on Subsidies and Countervailing Measures concluded during the Uruguay Round is aimed at safeguarding market access. It encompasses detailed procedures to ensure transparency and attention to due process. The Agreement, which applies only to industrial products, including textiles and clothing, restricts the use of subsidies and strengthens and improves the rules on countervailing duties. It is very important to the exporting countries in the ESCWA region that have joined the WTO or are in the process of acceding to the WTO Agreement, as many of these countries grant subsidies to their textile and clothing producers; the bulk of these subsidies are awarded on the basis of export performance and local content.

(i) *Definition*

This Agreement, unlike its predecessor, defines subsidy as a "financial contribution" made by a Government or public body to confer a particular benefit. This may involve the direct transfer of funds (such as grants, loans or equity infusion), potential direct transfers of funds or liability (such as loan guarantees), revenue foregone (such as tax credits), the provision of goods or services (other than general infrastructure) by the Government, or the purchase of goods by the Government.

(ii) *Categories of subsidy*

The Agreement establishes three categories of subsidies and remedies: prohibited, actionable and non-actionable. Subsidies based on export performance or local content requirements are completely prohibited. Actionable subsidies are those subsidies that can be granted or maintained provided they do not impinge upon the interests of other members. In this connection, the Agreement provides detailed instructions for determining the existence of serious prejudice and outlines procedures for remedies and consultations. Non-actionable subsidies are those granted for industrial research and for pre-competitive development activities, disadvantaged regions and environmental adaptation. Non-recurrent subsidies that are linked to privatization in developing countries, such as direct forgiveness of debt or subsidies to cover social costs, are not considered actionable.

The provisions on actionable and non-actionable subsidies are temporary; they may be applied only until mid-1999 and are currently reviewed every six months to determine whether they should be extended for another period. Country members in the region may wish to be prepared for such reviews to make sure that their interests are taken into account.⁷⁸

(iii) *Countervailing measures*

The Agreement's provisions on countervailing measures are similar to certain provisions of the agreement on anti-dumping, in particular with respect to rules relating to the right to notify countervailing duties, participation in investigations, minimum duty levels, and the suspension of countervailing measures if the exporting country agrees to specific remedial actions. Countervailing measures cannot be imposed for more than five years, except when justified on the basis of a review.

(iv) *Special consideration given to developing countries*

The Agreement contains some new elements of special treatment relating to countervailing measures in recognition of the fact that subsidies may play an important role in economic development in developing countries. Many ESCWA member countries provide subsidies for their exports of textiles and clothing on the basis of performance or local content; those that are WTO members should be able to benefit from the Agreement's provisions for the gradual elimination of export and local content subsidies in developing countries. Some of the more important of these provisions are as follows:

(a) The least developed country members and a specific list of developing country members (see annex VII to the Agreement), including Egypt, are allowed to provide export subsidies for their textile and clothing products as long as their per capita GNP is less than \$1,000 per year. Other developing countries are allowed to phase out their export subsidies over a period of eight years starting from the date of entry into force of the WTO Agreement;

(b) When developing countries achieve export competitiveness in one or more products—that is, when their share accounts for at least 3.25 per cent of world trade in the product(s)—export subsidies should be phased out over a transition period of two years, or over a period of eight years in the countries mentioned above;

(c) Export subsidies are not actionable during the transition period unless they cause injury to the domestic industry of an importing country;

(d) Countries are allowed to provide subsidies for goods produced and used domestically over a transition period of five years starting from the entry into force of the WTO Agreement; least developed countries are given eight years to eliminate such subsidies;

(e) Remedies regarding actionable subsidies are not applied unless the latter are impeding imports in the subsidizing country or are causing injury in the importing country;

(f) In cases where actionable subsidies have allegedly been provided, no action is taken against developing country members if the amount of subsidy is less than 2 per cent *ad valorem* (instead of 1 per cent) or if the volume of the subsidized imports in the importing member country is less than 4 per cent of

⁷⁸ UNDP and UNCTAD, "Implementation of the WTO multilateral trade agreements from the viewpoint of developing countries"...

the total volume of imports of the same or like products (instead of a negligible amount), unless the cumulative total of imports from developing country members amounts to more than 9 per cent of total imports of the product(s) in the importing country.

A review of the implementation of the provisions on export competitiveness in developing countries is to be undertaken by the end of 1999. The ESCWA region's WTO members should take note of this, as the review is very important for them and will require some advance preparation.⁷⁹

⁷⁹ Ibid.

IV. CHALLENGES AND OPPORTUNITIES FOR THE ESCWA MEMBER COUNTRIES IN CONNECTION WITH THE AGREEMENT ON TEXTILES AND CLOTHING*

The textile and clothing industry plays an important role in the economies of many ESCWA member countries. The industry is well established in Egypt, where the spinning and weaving industry dates back to 1920, and in Iraq, Lebanon and the Syrian Arab Republic. It has recently been developed in Jordan and a number of GCC countries as part of these Governments' efforts to diversify their economies and manufacturing sectors and lessen their dependence on their primary sectors (oil in the GCC countries and phosphate, to a lesser extent, in Jordan).

The total volume of textile and clothing exports in the ESCWA region is small compared with the volume of such exports in India, Pakistan and Turkey, for example. The ESCWA member countries are now facing some fundamental challenges and are being presented with a number of new opportunities arising from recent international developments, including the proposed free-trade area agreements with the European Union, the agreement regarding an Arab free-trade area recently concluded under the auspices of the Arab Council of Economic Unity and, most important, the WTO multilateral trade agreements.

The import and export of textiles and clothing are now governed primarily by the ATC, an important part of the new international trade regime. There are other components of the WTO package which are having and will continue to have an impact on international trade in this industry; many of these, including the market access commitments made by countries (especially developed countries) as part of their membership in the WTO and the agreements on safeguards, subsidies and dumping, were examined earlier in the present study. There are other WTO agreements that are not as directly relevant to textiles and clothing, but these agreements and the ATC all form part of a single undertaking, so there are overall WTO rules and disciplines which tend to apply to all trade matters; one example is the Understanding on Rules and Procedures Governing the Settlement of Disputes (also known as the Dispute Settlement Understanding, or DSU).

Trade in textiles and clothing in the region's WTO member countries, namely Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates, is governed by the ATC and other WTO agreements. Although Jordan, Lebanon, Oman, Saudi Arabia and the Syrian Arab Republic are not members, their trade is also affected by the WTO agreements and was affected earlier by the MFA, under which quotas were imposed on some of their exports. Non-members bore the burdens associated with the old regime without benefiting from the rights enjoyed by GATT members; the same situation prevails under the new WTO trade regime.

A. THE IMPLICATIONS OF THE REMOVAL OF QUOTAS FOR TRADE IN TEXTILES AND CLOTHING IN THE ESCWA MEMBER COUNTRIES

It is important to keep in mind that the effects the WTO rules and disciplines relating to textiles and clothing will have on the countries of the region will depend on their status with regard to GATT, the MFA, and non-MFA preferential trading arrangements (see table 10). As previously mentioned, the provisions of the WTO Agreement on Textiles and Clothing are applicable only to those countries that are members of the WTO, so the ESCWA member countries that are non-WTO members whose exports are subject to restrictions will not benefit from this Agreement. These restrictions could be imposed indefinitely if these countries remain outside the WTO, as imposing countries are under no obligation to terminate them under the ATC; they can only be eliminated by mutual agreement.

* This chapter is based partly on a report by Mr. Mohamed Maamoun Abdel-Fattah, an ESCWA consultant.

TABLE 10. THE STATUS OF ESCWA MEMBER COUNTRIES AND AREAS WITH REGARD TO THE WTO, THE MFA, AND NON-MFA AGREEMENTS IN FORCE ON 31 DECEMBER 1994

Country	WTO ^{a/}	MFA in force			MFA not in force			Preferential agreement(s)	
		Status	Restrictions		Restrictions		United States	Agreement	Restrictions (EU)
			Canada	United States	Canada	United States			
Bahrain	member	member		bilateral					
Egypt	member	member		bilateral				Mashreq	bilateral
Iraq									
Jordan	observer ^{b/}							Mashreq	
Kuwait	member			bilateral					
Lebanon	c/				bilateral			Mashreq	
Oman	observer ^{b/}	member	bilateral	bilateral					
Qatar	member			bilateral	unilateral				
Saudi Arabia	observer ^{b/}								
Syrian Arab Republic					unilateral			Mashreq	
United Arab Emirates	member	member	unilateral	bilateral					
West Bank and Gaza Strip									
Yemen									

Source: ESCWA, based on data obtained from national and international sources, including: WTO, various notification documents for the Textiles Monitoring Body (1995); Sanjoy Bagchi, International Textiles and Clothing Bureau, untitled working paper presented at the Symposium on Evaluation of the Implications of the Uruguay Round for Arab Countries, organized by UNCTAD and UNDP and held in Casablanca, Morocco, from 21 to 23 November 1994; and ESCWA, "Concerns of the ESCWA member States regarding the World Trade Organization, the related agreements and future trade negotiations: current issues of importance to the ESCWA region (ESCWA resolution) 119 (XIX)", Note by the Executive Secretary, nineteenth session (E/ESCWA/19/6).

a/ As of 30 April 1997.

b/ Countries in different stages of accession to the WTO Agreement.

c/ The Lebanese Council of Ministers has approved Lebanon's application for WTO membership.

Egypt was initially the only ESCWA member country participating in the MFA; it was later joined by Bahrain, Oman and the United Arab Emirates. Preferential trading arrangements (association agreements) have been concluded between the EU and some ESCWA member countries, namely Egypt, Jordan, Lebanon and the Syrian Arab Republic; there are some restraints placed on Egypt's exports within this context.

1. Restrictions maintained against ESCWA member countries

The number of restricted textile and clothing items in the countries of the ESCWA region is very limited; most of the industry is free of quotas, so there are numerous export possibilities for the ESCWA member countries to explore. It should be noted, however, that in most cases the importing countries have imposed quotas on products that have represented a competitive challenge to their domestic industries, with the result that a good portion of the region's important, competitive exports have been restrained. While the implications of the ATC for the exports of the region differ for the various countries and products, there is general agreement that the products that would benefit most are those that have been restrained, while those that have not been restrained may face tougher competition. With the restrictions that have been imposed, the competitiveness of the ESCWA member countries is limited to a group of cotton yarns and fabrics and a few clothing products.

Those textile and clothing items that were subject to restriction when the WTO Agreement entered into force were notified to the TMB under ATC articles 2 and 3 (see annex tables 3, 4 and 5 in annex IV to the present study) by the four countries maintaining MFA restrictions under MFA articles 4, 7 and 8 as well as non-MFA restrictions. Four ESCWA members, namely Iraq, Palestine (West Bank and Gaza Strip), Saudi Arabia and Yemen, were not under quota restrictions because their exports of textiles and clothing were negligible (see table 10). Jordan was not restrained either, even though its exports of these products had begun to expand. The other ESCWA member countries were subject to various levels of quota restrictions (see table 10). Of the major textile and clothing importers, only Norway had not restricted any of its imports from the ESCWA member countries.

Of the ESCWA member countries on which restrictions have been imposed, Lebanon and the Syrian Arab Republic have been the least affected. Canada has been the only one of the quard countries to maintain restrictions against these two countries, and in Lebanon, limits were placed on only one item (see annex table 4); the United States imposed restrictions on Lebanon's cotton knit shirts and blouses (HS 338/339) because of a circumvention case in 1993, but the quotas were later dropped.

Egypt's exports have been restricted in the EU and the United States but not in Canada. In the United States, group limits have been imposed on Egypt's fabric categories (HS 218 to 227 and 313 to 326), on cotton yarn (HS 300/301), and on three clothing categories including cotton knit shirts and blouses (HS 338/339), cotton and man-made-fibre shirts (HS 340/640) and wool trousers (HS 448) (see annex table 3); restrictions have also been imposed on shop towels (HS 369 S). In the EU, restrictions on Egypt's cotton fabrics and cotton yarn have been maintained (see annex table 5).

It is important to note that the EU has not restricted the ESCWA region's exports, except for yarn and fabrics in Egypt under their cooperation agreements with that country. Egypt, the Syrian Arab Republic and the United Arab Emirates are the only countries that have restraints on both textiles and clothing; the other ESCWA member countries face limits on clothing items only.

Of the GCC countries' exports to the United States, those from the United Arab Emirates and to a much lesser extent Oman have been the most heavily restricted (see annex table 3). Most of the restrictions in the GCC countries are applied to exports of clothing, except in the United Arab Emirates, where they are

also imposed on textiles. Quotas have been imposed on Kuwait because of suspected circumvention; at one time a total ban (a quota of zero) was placed on cotton sheets (HS 361).

(a) *The ESCWA member countries' exports to the United States*

Since the beginning of the 1990s, the ESCWA region as a whole has been exporting a significant proportion of its textiles and clothing, in particular the latter, to the United States; annex tables 6 to 15 in annex IV provide itemized lists of textile and clothing exports from most of the ESCWA member countries to the United States during the period 1991-1996. According to American sources, the region exported textile and clothing products valued at around \$2.29 billion during the period 1991-1995—an annual average of around \$459 million (see table 11). These figures are mainly for clothing, as data on Egypt's exports of yarn and fabrics are not available for the entire period under review; if such data were included, the figures would be slightly higher.⁸⁰ The United States has been the major importer of the GCC countries' products in the international market. The ESCWA region's trade relations with this market are thought to be representative of its status *vis-à-vis* the major importing developed countries as a group (this approach is particularly useful in the absence of detailed information on the other major importing developed countries). The present section focuses primarily on clothing, as data on Egypt's yarn and textile fabric exports are not complete.

The aggregate yearly quota imposed on the region's exports of clothing to the United States was close to 10 million dozen as at 31 December 1994 (see table 12). Two thirds of this total was imposed on the GCC countries—in particular the United Arab Emirates (almost one third) and to a lesser extent Oman (one fifth)—and the rest was imposed on Egypt (also see annex table 3). A comparison of the quota levels of the different countries reveals that those imposed on the Gulf countries' exports were very low in relative terms. This is partly because these countries were not signatories to the MFA and were therefore unable to benefit from its provisions on guaranteed and growing access for developing countries; Egypt, as a signatory, was allowed much larger quotas. It might also be that the importing countries suspected circumvention by exporters in some of the GCC countries.

The quota levels established in 1994 are used as benchmarks to examine the importance of restricted clothing exports relative to all clothing exports for the period 1991-1995 (see table 12).

During the period 1991-1995, the countries of the region recorded high rates of growth for restricted clothing exports to the United States. For the most part, however, these exports remained limited and did not exceed 71 per cent of the aggregate quota imposed on the countries in the region; the maximum quota levels were never reached (see table 12). In the final years of the period, the percentage was higher, approaching almost 80 and 90 per cent in 1994 and 1995 respectively, mainly as a result of the expansion of Egypt's exports to the United States. Exports of textile and clothing products were already closer to the quota level in the GCC countries than in Egypt, averaging around 73 per cent in the former for the period under review and only around 65 per cent in the latter (see table 12). In the GCC countries and Egypt, exports of restricted clothing items expanded significantly in later years, increasing their relative importance in terms of quota levels; averages for the period 1994 to 1995 were around 92 per cent in Egypt and 79 per cent in the GCC countries. For Egypt, this indicates the improved ability of the domestic industry to respond to increased demand in the international market; for the GCC countries, it may have something to do with exogenous factors such as the changes in restrictions imposed by importing developed countries on imports of textiles and clothing from some Asian countries.

⁸⁰ Available data from the same source indicate that in 1995 and 1996, Egypt's exports of yarn to the United States were \$32.5 million and \$3.75 million respectively, and its exports of fabrics \$23.8 million and \$7.9 million respectively.

TABLE 11. THE SHARE OF RESTRICTED EXPORTS IN TOTAL EXPORTS OF TEXTILES AND CLOTHING FROM ESCWA MEMBER COUNTRIES TO THE UNITED STATES (1991-1995)
(Thousands of US dollars and percentages)

	Total value of the ESCWA member countries' textile and clothing exports to the United States						Restricted exports as a share of total textile and clothing exports to the United States					Average restricted exports (1991-1995)
	1991	1992	1993	1994	1995		1991	1992	1993	1994	1995	
GCC countries	136 421	292 838	282 188	306 267	421 327		87	89	82	80	69	81
Bahrain	14 656	23 933	31 101	33 575	62 429		49	67	65	40	47	54
Kuwait	—	2 191	41 738	19 706	3 878		—	96	95	91	84	92
Oman	39 797	81 913	73 966	79 650	103 352		92	94	81	89	79	87
Qatar	13 124	27 965	33 506	52 659	61 659		83	70	67	78	77	75
Saudi Arabia	—	—	—	1 833	7 634		—	—	—	—	—	—
United Arab Emirates	68 844	156 836	101 877	118 844	182 375		93	93	89	91	70	87
More diversified economies ^{a/}	83 615	132 673	150 882	203 236	283 509		43	38	43	45	39	42
Egypt ^{b/}	77 400	117 600	131 740	183 200	260 803 ^{b/}		43	40	49	50	43 ^{a/}	45
Jordan	927	9 023	16 714	16 615	14 149		—	—	—	—	—	—
Lebanon	2 793	4 332	533	420	562		90	92	58	43	57	68
Syrian Arab Republic	2 495	1 718	1 895	3 001	7 995		—	—	—	—	—	—
ESCWA region ^{b/}	220 036	425 511	433 070	509 503	704 836		70	73	69	66	57	67

Source: ESCWA, based on United States customs data obtained from the International Business and Economic Research Corporation (April 1995).

a/ Excluding exports of yarn and textile fabrics from Egypt.

b/ Reported data for 1995 and 1996 include exports of textiles and yarn amounting to \$56 million and \$11.6 million respectively, of which exports of yarn amounted to \$32 million and \$3.8 million respectively.

TABLE 12. RATES OF UTILIZATION OF QUOTAS IMPOSED ON TEXTILE AND CLOTHING EXPORTS FROM THE ESCWA MEMBER COUNTRIES TO THE UNITED STATES (1991-1995)*
(Thousands of units and percentages)

ESCWA region	Units	Quota level, 1994 (thousands of units)	Rate of quota utilization				
			1991	1992	1993	1994	1991-1995 (average)
ESCWA region	Yam						
	Textiles	9 483	..	..	..	..	75
	Square metres	238 495	..	..	..	..	24 ^{a/}
	Dozen	9 728	38	74	78	78	87
GCC countries	Textile products	5 000	90	128	211	—	71
	Textiles						100
	Clothing	30 660	25	33	126	—	27
	Dozen	6 740	39	86	86	76	81
Bahrain	Textile products	5 000	90	128	211	—	75
	Textiles	500	—	—	—	—	100
	Clothing						—
	Dozen	812	30	62	68	69	85
Egypt	Yam						63
	Textiles	9 483	..	..	..	..	75
	Square metres	207 755	..	..	..	..	21 ^{a/}
	Dozen	2 988	34	46	60	84	100
Kuwait	Clothing						65
	Textiles	310	—	17	256	109	23
	Clothing						81
	Dozen	1 830	43	92	66	60	77
Qatar	Clothing						68
	Textiles	845	41	127	80	82	93
	Clothing						85
	Dozen						—
United Arab Emirates	Textiles	30 660	25	33	126	—	27
	Clothing	2 943	43	84	87	82	86
	Textile products	5 000	90	128	211	—	75
	Textile products	500	—	—	—	—	100

Source: ESCWA, based on United States customs data obtained from the International Business and Economic Research Corporation (April 1997).

* Quota levels prior to 1994 were not available; all utilization rates are relative to 1994 levels.

a/ For 1996, the rate was 4 per cent.

The clothing products exported under the quota system during the reporting period accounted for more than two thirds of the region's textile and clothing exports to the United States (see table 11). Evidence of this is found in the dramatic rates of growth recorded for restricted exports during the same period, averaging close to 30 per cent annually (see table 13). It should be noted here, however, that export expansion has been even more dramatic under free trade, averaging almost 50 per cent annually, which means that such exports are doubling every two years. This trend notwithstanding, the region's exports of clothing have remained limited: the vast selection of unrestricted clothing items has remained relatively unexplored, and the product quantities exported under quota restrictions have remained far below the aggregate quota level.

The United States has imposed more restrictions on the clothing exports of the GCC countries than on those of the other ESCWA member countries, including Egypt. This fact is clearly revealed by the higher ratio of restricted exports to total exports in the GCC subregion, averaging around 80 per cent during the reporting period. It should be borne in mind that most of the textile and clothing industries in the GCC countries manufacture their goods in duty-free industrial zones, which partly explains why restrictions on these countries are more severe. The major importing countries suspect that these industries have emerged as a result of the quota restrictions imposed on exporters in neighbouring Asian markets.

The situation is quite different in Egypt, which is a prominent traditional producer of textiles and clothing in the region. Egypt exports a wider array of unrestricted clothing products; more than one half of the country's clothing exports are exported under free trade (see table 11). Egypt's yarns and textiles have been assigned relatively generous quotas, according to the available data for 1995 and 1996. However, the industry has not taken full advantage of trade opportunities, as indicated by the reportedly low level of quota utilization averaging around 14 per cent for textile fabrics and 58 per cent for yarn during these two years.

The following paragraphs focus on individual countries within the ESCWA region, starting with the main exporters of textiles and clothing to the United States.

Egypt was the primary exporter of textiles and clothing both among the more diversified economies and in the region as a whole during the period 1991-1995, accounting for more than 90 per cent of the total in the former and more than one third of all such exports in the latter. More than half of these goods (over 55 per cent) were exported under free trade (see table 13). A closer examination of the data reveals that in recent years the country has been trying to rapidly expand its exports to the United States, in spite of the quota restrictions imposed; equal and significant expansion averaging around 35 per cent per year was recorded for both categories of exports during the reporting period (see table 13).

The United Arab Emirates is the ESCWA region's second largest exporter to the United States; its clothing exports accounted for more than one quarter of the region's exports and around 43 per cent of those of the GCC subregion during the reporting period. As in other GCC countries, most of this country's clothing products are exported under quota restrictions, with the ratio of such exports to total exports of clothing averaging around 85 per cent (see table 11). However, the country seems to have made some effort to expand its exports under free trade; growth rates for such exports averaged 86 per cent during the reporting period (see table 13).

Oman has become the third largest exporter of textiles and clothing to the United States, accounting for more than 16 per cent of the ESCWA region's exports of such products during the reporting period (see table 13). Oman's potential for developing a clothing industry is somewhat better than that of other GCC exporting countries, as it has a larger native population base (in proportional terms), which has prompted national authorities to promote this industry. During the period under review, Oman's exports remained, as in other GCC countries, highly concentrated in products subject to quota restrictions, despite the significant

TABLE 13. RESTRICTED AND UNRESTRICTED EXPORTS OF TEXTILES AND CLOTHING FROM ESCWA MEMBER COUNTRIES TO THE UNITED STATES AND AVERAGE GROWTH FOR THE PERIOD 1991-1995

(Thousands of US dollars and percentages)

	1991	1992	1993	1994	1995	Average growth 1991-1995
GCC countries						
Restricted	119 042	260 905	232 614	259 657	289 027	25
Unrestricted	17 379	31 933	49 573	64 777	132 300	66
Total	136 421	292 838	282 187	324 434	421 327	33
Bahrain						
Restricted	7 127	16 072	20 137	21 666	29 566	43
Unrestricted	7 529	7 861	10 964	31 909	32 863	45
Total	14 656	23 933	31 101	53 575	62 429	44
Kuwait						
Restricted	..	2 108	39 718	17 995	3 257	..
Unrestricted	..	83	2 020	1 711	621	..
Total	..	2 191	41 738	19 706	3 878	..
Oman						
Restricted	36 720	77 102	60 139	70 461	81 592	22
Unrestricted	3 077	4 811	13 827	9 189	21 760	63
Total	39 797	81 913	73 966	79 650	103 352	27
Qatar						
Restricted	10 938	19 654	22 484	40 941	47 194	44
Unrestricted	2 186	8 311	11 021	11 718	14 465	60
Total	13 124	27 965	33 505	52 659	61 659	47
Saudi Arabia						
Restricted	..	..	..	—	—	..
Unrestricted	..	..	..	1 833	7 634	..
Total	..	..	..	1 833	7 634	..
United Arab Emirates						
Restricted	64 257	145 969	90 136	108 594	127 418	19
Unrestricted	4 587	10 867	11 741	10 250	54 957	86
Total	68 844	156 836	101 877	118 844	182 375	28
More diversified economies^{a/}						
Restricted	35 915	50 987	65 111	90 980	111 398	33
Unrestricted	47 700	31 686	85 771	112 256	172 111	38
Total	83 615	132 673	150 882	203 236	283 509	36
Egypt						
Restricted	33 400	47 000	64 800	90 800	111 076	35
Unrestricted	44 000	70 600	66 940	92 400	149 727	36
Total	77 400	117 600	131 740	183 200	260 803	35
Jordan						
Restricted	—	—	—	—	—	—
Unrestricted	927	9 023	16 714	16 615	14 149	98
Total	927	9 023	16 714	16 615	14 149	98
Lebanon						
Restricted	2 515	3 987	311	180	322	-40
Unrestricted	278	345	222	240	240	-4
Total	2 793	4 332	533	420	562	-33
Syrian Arab Republic						
Restricted	—	—	—	—	—	—
Unrestricted	2 495	1 718	1 895	3 001	7 995	34
Total	2 495	1 718	1 895	3 001	7 995	34
ESCWA region^{a/}						
Restricted	154 957	311 892	297 725	350 637	400 425	27
Unrestricted	65 079	113 619	135 344	177 033	304 411	47
Total	220 036	425 511	433 069	527 670	704 836	34

Source: ESCWA, based on United States customs data obtained from the International Business and Research Corporation (April 1995).

a/ Excluding exports of yarns and textile fabrics from Egypt.

expansion that took place in exports to the United States under free trade. The average rate of quota utilization for restricted clothing exports remained relatively low, averaging around 68 per cent during the period 1991-1995, possibly reflecting the continued limited investment in the domestic industry (see table 12).

Qatar and Bahrain are also emerging as relatively important exporters of clothing to the United States. Together they represent around 16 per cent of the region's exports of clothing products in value terms.

Qatar, the newer entrant of the two, was able to achieve the highest level of quota utilization in the subregion, averaging around 85 per cent during the reporting period (see table 12). Significant expansion was also taking place in its exports under free trade; the relative importance of these exports generally remained much higher in Qatar than in most of the other GCC countries, averaging around one quarter of the country's total exports during the period under review (see table 11).

Bahrain, the other new entrant, differs from Qatar. It was able to export half of its clothing products destined for the United States under free trade during the reporting period. In the ESCWA region, Bahrain recorded the lowest ratio, after Egypt, of restricted exports to total exports, averaging around 51 per cent (see table 11). Its rate of quota utilization, which was also the lowest after Egypt, averaged around 63 per cent (see table 12). In 1993, Bahrain signed a three-year bilateral agreement with the United States which provided for the imposition of restraints on Bahrain's exports of HS categories 338/339 and 340/640. This agreement was unique in some respects: it established a group limit of 31 million square metres equivalent on all of Bahrain's exports of cotton, wool, man-made fibre, non-cotton vegetable fibre and silk blend shirts and blouses. One possible explanation for the conclusion of such an agreement is that Bahrain was not a signatory to the MFA or GATT in early 1993. Information is not available on whether this agreement was extended after 1995.

Jordan, Lebanon and the Syrian Arab Republic exported clothing to the United States only under free trade; however, the relative value of their exports was (and is) insignificant, accounting for an average of less than 4 per cent of the region's exports during the period under review.

(b) *ESCWA member countries' exports to the European Union*

The EU is a major textile and clothing market for the ESCWA member countries. As mentioned earlier, the EEC/EU has only restricted exports from the ESCWA region under their cooperation agreements. The notifications received by the TMB indicate that the EEC maintained restrictions only against Egypt's exports of cotton yarn and fabric; as at 31 December 1994, quota levels for yarn totalled around 47,270 tons and those for fabrics 15,901 tons (see annex table 5). The other ESCWA member countries exported textiles and clothing to the EEC under free trade.

According to EU sources, textile and clothing exports from Egypt, Lebanon, the Syrian Arab Republic and the United Arab Emirates to the EEC/EU totalled almost \$4 billion during the period 1991-1995, an annual average of about \$800 million.⁸¹ Around 62 per cent of these exports were clothing and the rest were textiles. Egypt dominated in textile exports, with an average share of more than 90 per cent (see table 14), followed by the United Arab Emirates (5 per cent), the Syrian Arab Republic (2 per cent) and Lebanon (1 per cent). The bulk of the clothing exports originated in the United Arab Emirates (around 48 per cent), followed by Egypt (35 per cent), the Syrian Arab Republic (12 per cent) and Lebanon (5 per cent) (see table 14).

⁸¹ The textile and clothing exports of other ESCWA member countries to the EEC/EU were negligible and are therefore not included in the analysis.

A combined average annual growth rate of around 9 per cent was recorded for the ESCWA region's textile and clothing exports to the EEC/EU during the reporting period (see table 14). The overall expansion rates for these two products were roughly equal; however, there were variations within and between the individual countries. Textile exports grew by an average of more than 50 per cent in the United Arab Emirates and almost 20 per cent in Lebanon, while clothing exports expanded significantly in Egypt and the Syrian Arab Republic, averaging around 18 per cent and more than 20 per cent respectively.

TABLE 14. THE VALUE AND AVERAGE GROWTH OF TEXTILE AND CLOTHING EXPORTS FROM SELECTED ESCWA MEMBER COUNTRIES TO THE EEC/EU, 1991-1995
(Millions of dollars and percentages)

	1991	1992	1993	1994	1995	Average growth, 1991-1995 (percentage)	Share (percentage)
Egypt							
Textiles	225	231	179	402	332	7	92
Clothing	120	129	178	199	235	18	35
Total	375	360	356	601	567	11	57
Lebanon							
Textiles	1	4	1	3	3	19	1
Clothing	26	29	31	23	24	-1	5
Total	27	33	32	26	27	—	4
Syrian Arab Republic							
Textiles	9	6	3	6	10	3	2
Clothing	31	50	68	78	66	21	12
Total	40	56	70	84	77	18	8
United Arab Emirates							
Textiles	6	4	8	24	33	51	5
Clothing	204	230	277	255	212	1	48
Total	211	234	285	280	245	4	31
ESCWA region							
Textiles	241	245	190	435	378	9	100
Clothing	381	438	553	555	538	9	100
Total	622	683	743	991	916	9	100

Source: ESCWA, based on data obtained from the Statistical Office of the European Commission (Brussels, 1 April 1997).

Note: Totals may not add precisely because of rounding.

(c) Concluding remarks

The previous analysis showed that quota restrictions were imposed on only a limited number of textile and clothing export items from the GCC countries and Egypt. Restrictions were imposed mainly on new entrants that exported relatively large quantities from the very beginning, which made them prime targets for the imposition of quotas at levels much lower than those imposed on Egypt. The tight restrictions on the exports of the GCC countries might have something to do with the fact that most of the industries are located in duty-free industrial zones and are co-owned by East Asian exporters trying to avoid quota restrictions imposed on exports originating from their home countries and bound for the United States. During the period under review, the textile and clothing exports from the remaining ESCWA member countries (Jordan, Lebanon and the Syrian Arab Republic) to the United States were free of quota restrictions, which is understandable, given the fact that these countries exported relatively insignificant quantities of such products.

The region's exports of textiles and clothing to the United States have been limited in terms of both selection and quantity; recently, however, significant expansion in both restricted and unrestricted exports has occurred. In Egypt and Qatar, there have been efforts to expand exports under free trade. For most member countries in the region, restricted exports have remained below the quota level. Egypt's quota utilization rate was much lower than that of the GCC countries during the period 1991-1995. This could be due to the nature of the textile and clothing industries established in the GCC countries, where exports to the United States are more closely monitored. This raises the question of whether or not the high rates of exports growth achieved in the Gulf countries during the period under review can necessarily be taken as an indication of the development potential of the industry in the subregion. The situation is different in Egypt, where greater expansion has been taking place in exports under free trade, particularly in clothing, as a result of the restructuring of the industry and the increased involvement of the private sector in production and exports. As mentioned above, the export levels of the remaining ESCWA member countries, namely Jordan, Lebanon and the Syrian Arab Republic, have remained relatively insignificant, even though no restrictions have been imposed on their exports to the United States.

Restrictions on exports to the EEC/EU and the United States were limited during the period studied. Restrictions were placed mainly on the GCC countries' clothing products, since the subregion (with the exception of the United Arab Emirates) exported mainly clothing. In the more diversified economies, export restrictions were more commonly imposed on yarns and fabrics, and the large number of unrestricted export products, in particular clothing items, remained unexplored.

United States sources indicate that many of the ESCWA member countries failed to take full advantage of restricted export allowances. However, there were times during the reporting period when quota levels for certain items were reached or even exceeded. Examples include cotton knit shirts and blouses (HS 338/339) in Egypt, Oman and the United Arab Emirates; men's and boys' cotton and man-made-fibre shirts, not knit (HS 340/640) in Egypt, Kuwait, Oman, Qatar and the United Arab Emirates; and cotton trousers/slacks and shorts (HS 347/348) in Oman, Qatar and the United Arab Emirates. Several other items were reported to have exceeded quota levels in the United Arab Emirates.

An important question remains: What are the reasons behind the relatively low level of exports in the region in general and in the more diversified economies in particular (including the low level of restricted exports in Egypt)? One reason could be the supply factor, relating to the competitiveness of the domestic industry and its inability to meet international market requirements. Another contributing factor might be the quota system itself, which has to varying degrees inhibited investment in textile and clothing export industries. There is some question as to whether the countries in the region, in particular the more diversified economies, have been able to export to developed country markets knowing that they have a secure market under the quota mechanism, or whether such a system, with its established limits, has inhibited growth. It is not yet known whether the dismantling of the MFA and the increased international market competition that must follow will be good or bad for the region's textile and clothing exports. In-depth studies must be undertaken to address these and other issues.

*2. The implementation of the integration programme in the three main countries applying MFA restrictions**

The performance of textile and clothing exports in the ESCWA region under both restricted and free trade has been reviewed. The next issue to be addressed relates to the impact of the ATC integration programme on the developed importing countries applying MFA restrictions (namely Canada, the EU countries, Norway and the United States) and how this will affect the viability and the future of the textile and clothing industry and trade in the ESCWA member countries.

The integration process has already begun: Canada, the EU and the United States notified the TMB of both the textile and clothing products integrated (liberalized) during the first stage and those that are to be integrated during the second stage.

The "Report of the Council for Trade in Goods to the General Council",⁸² which was submitted to the Singapore Ministerial Conference, provides a summary of the discussions held on the progress made in the implementation of the integration programme. Some concern is expressed over the fact that although the ATC calls for progressive liberalization, the first stage of integration (which ended in January 1995) has not produced commercially meaningful results. This is largely because none of the products integrated by the four major importing members (with the exception of work gloves in Canada) had previously been subject to quantitative restrictions. Further, most of the products integrated came from relatively low value added categories. As a result, access for the exports of developing countries to these major importing markets has not been noticeably increased or improved. The report indicates that it is not yet known whether the second stage of integration (ending January 1998) will have a more commercially significant impact on international trade in textiles and clothing. The same report stresses that the integration programmes should include a mixture of restricted and unrestricted products and a balanced proportion of sensitive and non-sensitive items, with greater emphasis on clothing. It concludes that a smooth transition to the GATT/WTO rules and disciplines can be achieved and the interests of both the restraining and exporting members served only if the integration programme is implemented along such lines.

In response to the Council's report, the developed countries reasserted at the Singapore Ministerial Conference that it was the prerogative of each individual member to decide which products would be integrated at each stage. These countries have chosen to integrate products that were not previously subject to restrictions, and while they are technically within their rights, they have made little effort to contribute to the establishment of a more balanced trading environment. To rectify the situation, specific proposals were made in the negotiations during the Singapore Ministerial Meeting regarding the mandatory integration of restrained products; however, these proposals were not adopted.

A careful study of the list of items notified by Canada, the EU and the United States to the TMB for the first and second stages (which affect existing quotas imposed on all WTO members until the end of the year 2001) reveals that none of the ESCWA region's restricted exports have been or will be integrated during these two stages. Further, very few items in the categories of cotton yarns, cotton fabrics and clothing will

* WTO, Council for Trade in Goods, "Report of the Council for Trade in Goods to the General Council" (Geneva, 5 November 1996) (G/L/134); and WTO, Textiles Monitoring Body, Agreement on Textiles and Clothing; notifications: (a) for Canada under articles 2.1 and 3.1 (G/TMB/N/62, issued 19 April 1995) and addendum/corrigendum (G/TMB/N/62/Add.1, issued 27 June 1995); (b) for the European Community under article 2.1 (G/TMB/N/60, issued 19 April 1995) and article 3.1 (G/TMB/N/64 and G/TMB/N/65, issued 28 April 1995); and (c) for the United States under article 2.1 (G/TMB/N/63, issued 19 April 1995) and article 3.1 (G/TMB/N/66, issued 28 April 1995).

⁸² WTO, Council for Trade in Goods, "Report of the Council for Trade in Goods to the General Council"... .

be listed in the integration programme for the third stage; only a few restricted items (exported by the United Arab Emirates) are scheduled for integration⁸³ by the United States during this period. Developing countries anticipated this situation in 1993 and 1994, expecting that the importing developed countries would leave all sensitive items to be integrated on the last day of the transition period.

In the light of the above, the restricted exports of the ESCWA member countries—mainly cotton yarns and fabrics, as well as cotton shirts, blouses, trousers, slacks and shorts (knit and not knit)—are not expected to be liberalized before the year 2004. As mentioned previously, most of these exports from the ESCWA region have been limited; in many instances, they fell short of quota levels during the period 1991-1995 (see table 12). If the same is true of exports to the EU and Canada, the delay in the integration of such products by the developed countries is not expected to have much of an effect on exports from the region—especially if such low utilization levels are the result of the non-competitiveness of the domestic industry, in which case the quota system will continue to serve as a means of providing the countries in the region with a secure market for their products. This also applies to other countries with more diversified economies that have been exporting to Canada and the EU under quota restrictions if their quota utilization levels have been low for the same reason. It is likely, however, that there are some competitive products for which the level of quota utilization is low and can be attributed to the existence of the quota system, a situation which inhibits investment in certain promising industries. In such cases, investors may lose the opportunity created by the WTO liberalization programme to expand their involvement in these industries during the transition period.

As inferred above, this delay may be a blessing for many exporters of less competitive products in Egypt and other exporting countries with more diversified economies. It gives their exporters a grace period to improve the competitiveness of their products, restricted or otherwise, and to deal with other challenges associated with free international trade in textiles and clothing. Trade barriers will continue to inhibit the expansion of a few competitive export products.

It is still unclear whether the ESCWA member countries that have joined the WTO would prefer their quotas to be liberalized earlier or later. Many economists and trade policy makers have pondered this question; the final answer will depend on whether the quota remains a means of guaranteed access and protection against more qualified competitors, or whether the textile and clothing industry matures and becomes competitive enough that quotas begin to constitute a restraint that should be removed.

3. The impact of the extra element of growth on ESCWA member countries

Parallel to the process of integration, the ATC stipulates that exports remaining under restriction must receive an extra element of growth (growth over growth). In other words, the quotas should increase by an additional amount over the growth rates previously agreed upon under MFA or MFA-type bilateral agreements; most of these earlier growth rates were 6 per cent per annum.

The formulators of the ATC believed that textile and clothing quotas growing steadily each year by such high percentages (see table 9) would become so large that the importing countries would derive little benefit from maintaining them and would eventually drop them, with integration the most logical course for them to follow.

Countries importing goods under MFA restrictions did not always offer uniform 6 per cent growth rates for all quotas or for all suppliers. In the United States, wool was put in the 1 per cent growth category, and large suppliers were sometimes given 1 per cent or less; medium-sized suppliers were allowed to increase

⁸³ Mohamed Maamoun Abdel-Fattah, unpublished information.

their quotas by between 2 and 4 per cent annually, and small suppliers got 6 per cent and sometimes even more, as mentioned earlier. Thus, the additional growth rates will vary based on the original growth rates provided for quotas existing at the end of 1994 (see table 9).

As small suppliers, ESCWA member countries should receive an extra element of growth in their quotas over and above that given to other developing countries that do not fall into this category. During the negotiations, small suppliers argued that the MFA quota system had worked in favour of large suppliers and that the ATC transition regime would mean that their share would be frozen for 10 more years. The formula agreed upon was only one element instituted to help balance the inequity of the MFA regime, albeit on a limited scale.

There are other elements in the Agreement, mentioned in articles 2:18 and 6:6(b), that favour the ESCWA member countries that are small suppliers. These elements were left for bilateral consultation between importing and exporting countries and deal with future restrictions.

(a) *Benefits of the extra element of growth for ESCWA member countries*

Every WTO member from the ESCWA region will benefit from the additional growth rate allowances. Their quotas will increase from 1994 growth levels of 6 per cent per annum to levels which will rise by 11.05 per cent per annum during the last part of the transition period ending in the year 2004. Exceptions include those items that receive growth rates of less than 6 per cent, such as wool products, which receive 1 per cent in the United States; within the ESCWA region, this rate only affects Egypt's quota for wool trousers (HS 448) in the United States. It should be understood that these additional growth over growth rates will translate into increased opportunities for competitive products if the quotas are fully utilized; however, they will also increase competition for less competitive products in the international market.

All of the ESCWA region's WTO members qualify as small suppliers to the United States under the provisions of article 2:18 of the ATC. This article defines small suppliers as those members whose restricted exports represent no more than 1.2 per cent of the total restrictions applied by the United States against the same or like products. The only exceptions are Egypt and the United Arab Emirates, which have some items exceeding this limit. As mentioned earlier, Egypt managed to convince the United States to grant it small-supplier status during the negotiations. Non-WTO members will retain their original growth rates.

In Canada, five ESCWA member countries are restrained, namely Lebanon, Oman, Qatar, the Syrian Arab Republic and the United Arab Emirates; however Qatar is the only WTO member that qualifies as a small supplier, since the others are not WTO members. Canada's notification specifies the original growth figures. The EU has not restricted the products of any ESCWA member except Egypt, and its quotas and growth rates are covered by cooperation agreements; here, Egypt does not qualify as a small supplier.

In conclusion, the ATC integration programme is not expected to affect the current exports of the ESCWA member countries to the developed country markets. The quotas imposed on their exports will not be lifted until 1 January 2005. All of these countries have the opportunity to benefit from the provisions for additional growth contained in article 2, provided they have the capacity to make use of the extra allowances.

(b) *Differential treatment for members and non-members of the WTO*

It may be useful to remember that the obligations assumed by developed importing countries under the ATC and the other WTO agreements apply only to WTO members. As mentioned in chapter III, non-WTO members will not automatically receive the benefits provided to members under the integration and liberalization programmes. Even before the ATC, non-members had no rights under GATT. Restrictions

could be imposed on their exports at any level and at any time, and they were not entitled to seek justification from importing countries. Thus, the trade situation of non-members will be determined by the bilateral relations they have with developed countries. It should be noted, however, that such relationships will always be dictated by the inevitable imbalance that characterizes an association between two parties in which one is strong and the other has no power to retaliate.

The UNCTAD secretariat compiled information on legislation enacted in the United States and the EU for the implementation of the Uruguay Round decisions and agreements. The laws studied contained different provisions regarding the application of quantitative restrictions against the imports of non-WTO members. In most cases, non-WTO members will benefit from neither the trade liberalization provided for in the ATC nor the increases in quota growth rates.⁸⁴ This suggests that the ESCWA region's non-members of the WTO will have no choice but to join the Organization, and the sooner they initiate preparations for their accession, the less they will lose (in terms of foregone benefits).

B. ANALYSIS OF THE IMPACT OF TARIFF REDUCTION COMMITMENTS BY DEVELOPED COUNTRIES ON TEXTILE AND CLOTHING IMPORTS FROM DEVELOPING COUNTRIES

Developed countries made new tariff commitments based on the Uruguay Round negotiations; tariffs on imports of industrial products were reduced by an average of 40 per cent (see table 15). It is estimated that these commitments will bring the average tariff down from 6.3 to 3.8 per cent. The proportion of imports subject to bound tariffs of zero has risen from 20 to 40 per cent. Five categories of imports have been reduced by an average of less than 40 per cent; these include fish and fish products, textiles and clothing, leather, rubber footwear and transport equipment.

TABLE 15. REDUCTIONS IN BOUND TARIFF RATES FOR INDUSTRIAL PRODUCTS AND TEXTILES AND CLOTHING IN MAJOR DEVELOPED COUNTRIES
(Billions of US dollars and percentages)

Product	Import value		Imports from all sources			Imports from developing countries		
	All sources	Developing countries	Pre-UR ^{a/} (%)	Post-UR (%)	Reductions (%)	Pre-UR (%)	Post-UR (%)	Reduction (%)
Industrial products	736.9	169.7	6.3	3.8	40	6.8	4.3	37
Textiles and clothing	66.4	33.2	15.5	12.1	22	14.6	11.3	23

Source: WTO and UNCTAD, "Strengthening the participation of developing countries in world trade and the multilateral trading system" (Geneva and New York, United Nations, 1996) (TD/375/Rev.1).

a/ Uruguay Round.

Tariffs on textiles and clothing were reduced by an average of 22 per cent, from 15.5 per cent before the Uruguay Round to 12.1 per cent (see table 15). Textiles and clothing are still subject to tariff escalation, and more than 50 per cent of textile and clothing imports in the developed markets are subject to tariff peaks. Very few textile and clothing items are among the products which have not been included in the generalized system of preferences (GSP) in specific countries.

⁸⁴ Mohamed Maamoun Abdel-Fattah, unpublished information.

1. The reduction commitments

Reductions in tariffs on imports of textiles and clothing from developing countries varied among the quad countries: Canada reduced its tariffs by 37 per cent and Japan by 32 per cent, while the EU and the United States committed themselves to reductions of only 15 and 11 per cent respectively (see table 16). The picture is somewhat different if the pre-Uruguay Round tariff average for each country is taken into consideration; what matters most is the average tariff levels applied now. In the final analysis, the United States has the highest average (15.2 per cent), followed by Canada (13.5 per cent), the EU (10.3 per cent) and Japan (7.8 per cent) (see table 16).

TABLE 16. REDUCTIONS BY QUAD COUNTRIES IN TRADE-WEIGHTED TARIFF AVERAGES
FOR TEXTILE AND CLOTHING IMPORTS, 1992
(Millions of US dollars and percentages)

Importing country	Imports from world				Imports from developing countries						
	Value	MFN tariff average (percentage)			Value	MFN tariff average (percentage)			MFN/GSP tariff average (percentage)		
		Pre- UR	Post- UR	Reduction		Pre- UR	Post- UR	Reduction	Pre- UR	Post- UR	Reduction
Canada	4 967.5	20.1	12.6	37	1 572.1	21.4	13.5	37	20.4	13.3	35
European Economic Community ^{a/}	51 172.1	11.6	9.7	16	19 473.3	12.1	10.3	15	0.4	0.2	49
Japan	16 208.1	12.0	8.1	33	5 810.7	11.5	7.8	32	4.8	4.6	4
United States	42 201.3	15.7	13.6	13	28 752.1	17.1	15.2	11	16.8	15.0	11

Source: Data obtained from UNCTAD, Trade Control Measures Information System.

Notes: MFN = most-favoured nation; GSP = generalized system of preferences; and UR = Uruguay Round.

^{a/} Now the European Union.

The available information does not offer details with regard to the customs duties applied to individual items in the categories of yarns, fabrics, made-up textiles and clothing in each of the main developed importing countries. The criteria on which tariff decisions are based differ from one country to another and may not be clear to the outside world; it is probable, however, that tariff systems take into account the sensitivity of the domestic industry to imported products.

2. The effectiveness of tariff reductions

A recent WTO study includes a number of tables comparing textiles and clothing with other products in terms of tariff treatment in the EU, Japan and the United States.⁸⁵ Data compiled from these tables are presented in table 17 to provide a general indication of how textiles and clothing have fared under the schedules of concessions submitted by these countries during the Uruguay Round.

⁸⁵ Richard Blackhurst (WTO), "The Uruguay Round and market accession opportunities and challenges for developing countries" (n.p., n.d).

TABLE 17. THE DISTRIBUTION OF TARIFF RATES IMPOSED ON TEXTILE AND CLOTHING IMPORTS AS SUBMITTED BY SELECTED DEVELOPED COUNTRIES UNDER THE SCHEDULES OF CONCESSIONS
(Percentage of goods in each category)

Tariff rates imposed	United States		European Union		Japan	
	Pre-UR ^{a/}	Post-UR	Pre-UR	Post-UR	Pre-UR	Post-UR
Zero	0.7	4.9	0.6	1.3	3.0	4.5
From 0.1 to 5.0	0.6	9.2	5.3	19.1	3.3	19.1
From 5.1 to 10.0	27.9	25.9	29.7	25.5	33.7	54.7
From 10.1 to 15.0	6.6	8.0	64.3	54.1	44.4	21.5
From 15.1 to 35.0	57.7	52.0	0.1	—	15.6	0.2
Over 35	0.5	—	—	—	—	—
From zero to over 35	100	100	100	100	100	100
General average	16.7	14.6	11.0	9.1	11.3	7.6
Average reduction	12.6		17.3		32.7	

Source: Richard Blackhurst (WTO), "The Uruguay Round and market accession opportunities and challenges for developing countries" (n.p., n.d.).

^{a/} Uruguay Round.

The following conclusions can be drawn from the data presented in table 17:

(a) Tariff reductions were lower and average tariffs are still higher in the United States than in the EU and Japan. Japan reduced its tariffs the most and has the lowest tariff average;

(b) More than 50 per cent of American textile and clothing imports are subject to customs duties of more than 15 per cent (between 15.1 and 35 per cent), 25.9 per cent are subject to duties of between 5.1 and 10 per cent, and only 9.2 per cent of its imports are subject to duties of less than 5 per cent;

(c) The EU has no customs duties on textiles and clothing exceeding 15 per cent. More than half of its imports are subject to duty rates of between 10.1 and 15 per cent, and around 25 per cent are subject to lower duties of 5.1 to 10 per cent;

(d) Almost 55 per cent of Japan's textile imports are subject to duties of between 5.1 and 10 per cent and around 22 per cent of such imports are subject to duties ranging from 10.1 to 15 per cent; the country imposes almost no duties higher than 15 per cent on textile and clothing products.

The developed countries' tariff reductions have been less significant for the textile and clothing industry than for other industries. In the United States, tariffs remain high in spite of the reduction commitments.

Most clothing exports from the ESCWA member countries are subject to the highest tariff levels in the United States and the EU markets, averaging around 15 per cent or more in the former and ranging from 10 to 15 per cent in the latter. The lower tariffs in Japan are of little significance, as most of the region's exports go to Canada, the EU and the United States.

Under existing cooperation agreements, the exports of Egypt, Lebanon and the Syrian Arab Republic are permitted to enter the EU duty-free. The same treatment can be expected in the free-trade agreements

the EU is currently negotiating with each of these three countries and with Jordan. The other ESCWA member countries are required to pay customs duties on their textile and clothing exports to the EU.

Jordan, Lebanon, Oman, Saudi Arabia and the Syrian Arab Republic are not members of the WTO, so their exports to Canada, Japan, the United States and other WTO members will not benefit from the tariff reductions. (Neither were these countries able to benefit from the lower tariffs imposed on the exports of GATT members enjoying most-favoured-nation [MFN] status). This means that they will pay higher duties than other countries—a situation that is exacerbated by the fact that tariffs in the United States, the largest textile and clothing importer, are already high in relation to other major importing markets.

Another issue that must be addressed is the possible erosion of preferences given by the EU to the Mediterranean ESCWA member countries as a result of the former's reduction commitments. It is generally believed that while this may occur, the margin of erosion is likely to be quite limited, considering that the EU has reduced the average duty on textiles and clothing from 11 to 9.1 per cent.

3. Tariff treatment in selected ESCWA member countries

The competitiveness of textile and clothing products in the ESCWA region will be assessed in the following section; first, however, it is necessary to investigate both the level of tariff protection in these countries and prospects for liberalizing the industry.

The available information indicates that imports of cotton fabrics and ready-made textile products are prohibited in Egypt, with some exceptions. There is also a ban on cotton lint imports, with the exception of imports for the spinning mills outside the Delta region. Although there are no quantitative restrictions on yarns, customs duties are relatively high (see table 18), particularly in the light of the fact that a 10 per cent sales tax and a 3 per cent surcharge are added. Imports of yarn for outward processing are exempt from such duties. A recent study on the textile and clothing industry in Egypt asserts that despite the high customs duties imposed on yarn, imports have supplied domestic weavers in the private sector with cheaper and more suitable kinds of yarn.⁸⁶ This has allowed the weavers to meet the challenges of international price competition in fabrics. It should be noted that the ban on imports of cotton lint is depriving public sector firms of the opportunity to compete in both the domestic and the international market.

The available information indicates that customs duties for textiles and clothing in most countries of the ESCWA region, especially in the more diversified economies, are relatively high, particularly for clothing imports. The highest rates are imposed by Egypt and the Syrian Arab Republic, with peak tariffs reaching 102 per cent for clothing in the latter and 70 per cent for clothing and made-up textiles in the former (see table 18). The local textile and clothing industry is important in these two countries and is highly protected by both high tariffs and import prohibitions. Bahrain is similar to other GCC countries in that it applies very low tariffs to all textile and clothing items (a uniform rate of 10 per cent).

Reductions in tariffs and quantitative restrictions have already been initiated in several countries in the region. Within the context of the WTO Agreement, Egypt has commitments to reduce current tariff levels by almost half by the year 2005; tariffs on yarn will fall from 30 to 15 per cent, those on fabrics from 60 to 30 per cent, those on clothing from 70 to 40 per cent, and those on made-up textiles from 70 to 35 per

⁸⁶ Naheed Kirmani (IMF), "The Uruguay Round and international trade in textiles and clothing", a paper presented at the Annual Joint Seminar (the Seventh): the Uruguay Round and the Arab Countries, sponsored by the Arab Fund for Economic and Social Development and others and held in Kuwait on 17 and 18 January 1995.

cent. Additionally, bans on fabric imports will be removed on 1 January 1998, and those on clothing on 1 January 2002.

Jordan and Lebanon have recently taken steps to reduce their tariffs on clothing imports by 20 to 40 per cent. Jordan is in the process of acceding to the WTO Agreement and is also engaged in negotiations to conclude a free-trade agreement with the EU. If these endeavours are combined with regional preferential arrangements with Arab countries, barriers against Jordan's textile and clothing imports can likely be eliminated, which will help create new opportunities for future expansion. Lebanon, which has not yet initiated the process of acceding to the WTO Agreement, would enjoy benefits just as important if it were to follow Jordan's lead. The only ESCWA member country that has not announced its intention to join the WTO is the Syrian Arab Republic. The Syrian Arab Republic has the second largest textile and clothing industry in the region, after Egypt, but it is also a highly protected industry with the highest imposed tariffs. The Syrian Government should consider WTO membership, as the country's important textile and clothing industry would likely be one of the industries that would benefit most.

TABLE 18. TARIFFS APPLIED TO TEXTILE AND CLOTHING IMPORTS IN
SELECTED ESCWA MEMBER COUNTRIES
(Percentages)

Product	Egypt ^{a/}	Jordan ^{b/}	Lebanon	Syrian Arab Republic
Fibre	5	..	..	..
Cotton lint	5	..	..	..
Yarn	30 ^{c/}	5	5-10	..
Woolen thread	..	..	..	19
Cotton thread	..	..	..	71
Velvet thread	..	..	..	47
Dyes and other chemicals	..	..	3	..
Waste fibre	..	..	5	..
Packaging materials	..	..	18	..
Fabrics	60	30	15	7-47
Needlework	..	..	..	71
Accessories	..	..	7-15	..
Man-made made-up textiles	70	..	..	..
Clothing	70	50 ^{d/}	25-30 ^{e/}	29-102

Source: ESCWA, based on information collected from the field.

^{a/} Egypt is committed to reducing tariffs to reach the following rates by the year 2005: yarn, 15 per cent; fabrics, 30 per cent; clothing, 40 per cent; and made-up textiles, 35 per cent.

^{b/} There is an additional 10 per cent sales tax imposed on imported products; domestic products are exempt.

^{c/} A 10 per cent sales tax and a 3 per cent surcharge are added to cotton yarn.

^{d/} Reduced to 40 per cent in 1997.

^{e/} Recently reduced to 20 per cent.

C. COMPETITIVENESS*

1. Factors affecting competitiveness

The main factors influencing the competitiveness of an industry in any country include the quality and cost of available labour, raw material endowments and inputs, the technology used, the range and quality of infrastructure services (including utilities), the quality of transport services, and transaction costs.

(a) Labour

Employees in the textile and clothing industry in Egypt, Jordan, Lebanon, the Syrian Arab Republic and the West Bank and Gaza Strip enjoy relatively competitive wage levels. Among these countries and areas, wages and salaries are lowest in Egypt, averaging around \$1,100 per year in 1992, followed by Jordan, which averaged \$1,168 per year in 1994; the highest wages are paid in Lebanon, with an annual average of around \$2,888 in 1994 (see table 19). These countries enjoy greater competitiveness in the clothing industry than in the textile industry, as wages in the former are much lower; in recent years, employees in Egypt's clothing industry had the lowest wage, averaging \$766 per annum (1992), followed by Jordan, with an average of \$936 (1994); Lebanon paid the highest average wage, amounting to around \$2,837 (1994).

TABLE 19. UNIT LABOUR COSTS IN THE TEXTILE AND CLOTHING SECTOR IN SELECTED ESCWA MEMBER COUNTRIES AND AREAS, 1994

(US dollars and percentages)

	Product	Average annual wage per worker	Average annual productivity per worker	Unit labour cost (percentage)
Egypt ^{a/}	Total	1 100	7 612	15
	Textiles	1 136	7 680	15
	Clothing	766	6 980	11
Jordan	Total	1 168	12 797	9
	Textiles	1 670	22 215	8
	Clothing	936	8 449	11
Lebanon	Total	2 888	19 044	15
	Textiles	3 082	24 203	13
	Clothing	2 837	17 707	16
Syrian Arab Republic	Total	1 320	20 475	6
	Textiles	..	..	..
	Clothing	..	..	..
West Bank and Gaza Strip	Total	2 233	8 431	26
	Textiles	2 235	9 720	23
	Clothing	2 233	8 295	27

Source: Based on computations of data contained in the forthcoming bulletin of industry for the Arab countries (Amman, ESCWA and the Arab Industrial Development and Mining Organization).

^{a/} For 1992.

* This section is based on chapter II of part II of the forthcoming ESCWA study on the impact of the peace process on selected sectors.

A comparison of international labour costs for the garment industry reveals that the labour costs for Egyptian producers are among the lowest.⁸⁷ Table 20 indicates that while Egypt cannot compete with China, Indonesia, Pakistan, the Philippines, Sri Lanka and Viet Nam, it can easily compete with Malaysia, the Republic of Korea, Taiwan Province of China, Thailand, Turkey and a number of others. In 1993, labour cost per hour averaged around \$0.60 in Egypt, \$1 in Thailand, \$3.50 in Turkey, \$5.80 in Taiwan Province of China, and \$11.60 in the United States (see table 20).

TABLE 20. AVERAGE LABOUR COSTS IN THE CLOTHING INDUSTRY
IN SELECTED COUNTRIES, SUMMER 1993
(US dollars)

	Average cost per operator hour	Cost index (US costs = 100)	Indirect charges as a percentage of gross wages	Normal hours per operator per day	Normal equivalent days per operator per year
United States	11.6	100	33	8	241
Italy	16.2	140	99	7	240
Japan	23.7	201	69	7	261
Taiwan Province of China	5.8	50	34	8	294
Hong Kong	3.9	33	16	8	294
Singapore	3.6	31	22	7	264
Turkey	3.5	30	71	8	300
Republic of Korea	3.3	32	44	8	312
Brazil	1.5	13	70	8	274
Malaysia	1.2	10	46	10	261
Thailand	1.0	9	11	8	341
Egypt	0.6	5	43	8	280
India	0.6	5	30	8	289
China	0.4	3	33	8	306
Pakistan	0.4	4	49	8	310
Philippines	0.4	7	29	8	288
Sri Lanka	0.4	3	20	8	294
Viet Nam	0.4	3	27	8	287
Indonesia	0.4	4	26	7	297

Source: Werner International Inc., "Spinning and weaving cost comparisons" (New York, summer 1993), reproduced from International Trade Centre UNCTAD/GATT (ITC), Trade Development Services, Textiles and Clothing. An Introduction to Quality Requirements in Selected Markets, Geneva, 1995.

ESCWA estimates show that in 1994 the Syrian Arab Republic ranked lowest in the region in terms of unit labour cost for the textile and clothing industry, at \$6 per \$100 of output, while the West Bank and Gaza Strip ranked highest in both textiles and clothing, with an average of \$26 for the sector (see table 19). Jordan ranked lowest in textiles, at \$8, and Egypt (1992) and Jordan shared the lowest ranking (\$11) for clothing, enjoying equal competitiveness in the sector (see table 19).

⁸⁷ Relevant information on the other countries under review is not available.

(b) *Inputs*

Inputs consist of a very wide range of raw materials and products, including but not limited to the following: fibre and waste fibre, yarn and thread (in different assortments, both natural and man-made); dyes and chemicals; accessories such as elastic, buttons and needles; and packaging materials.

Egypt and the Syrian Arab Republic are the only countries that rely on a material input base (mainly cotton) and on industries supplying the cotton yarn and fabric necessary for the garment industry. These two countries also export such inputs, which represent a significant part of local production. In Jordan, Lebanon and the West Bank and Gaza Strip, the general lack of raw materials forces producers to import a number of essential goods. A few firms in the region import inputs such as cotton, cotton yarn and accessories from Egypt and the Syrian Arab Republic; accessories come mainly from the Syrian Arab Republic, which appears to be developing into an important supplier of such goods. However, most of the firms in the region prefer to use foreign inputs when possible, even when a major locally produced input is available. This preference is mainly attributable to the poorer quality, higher price, and delays in delivery of the products. Many producers in the region, in particular the smaller enterprises, cannot afford to import their inputs from outside the country when such products can be found either locally or in a neighbouring country. These industries often purchase only small quantities, which are more difficult and costly to import, particularly from outside the region. In the final analysis, raw material prices are much higher for the small firms than for their larger counterparts, and the quality of the products may not meet international standards. This is greatly affecting the competitiveness of the many small textile and clothing manufacturers in the region, despite the fact that a number of them may be reasonably competitive in other aspects of the production process.

(c) *Technology and machinery*

In most of the countries of the region, the machinery used for textile and clothing production is quite old; this is especially true in the clothing industry, particularly in Lebanon and the Syrian Arab Republic. Many of the machines in Lebanon were acquired more than 25 years ago, before the period of civil strife began; it should be noted, however, that few enterprises were operating at full capacity during the period of unrest, so this equipment was not used as intensively as might have been the case under normal circumstances. In the Syrian Arab Republic, the machines used in some State factories date back to the 1960s or 1970s. Garment production lines and fabric printing machines are more modern in the private sector. This has created a difference in quality between the weaving production lines and the textile lines. State firms often produce low-quality inputs; for example, 90 per cent of their thread output is below international standards. The Syrian textile and clothing industry is characterized by its use of (generally) simple technologies, its flexible volumes of production and its high labour intensity. The machinery installed in most garment firms in the West Bank and Gaza Strip, though not old, is not advanced or computerized, resulting in a low capital-to-labour ratio.

Poor maintenance and the lack of professional technical staff in State companies in Egypt and the Syrian Arab Republic have also contributed to the low quality of textile production, low capacity utilization and frequent mechanical failures. There are shortages of skilled and experienced labour and of technical staff (such as engineers) specializing in weaving, textile production and the use of dyes. Such circumstances make it difficult to maintain quality control in the production process in these countries.

(d) *Infrastructure and utilities*

Competitiveness is also influenced by the availability, continuity and quality of utilities and other infrastructure services. In most of the countries and areas reviewed, power outages constitute one of the problems faced by the textile and clothing industry and other industries. The cost of power is much higher

in Lebanon than in neighbouring countries. The prohibitive cost, together with the lack of proper electricity services, has forced many companies to continue to depend on their own power plants, which translates into an additional production cost. High transportation and insurance costs constitute another major factor increasing the cost of production in Lebanon.

(e) *Transaction costs*

The transaction costs associated with conducting business relate to the observance of rules and regulations, the enforcement of contracts, and the various institutional constraints faced by enterprises. They emanate from issues relating to policy decisions, tax administration, the enforcement of regulations, access to finance, access to intermediate inputs and labour regulations.⁸⁸ Transaction costs are quite high in most of the countries and areas under review. They are said to be unusually high in Egypt. For example, it has been reported that it takes two to three times longer and may cost twice as much to berth and process a container at an Egyptian port than at other ports in the Mediterranean region. The West Bank and Gaza Strip constitute another extreme case. The most serious problems facing the textile and clothing industry in these areas are the frequent border closures and the difficulties experienced in obtaining permits to enter Israel to conduct business transactions. Port and other transport-related formalities and the cost of commissions, tips and bribes are major problems facing exporters in a number of countries, Lebanon in particular.

2. *Competitiveness in the domestic market*

The textile and garment industry in some of the countries and areas under study, in particular Lebanon, the West Bank and Gaza Strip, and to a lesser extent Jordan, has faced foreign competition in the domestic market. Cheap products from Turkey and from countries further east, including, China, India and Thailand, are being dumped on domestic markets. Most firms see foreign competition as a serious problem. Imported second-hand clothing also constitutes a threat for local firms, particularly in Jordan, where such goods are being sold as new products.

With their high production costs, local producers are finding it harder to compete against importers. In Lebanon, the relatively low customs duties on imports and a consumer preference for foreign products, especially French and Italian items, exacerbates the situation. Despite these difficulties, some producers in the countries and areas under review have been able to compete with European producers in the local markets by manufacturing high-quality goods. Many of the successful firms, particularly in Jordan and Egypt, are producing well-known brand name items under foreign license or are manufacturing goods under joint venture arrangements with foreign firms.

In conclusion, many countries in the region have failed to achieve competitiveness in the export market because of marketing weaknesses, uncompetitive prices, the lack of finance, and difficulty in meeting international standards (including ISO 9000).

3. *Competitiveness in the export market*

Europe and the United States are the major export markets for most of the textile and clothing enterprises in the region; for firms in Jordan and Lebanon, the Middle East is an important market. Arab exports to these markets face tough competition, particularly from East Asian products. Exports to

⁸⁸ Ahmed Galal, "Can Egypt grow without institutional reforms? If not, which institutions matter most?", *Selected Proceedings, Expert Group Meeting on Industrial Strategies and Policies [and] Managerial and Entrepreneurial Skills under Conditions of Global and Regional Change, Manama, 20-23 November 1995* (E/ESCWA/ID/1996/2).

neighbouring Arab countries do not encounter serious competition from East Asian goods, however, partly because inter-Arab trade is exempt from customs duties. It should be pointed out that many Arab importers would rather buy from European manufacturers than from higher-standard Arab companies; the lack of trust in Arab products is pervasive and affects even successful exporters.

A number of producers in the ESCWA region have relied on subcontracting to overcome marketing problems. Many firms in Egypt, Jordan and the West Bank and Gaza Strip, and to a lesser extent in Lebanon and the Syrian Arab Republic, have attempted to export goods and have failed but have been able to succeed under subcontracting or joint venture arrangements.

The main textile and clothing exports from the countries and areas under consideration are T-shirts and sportswear, as well as some other items suitable for consumers in the Arab markets. In addition, industrial fabrics and accessories are exported from Lebanon and the Syrian Arab Republic, and a variety of woven textiles, children's, women's and men's wear, cotton fabrics and cotton waste products from the latter alone. The relatively small output and narrow range of products constitute a major problem for most producers in the countries and areas under review (with the exception of Egypt). Even companies that export large quantities of standardized goods find it difficult to compete with exporters from the Far East, Turkey and Egypt.

The major competitors in the export markets are China, the Republic of Korea, Taiwan Province of China and other Far Eastern countries, Turkey, and other countries from the ESCWA region. For cotton producers such as the Syrian Arab Republic, the major competitors in the regional market are China, India, Pakistan and Turkey for cotton textiles, and Turkey and South-East Asian countries for garments. These competitors produce higher-quality goods at lower prices than most of the countries and areas under review. They also promote and package their products more effectively. None the less, there are some producers in the region that have succeeded in achieving very high levels of quality and efficiency and are able to compete with foreign products and make good profits.

4. Concluding remarks

Comparative advantages vary from one ESCWA member country to another.⁸⁹ A recent study defining comparative advantage states that "desegregated exports of a country generally indicate where domestic production activities display international competitiveness, while a country's imports point to where it lacks such competitiveness. Taking together exports and imports of specific products, a positive trade balance may reflect a comparative advantage in international trade".⁹⁰ The study warns, however, that calculations must take into consideration domestic restrictions on imports and exports, such as tariffs, quotas, bans, indirect taxes and subsidies, all of which may distort the results.

At present, it is difficult to apply this methodology to identify precisely which textile and clothing products in the ESCWA region are able to compete in world markets because of the lack of relevant data at

⁸⁹ In the field of economics, comparative advantage in international trade is defined as "the special ability of a country to provide one product or service relatively more cheaply than other products or services." (See *The McGraw-Hill Dictionary of Modern Economics: A Handbook of Terms and Organizations* [New York, McGraw-Hill Book Company, 1965], p. 100).

⁹⁰ Hanna Kheir-El-Din, "The competitiveness of the Egyptian textile industry: the implications of peace for current incentives and future prospects", a paper presented at the Expert Group Meeting on the Impact of the Peace Process on Selected Sectors, held by ESCWA, Friedrich Ebert Stiftung and the Economic Research Forum for the Arab Countries, Iran & Turkey in Amman from 23 to 25 June 1997, p. 11.

the required level of desegregation. It would be inappropriate to judge the competitiveness of the region's industry by evaluating aggregate general figures for imports and exports.

Based on the analysis conducted thus far in the present study, the following may be concluded:

(a) For the more diversified economies:

- (i) Egypt and the Syrian Arab Republic are most competitive in cotton yarns, fabrics, bed linens and towels. Their capacity could be enhanced if efforts were made to improve quality and acquire new technologies that would allow the industry to respond to market demand. Steps must be taken to deal with unproductive excess labour, restrictive government regulations, unskilled management, and other difficulties typically faced by public industries, particularly in Egypt. The process of privatization initiated in the early 1990s is expected to help these countries overcome some of their difficulties;
- (ii) The clothing industries in Egypt, Lebanon and the Syrian Arab Republic have acquired certain competitive strengths that have allowed them to enter foreign markets. Firms in these countries should maintain their competitiveness by keeping up with developments in fashion design and changes in consumer tastes, particularly in the developed markets, and their respective Governments should be encouraged to introduce appropriate domestic, fiscal, trade and employment policies and reforms. Finally, these countries should expand their exports of items requiring skilled labour, such as carpets, textile handicrafts and embroidery;
- (iii) The majority of clothing industries in these countries produce knit garments (outerwear and underwear). These items are heavily exported by almost every exporter in the world, especially China; care should be taken, as this industry is based on yarn, the main suppliers of which are China, India and Pakistan;
- (iv) Almost all exporters in the more diversified economies export non-knit shirts. The majority—including Egypt, a traditional fabric producer—rely on fabrics imported from South-East Asia. Caution is to be exercised: these products are heavily exported by many suppliers, and American and European fabric manufacturers are adopting policies which are generous only towards those countries that use American and European fabrics;
- (v) The majority of these countries are diversifying their exports and are now producing non-restricted items. Even greater benefits could be realized if these countries followed the example of some Asian countries and moved into the higher niche markets, producing more expensive, higher value added textile and clothing products.

(b) For the GCC countries:

- (i) The development of the textile and clothing industry in the GCC countries over the last 10 years or so has been a controversial issue. It is agreed that, initially, the chief attraction was the opportunity for both GCC country producers and producers from neighbouring East Asian countries (such as India and Sri Lanka) to circumvent importers' quotas imposed on exports from the latter. In some countries, particularly the United Arab Emirates and to a lesser extent Oman, this served as a springboard for the significant development of the industry. The question is whether such progress will continue with the dismantling of the MFA by the year 2005;

- (ii) As observed by some economists in the subregion, the situation in the United Arab Emirates and other GCC countries is quite different from that in Malaysia, Mauritius or Taiwan Province of China, as the establishment and development of the clothing industry in the GCC countries has not been based primarily on low labour costs.⁹¹ In the opinion of these economists, GCC countries will not be affected by rising labour costs, as they can draw upon the huge reservoir of cheap labour from the Indian subcontinent. With labour costs a relatively minor consideration, it is observed that the competitiveness in textile and clothing manufacturing in the GCC countries, particularly in the United Arab Emirates, derives mainly from the advantages associated with the services and facilities the Governments are providing; more specifically, producers in this subregion enjoy a more efficient infrastructure, better access to finance, banking facilities, unrestricted raw material imports, freight services at competitive rates, and the close proximity of manufacturing zones to airports and seaports;
- (iii) These competitive advantages notwithstanding, there are a number of questions that must be answered. One particular question relates to the real costs and benefits for the national economies from textile and clothing production activities in terms of value added, budget revenues, overhead costs related to the use of infrastructure services, opportunity costs foregone, the employment of nationals, and the overhead costs associated with building national human resources capacities. Another important question relates to the ability of the industry to survive the transition period: What guarantees are there that the textile and clothing companies will remain once the quota system is dismantled and there is no need to circumvent restrictions? In addressing these and other questions, it should be borne in mind that the textile and clothing industries in the GCC countries are situated mainly in duty-free industrial zones;
- (iv) Competitiveness is not based solely on low raw material and labour costs; the situation is now much more complex in a market where instant supply response to market demand is becoming a decisive factor.

⁹¹ "Maturing of the UAE garment industry", *Journal of the Emirates Industrial Bank*, vol. 12, No. 1 (January 1997).

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. The textile and clothing industry plays an important role in the economies of some ESCWA member countries. Although it may not be readily apparent, given the fact that the total value of the region's exports and their share in world textile and clothing exports is relatively small in comparison with neighbouring countries such as India, Pakistan and Turkey, the industry has grown substantially: in the last five years, the region's exports have almost doubled. In 1995, exports to developed countries reached around \$1,950 million. This figure would be even higher if exports to the Russian Federation as well as intra-Arab trade were added. Egypt, the Syrian Arab Republic and the United Arab Emirates are the only ESCWA member countries exporting significant amounts of textiles; however, these and other ESCWA member countries are increasingly exporting clothing.

2. Notwithstanding the small share of the region in world exports, the textile and clothing industry is playing an important role in the economies of countries such as Egypt, Lebanon and the Syrian Arab Republic in terms of its share in manufacturing value added (MVA), employment, investment and foreign exchange earnings. For the GCC countries and Jordan, the growth of the industry represents an important step in the industrialization process and a means of diversifying the economy. In Bahrain, whose situation is unique among the GCC countries, it also provides opportunities for training certain segments of the population and helps relieve unemployment problems.

3. The ATC will have an impact on the textile and clothing industry in the ESCWA member countries whether they are members of the WTO or not. The majority of exports from these countries go to the EU and the United States and, to a lesser degree, Canada. These three markets were the major users of the MFA quota system, and all imposed quotas on the region's exports during the lifetime of the MFA; many of these restrictions will be maintained until 31 December 2004, the end of the ATC transition period. New quotas can still be imposed on unrestrained items if warranted according to the transitional safeguard provisions of article 6; however, they cannot be applied for a period longer than three years.

4. MFA users must integrate at least 51 per cent of their textile and clothing imports into GATT 1994 during the 10-year transition period and the remainder (up to 49 per cent) by 1 January 2005. The notifications made by Canada, the EU and the United States indicate that almost none of the quotas imposed on the exports of the ESCWA member countries will be dropped before the end of the transition period (except for those applied to a few unimportant items in the United Arab Emirates). There are different views on whether this is good or bad for the countries of the region: quotas are looked upon by some as a means of guaranteeing rather than limiting access opportunities.

5. Quotas were imposed on some countries in the region because they were not MFA signatories or GATT contracting parties. At times, quotas were applied as a kind of penalty for suspected circumvention activities; these quotas were often set at low levels, and in some cases access was denied completely. The countries in the region, especially those in the GCC subregion, may still be subject to such actions in the future.

6. The developed countries' tariff reduction commitments and the additional element of growth translate into increased access opportunities for ESCWA member countries that are members of the WTO. Although tariff reductions are smaller for textile and clothing products than for other industrial products, there are none the less a number of potential benefits awaiting those industries in the region that are willing to show some initiative and take advantage of the increasingly liberalized trade environment.

7. Non-WTO members in the region will not benefit from the opportunities mentioned above. The importing countries are under no obligation to offer these countries the same treatment they give to fellow WTO members. Relations between non-members and developed countries are governed by different rules and circumstances under which the weaker party usually has no power to retaliate. The ESCWA region's non-members of the WTO ultimately have little choice but to join the Organization, and the benefits will be greater if they do so sooner rather than later.

8. Trade in textiles and clothing is affected not only by the ATC but also by other WTO agreements, especially those relating to anti-dumping, subsidies and countervailing measures, safeguards, intellectual property rights and technical barriers to trade. The countries of the region must study all of these agreements carefully so that they fully understand their rights and obligations and can help their textile and clothing industries take advantage of the relevant provisions. Trade issues related to the environment and labour standards, although not yet covered by WTO agreements, are becoming increasingly important and have to be taken into consideration as well.

9. Textile and clothing exports from ESCWA member countries to developed countries (the main import markets) have more than doubled since 1990, reaching around \$2 billion in 1995; the bulk of these exports are clothing products. ESCWA member countries must adopt domestic policies aimed at strengthening their industrial capabilities if they hope to achieve (and maintain) competitiveness at the global level. They should use the present grace period to prepare for the new era beginning 1 January 2005, in which only the fittest will survive.

10. The quota system has helped bring textiles and clothing to certain countries in the region which possess neither raw materials nor cheap labour. The ESCWA member countries should take advantage of the opportunities and benefits associated with industrialization and encourage more of their labour force to learn industrial skills. Efforts should be made to establish a strong, competitive, and truly indigenous textile and clothing industry in the ESCWA member countries over the next eight years; when the quota system disappears, some of the existing industries, particularly those from Asian countries that migrated to GCC countries and elsewhere to avoid quota restrictions, are very likely to return home.

11. Egypt and the Syrian Arab Republic should make every effort to maintain their traditional industries, as they have a wealth of raw materials, cheap labour, and accumulated knowledge and experience. However, restructuring, modernization, deregulation and liberalization efforts must be initiated or accelerated with alacrity, as competition will only become more fierce; eventually, manufacturers and exporters will be forced to either adjust or make room for more qualified and efficient suppliers.

B. RECOMMENDATIONS

Concerned countries in the ESCWA region need to enhance their competitiveness in the textile and clothing export market so that they can face the new challenges emerging in connection with the new international trade regime. The international community, including ESCWA, can extend assistance to member countries in the areas outlined below.

1. Extensive awareness campaigns should be carried out in the countries of the region with the aim of helping the respective Governments understand the main elements and implications of the ATC and other relevant WTO agreements. One objective of these campaigns should be to make State officials and textile and clothing producers and exporters aware of the provisions of these agreements and how they can use the various mechanisms to protect their industry in both the domestic and the international market.

2. In those ESCWA member countries that have joined the WTO or are currently in the process of acceding to the WTO Agreement, national laws relating to dumping, circumvention and countervailing measures should be strengthened and brought into conformance with WTO rules and disciplines. Clear and well-formulated national rules and regulations are more difficult for other WTO members to challenge.

3. National institutional and human resource capacities should be developed so that present and future members can deal with textile and clothing issues within the WTO context; gains can only be achieved if countries are able to interpret the agreements, understand their implications, and monitor their implementation. The ESCWA member countries concerned must secure technical assistance in order to develop their administrative skills and expertise in this field.

4. Regular and comprehensive national surveys of the textile and clothing industry must be undertaken in the region as a prerequisite for carrying out in-depth technical studies, on the basis of which policy makers and the business community can make appropriate decisions. The concerned Governments in the region must take the initiative in this endeavour, as such activities are beyond the means of the private sector. In some countries, the technical and/or financial assistance of the international community is needed.

5. In-depth national studies should be conducted to determine the competitiveness of the textile and clothing industry in the relevant ESCWA member countries and to gauge its ability to meet the challenges arising in the international market as well as in domestic markets. This research should be carried out with the objective of identifying textile and clothing products for which market access opportunities exist and finding ways and means of improving the competitiveness of this industry.

6. Efforts should be made to initiate other activities that would help textile and clothing producers and exporters enhance their competitiveness. Such activities might include the holding of technical national workshops on subjects relating to fashion design, computer-aided design, technology trends, finishing, accessorizing, sourcing and subcontracting, information gathering and networking, as well as visits to major fairs and exhibitions. The technical assistance of the international community is required here as well.

Annex I

THE MAIN PRINCIPLES OF GATT 1994 AND THE WTO AGREEMENTS*

1. *Trade without discrimination*

The General Agreement on Tariffs and Trade (GATT) 1994 stipulates that international trade must be conducted on a non-discriminatory basis (see annex figure). This principle is embodied in two clauses of the General Agreement, one relating to national treatment and the other to most-favoured-nation (MFN) treatment.

The MFN clause (article I of the General Agreement) represents the essence of the non-discrimination principle.^{a/} It stipulates that GATT contracting parties—now referred to as WTO members—must grant the same (most favourable) treatment to all other member countries in the application and regulation of import and export duties and charges (article I:1).^{b/} Thus, whatever trading privilege one member country gives to another should be given to all other members, and a member country can in no way discriminate against any other member. In practical terms, this means that traditional trading partners are not to be given preferential treatment. The MFN provision has been the cornerstone of trade and a core provision of all past and present bilateral trade agreements.^{c/} Exceptions to this basic principle are allowed only under certain conditions relating to regional trading arrangements such as customs unions and free trade areas and to developing countries. The MFN clause ensures that in trade negotiations, less developed countries can benefit from the best trading conditions.^{d/}

The national treatment clause (article III:2 of the General Agreement) stipulates that once goods have entered a market, they must be treated no less favourably than equivalent domestically produced goods.^{e/} In other words, when foreign products cross the border and enter the import distribution system of a country, all applicable taxes and charges other than customs duties should be made equal to those imposed on like domestic products. All legislation concerned with trade in foreign goods will have to respect this principle.^{f/}

* Before the conclusion of the WTO Agreement, the body of rules of the multilateral trading system known as GATT consisted of three parts: the General Agreement itself; the associated agreements covering dumping and subsidy rules and other non-tariff or sectoral issues; and the Multifibre Arrangement. With the conclusion of the Uruguay Round, additional legal texts and ministerial declarations, decisions, and understandings became part of the international trade regime (the Agreement on Textiles and Clothing was among the new agreements).

^{a/} Jordan, Ministry of Industry and Trade, "Draft substantive report", a paper presented at the National Workshop on the Implications of the Uruguay Round for Jordan, organized by UNCTAD, UNDP and the Ministry of Industry and Trade (Jordan) in close cooperation with the WTO and ESCWA and held in Amman from 22 to 24 September 1996.

^{b/} GATT, *Text of the General Agreement* (Geneva, July 1986).

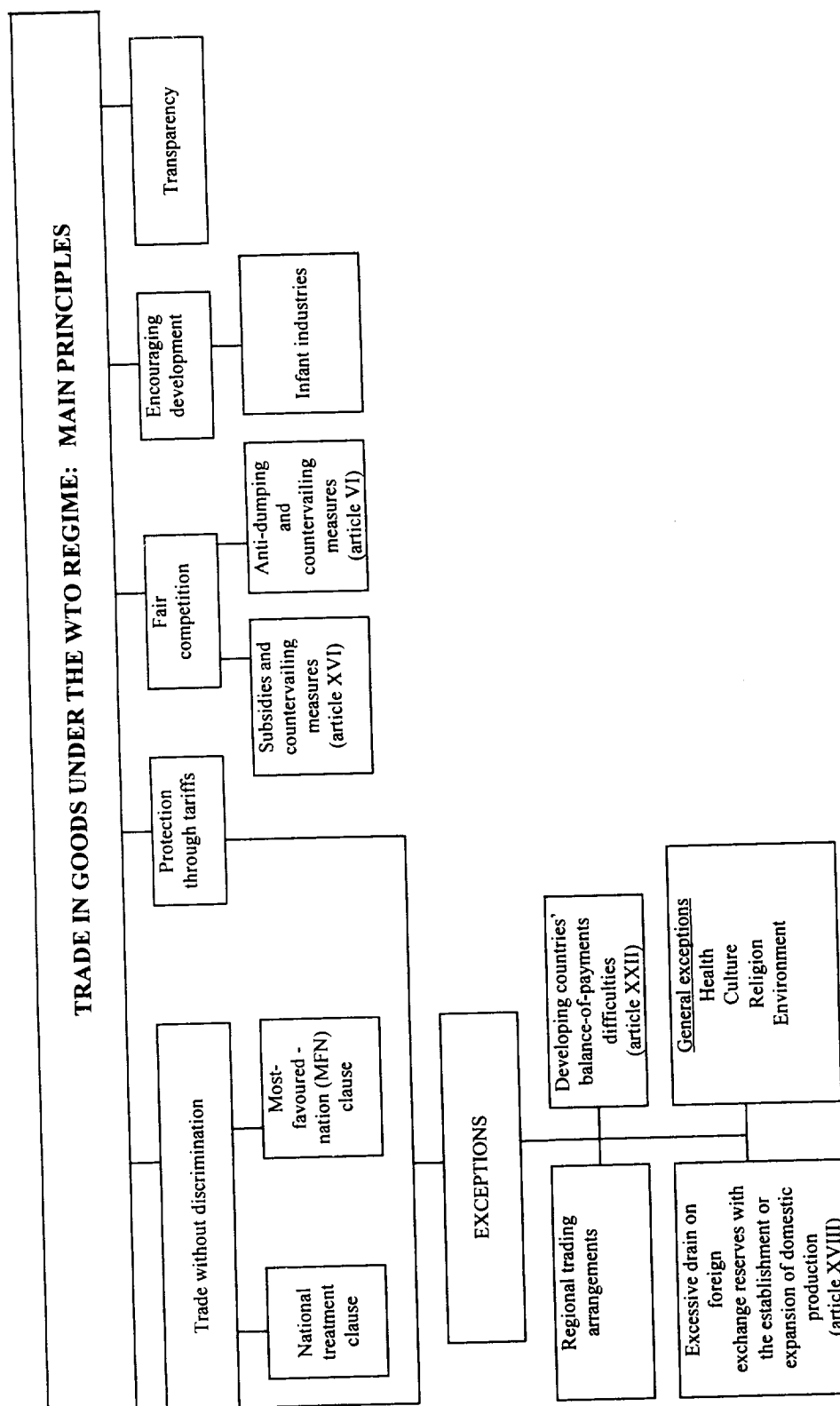
^{c/} See note ^{a/}.

^{d/} WTO, *Trading into the Future: World Trade Organization* (Geneva, 1995).

^{e/} See note ^{b/}.

^{f/} See note ^{a/}.

ANNEX FIGURE. THE MAIN PRINCIPLES OF THE WTO WITH REGARD TO TRADE IN GOODS



2. Protection through tariffs

GATT allows for the protection of domestic industries, but basically only through customs tariffs; other commercial measures such as quantitative restrictions are prohibited, with some exceptions (see articles III:5, III:6 and XI:1 of the General Agreement).^{g/} Within the GATT framework, tariffs constitute the only legitimate instrument of trade protection, ensuring market access and non-discrimination. Under the GATT/WTO regime, the application of tariffs is subject to certain rules; for instance, there should be no discrimination among imports, and most tariffs are bound.

In order to ensure a stable and predictable international trade environment, GATT provides for the binding of the tariff levels negotiated and agreed upon between members, with the bound items listed for each country in tariff schedules and constituting an essential part of the General Agreement.^{h/} Once a tariff level is bound, it cannot be raised until negotiations are held with the trading partner and ways are found to compensate for the increase.^{i/}

Quantitative restrictions are generally prohibited under GATT/WTO, with some exceptions to protect developing countries, to safeguard a country's external financial position and balance of payments in times of difficulty and prevent an excessive drain on foreign exchange reserves (article XII of the General Agreement), and to support the establishment or expansion of domestic production as a component of economic development (article XVIII of the General Agreement).

3. Exceptions to the application of GATT/WTO principles

There are a number of exceptions to the application of MFN and national treatment.^{j/} The exceptions of primary concern to developing ESCWA member countries are listed below.

Regional trading arrangements (article XXIV of the General Agreement) constitute an exception to the MFN rule and are allowed under GATT as long as they complement the multilateral trading system and do not imperil it (see subsection 7 below).

The GATT/WTO regime allows certain "general exceptions", on the basis of which importing countries may violate the principles under discussion (article XX of the General Agreement). Members are allowed to take action to protect human, animal or plant life or health, the environment, religion, culture, public morals and so on. It should be emphasized that imported goods are to be treated the same way as domestic goods; these general exceptions are not to be used to disguise actions which inhibit free trade.

^{g/} See note b/.

^{h/} GATT, *GATT: What It Is, What It Does* (Geneva, 1992), p. 11.

^{i/} See note d/.

^{j/} These exceptions are incorporated mainly in the GATT articles on anti-dumping and countervailing duties (article VI), general elimination of quantitative restrictions (article XI), restrictions to safeguard the balance of payments (article XII), subsidies (article XVI), governmental assistance to economic development (article XVIII), emergency action on imports of particular products (article XIX), and general exceptions (article XX).

4. *GATT and the promotion of fair competition*

GATT is a system of rules designed to promote open, fair and undistorted international competition. The different rules on non-discrimination have been put in place to prevent dumping practices, the granting of export subsidies and other trade-distorting activities, and to ensure that international trade conditions remain fair. With the WTO Agreement, these GATT rules have been extended and clarified.^{k/}

5. *GATT and encouraging development*

GATT offered developing countries differential and more favourable treatment, incorporating provisions aimed at increasing developing countries' access to the import markets of developed countries.^{l/} Under GATT, developed countries were to refrain from adding new restrictions to these imports, including primary exports of importance to developing countries. In addition, developing countries were not expected to reciprocate for commitments made by the industrialized countries to eliminate trade barriers. With the conclusion of the Uruguay Round, this development dimension was added to each WTO agreement, taking the form of a transition period, reduced levels of commitments, and/or technical assistance provisions.^{m/} This principle is important for developing countries, particularly those (including ESCWA member countries) that are acceding to the WTO Agreement. These countries must have a thorough understanding of what they are entitled to so that they can take maximum advantage of the relevant provisions during the accession negotiations.

6. *Regional trading arrangements*

Regional integration agreements constitute an exception to the MFN principle. They are permissible, but only under defined rules to ensure that they facilitate trade among the countries concerned without increasing barriers to trade with the rest of the world (article XXIV of the General Agreement).^{n/} GATT recognizes that reducing trade barriers can help integrate national economies without necessarily adversely

^{k/} See note d/.

^{l/} Prior to the Uruguay Round, the principle of economic development was mainly incorporated in part IV of the General Agreement on Tariffs and Trade (relating to trade and development) and the "enabling clause"; the latter, formally known as the Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries, provided a permanent legal basis for the market access concessions made by developed countries to developing countries under what is known as the generalized system of preferences (GSP). This measure, which was retained in the WTO Agreement, was often not applied to textile and clothing products (in the United States), or else higher GSP rates or more severe quantitative or country restrictions were applied to textiles and clothing than to other industrial products. Furthermore, during the 1980s, developed country members, mainly the United States and the EEC, adopted GSP policies to strengthen differential treatment between competitive countries and others on a product-by-product basis (see WTO, *Trading into the Future: World Trade Organization* [Geneva, 1995]; and GATT, "Textiles and clothing in the world economy", [Geneva, July 1984], p. 71).

^{m/} See note d/.

^{n/} GATT provisions on regional economic integration agreements are included in article XXIV of the General Agreement. Part IV of the General Agreement (relating to trade and development) and the "enabling clause" (formally known as the Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries) have provided additional provisions relevant to regional arrangements in relation to developing countries (see WTO, "Regionalism and the world trading system" [Geneva, April 1995], p. 6).

^{o/} GATT, *GATT: What It Is, What It Does* (Geneva, 1992); and WTO, *Trading into the Future: World Trade Organization* (Geneva, 1995).

affecting the interests of third countries. Regional economic groupings may take the form of free-trade areas or customs unions. In both arrangements, regulations, including duties, influencing free trade between members of the group and non-members should be no more restrictive than those employed before the formation of the group. All of this has assumed particular importance in the region, since several ESCWA members and other Arab countries are preparing to establish a free-trade area.

Article XXIV also provides for interim agreements; under certain conditions, these agreements are granted the same benefits accorded to customs unions and free-trade areas. Such arrangements are permitted in the light of the fact that regional economic arrangements are established over a fairly long period of time. To avoid misuse of the provision, interim agreements must include a "plan and schedule for the formation of ... a customs union or ... a free-trade area within a reasonable length of time" (article XXIV:5(c)).

There are special provisions for developing countries with regard to regional arrangements. The so-called enabling clause includes a number of specific provisions which encourage developed member countries, under certain conditions, to accord differential and more favourable treatment to developing countries, as an exception to the MFN clause. Such arrangements may provide for the mutual reduction or elimination of tariffs without requiring that the same treatment be given to third countries. These provisions may cover non-tariff barriers as well.^{v/} The enabling clause is subject to conditions similar to those in article XXIV.

With the formation of the WTO has come the first-ever multilateral Agreement on Rules of Origin; this Agreement does not currently contain provisions applicable to preferential agreements, but it does include a detailed work plan for establishing harmonized rules of origin among WTO members within three years and for enhancing the transparency of such rules.^{g/}

7. Transparency

Transparency means that all laws and regulations related to trade matters should be publicly disclosed and should be administered in a manner consistent with their stated terms. With the wider scope of the WTO Agreement and the associated multilateral trade agreements, the coverage of this principle has been extended to include all laws and regulations related to economic matters.^{h/} The transparency of domestic laws, regulations and practices is often considered the key to ensuring predictable trading conditions. Many WTO agreements include provisions on transparency which require the disclosure of relevant information at the national level by various means, including publication in official journals, and at the multilateral level through notifications to the WTO.^{i/}

^{v/} See note a/.

^{g/} Rules of origin are laws and regulations established by a trading party to determine the country of origin of imported goods. When preferential treatment is granted for goods produced in a developing country, the rules of origin help to determine whether the goods are really produced in the beneficiary country. This is necessary to ensure that the transshipment of goods, or the importation of goods that have undergone minimal processing in the beneficiary country, do not benefit from trade preferences in the importing country. Within the context of regional economic integration, rules of origin apply more to free-trade areas, since members maintain their own external tariffs and foreign trade policies. In such cases, third-country exporters often attempt to access the market of a higher-tariff member through the market of the lowest-tariff member (this is known as trade deflection). Cumulative rules of origin are granted to regional groupings. In general, under these rules, inputs of imported products which originate in other member countries in the regional grouping are regarded as domestic inputs and not as foreign inputs. It should be noted, however, that the cumulative rules applied by the EU are different from those applied by the United States and Japan (see WTO, *Trading into the Future: World Trade Organization* [Geneva, 1995]; and WTO, "Regionalism and the world trading system" [Geneva, April 1995], p. 6).

^{h/} See note a/.

^{i/} See note d/.

Annex II

THE SHORT-TERM AND LONG-TERM ARRANGEMENTS REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES, 1961-1973

Textile and clothing products have been subject to more than one type of trade restriction since the Second World War. However, multilateral arrangements affecting textiles and clothing have been introduced outside (and in derogation of) GATT rules only since 1961. Very early on, a number of industrialized countries with significant trade in textiles agreed to institute separate instruments to protect their domestic textile industries. Pending the institution of a more permanent regime, the Short-Term Arrangement Regarding International Trade in Cotton Textiles (STA) was drawn up as a stopgap measure and was used from 1 October 1961 to 30 September 1962.^{y/} This was followed by another temporary agreement, namely the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), which was applied between October 1962 and December 1973.^{z/}

The aim of these arrangements was to address, at the international level, the immediate problems of market disruption in the cotton and textile markets of the major importing countries, particularly the United States and the EEC countries, caused by exports from developing countries. "Disruption"^{y/} was described as the threat or actual occurrence of serious damage to domestic producers from a sudden and significant increase (or potential increase) in imports of certain products from specified sources.

The two arrangements were created as special regimes for GATT contracting parties, allowing them to avoid certain GATT obligations and to negotiate arrangements for quantitative restrictions on a discriminatory basis. These arrangements ran contrary to article XIX of the General Agreement, which stipulates that all safeguard measures should be applied on a temporary and non-discriminatory basis and acknowledges the right of affected parties to receive equivalent compensation for the loss of the market.^{w/} They also ignored GATT rules prohibiting quantitative restrictions. Through these arrangements, developed countries made an effort to restrict imports of cotton textiles from "low-cost" exporters, including Japan and some developing countries, allegedly to prevent market disruption and the undermining of their domestic industries. While some developing countries were able to benefit from these arrangements, most found themselves obliged to participate in them for fear that developed countries would impose even tighter restrictions on them outside the multilateral trading system.^{z/}

^{y/} GATT, *Basic Instruments and Selected Documents: Tenth Supplement; Decisions, Report, etc., of the Eighteenth and Nineteenth Sessions, Index*, "Cotton textiles: arrangements regarding international trade" (the published text of the Short-Term Arrangement Regarding International Trade in Cotton Textiles) (Geneva, March 1962).

^{z/} GATT, *Basic Instruments and Selected Documents ...*, "Cotton textiles: Long-Term Arrangement Regarding International Trade in Cotton Textiles" (Geneva, March 1962).

^{w/} The term is used here as defined in the Decision on the Avoidance of Market Disruption adopted by the GATT contracting parties on 19 November 1960, attached as appendix A to the General Agreement on Tariffs and Trade.

^{x/} Xiaobing Tang, "Textiles and the Uruguay Round of multilateral trade negotiations", *Journal of World Trade*, vol. 23, No. 3, June 1989 (Geneva), p. 53.

^{z/} Naheed Kirmani (IMF), "The Uruguay Round and international trade in textiles and clothing", a paper presented at the Annual Joint Seminar (the Seventh): the Uruguay Round and the Arab Countries, sponsored by the Arab Fund for Economic and Social Development and others and held in Kuwait on 17 and 18 January 1995, p. 3.

Annex III

THE MULTIFIBRE ARRANGEMENT

In spite of the limitations imposed through the short-term and long-term arrangements regarding international trade in cotton textiles, developed countries' imports of textiles and clothing continued to grow, increasing from \$1.67 billion in 1961 to \$5.54 billion in 1972 (textile imports rose from \$1.02 billion to \$2.04 billion and clothing imports from \$648 million to \$3.5 billion).^{y/} The increase was mainly in textiles and clothing made of man-made fibres—items not covered under the cotton textile arrangements. Import growth came largely as a result of the increased use of synthetic fibres and developments in knitting technologies. Initially, Canada and the United States responded to this increase by concluding bilateral agreements which restricted imports of non-cotton products from Japan and other Asian countries outside the auspices of GATT and the LTA. Later, there was increased pressure in Europe and the United States to explore options other than expanding the existing LTA and to develop a new instrument to regulate international trade in textiles and clothing. The United States specifically sought a regime that would cause less damage to the operation of GATT, ensure a sharing of the import burden with other developed countries, and forestall the adoption of even more restrictive and permanent quotas by the American Congress.^{z/} Such justifications contributed to the creation of the Arrangement Regarding International Trade in Textiles (more commonly known as the Multifibre Arrangement, or MFA) and continued to govern its successive renewals in the United States.

1. The new arrangement regulating international trade in textiles and clothing

The MFA was concluded on 1 January 1974. It was formulated along the same lines as the LTA, through significant refinements and innovations were introduced. It was administered under the auspices of GATT, even though it was a clear derogation of GATT rules.^{aa/} The MFA was renewed three times during the period 1978-1991: the renewals came to be known as MFA II (January 1978 - December 1981), MFA III (January 1982 - July 1986), and MFA IV (August 1986 - July 1991).^{bb/} MFA IV was extended twice and applied through December 1994. The original text remained unchanged; modifications were added by means of protocols of extension and attached conclusions reached by the participating countries. Under the MFA, importing countries intending to impose restrictions on specific products from specific countries had to conclude bilateral agreements (with the concerned countries) governed by the rules of the MFA. This may explain why the severity of MFA restrictions depended more on the actual administration of individual bilateral agreements.^{cc/}

^{y/} GATT, "Textiles and clothing in the world economy"

^{z/} William R. Cline, *The Future of World Trade in Textiles and Apparel*, revised edition (Washington, D.C., Institute for International Economics, 1990).

^{aa/} Junichi Goto, "Effects of the Multifibre Arrangement on developing countries: a survey", working paper (Washington, D.C., World Bank, 1988), p. 11.

^{bb/} Philip Evans and James Walsh, *The EIU Guide to the New GATT* (London, EIU, 1994), p. 24.

^{cc/} Junichi Goto, op. cit., p. 14.

2. The general framework of the MFA

The original MFA (January 1974 - December 1977) was formulated as a general framework for determining the conditions under which textiles and clothing could be regulated. Product coverage was more extensive than had been the case under the LTA and included textiles and clothing made of wool, man-made fibres, cotton and mixtures thereof; hand-loomed fabrics and cottage industry products as well as traditional handicrafts were excluded. The definition of market disruption was modified, and a mechanism for international surveillance known as the Textiles Surveillance Body (TSB) was created. The Textiles Committee was established under the MFA as a final arbiter for interpreting the provisions of the Arrangement and as a court of appeals for disputes among participants that could not be resolved by the TSB.^{dd/} The Arrangement represented the multilateral framework within which bilateral agreements could be formulated. In this respect, the MFA stipulated that "participating countries may, consistently with the basic objectives and principles of this Arrangement, conclude bilateral agreements on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption ... in importing countries and disruption to the textile trade of exporting countries, and on the other hand, to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries" (article 4:2).^{ee/}

3. Balanced rights and obligations under the MFA

An important feature of the MFA was its approach to balancing rights and obligations. For example, participants had the right to apply the safeguard mechanism under specified conditions, but they were also required to pursue appropriate policies to encourage structural adjustment. Similarly, importing countries were allowed to impose quota restrictions, but they were required to adhere to provisions on annual growth rates for the imposed quota restrictions, flexibility, and base levels.

4. Coverage of the MFA

Much of the world's trade in textiles and clothing was controlled directly by the complex set of bilaterally negotiated arrangements restricting exports under or outside the auspices of the MFA. In 1986, there were 43 signatories to the MFA,^{ff/} including the EEC; thus, a total of 54 countries participated in the Arrangement.^{gg/} Only two of the major industrial countries, namely Australia and New Zealand, were not participants.^{hh/} Rough estimates show that in the same year, around 26 per cent of world trade in textiles and clothing (14 per cent of textiles and 40 per cent of clothing) was subject to MFA restrictions (see annex table 16 in annex IV to the present study). Non-membership in the MFA did not exempt exporting developing countries from quantitative restrictions; the magnitude of restricted world trade becomes much greater if all quantitative restrictions are added, including national and other non-MFA restrictions. In 1986,

^{dd/} See notes y/ and aa/.

^{ee/} GATT, *Arrangement Regarding International Trade in Textiles* (Geneva, 1974) (Sales No. GATT/1974-2), p. 12.

^{ff/} As of 24 November 1993 there were 44 signatories, including Egypt from the ESCWA region (see UNCTAD, *The Outcome of the Uruguay Round: An Initial Assessment; Supporting Papers to the Trade and Development Report, 1994* (New York, 1994).

^{gg/} William R. Cline, op. cit., p. 155.

^{hh/} At the end of the Uruguay Round, there were 44 signatories to the MFA. Eight members of this group, namely Austria, Canada, the EEC, Finland, Japan, Norway, Switzerland and the United States (basically developed countries) are importers. The remaining participants (basically developing countries) are considered exporters of textiles and clothing, and an important share of their exports of these goods go to the importing countries imposing restrictions.

around 61 per cent of world trade in textiles and clothing was subject to MFA and non-MFA restrictions (57 per cent of textiles and 65 per cent of clothing) (see annex table 16).

More recent information on the United States indicates that quantitative restrictions under the MFA covered around 57 per cent of the country's textile and clothing imports in 1994,^{ii/} and that around 80 per cent of all textile and clothing imports from developing countries were subject to such restrictions through bilateral agreements concluded within the MFA framework.^{iii/}

An important segment of world trade in textiles and clothing remains free of restraints; the largest part of such trade is carried out between the developed countries themselves.^{kk/} Under the MFA system, developed countries imposed quantitative restrictions only on imports from developing countries and not on those from other developed countries. With the exception of a few quotas imposed on Egypt, trade in textiles and clothing was not impeded by quantitative limits in the Mediterranean basin countries, a category under which many ESCWA member countries fall. The EEC gave Egypt preferential treatment in its market over other developing countries and Eastern Europe, subjecting far fewer of its product categories to quantitative restrictions.^{ll/}

5. Main elements of the MFA

(a) Objectives of the Arrangement (article 1)

The stated objectives of the MFA were "to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries" (article 1:2).^{mm/}

Among its stated aims, the Arrangement sought to promote economic development in developing countries by helping them expand their textile and clothing exports and their share in the world market, thereby significantly increasing their export earnings from the industry. Concurrently, the Arrangement was designed to give the textile and clothing industry in developed countries, where it had been losing its comparative advantage, some "breathing room" to allow it to adjust to foreign competition.^{nn/} Members

^{ii/} Jennifer Hillman, "Trade activities involving textiles and clothing", *The GATT, the WTO, and the Uruguay Round Agreements Act: Understanding the Fundamental Changes* (New York, Practising Law Institute, September 1995), p. 1.

^{iii/} William R. Cline, op. cit., p. 155.

^{kk/} Recent World Bank estimates on non-tariff measures applied against developing countries reveal that respectively around 52 per cent of developing countries' textile exports and 64 per cent of their clothing exports to developed countries faced such restrictions in 1992, compared with 9 per cent of textile imports and 7 per cent of clothing imports from developed countries. The same study showed that non-tariff coverage ratios for developing countries' exports of other manufactured products averaged around 22 per cent, and for chemicals less than 4 per cent, while the average for total merchandise imports was around 18 per cent the same year (see Patrick Low and Alexander Yeats, "Non-tariff measures and developing countries: Has the Uruguay Round leveled the playing field?", Policy Research Working Paper No. 1353 [Washington, D.C., World Bank, August 1994]).

^{ll/} Under the Lomé Convention, the EEC offered similar preferential treatment to African, Caribbean and Pacific countries.

^{mm/} GATT, *Arrangement Regarding International Trade in Textiles...*, p. 6.

^{nn/} Xiaobing Tang, op. cit.

were to achieve this objective by pursuing appropriate policies encouraging industries to move progressively into more viable lines of production or into other industries, and by providing developing countries with increased access to textile and clothing import markets in developed countries. Under this Arrangement, a participating country could apply safeguard measures against the textile and clothing imports of another participating country, but only under exceptional circumstances and subject to conditions specified in the Arrangement.

(b) *Definition of market disruption (annex A)*

The Arrangement constituted a multilateral framework for the application of safeguard measures against textile and clothing imports that were causing market disruption in the importing country. According to the Arrangement, the occurrence of market disruption was to be determined on the basis of "the existence of serious damage to domestic producers or actual threat thereof". Such damage had to be demonstrably caused by "a sharp and substantial increase or imminent increase of imports of particular products from particular sources" and by the offering of such imports at prices substantially below the prevailing prices of similar products in the importing country. The existence of serious damage to the domestic industry was to be determined through an examination of various factors relating to sales, market share, profits, employment, production, and the utilization of capacity, among other things.^{90/}

(c) *Restrictive measures (articles 2, 3 and 4, and annex B)*

Some basic provisions of the Arrangement dealt with restrictive measures, described in articles 2, 3 and 4, and in annex B. Article 2 provided for the phasing out of pre-MFA restrictions, article 3 dealt with measures to be taken when actual market disruption occurred, article 4 provided for measures that could be taken when there was only a risk of market disruption, and annex B dealt with requirements for individual restrictions. The text made repeated reference to the fact that participating members facing the problem of market disruption were required to seek consultation before taking any restrictive action and to try to reach a mutually acceptable solution. In theory, the bilateral agreements reached were supposed to be consistent with the basic objectives and principles of the MFA, and were to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries.

(i) *Request for consultation (article 3)*

When an importing country sought consultation with an exporting country, the implication was that the importing country intended to impose restrictions against one or more specified imports from that exporting country once the two parties had come to an agreement on the levels of restrictions to be applied. The Arrangement stipulated that the country requesting the consultation had to provide a detailed factual statement explaining the reasons such an action was being resorted to. The consultations had to cover issues relating to the size of the quotas of the imports in question during the reference year (base levels), annual increases in the quota levels (growth rates), and the right of an exporting country to exchange part of a quota of one product for a quota of another product (flexibility provisions, known as swing, carryover and carry forward). If no agreement was reached, the importing country was allowed to impose unilateral restrictions on imports from the concerned exporting country; such an action had to be notified to the TSB. In emergency situations, in the absence of an agreement, temporary restraint measures could be applied unilaterally, though specific procedures had to be followed. In either case, the TSB was to be notified so that it could offer appropriate recommendations.

^{90/} GATT, *Arrangement Regarding International Trade in Textiles...*, Annex A.I and A.II (a), (b), p. 20.

(ii) *Minimum quota levels (annex B)*

In order to protect the interests of exporting countries participating in the MFA, the Arrangement set the minimum levels for base years, growth rates, and quota flexibility.

Base year and growth rate. The MFA stipulated that new quotas imposed on imports of textile and clothing products could not be below the actual level of the previous year's imports of such products. In cases where the imposed restrictive measures were being renewed, the new quota levels could not be less than the actual import levels during the previous year, with an annual quota increase of not less than 6 per cent.

Quota flexibility. The Arrangement allowed participating countries some flexibility in dealing with quotas. Where restrictions were imposed on more than one product, the quota for any one product could be exceeded by 7 per cent provided there was a corresponding reduction in the quota of another product (the swing provision). Where restrictions were established for more than one year, and where a quota of previous years had not been totally used, up to 10 per cent of the unused quota could be used the following year(s) (carried over); furthermore, up to 5 per cent could be utilized in advance from the following year's quota (carry forward). In exceptional cases, where it was anticipated that market disruption would recur, the annual growth rate could be set at below 6 per cent, and the swing provision could be decreased to 5 per cent.

(iii) *The real risk of market disruption (article 4)*

The MFA stipulated, in article 4, that the overall terms of the bilateral agreements, including those terms relating to base levels and growth rates, were to be more liberal in cases where there was a threat (real risk) of market disruption than in cases where such disruption was actually occurring. Although article 4 allowed for substantial flexibility in carrying out trade, its provisions did not give countries the right to take unilateral action where the threat of market disruption existed. The details of agreements were to be notified to the TSB for recommendation. Most of the bilateral agreements between the United States and other MFA signatories allowed for the imposition of unilateral actions according to agreed terms.^{pp/}

(iv) *Specific groups of participants (article 6)*

Favourable treatment was to be given to specific groups of suppliers (article 6), including new entrants, major producers of cotton textiles and small suppliers. In cases where developing countries were new entrants with regard to specific export products, the criterion of past performance was not applied in establishing quota levels, and a higher rate of growth was granted. Furthermore, special consideration, in terms of fixing base levels, growth rates and flexibility provisions, was given to developing countries that were major exporters of cotton textiles. Finally, the imposition of restrictions against the exports of small suppliers such as Egypt, the only MFA participant from the ESCWA region, was to be avoided.

^{pp/} GATT, "Textiles and clothing in the world economy" ..., p. 102.

Annex IV

ANNEX TABLES

ANNEX TABLE 1. WORLD EXPORTS OF TEXTILES AND CLOTHING (1980, 1990 AND 1994)
(Millions of US dollars)

	Textiles ^{a/}		Clothing ^{b/}		Total	
	1980	1990	1980	1990	1980	1990
World	55 748	110 426	141 233	149 794	94 441	219 202
Developed economies	38 892	65 012	68 915	50 704	58 889	110 014
EEC	25 885	47 150	48 572	40 250	41 323	85 039
Canada	306	687	1 171	825	517	1 015
United States	3 632	4 922	6 429	5 464	4 851	7 401
Japan	5 123	5 859	6 780	582	5 611	6 425
Developing economies	15 359	43 002	69 087	92 981	32 257	104 067
Middle East ^{c/}	1 117	2 630	3 226	5 606	1 504	6 953
ESCWA members	433	1 226	860	1 025	605	2 074
Other Asian countries	11 928	36 721	61 086	77 636	26 570	88 471

Source: ESCWA, based on data obtained from national and international sources.

a/ Textiles and yarn (SITC 65).

b/ Clothing only (SITC 84).

c/ The Middle East region consists of Bahrain, Cyprus, Iraq, the Islamic Republic of Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, Turkey, the United Arab Emirates and Yemen.

ANNEX TABLE 2. IMPORTS OF TEXTILES AND CLOTHING TO ESCWA MEMBER
COUNTRIES (1985 AND 1994)
(Millions of US dollars)

	Textiles ^{a/}		Clothing ^{b/}		Total	
	1985	1994 ^{c/}	1985	1994 ^{c/}	1985	1994 ^{c/}
More diversified economies^{c/}	371	782	79	94	451	876
Egypt	119	211	7	3	126	215
Jordan	74	125	54	53	128	178
Syrian Arab Republic	151	379	2	1	153	380
Yemen	27	67	16	37	43	104
Gulf Cooperation Council countries	1 991	3 370	1 135	1 852	3 127	5 222
Bahrain	56	67	35	59	91	126
Kuwait	—	244	—	291	—	536
Oman	79	129	36	28	115	157
Qatar	41	98	23	38	64	136
Saudi Arabia	1 314	1 041	794	646	2 108	1 687
United Arab Emirates	501	1 790	248	790	748	2 580
Total for ESCWA region^{d/}	2 362	4 152	1 215	1 946	3 577	6 098

Source: ESCWA, based on data obtained from national and international sources.

Note: Totals may not add precisely because of rounding.

^{a/} Textiles and yarn (SITC 65).

^{b/} Clothing only (SITC 84).

^{c/} 1993 for Egypt and Yemen.

^{d/} Excluding Iraq, Lebanon and the West Bank and Gaza Strip.

ANNEX TABLE 3. UNITED STATES: NOTIFICATIONS UNDER ARTICLES 2.1* AND 3.1** OF THE
 AGREEMENT ON TEXTILES AND CLOTHING REGARDING RESTRAINT LEVELS
 MAINTAINED ON 31 DECEMBER 1994 AGAINST TEXTILE AND CLOTHING EXPORTS
 FROM ESCWA MEMBER COUNTRIES TO THE UNITED STATES
 (Millions of US dollars)

Category	Unit	Brief description	Bahrain ^{a/}	Egypt	Kuwait ^{a/}	Oman	Qatar	United Arab Emirates
218	M ²	Fabric of yarns of different colours		2 508 000				
219	M ²	Duck fabric		18 413 165				929 214
220	M ²	Fabric of special weave		18 413 165				
224	M ²	Pile and tufted fabrics		18 413 165				
225	M ²	Blue denim fabric		18 413 165				
226	M ²	Cheesecloth batistes, lawns/voile		18 413 165				
226/313	M ²	Cotton or MMF ^{b/} cheesecloth/batistes/voile						1 588 980
227	M ²	Oxford cloth		18 413 165				
300/301	Kg.	Carded and combed cotton yarns		7 219 188				
301	Kg.	Combed cotton yarn		2 264 192				
313	M ²	Cotton poplin and broadcloth fabric		33 811 849				
314	M ²	Cotton printcloth fabric		18 413 165				
315	M ²	Cotton twills		21 622 746				
317	M ²	Cotton twill fabric		18 413 165				25 633 488
326	M ²	Cotton sateen fabric		2 508 000				1 500 000
334/634	Doz.	M&B ^{c/} cotton and MMF other coats				150 000		189 372
335/635	Doz.	W&G ^{d/} cotton coats				200 000		
335/635/835	Doz.	W&G cotton coats						130 000
336/636	Doz.	Cotton and MMF dresses						164 122
338/339	Doz.	Cotton knit shirts and blouses	441 867	2 100 000		415 000		468 379
338/339S	Doz.	Cotton knit shirts and blouses						312 252
340/640	Doz.	M&B cotton and MMF shirts (non-knit)	212 000	870 000	200 000	200 000	325 000	290 370
340/640Y	Doz.	M&B cotton and MMF shirts (non-knit)	159 000					
341/641	Doz.	W&G cotton and MMF blouses/shirts (non-knit)			110 000	150 000	150 000	254 263
342/642	Doz.	Cotton and MMF skirts						201 997
347/348	Doz.	Cotton trousers/slacks and shorts				715 000	370 000	347 939

ANNEX TABLE 3. (continued)

Category	Unit	Brief description	Bahrain ^{a/}	Egypt	Kuwait ^{a/}	Oman	Qatar	United Arab Emirates
347/348T	Doz.	Certain cotton trousers/slacks and shorts						173 969
351/651	Doz.	Cotton and MMF nightwear and pyjamas						145 185
352	Doz.	Cotton underwear						267 645
361	No.	Cotton sheets						
363	No.	Cotton terry and other pile towels						5 000 000
369O	Kg.	Other parts not specified						500 572
369S	Kg.	Shop towels only		1 101 690				69 601
448	Doz.	W&G wool slacks/breeches/shorts		18 160				
638/639	Doz.	MMF knit shirts and blouses						189 372
647/648	Doz.	MMF trousers/slacks and shorts						271 433
847	Doz.	Silk/veg. fibre trousers/slacks and shorts						170 434

Sources: WTO, Textiles Monitoring Body, "Agreement on Textiles and Clothing: notification under article 3.1, United States", 28 April 1995 (G/TMB/N/66, Restricted); and WTO, Textiles Monitoring Body, "Agreement on Textiles and Clothing: notification under article 2.1, United States", 19 April 1995 (G/TMB/N/63, Restricted).

- * Under MFA restrictions.
- ** Under non-MFA restrictions.

- ^{a/} WTO members.
- ^{b/} Man-made fibre.
- ^{c/} Men's and boys'.
- ^{d/} Women's and girls'.

ANNEX TABLE 4. CANADA: NOTIFICATIONS UNDER ARTICLES 2.1* AND 3.1** OF THE
 AGREEMENT ON TEXTILES AND CLOTHING REGARDING RESTRAINT LEVELS
 MAINTAINED ON 31 DECEMBER 1994 AGAINST TEXTILE AND CLOTHING
 EXPORTS FROM ESCWA MEMBER COUNTRIES TO CANADA
(Number of units)

Categories	Export restraint levels				
	Lebanon ^{a/}	Oman ^{a/}	Qatar	Syrian Arab Republic	United Arab Emirates
1.0-14.0	—	—	670 000	—	—
1.0	—	—	20 000	—	250 000
2.0	—	—	20 000	—	40 000
3.0, 4.0	—	—	—	—	150 000
3.1 (3a)	—	—	5 000	—	—
5.0	—	600 000	56 000	40 000	360 000
5.1, 5.2, 5.3 (5a)	—	—	20 000	—	180 000
6.0	—	400 000	430 000	70 000	200 000
7.0, 8.1, 8.2, 8.3 (7/8a)	900 000	800 000	120 000	—	500 000
8.0	—	—	—	1 000 000	—
8.4	—	—	10 000	—	10 000
9.0	—	—	100 000	250 000	—
10.0	—	—	100 000	—	—
11.0	—	—	60 000	—	100 000
12.0	—	—	100 000	—	—
14.0	—	—	Group limit	—	50 000
41.1 (41A)	—	—	—	—	173 828
41.2 (41B)	—	—	—	—	140 783
42.0 (42)	—	—	—	—	140 000 ^{b/}

Sources: WTO, Textiles Monitoring Body, "Agreement on Textiles and Clothing: notification under articles 2.1 and 3.1, Canada", 19 April 1995 (G/TMB/N/62, Restricted); and addendum/corrigendum, 27 June 1995 (G/TMB/N/62/Add.1, Restricted).

* Under MFA restrictions.

** Under non-MFA restrictions.

^{a/} Including all textile fibres.

^{b/} Kilograms.

ANNEX TABLE 5. EUROPEAN UNION: NOTIFICATIONS UNDER ARTICLE 3.1* OF THE AGREEMENT
ON TEXTILES AND CLOTHING REGARDING RESTRAINT LEVELS FOR TEXTILE
AND CLOTHING EXPORTS FROM EGYPT TO THE EU FOR 1995 (AGREED
CONSULTATION LEVELS AND OUTWARD PROCESSING TRAFFIC
CONSULTATION LEVELS**)

Category: ^{a/} group 1A	Unit: tons	Consultation levels
1		47 270
2		15 901

Sources: WTO, Textiles Monitoring Body, "Agreement on Textiles and Clothing: notification under article 3.1, European Community", 28 April 1995 (G/TMB/N/64, Restricted) and (G/TMB/N/65, Restricted); and WTO, Textiles Monitoring Body, "Agreement on Textiles and Clothing: notification under article 2.1, European Union", 19 April 1995 (G/TMB/N/60, Restricted).

* Article 3.1 of the Agreement on Textiles and Clothing covers non-MFA restrictions.

** Outward processing traffic levels representing supplementary quantitative access for products reimported into the EU after processing in a third country.

^{a/} Category 1 = cotton yarn, not put up for retail sale; category 2 = woven fabrics of cotton, other than gauze, terry fabrics, narrow woven fabrics, pile fabrics, chenille fabrics, tulle and other net fabrics (other than unbleached or bleached).

ANNEX TABLE 6. BAHRAIN: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
338	Knitted shirts	9	248	47	1 596	122	2 632	114	4 302	176	6 623	210	10 550
339	Knitted blouses	193	4 398	305	7 140	226	5 582	290	7 557	266	6 294	294	10 902
340	Cotton shirts	38	2 150	144	7 125	195	11 690	158	9 807	251	16 649	246	15 898
639	Quota dropped												
640	MMF ^{a/} shirts	5	331	6	216	6	233	—	—	—	—	3	142
Non-quota categories													
237	Playsuits	—	—	—	—	13	124	—	—	3	141	—	118
334	Cotton coats	—	—	—	—	—	—	—	229	8	106	2	182
336	Cotton dresses	—	—	5	166	—	—	4	166	23	1 190	9	632
341	Cotton blouses	—	—	15	634	82	—	200	3 240	64	3 060	9	491
342	Cotton shirts	—	—	2	57	6	—	3	205	6	338	31	1 940
347	Cotton trousers	47	2 229	86	—	127	4 658	171	9 966	81	4 260	75	5 232
348	Cotton trousers	66	3 304	80	3 637	176	—	239	13 551	249	16 125	153	11 158
351	Cotton nightwear	14	476	43	1 213	21	566	36	993	13	303	16	546
352	Cotton underwear	—	—	137	921	612	3 984	62	446	79	623	738	5453
359	Cotton apparel	64	744	11	110	9	134	40	528	66	694	70	539
635	MMF coats	—	—	—	—	11	582	23	163	10	921	5	682
636	MMF dresses	—	—	3	154	—	—	3	330	16	2 791	21	1 018
641	MMF blouses	7	—	19	568	14	482	10	341	8	300	—	—
642	MMF shirts	6	172	6	229	7	199	5	177	4	143	4	214
648	MMF trousers	21	604	6	172	6	235	39	1 114	13	703	2	—
649	MMF brassieres	—	—	—	—	—	—	16	460	20	1 082	—	—
652	MMF underwear	..	..	..	..	..	..	..	..	11	83	50	395

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

**ANNEX TABLE 7. EGYPT: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)***

Q: Thousands of dozen/square metres/kilograms.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
218	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	—	—	454	477
219	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	323	187	—	—
220	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	804	900	616	690
226	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	355	146	635	16
300	Cotton yarn (kg)	—	—	—	—	—	—	—	—	4 169	15 175	1 308	521
301	Cotton yarn (kg)	—	—	—	—	—	—	—	—	2 977	17 356	2 443	14 120
313	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	13 543	6 365	4 911	2 504
314	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	10 335	6 718	14	23
315	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	15 003	7 952	813	407
317	Cotton fabric (m ²)	—	—	—	—	—	—	—	—	2 504	1 528	889	569
338	Cotton knit shirts	378	13 700	633	24 300	612	21 800	570	19 700	749	26 208	1 201	40 534
339	Cotton knit blouses	585	16 400	651	17 000	610	18 300	879	24 500	1 069	33 658	988	33 128
340	Cotton shirts	54	2 000	69	2 700	518	21 800	1 034	44 500	1 126	48 350	660	32 967
448	Wool trousers	—	1 300	14	1 600	17	1 900	19	1 900	20	1 881	17	1 643
640	MMF ² shirts	—	—	12	1 400	25	1 000	3	200	19	979	10	549
Non-quota categories													
237	Playsuits	3	100	13	400	5	200	12	300	15	433	19	1 174
239	Infantwear	27	500	97	600	188	1 500	180	1 700	102	1 513	159	2 859
331	Cotton gloves	900	100	503	800	685	1 000	1 026	1 400	1 263	1 959	1 182	1 783
334	Cotton jackets	8	600	10	800	22	1 500	30	2 100	32	2 375	83	5 491
335	Cotton jackets	36	3 500	51	5 600	76	8 900	51	6 000	21	2 714	18	2 211
336	Cotton dresses	3	—	2	—	4	200	24	800	61	2 240	69	2 852
341	Cotton blouses	40	500	31	700	36	1 000	61	2 000	121	4 143	142	5 818
342	Cotton skirts	48	1 500	10	400	—	600	—	300	16	628	71	3 665
347	Cotton trousers	231	9 100	421	17 200	507	23 300	460	19 800	710	31 996	842	37 932
348	Cotton trousers	390	13 400	543	21 900	527	23 300	693	32 000	737	33 880	528	25 191
350	Dressing gowns	1	100	—	—	—	—	3	300	6	585	21	1 875
351	Underwear	2	—	1	—	27	800	174	6 000	176	8 041	213	9 412
352	Underwear	125	1 100	203	1 500	19	—	83	1 000	74	1 606	215	4 437
359	Other apparel	8	100	15	1 600	37	200	47	700	80	1 019	151	1 348
363	Cotton and other terry pile towels	—	1 300	—	2 400	—	—	—	—	4 732	6 150	3 311	4 569
369	Other parts not specified	—	—	—	—	—	—	—	—	2 060	8 425	1 866	6 717
435	Wool jackets	3	—	—	—	2	300	3	200	6	1 064	8	1 502

ANNEX TABLE 7. (continued)

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
442	Wool skirts	—	—	—	—	4	—	3	—	5	325	6	488
443	Wool suits	9	500	—	—	—	100	—	800	54	2 614	25	1 203
444	Wool suits	10	400	10	200	21	500	20	400	12	243	20	478
459	Other apparel	—	—	—	—	—	—	2	200	11	232	7	165
465	Other apparel	—	600	—	700	—	—	—	—	26	1 884	39	2 874
631	MMF gloves	573	1 500	553	1 600	715	1 900	741	1 900	931	2 430	971	2 592
634	MMF jackets	20	1 600	19	1 700	2	—	20	2 400	31	3 014	48	2 880
635	MMF coats	53	5 800	91	7 900	94	1 140	78	10 800	78	13 305	103	19 400
638	MMF shirts	—	—	—	—	—	—	1	—	7	166	50	1 149
639	MMF blouses	—	—	—	—	1	—	16	500	1	156	9	368
644	MMF suits	—	—	—	—	—	—	—	—	2	43	14	354
647	MMF trousers	—	—	2	—	—	—	4	—	16	544	33	988
648	MMF trousers	3	—	4	—	12	200	16	400	20	830	7	165
659	Other apparel	9	—	10	—	24	300	31	400	32	440	43	774
665	Other apparel	—	1 700	—	4 600	—	—	—	—	980	10 946	1 528	17 000
840	Vegetable blend shirts	—	—	—	—	—	—	—	—	—	—	11	686
844	VF ^{b/} suits	—	—	—	—	—	—	—	—	29	411	32	545
847	VF trousers	4	—	45	—	62	—	43	—	37	2 746	43	3 538
859	VF other apparel	—	—	—	—	—	—	—	—	10	127	14	232

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

a/ Man-made fibre.

b/ Vegetable fibre.

**ANNEX TABLE 8. JORDAN: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)***

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Non-quota categories													
220	Cotton fabric	10	52	14	80	—	—	—	—	—	—	—	—
239	Infant sets	—	—	—	—	—	—	—	—	13	156	6	7
338	Knitted shirts	—	—	5	277	—	—	—	—	29	1 334	27	595
339	Knitted blouses	—	—	—	—	26	494	56	1 176	82	2 706	93	3 452
340	Cotton shirts	—	—	—	—	46	3 128	187	9 911	134	4 824	100	4 017
341	Cotton blouses	—	—	—	—	—	—	7	6	2	98	1	32
342	Cotton skirts	—	—	—	—	—	—	—	—	7	273	—	—
347	Cotton trousers	5	373	114	7 797	31	1 922	22	1 232	12	720	19	574
348	Cotton trousers	5	340	38	196	62	4 154	85	2 805	75	2 325	22	700
359	Cotton apparel	12	138	—	—	65	4 745	—	—	70	770	15	120
448	Wool trousers	—	—	—	—	14	1 148	15	1 485	8	728	5	221
465	Other wool	—	—	51	408	—	—	—	—	—	95	4	95
638	MMF ^{2/} knit shirts	—	—	—	—	—	—	—	—	5	120	—	—
665	Other MMF apparel	3	24	23	161	73	385	—	—	47	—	161	666
666	Other MMF apparel	—	—	13	104	123	738	—	—	—	—	227	969

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 9. KUWAIT: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
340	Cotton shirts	—	—	18	742	548	28 496	289	15 895	57	3 135	69	3 480
341	Cotton blouses	—	—	19	734	170	8 330	50	2 100	13	122	—	—
640	MMF ² shirts	—	—	16	632	66	2 508	—	—	—	—	—	—
641	MMF blouses	—	—	—	—	12	384	—	—	—	—	—	—
Non-quota categories													
334	Cotton coats	—	—	—	—	9	810	9	1 081	5	450	3	206
348	Cotton trousers	—	—	—	—	22	1 210	15	630	—	—	3	90
361	Cotton gloves	—	—	64	83	—	—	—	—	—	—	—	—
635	MMF coats	—	—	—	—	—	—	—	—	2	171	6	527
648	MMF trousers	—	—	—	—	—	—	—	—	—	—	5	251

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 10. LEBANON: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
338	Knitted shirts	32	352	136	1 763	35	311	17	180	15	322	13	184
339	Knitted blouses	126	2 163	139	2 224	—	—	—	—	—	—	—	—
Non-quota categories													
239	Infant sets	11	158	1	12	10	150	15	240	15	240	13	—
340	Cotton shirts	2	15	—	—	—	—	—	—	—	—	—	—
347	Cotton trousers	—	—	—	—	3	—	—	—	—	—	—	—
365	Other apparel	5	105	13	273	3	72	—	—	—	—	—	—
659	Other MMF ^{a/} apparel	—	—	5	60	—	—	—	—	—	—	—	—

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 11. OMAN: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
334	Cotton coats	—	—	2	178	63	7 812	84	11 508	64	9 856	27	2 622
335	Cotton coats	—	—	4	336	24	2 664	27	3 483	18	2 268	11	1 166
338	Cotton knit shirts	38	836	25	825	182	3 276	135	2 497	111	4 551	433	19 848
339	Cotton knit blouses	103	2 997	181	4 544	244	5 152	—	—	253	—	112	3 478
340	Cotton shirts	58	2 784	292	16 060	16	784	114	6 726	200	11 800	220	12 988
341	Cotton blouses	13	442	97	4 409	39	1 599	—	—	58	—	58	2 553
347	Cotton trousers	172	9 460	368	19 136	174	9 396	217	12 803	343	18 179	345	18 109
348	Cotton trousers	294	16 170	494	22 724	275	12 925	352	19 008	255	15 555	235	14 680
634	MMF ^{a/} coats	—	—	8	600	46	3 680	34	2 652	60	6 300	21	1 888
635	MMF coats	—	—	8	544	134	11 256	123	11 070	125	12 183	46	3806
640	MMF shirts	22	1 056	103	4 326	31	1 364	6	330	8	472	3	199
641	MMF blouses	85	2 975	95	3 420	7	231	12	384	8	428	5	138
647	MMF trousers	12	552	5	235	75	3 225	14	770	27	1 323	22	942
648	MMF trousers	49	1 568	24	888	83	4 399	74	3 330	82	3 444	53	2 041
Non-quota categories													
237	Playsuits	3	147	17	852	7	441	—	—	24	—	6	360
331	Cotton gloves	—	—	—	—	—	—	—	—	11	33	—	—
336	Cotton dresses	—	—	4	176	7	317	32	2 016	143	10 725	90	6 688
342	Cotton skirts	—	—	4	17	26	1 394	16	608	52	2 493	124	4 841
351	Nightwear	—	—	18	570	57	4 051	—	—	66	—	41	2 958
359	Other apparel	—	—	—	—	—	—	119	1 785	166	2 324	309	4020
639	Other apparel	—	—	—	—	—	—	16	464	29	986	—	—
642	MMF skirts	7	240	15	525	—	—	6	216	12	432	22	732
847	Vegetable fibre trousers	12	570	36	1 548	—	—	—	—	—	—	—	—

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 12. QATAR: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
340	Cotton shirts	47	245	351	1 649	274	1 518	218	13 000	364	21 112	273	14 267
341	Cotton blouses	—	—	22	224	111	4 995	111	4 773	62	3 600	81	3 975
347	Cotton trousers	50	2 500	126	6 300	108	4 968	74	4 292	171	—	234	10 551
348	Cotton trousers	147	3 408	331	17 814	167	10 187	286	18 876	189	9 063	188	2 335
640	MMF shirts	90	4 320	168	7 056	17	816	—	—	—	13 419	—	—
641	MMF ^{a/} blouses	15	465	80	2 640	—	—	—	—	—	—	—	—
Non-quota categories													
237	Playsuits	—	—	7	119	—	—	—	—	5	325	—	—
334	Cotton coats	—	—	—	—	26	2 366	20	1 620	4	264	3	235
336	Dresses	—	—	—	—	—	—	15	990	30	2 610	55	5 410
338	Knit shirts	10	310	105	4 330	60	2 880	48	2 256	30	1 212	396	2
339	Knit blouses	19	513	33	1 023	13	390	10	200	8	202	20	696
342	Cotton skirts	—	—	—	—	—	—	2	176	13	858	54	7
359	Other cotton apparel	—	—	—	—	—	—	13	208	16	112	83	820
634	MMF coats	—	—	—	—	—	—	19	1 577	38	2 926	2	177
635	MMF coats	5	555	6	492	30	2 520	51	4 182	14	854	30	4
639	MMF shirts	—	—	—	—	—	—	13	325	—	—	9	180
642	MMF skirts	5	185	9	268	—	—	—	—	—	—	15	594
647	MMF trousers	5	155	9	279	20	940	4	184	22	902	9	394
648	MMF trousers	12	468	27	918	—	—	—	—	152	3 451	111	9
847	Vegetable fibre trousers	—	—	14	882	35	1 925	—	—	20	1 749	15	—

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 11. OMAN: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
334	Cotton coats	—	—	2	178	63	7 812	84	11 508	64	9 856	27	2 622
335	Cotton coats	—	—	4	336	24	2 664	27	3 483	18	2 268	11	1 166
338	Cotton knit shirts	38	836	25	825	182	3 276	135	2 497	111	4 551	433	19 848
339	Cotton knit blouses	103	2 997	181	4 544	244	5 152	—	—	253	—	112	3 478
340	Cotton shirts	58	2 784	292	16 060	16	784	114	6 726	200	11 800	220	12 988
341	Cotton blouses	13	442	97	4 409	39	1 599	—	—	58	—	58	2 553
347	Cotton trousers	172	9 460	368	19 136	174	9 396	217	12 803	343	18 179	345	18 109
348	Cotton trousers	294	16 170	494	22 724	275	12 925	352	19 008	255	15 555	235	14 680
634	MMF ^{a/} coats	—	—	8	600	46	3 680	34	2 652	60	6 300	21	1 888
635	MMF coats	—	—	8	544	134	11 256	123	11 070	125	12 183	46	3806
640	MMF shirts	22	1 056	103	4 326	31	1 364	6	330	8	472	3	199
641	MMF blouses	85	2 975	95	3 420	7	231	12	384	8	428	5	138
647	MMF trousers	12	552	5	235	75	3 225	14	770	27	1 323	22	942
648	MMF trousers	49	1 568	24	888	83	4 399	74	3 330	82	3 444	53	2 041
Non-quota categories													
237	Playsuits	3	147	17	852	7	441	—	—	24	—	6	360
331	Cotton gloves	—	—	—	—	—	—	—	—	11	33	—	—
336	Cotton dresses	—	—	4	176	7	317	32	2 016	143	10 725	90	6 688
342	Cotton skirts	—	—	4	17	26	1 394	16	608	52	2 493	124	4 841
351	Nightwear	—	—	18	570	57	4 051	—	—	66	—	41	2 958
359	Other apparel	—	—	—	—	—	—	119	1 785	166	2 324	309	4020
639	Other apparel	—	—	—	—	—	—	16	464	29	986	—	—
642	MMF skirts	7	240	15	525	—	—	6	216	12	432	22	732
847	Vegetable fibre trousers	12	570	36	1 548	—	—	—	—	—	—	—	—

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 12. QATAR: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
340	Cotton shirts	47	245	351	1 649	274	1 518	218	13 000	364	21 112	273	14 267
341	Cotton blouses	—	—	22	224	111	4 995	111	4 773	62	3 600	81	3 975
347	Cotton trousers	50	2 500	126	6 300	108	4 968	74	4 292	171	—	234	10 551
348	Cotton trousers	147	3 408	331	17 814	167	10 187	286	18 876	189	9 063	188	2 335
640	MMF shirts	90	4 320	168	7 056	17	816	—	—	—	13 419	—	—
641	MMF ^{a/} blouses	15	465	80	2 640	—	—	—	—	—	—	—	—
Non-quota categories													
237	Playsuits	—	—	7	119	—	—	—	—	5	325	—	—
334	Cotton coats	—	—	—	—	26	2 366	20	1 620	4	264	3	235
336	Dresses	—	—	—	—	—	—	15	990	30	2 610	55	5 410
338	Knit shirts	10	310	105	4 330	60	2 880	48	2 256	30	1 212	396	2
339	Knit blouses	19	513	33	1 023	13	390	10	200	8	202	20	696
342	Cotton skirts	—	—	—	—	—	—	2	176	13	858	54	7
359	Other cotton apparel	—	—	—	—	—	—	13	208	16	112	83	820
634	MMF coats	—	—	—	—	—	—	19	1 577	38	2 926	2	177
635	MMF coats	5	555	6	492	30	2 520	51	4 182	14	854	30	4
639	MMF shirts	—	—	—	—	—	—	13	325	—	—	9	180
642	MMF skirts	5	185	9	268	—	—	—	—	—	—	15	594
647	MMF trousers	5	155	9	279	20	940	4	184	22	902	9	394
648	MMF trousers	12	468	27	918	—	—	—	—	152	3 451	111	9
847	Vegetable fibre trousers	—	—	14	882	35	1 925	—	—	20	1 749	15	—

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 13. SAUDI ARABIA: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
237	Playsuits	—	—	—	—	—	—	—	—	4	172	—	—
336	Dresses	—	—	—	—	—	—	—	—	18	774	—	—
338	Knit shirts	—	—	—	—	—	—	16	255	54	864	77	2 431
340	Knit blouses	—	—	—	—	—	—	28	1 568	96	5 376	80	4 358
359	Other apparel	—	—	—	—	—	—	2	10	22	220	11	132
642	MMF ² shirts	—	—	—	—	—	—	—	—	6	228	15	127

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 14. SYRIAN ARAB REPUBLIC: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
239	Infant wear	—	—	17	238	32	512	94	1 410	271	4 336	177	2 840
300	Cotton yarn	88	264	—	—	—	—	—	—	—	—	—	—
313	Cotton fabric	902	442	—	—	—	—	—	—	—	—	—	—
317	Cotton fabric	112	69	—	—	—	—	—	—	—	—	—	—
334	Cotton coats	—	—	—	—	—	—	4	244	5	325	2	189
338	Knit shirts	—	—	5	46	25	300	61	915	89	1 246	74	1 132
339	Knit blouses	25	300	52	260	43	344	—	—	64	704	61	1 213
340	Cotton shirts	—	—	—	—	5	264	—	—	7	329	5	330
341	Cotton blouses	—	—	—	—	—	—	—	—	4	144	—	—
348	Cotton trousers	24	648	6	132	—	—	—	—	—	—	—	—
352	Cotton underwear	7	44	43	258	62	372	43	387	129	589	78	564
359	Other apparel	7	28	9	28	—	—	—	—	—	—	7	25
443	Hosiery	14	700	15	675	—	—	—	—	13	293	19	454
632	MMF ^{a/} hosiery	—	—	—	—	—	—	12	45	10	26	10	22
643	MMF suits	—	—	5	81	6	103	—	—	—	—	5	79

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

^{a/} Man-made fibre.

ANNEX TABLE 15. UNITED ARAB EMIRATES: ITEMIZED LIST OF TEXTILE AND CLOTHING EXPORTS
TO THE UNITED STATES (1991-1996)*

Q: Thousands of dozen.

V: Thousands of US dollars.

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Quota categories													
219	Cotton fabric (m ²)	—	—	728	495	1 185	735	—	—	994	735	235	367
226	Cotton fabric (m ²)	935	271	320	96	—	—	—	—	—	—	—	—
313	Cotton fabric (m ²)	2 677	1 383	5 594	2 685	1 519	698	—	—	—	—	—	—
317	Cotton fabric (m ²)	4 151	343	1 947	15 774	34 352	25 764	—	—	6 679	5 276	1 808	1 356
326	Cotton sateen fabric (m ²)	—	—	1 674	1 239	1 712	1 335	—	—	483	410	—	—
334	Cotton jackets	32	3 169	56	5 311	52	5 625	62	8 162	60	7 469	47	5 031
335	Cotton jackets	2	—	60	3 532	18	1 425	43	5 061	21	2 303	24	3 245
336	Cotton dresses	33	1 678	46	1 729	32	2 046	101	7 220	110	7 515	70	4 870
338	Cotton knit shirts	92	3 740	275	11 481	263	9 486	201	8 363	299	14 824	360	16 351
339	Cotton knit blouses	135	3 415	226	5 930	100	2 658	250	7 583	151	6 546	170	8 055
340	Cotton shirts	136	7 234	281	15 539	279	18 812	239	15 183	339	21 051	386	23 357
341	Cotton blouses	28	1 157	103	4 909	205	10 031	119	6 248	130	7 565	106	5 961
342	Cotton skirts	12	585	29	1 428	47	2 968	71	3 799	103	5 702	162	9 584
347	Cotton trousers	48	2 586	111	7 196	166	11 623	157	11 656	117	7 100	166	8 902
348	Cotton trousers	22	1 414	236	13 013	194	12 320	149	7 455	139	9 856	266	21 942
350	Dressing gowns	23	1 595	13	974	—	—	—	—	—	—	—	—
351	Underwear	63	3 776	106	6 512	120	7 312	102	526	68	5 056	98	6 906
352	Underwear	39	258	—	—	50	462	—	—	38	1 272	1	28
363	Cotton terry and other pile towels	4 488	2 289	6 432	2 766	10 557	4 962	—	—	3 737	1 906	4 255	2 000
634	MMF ² jackets	51	2 892	99	6 077	156	10 254	149	10 726	133	10 846	136	12 398
635	Jackets	36	3 059	140	13 364	73	6 900	86	8 745	113	12 024	77	7 899
636	Knit shirts	19	791	17	1 113	27	2 017	92	6 680	73	4 988	98	6 322
638	Knit shirts	52	1 557	79	2 060	133	4 436	114	4 283	110	3 857	108	3 978
639	Blouses	27	2 719	65	1 421	64	1 392	78	2 955	105	3 106	25	1 042
640	Shirts	84	4 012	34	1 443	34	1 415	—	—	—	—	—	—
641	Blouses	177	6 817	153	5 693	52	2 059	7	283	19	1 003	19	662
642	Skirts	26	1 030	30	939	11	426	30	2 002	66	3 231	43	2 906
647	MMF trousers	25	122	81	1 488	187	6 605	147	5 357	99	3 836	101	4 692

ANNEX TABLE 15. (continued)

Cat.	Description	1991		1992		1993		1994		1995		1996	
		Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
648	MMF trousers	51	1 913	132	5 437	132	3 443	136	4 090	125	4 816	90	6 336
651	MMF nightwear	16	1 491	30	2 698	33	2 522	51	4 499	4	356	5	367
835	VF ^{b/} jackets	—	—	—	—	—	—	—	—	5	363	5	882
847	VF trousers	41	2 961	59	3 627	21	1 101	32	1 774	92	6 694	17	1 108

Non-quota categories

225	Fabric (m ²)	—	—	—	—	86	902	—	—	7 506	1 183	8 927	12 587
237	Fabric (m ²)	8	413	39	1 557	12	535	75	1 425	42	2 807	17	1 150
239	Fabric (m ²)	73	1 190	77	1 380	51	1 002	—	—	108	22 055	229	4 307
314	Fabric (m ²)	—	—	121	92	1 095	602	—	—	70	42	—	—
315	Fabric (m ²)	1 008	443	763	328	660	251	—	—	—	—	—	—
359	Other apparel	206	2 282	221	2 826	213	2 349	460	6 394	1 686	22 692	1 960	2 698
360	Other apparel	44	28	54	37	3	5	—	—	—	—	—	—
361	Other apparel	19	59	125	353	211	581	—	—	—	—	—	—
362	Other apparel	—	—	—	—	57	610	—	—	—	—	—	—
369	Other apparel	49	172	1 123	3 537	1 271	3 965	—	—	—	—	—	—
659	MMF apparel	—	—	78	757	72	936	170	2 412	153	2 562	132	2118
631	Cotton gloves	—	—	—	—	—	—	8	19	70	451	84	508
859	VF other	—	—	—	—	—	—	—	—	11	258	27	515
870	VF other	—	—	—	—	—	—	—	—	507	1 571	477	2 070
870	VF other	—	—	—	—	—	—	—	—	526	1 336	459	1 519

Source: ESCWA, based on data obtained from the International Business and Economic Research Corporation.

* Figures are rounded to the nearest thousand; small figures (less than US\$ 3,000 or 3,000 dozen) are not mentioned.

a/ Man-made fibre.

b/ Vegetable fibre.

ANNEX TABLE 16. SHARES OF WORLD TRADE IN TEXTILES AND CLOTHING SUBJECT
TO MFA AND NON-MFA RESTRICTIONS (1986)
(Percentages)

Importing area	Supplying area	Textiles (percentage)	Clothing (percentage)	Total (percentage)
<i>1. Free of restrictions</i>				
Industrialized countries	Industrialized countries (except Japan)	42.8	35.1	39.2
<i>2. MFA restrictions</i>				
Industrialized countries	Japan	3.0	1.4	2.3
	Developing countries	11.0	38.5	23.9
	Subtotal	14.0	39.9	26.2
<i>3. Bilateral or national restrictions</i>				
Industrialized countries	Eastern Europe area	3.6	5.0	4.3
Developing countries	All sources	30.8	12.8	22.4
Eastern Europe area	All sources	8.7	7.2	8.0
	Subtotal	43.1	25.0	34.7
Subtotal (restricted)	(2+3)	57.1	64.9	60.8
Total		100.0	100.0	100.0
Values		53.5	46.0	99.5

Source: William R. Cline, *The Future of World Trade in Textiles and Apparel*, revised edition (Washington, D.C., Institute for International Economics, 1990), p. 157.

Note: Totals may not add precisely because of rounding.