

Inter Press Service

TRADE:

Mass Layoffs Feared as Textile Trade Faces Overhaul

By Gustavo Capdevila

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A momentous change in the global textile and garment trade will go ahead as planned because a proposal to extend a Jan. 1 deadline failed to win the necessary consensus in the WTO.

The upcoming elimination of the import quota system that has governed trade in the sector for the past 40 years will introduce profound changes in the industry and bring about a new international distribution of trade in clothing and textiles, say analysts at the WTO (World Trade Organisation).

Globally, the industry moves some \$ 320 billion a year and employs one million workers, mainly women. The end of the quota regime will leave around 27 million workers out of jobs around the world, said Servan Singh, Mauritius's ambassador to the WTO.

Lobbyists representing U.S. and Turkish textile companies forecast last week in Geneva that as of January, production and exports would be dominated by China and India.

A group of seven developing nations that are heavily dependent on revenues from textile and clothing exports and feel threatened by the looming deadline asked the WTO to commission a study of the global impact of phasing out the quota system and present recommendations to overcome future problems.

Although a number of WTO members expressed an understanding of the need to study the effects of the structural adjustments that will be required as a result of the end of the current system, the initiative failed to win consensus support.

The United States and European Union reiterated their backing for the elimination of the current regime, which the multilateral trade system decided on 10 years ago.

Nevertheless, the chair of the WTO Council for Trade in Goods, Alfredo Chiaradia, from Argentina, promised to make informal contacts over the next few weeks to discuss propositions that are presented.

The seven nations -- Bangladesh, the Dominican Republic, Fiji, Madagascar, Mauritius, Sri Lanka and Uganda -- did not directly mention the possibility of extending the deadline or suspending the elimination of the quotas -- an idea that could be seen as a sort of heresy in the WTO.

But the representative of the Turkish Textile and Clothing Exporters' Association (ITKIB), Ziya Sukun, acknowledged that the group of nations hoped to win a two- or three-year extension of

the deadline for eliminating the quotas.

However, Sukun also accepted the possibility of a three-month extension, which would give the WTO time to assess the impact of the new system.

The pressure groups especially lashed out at China. Augustine Tantillo, executive director of the American Manufacturing Trade Action Coalition (AMTAC), described the elimination of the quotas as "a pending catastrophe".

Tantillo said that since 2001, China "has engaged in a premeditated and systematic effort to monopolise world trade in textiles and clothing by undercutting free market prices through a complex scheme of industrial subsidisation and currency manipulation".

The U.S. delegates to the WTO said that since 1994, textile imports in the United States have grown 120 percent, while jobs in the industry have shrunk 60 percent.

China said the decontrolling of the textile and garment trade would "inevitably require" WTO members "to make relevant domestic structural adjustments."

The elimination of the quota scheme means that as of Jan. 1, the textile and clothing industry will be subject to the same rules that regulate trade in other manufactured goods.

Chinese negotiator Sun Zhenyu asked, "Why should the multilateral trading system seek to turn back the hands (of the clock) and continue to treat the sector as separate from the normal rules and principles" of trade liberalisation that govern the WTO?

He argued that such a decision would not only create "fundamental systemic difficulties in the WTO, but also will affect the ongoing negotiations in...agriculture, services and other areas of the Doha agenda."

"We may ask ourselves whether we should also have a study or a work programme on Trims (Trade Related Investment Measures), steel, chemicals, automobiles, etc.," added Sun.

The Mauritius delegate painted a grim outlook for African textile producers, which will be "the big losers" in the transformation of the trade regime, and estimated that Africa's textile and garment exports will plunge 70 percent.

In the case of Mauritius in particular, textiles represent a full 61 percent of exports. The industry is the main source of employment, especially for women. Because of the looming deadline for the elimination of the quota system, 89 firms have already shut down, noted Singh.

In the Dominican Republic, another of the seven countries that sponsored the frustrated initiative, textile exports have already begun to fall, with sales to the United States dropping 25 percent in 2003.

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