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Historical Analysis: Textile and Apparel Trade

Cover Page Footnote

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Historical Analysis: Textile and Apparel Trade

from MFA to Post-ATC

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Abstract

This paper is an analysis of published articles that discuss the history of the Multi-Fiber Arrangement (MFA) to the Post-Agreement on Textile and Clothing (ATC) as well as evaluates the different dynamics and relationships formed by these agreements. The articles primarily focus on different aspects of the agreements and specific countries affected. Throughout all of the articles, industrialized countries and developed countries are interchangeable. A few articles, for example Growing Protectionism (1985), use the term Multi-Fibre Agreement (MFA), which is the same as Multi-Fiber Arrangement. The term European Union (EU) and European Community (EC) are also interchangeable. This paper examines and compares articles to discuss the history of the textile and apparel trade from MFA to present.

Keywords: Multi-Fiber Arrangement, Agreement on Textile and Clothing

Historical Analysis: Textile and Apparel Trade
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Introduction

What contributes to China, Bangladesh, Pakistan, and other countries having the majority of textile and apparel manufacturing? Why are those jobs not located in the United States or Western Europe? Why is a piece of clothing relatively inexpensive in the U.S.? The answers to these questions are well known. However, what is not well known is how international trade policies institutionalized most of the factors seen in the textile and apparel industry today. The current challenges and difficulties facing the textile and apparel industries in countries have significantly been shaped by the previous international policy. These previous international policies created a system of protectionism, liberated countries from the system, and established clear winners and losers. Throughout the entire process, one side has clearly controlled and benefitted from the system while the other side has attempted to thrive within the system.

This paper begins with discussing the potential circumstances that led to the creation of the Multi-Fiber Arrangement (MFA). Then the paper explores how the MFA took effect and affected the world from 1970s to the mid-1990s. Afterwards, the paper will discuss the liberalization of textile trade by the Agreement on Textiles and Clothing. In the end, the paper will explore the potential future of the textile and apparel industry. Throughout the entire paper, the agreements will be explained and analyzed in detail. The purpose of this paper is to provide a deeper understanding of the international trade policies that have intensively shaped the countries, markets, and trade.

Literature Review

The influence of trade policies have can have a wide range of effects on countries, markets, governments, and everyday people. The MFA operated at a system of quotas placed on developing countries by developed countries (Hale, 2002). Overtime, the system of quotas will be used to discriminate towards some countries while providing preferential treatment towards others. However, as system became increasingly discriminatory towards developing countries, the developing countries responded by standing up for change. “The Agreement of Textiles and Clothing provided a framework for phasing out the Multi-Fiber Arrangement” (Hale, 2002, p. 34). According to Javed, Bhatti, and Naseer (2000), the ten-year period was designed to allow textile importers and exporter countries to adjust to the quota free world. Entering this liberalized environment would mean that the textile and apparel industry also entered into the era of ruthless competition that would allow countries to prosper by taking the textile market share away from other countries (Javed et al, 2000). Throughout the entire process, some countries will triumph while others will be left behind. Although to understand the current situation surrounding textile and clothing, we must review the past as a key to understanding the present.

Leading up to Multi-Fiber Arrangement

A series of key events led up to the implementation of MFA in 1974. According to Roussakis (1966), leading up to the mid-twentieth century, most trade from the United States was regulated under the Trade Agreement Act of 1934. This change occurred when the Kennedy Administration introduced a more liberalizing trade policy called the Trade Expansion Act. The proposal was a key event leading up to creation of MFA because of how government officials and business owners would be affected in the change. Protecting trade in the United States and economic factors would be specific key aspects of the new proposal.

The conversation surrounding the new proposal towards trade would be composed of many elements with the main emphasis on protecting America's economy. Roussakis (1966) points out that many congressional representatives and business officials saw the new Trade Expansion Act as a "radical" move. The debate further developed into a conversation about the preservation of domestic producers, protecting the employment, shielding domestic wages, and averting a financial crisis caused by foreign competition. Centering on the debate was the notion of the high cost of labor, infrastructure, and technology that led to developed countries being vulnerable to the low-wage developing countries (Ramesh, 1994). However, this dispute was not only being discussed within the United States.

This debate was also seen in Canada as businesses had a strong preference towards protection to mainly maintain profits, but also to maintain employment (Ramesh, 1994). Similar to the business interests within America, the desire of Canadian businesses was to maintain and protect their market share as well as profits. In Canada, the government put in place steep tariff barriers around textile and clothing to protect the domestic textile and apparel industry. The implementation of barriers allowed the industry to become non-competitive outside of Canada. This became apparent during the 1950s, when the emergence of a few Asian countries disrupted the domestic industry leading to the implementation of MFA by Canada (Ramesh, 1994). Canada showcases how the movement towards protecting the domestic textile and apparel industry was not only an American movement, but soon would also include European countries as well.

During the 1960s, Roussakis (1966) points out that the large textile manufacturers and producers would not be as negatively affected as perceived by the liberalization of textiles. This is contrary to the previous notion by business leaders that the industry would need protection in order to be successful. During this time, large U.S. manufacturers and producers were at the

pinnacle of the textile industry with technology and machinery. These two crucial assets would allow them to be able to out produce as well as have lower costs of production compared to foreign competitors. The hardest hit areas from liberalizing the textile and apparel trade would be smaller producers and manufacturers (Roussakis, 1966). This is an interesting aspect regarding the state of 1960s textile and apparel industry because it would give the American industry the ability to compete in the new foreign industries.

Trade in textiles and apparel has always been an important facet of the United States economic and political systems. This is, in part, because of the size and scope of the industry, geographic concentration, and the high levels of employment (Pelzman, 1985). The argument made by Roussakis (1966) involved the ability large textile manufacturers and producers to survive and potentially succeed in the liberalization of textiles. This argument presents a case where the textile industry may have created their own demise by promoting the creation of a protectionist market, which would encourage the slow development of foreign industry. This slow development of foreign textile industry would eventually be able to out produce and have lower production costs than the large U.S. domestic textile industry.

Instead, the United States would set the stage leading up to the more extensive agreement of the MFA by implementing the Short Term Arrangement (STA) in cotton textiles, which led into a Long Term Arrangement. The Long Term Arrangement (LTA) would last up until the MFA was in practice. Both arrangements were significantly smaller than the MFA by setting tariffs and quotas on only cotton textiles (Bagchi, 1998). The Long Term Arrangement only regulated cotton textile products (Ramesh, 1994), which resulted in developing countries increasingly manufacturing and exporting wool and man-made textile products (Aggarwal, 1983). This unintentional side effect led to the domestic textile industry in developed countries to pressure

governments into restraining this loophole (Aggarwal, 1983; Ramesh, 1994). This series of events led to the formation of the Arrangement Regarding International Trade in Textiles is also known as the Multi-Fiber Arrangement (Ramesh, 1994).

Methods

This research employs archival research and historical analysis of multiple studies in order to provide a holistic view of the events leading up to, during, and after the Multi-Fiber Arrangement and the Agreement on Textiles and Clothing. The prior studies included research on different aspects of the MFA and ATC regarding implementation of the agreements, unintended and intended consequences, as well as the after effects of the policies. The biggest challenge from reviewing multiple studies was shifting through all of the data and research to provide a broad picture of the entire process from heavily restricted trade to more open trade. Most of the prior research was focused on specific aspects of either one of the agreements or effects on a specific country. When reviewing the prior research, the main questions were: Why were the trade policies created or put into place?; What were some of the causes and effects from the policies?; What has been the affect of these policies today?; and What potential ways have these policies affected the future in textile trade?

Formation and Implementation of Multi-Fiber Arrangement

The initial premise behind the Multi-Fiber Arrangement was to maintain a timely and structured expansion of developing countries' textile industries while minimizing the cost to the domestic textile industries (Pelzman, 1983). As Hashim (2005) stated, "This was meant to protect producers in the north (developed) and allow them time to restructure and adapt to competition from cheaper imports from the south (developing)" (p. 117). The governing structure of the Multi-Fiber Arrangement was outside the rule and regulation of the General

Agreement on Trade and Tariffs (GATT) (Javed et al, 2000). This separation occurred by using Article XI and XIX under the GATT 1947 framework to determine that an exception to eliminate quota restriction was allowed to protect and safeguard domestic textile industries (Moore, 1996). The GATT which allowed for the creation of the MFA would eventually also be used to end the MFA.

According to Aggarwal (1983), the United States government did not want to create a strong protectionist system. However, the domestic textile and apparel industry in the U.S. lobbied significantly to force the United States government into a more protectionist direction.

The Multi-Fiber Arrangement (MFA) in essence is a legal framework for the international textile and apparel industry made up of bilateral quantitative restrictions (Growing Protectionism, 1985; Myth of Multilateralism, 1990; Clairmonte, 1990; Harrigan & Barrows, 2009; Hashim, 2005). Bilateral quantitative restrictions, including voluntary export restraints (VER), are agreements on a specific product or a category of products between an importing and exporting country (Clairmonte, 1990; Pelzman, 1983). This arrangement was largely in the coverage of all cotton, man-made fiber fabrics, wool textiles, and textile products (Growing Protectionism, 1985; Bagchi, 1998). The expansive coverage is the result from the loopholes under the Short Term and Long Term Arrangements.

According to Harrington and Barrows (2009), the quota system of MFA had two key aspects: 1) the system was fairly broad and included many different items and 2) the system was based on terms of physical quantity not in terms of market value. This allowed developed countries to place specific limits on a variety of textile items against individual countries. Bagchi (1998) notes that the creation of the MFA in 1974 set forth discriminatory policies of quotas onto textiles. These policies were envisioned to provide space for domestic textile industries to

accustom themselves to the new competition coming from foreign countries (Pelzman 1983).

This set of discriminatory policies could be recognized as part of the response towards the Trade Expansion Act by setting policy that restricts trade heavily.

However, a less-known aspect about the MFA is that the agreement did not make any distinction between developed countries and developing countries. This means that quotas could be placed on developed countries by developing countries or vice versa. However, a developing country placing a quota on a developed country has yet to be seen (Ramesh, 1994). According to Aggarwal (1983), developing countries would be stunted to industrialize and receive financial support by the protectionist instruments. Along with the economic consequences of protectionist instruments, there are high political costs. The trade in textile and apparel has created heated disputes among both the developed countries and developing countries. This is further noted when Pelzman (1983) stated that, “The MFA took on a life of its own and has become the hallmark of protectionist instruments” (p. 524). The hallmark instrument created a heated political and economic divide between the developed and developing countries.

Throughout the renewals of the MFA, the policies and restraints have started to apply to almost all developing countries (Bagchi, 1998; Dean, 1990; Ramesh, 1994). In fact, “MFA has been renewed four times- 1977, 1981, 1986, and 1991- each renewal being more restrictive than the previous” (Ramesh, 1994, p. 92). From the initial signing of the first MFA in 1974, the United States has tightened restrictions as well as doubled the amount of countries with restrictions (Dean, 1990). According to Dean (1990), thirty-one countries originally enrolled in the voluntary export restraints agreements under MFA with developed countries. The number of voluntary export restraint agreements between developed and developing countries grew from roughly fifty to over two-hundred from 1978 to 1989 (Clairmonte, 1990). As the restrictions

expand and intensify along with the political motives, it creates a system where some countries receive privileges while others do not.

Research conducted by De Melo and Tarr (1990) suggests that not all developing countries and importers are hurting from the MFA. For example, Hong Kong would not be able to compete against other manufacturers and producers effectively without the quota system. This is interesting because Hong Kong is part of what is called The Big Three, which include Hong Kong, Taiwan, and Korea. These three countries have consistently maintained large shares of the U.S. import market (Dean, 1990) and the Canadian import market (Ramesh, 1994). The loss of their quotas may result in considerable economic losses to cheaper producing countries. At the time of second renewal of the MFA, the four major suppliers in the textile industry were Hong Kong, South Korea, Taiwan, and the People's Republic of China (PRC). By the time of third renewal of MFA, the further escalation of preferential treatment was expanding towards Hong Kong, South Korea, and Taiwan along with a smaller portion to the PRC (Pelzman, 1983). This highlights how the MFA became further discriminatory by how political actions could play a significant factor in the allotment of quota limits on a country.

According to Pelzman (1983), many industry experts would agree that the MFA, STA, and LTA have achieved the intended purpose of protecting the domestic industry and restricting imports from foreign competitors. Even though the MFA created a disadvantaged system for developing countries, it did guarantee access to the developed country's markets (Hale, 2002). Although, as Dean (1990) concludes, the developing countries' efforts to industrialize and diversify are indeed significantly hampered by the considerable restraints placed on the country by the MFA. Both issues of having market share in developed countries, as well as being able to

industrialize and diversify, will play a notable part in the phasing out of Multi-Fiber Arrangement.

However, there is one group that hasn't been mentioned yet, but does hurt from the MFA system. This group is the consumers. The MFA system of bilateral restrictive agreements causes the end cost of apparel to be higher (Pelzman, 1983). The higher cost of apparel is a result of the binding quotas leading to quality upgrading of the product. Quality upgrading is the shift towards expensive goods (Harrigan & Barrows, 2009).

Demise of the Multi-Fiber Arrangement and Formation of Agreement on Textiles and Clothing

With the renewal of the fourth MFA in 1986, serious questions and doubts arose from the impact of MFA on developing countries (Dean, 1990). Developing countries were becoming increasingly angered towards the discrimination and preferential treatment being implemented by developed countries. Clairmonte (1990) states that the MFA is one of the most potent weapons in the developed countries arsenal. This was further stated by Ramesh (1994) in which the author states that the MFA has become a convenient tool for developed countries to use against developing countries. This weapon would cause a movement amongst developing countries to stand up against the MFA.

A significant event happened during the 1994 Uruguay Rounds when developing countries insisted on the termination of General Agreement on Tariffs and Trade (GATT) (Bagchi, 1998). This solidarity amongst developing countries was against the discriminatory policies put in place by the MFA towards them. According to Bagchi (1998), the sacred foundation of GATT was the non-discriminatory treatment in trade. The movement by developing countries would force a

response from developed countries because of their relationship with GATT. For instance, the trade commodities under GATT are extensive, which can be seen since 1981 with the trade of steel, footwear, automotive, and electronic industries. Each of these trade commodities is included in the unrestrictive agreement of GATT unlike textile and clothing products (Aggarwal, 1983). The insistence on terminating GATT is significant because of two points: first, highlights the hypocrisy of developed countries wanting liberalized trade in one area and heavily restricted trade in another, and second, this forces a response because the GATT trade deals are with some of the same countries being hampered by MFA.

The United States is seen as the poster child for GATT, which is remarkable because there is evidence that the United States is the highest violator of the GATT principles (Myth of Multilateralism, 1990). According to Ramesh (1994), Canada has also been stretching and violating the rules of GATT towards developing countries. This stretching and violating towards developing countries has to do with the knowledge of Canada and other developed countries not having to worry about repercussions. In the case with European Union and the United States, Canada follows GATT rules with knowledge of facing severe backlash from the developed countries. Now the developed countries are facing severe backlash from developing countries in the attempt to terminate GATT.

In response to the stance of developing countries desire for the termination of GATT, the developed countries were willing to discuss and change the Multi-Fiber Arrangement. In a compromise the developed countries were forced to integrate the textile and clothing sector into GATT at the price of developing countries including the trade services into GATT as well as recognizing intellectual property rights (Bagchi, 1998). An additional agreement that was made during the Uruguay Round of the United States would reduce the tariffs placed on textile and

apparel products (Harrigan & Barrows, 2009). Developing countries felt accomplished by the despised discriminatory system would be brought to a conclusion (Bagchi, 1998). At the end of negotiations and compromise the new focus shifted from ending MFA to transitioning textiles and clothing into GATT.

In order to integrate the MFA into GATT, a transition period of ten years was instituted. This ten-year period would end on December 31st, 2004. The transition period would take place under the Agreement on Textiles and Clothing (Bagchi, 1998). The Agreement on Textiles and Clothing was viewed as a win for the developing countries by gaining access to the protected markets of the developed countries (Hale, 2002). In the end the Uruguay Round produced the final chapter of the Multi-Fiber Arrangement (Javed et al, 2000). However, the end of the MFA proposed new questions about how the international trade of textile and clothing would transition and function in a post MFA world. This transition process will be highlighted with developed countries attempting to maintain control as well as developing countries scrambling to be able to compete in the new market. All of this preparation and attempting to maintain power would be seen under the Agreement of Textile and Clothing.

Implementation of the Agreement on Textile and Clothing

The Agreement on Textiles and Clothing (ATC) would consist of multiple stages over a ten-year time period (Bagchi, 1998; Hale, 2002). The ten year phase out was designed to prevent any major disruptions to the world's or a country's economy (Hale, 2002). These stages were to be a system of gradual removal of bilateral agreements, voluntary export restraints, and restrictive quotas. This gradual elimination was a mechanism to protect against surges in the market (Harrigan & Barrows, 2009). However, throughout the transition period will showcase how

developed countries will attempt to maintain control and postponing the end of restrictive practices.

Each stage would be structured with removal of quotas. The first stages were relatively small and insignificant in removing of quotas. This can be seen in two parts: 1) the United States and European Union using loopholes to evade expiration of quotas and 2) the allotment set by ATC of 49 percent quotas would end on December 31st, 2004 (Bagchi, 1998). This loophole can be seen by how developed countries would use what was called Back-loading or End-loading in which importing countries would postpone the removal of quotas on sensitive and important products until later stages (Javed, et al, 2000). Hale (2002) further explained how developed countries have deliberately held back on implementing effective changes to remove quotas on developing countries. Throughout the transition process, developed countries have been able to choose which products would have quotas removed such as the United States along with many big importers delayed the bulk of textile liberalization allowing hundreds of quotas to stay in place until midnight on December 31st, 2004 (Harrigan & Barrows, 2009; Hale, 2002). This along with many of the efforts by developed countries in the attempt to stop the transition process and maintain the control over textile and clothing trade.

One of these potential roadblocks is for developing countries exporting textile and clothing is the rise of regional trade blocs. These regional trade blocs use policies such as rules of origin, environmental protection, and labor standards that could significantly hamper developing countries (Mehta, 1996). These rises of barriers have forced developing countries rise to overcome these trade barriers. According to Hale (2002), it is very likely for developed countries to impose new types of restrictions on countries. She points out of how Britain plans on using anti-dumping legislation to restrict developing countries. However as Britain attempts to impose

further restrictions on developing countries, the same countries are trying to meet the new restrictions and standards. For example, India has taken steps to create environmental friendly facilities and products to conform to global environment standards (Javed et al, 2000). As time goes on developed countries will continue to attempt to maintain control and protect their domestic industries.

A significant potential roadblock for after 2005 is the use of a safeguard feature with GATT under Article XIX, which permits quotas when domestic producers face “serious injury” from imports. The difference between GATT and ATC or MFA is that if a quota is put into implementation, then the quota must apply to every country (Bagchi, 1998). However, as Moore (1996) points out, if a country imposes the world wide quotas, it would defeat the principles of GATT and WTO. Under the MFA constraints of quotas were allowed under the issue of “market disruption,” which gives much more ability to put in place quotas compared to the “serious injury” of GATT (Ramesh, 1994). This GATT strategy was recognized in 1989 by the United States when searching for alternatives to MFA. This sparked a fierce debate between developed countries and developing countries because global quotas have deeper consequence than bilateral quotas (Clairmonte, 1990). The two main roadblocks to global quotas under GATT is first the extensive proof of serious domestic injury is needed to implement a global quota and second is the heightened risk of severe backlash. For instance, the United States may restrict crucial allied countries such as Japan in a global quota risking a fierce backlash of resentment (Bagchi, 1998; Clairmonte, 1990). An example of this backlash can be seen from the United States toward Canada for imposing a global quota on textiles in 1971. This backlash by the U.S. was in the form of demanding and receiving compensation for the economic losses (Ramesh, 1994).

Needless to say, the protectionist strategy cannot be supported within the GATT agenda of free trade (Hale, 2002).

The ultimate goal of removing the restrictive and discriminatory practices of MFA is for developing countries to gain more market share allowing more money to flow back to their countries. According to the *Myth in Multilateralism* (1990), the study suggests that the liberalization of trade in textiles would result in as much as fifty billion dollars a year, which would mainly be flowing into developing countries. This statement of increase in capital from liberalization is further supported by Pelzman (1983) when mentioning a previous study estimating that a complete reduction or liberalization of the tariffs placed on the apparel industry would result in a net welfare benefit of close to two hundred million dollars in the first year. These figures are significantly different, but highlight that there will be some form of economic benefit for developing countries.

However throughout this process, one country was in a unique place. China was not a member of the World Trade Organization (WTO). Since China was not part of the WTO, it was not initially part of the transition process from MFA to GATT (Harrigan & Barrows, 2009). The trade transition process is operating underneath the structure of the World Trade Organization (Hale, 2002). China agreed to have specific safeguards put in place on their textiles and clothing industry when joining the WTO. These safeguards included that if a WTO member felt that China's textile and apparel industry would threaten the development of trade in textile and clothing, then it could request for China to limit exports for no more than one year to that country (Harrigan & Barrows, 2009). According to Harrington and Barrows (2009), the safeguards in place towards China lasted until the end of December, 2008. This highlights one

example of how developed and developing countries would start preparing for the intense competitive environment.

After 2005, the quota free textile and apparel industry will become increasingly competitive forcing some countries to lose their market share and others to gain market share (Javed et al, 2000; Hale, 2002). This will force countries to heavily invest into their industries in order to attract the new business and competition (Hale, 2002). An example of investing for the new competitive environment can be seen in the Gherzi report of 2003 that suggested India needs to concentrate on cost reduction in order to compete with China and Indonesia. This concentration is needed because of India being restricted by the scale of operation and outdated technology (Hashim, 2005). According to Javed et al (2000), Pakistan also lags behind in modernizing and preparing their textile sector to be able to compete in the free quota world. Without proper preparedness, Pakistan economy as a whole may take a steep decline as textile and clothing is the leading industrial sector for the country. As countries travel through the transition period more and more emphasis will be on how countries prepare to succeed in the new competitive arena.

A key note to realize in this new world is that a country's proximity towards the market place does not necessarily mean access to the market place because of differing costs of labor, resources, and transportation (Mehta, 1997). However, to understand the entire picture not only did individual countries have to prepare to control the outcome of the jobs for their sectors of industry, but companies and corporations have power in controlling where the production is located (Hale, 2002). As companies and countries prepare for the post-MFA world could lead to a major relocation of the production of textiles and clothing, which may result in massive employment losses (Hale, 2002). As MFA comes to an end, more issues will rise for developing and developed countries to respond towards.

Post Agreement on Textile and Clothing

According to Javed et al (2000), “In the post-World Trade Organization era that is after January 1, 1995 at least on paper every country is equal partner in the global trading system” (p. 609). However, as countries approached towards 2005 and after this new environment of intense competition along with potentially new restrictions showed how not every country was equal. The following section will mention a few of examples of events that occurred or might happen after 2005.

The immediate event, after the end of MFA, was the releasing the potential for China to produce mass quantities of apparel and textile goods with cheap labor. This led to a series of decisive hits to other developing countries and specifically Mexico. Mexico had privileged access to the U.S. market under the NAFTA agreement (Harrigan & Barrows, 2009). Other countries suffered significant losses such as Hong Kong, Korea, and Taiwan. These countries’ losses were contributed to increased competition from China. Before 2005, these three countries were large exporters to the United States because they received high quota allocations (Harrigan & Barrows, 2009). Harrigan and Barrow (2009) also concluded that India, Pakistan, Bangladesh, and Indonesia did not suffer from China’s increase presence in the market. These four countries were able to increase sales and production with the restraints removed. The largest losers of the liberalization of the textile and apparel industry were Mexico, Canada, Honduras, and El Salvador. These countries benefited from privileged access to the American market during MFA and ATC (Harrigan & Barrows, 2009). The liberalization of textiles and clothing led to immediate shift in power amongst previous leaders in the exporting of textiles and clothing.

However, Hale (2002) points out that for those countries that gained from the liberalization of trade may not result in a direct benefit for the employees. “Textile and apparel industry is a relatively low-wage industry with employment of unskilled labour” (Mehta, 1996, p. 1409). This can be seen in China’s high level competitiveness due to the factors of skilled and cheap labor force, low cost of production, and foreign direct investment (Javed et al, 2000). The ability to use and abuse low-wage employment allows countries to produce cheaper clothing.

A positive side effect with the end of MFA and ATC is the predicted annual gain per United States household would be over \$60. This is due to dramatic drop in prices and increased production in China (Harrigan & Barrows, 2009). However, this may be a result of different side effect from the end of MFA, which is the decrease in quality in apparel product. During the MFA, quota restraints led to quality upgrading by exporters (Harrigan & Barrows, 2009). This savings could be a result of the use of cheap labor. The end of the MFA and ATC has led to countries rising while others fall and consumers benefit while quality and employees lose.

Conclusions

In conclusion, this section of the paper will be separated into three categories. These categories are the following: Multi-Fiber Arrangement, Agreement on Textiles and Clothing, and Post-ATC. Each section will address the outcomes of the three main agreements discussed in this paper.

Multi-Fiber Arrangement

The United States of America, West Europe, and Canada attempted to protect their domestic textile industry from international competition through implementing the Multi-Fiber Arrangement. The MFA operated as a system of quotas placed on developing countries by developed countries (Hale, 2002). These quotas restricted the amount of textiles and clothing that

could be produced and sold by developing countries in those three regions. However, the operation has evolved into a tool that largely worked against third world and developing countries whose textile industries are among the fastest growing (Myth of Multilateralism, 1990).

Agreement on Textiles and Clothing

The Agreement on Textiles and Clothing was initiated after and in response to the MFA. “The ATC provided a framework for phasing out the Multi-Fiber Arrangement” (Hale, 2002, p. 34). According to Javed et al (2000), the ten-year phase out period was designed to allow textile importers and exporter countries to adjust to the quota free world. According to Pelzman (1983), when considering liberalization of these policies, two important points must be understood in order to identify the full costs and benefits of these changes: first, how much would the domestic textile and apparel industry decline?, and secondly, what will be the impact on the industry’s employment?

The Post-ATC Environment

The textile and apparel industry entered into the era of ruthless competition that allowed some countries to prosper by taking the textile market share away from other countries (Javed et al, 2000). Countries needed to prepare for the level of competition that would take place after 2005. For example, India recognized the need to improve the technology and information sectors to be in a better position to compete on the open market (Javed et al, 2000). “Textile and apparel industry is a relatively low-wage industry with employment of unskilled labour” (Mehta, 1996, p. 1409). Countries in a better position to employ unskilled labor had a better chance of succeeding in the current environment.

Limitations of this Study and Recommendations for Future Research

This archival research was limited by articles and by a search done only in English. No doubt, there are many papers written in other languages that would have bearing on this subject matter and could provide an alternative outlook. Because this is a global issue, finding data produced in the countries involved is also difficult. Future research could include analysis of academic research in several languages as well as news and policy reports on the subject.

This paper covers the agreements regarding textiles and clothing from 1974 until the present. The Agreement on Textiles and Clothing terminated in 2005. As a result, textiles and clothing are now governed by general guidelines within a global trading system. The World Trade Organization and GATT rules no longer apply to this trade. What will happen in the future is unknown at this time.

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