Foreign News Review

Textiles and Readymade Garments -Key Issues Unsettled

Negotiations to renew the controversial Multifibre Arrangement (MFA), which governs the world's textile and clothing trade, ran into stormy sessions shortly after talks began in Geneva in mid July. It was clear from the outset that European negotiators were under domestic pressure to slow down imports from Third World countries; while the general Third World response was one of suspicion towards EEC offers, with one representative warning Brussels not to try "divide and conquer" tactics. Having failed to make much progress on running the future world textiles trade, the big consuming nations and the developing exporting countries adjourned once again until September, 21 this year, when they renew talks on how to extend the MFA.

The current pact, which expires at the end of 1981, regulates about 80 percent of the estimated $84 billion world trade in textiles and garments made up of cotton, wool and synthetic fibres. The recent talks though intended to modify and extend the arrangement for the benefit of both exporters and importers seemed more to pit one side against the other. Many of the developing nation exporters are seeking freer access to the world markets, while in their demands importers are claiming to protect jobs at home. An EEC statement released in Geneva, in April, said the poor outlook for the Community's textile industry, which had lost 25 percent of its workforce since 1973, made a new and stricter MFA necessary.

Aggravating the situation was the existing unfavourable economic climate and widening differences among some of the 50 MFA nations. For instance, among the 10 member nations of the European Community it was reported that Holland, Denmark and West Germany favoured liberal trade; while Britain, France and Italy were seeking more effective import controls.

The importance of the MFA renewal talks were also interpreted in some quarters as likely to extend beyond textiles; the discussions in this view were likely to include trade control concepts that may be applied to sensitive goods for the Western world such as steel, automobiles and electronic products.

Under the current agreement exporters are allowed to increase their sales to Europe and other industrialised countries by 6 percent annually (subject to bilateral negotiations on a product-by-product basis). In recent years the EEC has used such bilateral agreements to skirt round the MFA rule i.e. that developing countries should be allowed a minimum 6 percent growth for their textile and clothing exports. In this regard it has used the new "reasonable departures" clause to protect ailing home industries.

Speaking for 27 exporting nations at the MFA talks in July Colombian Ambassador Jaramillo maintained that the industrialised nations had used the accord unfairly in recent years. The Community has used bilateral agreements to give developing countries lower growth rates for exports than industrialised nations. Their argument has been that Third World products were unjustly cheap because wages were much lower than in the EEC. Jaramillo maintained in his address that in times of trouble the Community should first cut back imports from richer countries such as US, Switzerland and Austria.

It is clear that MFA gains are lapped up by the rich countries leaving the developing countries trailing behind. As the table below shows these industrialised countries were able to keep increasing their exports to the EEC over recent years while some of the major developing exporting countries, such as India, were unable to reach even their 1976 export levels.

The sharpest increase in exports to the EEC has been recorded by the US. In textiles the US increased the volume of its exports to the EEC by 64 percent in the 1977-79 period, while in clothing the volume increase was 90 percent. In the same period developing nations as a group raised their volume of textile exports to the EEC by 20 percent and garment exports by 12 percent; while the developing nations share of the import market during this period dropped from 37 percent to 32 percent for textiles, and from 62 percent to 60 percent for garments.

The current European, position seems to be tending towards slowing down the growth of Third World textiles and garments exports. There were reports that some members of the EEC wanted to set a lower quota particularly for major suppliers like Hong Kong and South Korea. Countries like Sri Lanka, however, could benefit from this position, as the EEC is expected to offer higher quotas for imports from up-and-coming Third World countries which are still not a significant factor in the European Market. (West Germany has already done so). Other Third World exporters regard this as "discriminating" among exporters.

Despite the uncertain climate in which garments exporters from Asia and the rest of the Third World were operating, in Sri Lanka the outlook for the export oriented ready-made garments industry appears to be very optimistic. The Ministry of Textile Industries has regarded the upward trend in the industry as a "phenomenal growth". In 1980, for the first time in this country, the FOB value of ready-made garment exports went beyond the Rs. 1,000 million mark. The final figure was Rs. 1,334 million for the year. The growth over the past five years is seen in the table below.

Year	FOB Value of Exports (Mn. Rs.)
1976	77.6
1977	132.1
1978	440.0
1979	952.0
1980	1,334.0
1981 Jan-June	720.0

Although the value of exports for the first half of 1981 is Rs. 720 million, export levels are generally much higher during the second half of the year. Going on this basis the Ministry has indicated that it is very likely that the record export figure of Rs. 1,334 million achieved in 1980 will be exceeded by the end of this year.

Textile imports into the EEC from selected developing and industrialised countries, 1976-79

Country	1976	1977	1978	1979	*Average annual percentage change* 1976–79
USA	151	127	128	212	13
Austria	62	62	72	79	9
Switzerland	54	57	65	71	11
Hong Kong	145	115	126	135	2
India	77	71	54	75	1
South Korea	65	82	83	80	8
Brazil	48	51	48	58	7
China	37	28	31	41	4
Greece	83	79	92	101	7
Portugal	55	48	66	81	16
Spain	47	49	61	58	8

In Sri Lanka more and more investors have also been encouraged to enter the field in ready-made garments. In 1980 as many of 147 investment proposals for production of ready-made garments were approved. Of these 18 units were for exports and 129 units to manufacture for the local market. Of a proposed investment of Rs. 14.6 million as much as Rs 133 million is for the export oriented ventures and of a proposed employment of 2,550 as many as 1,915 are expected to be employed in the 18 export oriented units. Again, in the first six months of 1981 a further 35 new proposals were approved for setting up of garment manufacturing units.

SRI LANKA'S EXPORTS 1979 - 1980

	1979	1980
Total textiles and textile articles	**1,431**	**2.234**
Ready made Garments of which:	**1,105**	**1,811**
Items		
Mens and Boys Outer Garments	360	721
Women and Girls Outer Garments	219	657
Mens and Boys Under Garments	219	359
Countries		
USA	590	555
West Germany	117	316
Others	328	883

As an up-and-coming exporter Sri Lanka has recorded strong growth in the Western developed markets particularly USA (which took nearly Rs. 1,000 million of Sri Lanka's exports in 1980) and West Germany. (See table above). Two other major buyers were Sweden and the United Kingdom. Among the lesser big markets for Sri Lanka in the Western World were Denmark, Norway, Belgium, Switzerland, France, Italy and Canada. Sri Lanka also broke firmly into the Middle East market in 1980 with Dubai, Kuwait and Saudi Arabia turning out to be major buyers. It is to the Western markets (where quotas are applied for the main categories of garments produced in Sri Lanka), however, that nearly 90 percent of the country's garments exports go today; and therefore if the view of the hardliners among the developed consuming nations is to prevail in the final MFA talks a vital export industry can be threatened.