

Ready Made Garments—Fears of Restrictions in International Markets

The tough protectionist measures of the developed countries on the textiles front had further repercussions in November last year when Britain lost orders worth £150 million to Indonesia. Britain's Secretary of Trade John Nott, was reported in the London Times of November 8, as saying that the country had already lost a £150 million worth of orders from Indonesia and chances were that another £500 million of business would be lost. Among the main victims of this retaliation were Britain's aerospace, process plant and scientific instruments industries. "The Indonesians have no right under the terms of their textile agreement with us to retaliate in this way. But they did and it hurts", he told businessmen in Leeds.

Mr. Nott's remarks came with pressure building up within the clothing and textile industries for stronger action to control imports into the United Kingdom from lower cost sources in the Third World and also from the United States.

The Special Report in the Economic Review of August 1980 drew attention to how the British Government in its attempt to placate its own industry and trade unions had imposed new import restrictions on several low cost Asian textiles, and that Indonesia which was worst affected was left holding several massive orders already produced for export. Britain had refused to accept shirts, trousers, jeans and blouses worth over £10 million and though the possibilities of a trade war was staved off in July, the currently reported Indonesian reaction clearly indicates that retaliation against the imposition of the import controls was not an empty threat.

"Protecting employment in one industry can only too easily simply transfer redundancies to another", Trade Secretary Nott, told British businessmen. He made it clear that imposition of quotas could damage certain user industries and provoke retaliation in the market for British manufacturers. Despite these difficulties he said the Government

would be seeking a tough successor to the present Multi Fibre Agreement (MFA) by which international trade in textiles is regulated. The MFA comes up for renewal in 1981.

Britain's Clothing Industry Association President, Mr. Gerald French, said the Association had agreed to pay increases of about 9½ per cent for 260,000 ready made garment workers; the actual earnings were to be negotiated at plant level at some 7,000 factories late in 1980. It was also revealed that Britain's clothing and textile industries had shed some 60,000 jobs in 1980 and more than 100 factories had closed.

This trend seems to be strengthening the protectionist cry and growth in the textile and garment trades is expected to meet with further restrictions as a result. A recent study by Donald B. Keesing and Martin Wolf of the World Bank's development policy staff has warned that world textile trade is likely to be increasingly hampered by the major industrialised nations who intend to further protect their domestic industry. Commenting on the negotiations that are due to start at the beginning of this year, under the auspices of the General Agreement on Tariffs and Trade (GATT), to renew the Multi Fibre Agreement, these two World Bank economists state that the industrial nations led by the US and EEC countries are preparing to force a yet more restrictive regime on the trade in textiles. They say that it is unlikely that the MFA can be renewed in its present form. On the other hand, the developing exporter nations looking at the tough quotas forced on them in the past few years, feel the Pact has already been violated.

"It is likely that the end will be the enshrinement of the principle that imports should grow little (if any) faster than the domestic market", Mr. Keesing and Mr. Wolf say in their study. The current MFA allows for six per cent growth per year, but it has the now infamous "reasonable departures" from the norm clause that was rammed through by the EEC in

the 1977 negotiations under threat of unilateral quotas.

Using this, bilateral agreements in certain cases have actually limited some exporters to less than previous levels, despite their growth. And industrial countries other than the EEC used this clause to selectively apply restrictive quotas to certain exporting countries, something that GATT's rules otherwise forbid, requiring instead that any necessary cutbacks be applied non-discriminately to all suppliers.

Commenting on the forthcoming MFA negotiations, the World Bank study predicts that the talks would be hard. But the reality of power is that the US and the EEC are likely to get what they want", it concludes.

"What do they want"?

The report says the US and the EEC are likely to want to reduce the existing norm of quota growth from the current six per cent. "There is likely to be industry pressure to link growth rates for imports to growth rates of the market for the product".

Conceivably, the report says, the US will also press for a provision dealing with the reduction of unused quotas.

A falling back on unutilised quotas is one device that has helped the new garment exporting countries like India and Sri Lanka and has been regarded as a most hopeful circumstance for the local industry. When the US clamped down its quota restrictions from May last year on the seven most popular items being exported from Sri Lanka and there were protests from the local industry the authorities were quick to point out, and rightly, that there was yet much hope for the local garment industry as the allotted quotas for many countries and items had not been fully utilised by exporters. The proposed reduction on unutilized quotas can prove a threat to Sri Lanka's government exports, particularly to manufacturers in the Katunayake IPZ). Exports of Sri Lanka's ready made garments continued to increase in both volume and value with more installed capacities coming on stream. Value of garment exports had moved up to Rs. 1,094 million in 1979 from Rs. 475 million in 1978.

In the first eleven months of 1980 the value of exports had reached an all time high of Rs. 1.5 billion and was more than one and a half times higher than the total value of the record exports of 1979.