China Is Targeted in Trade Appeal

Poor nations plan to seek WTO protections for their industries as textile quotas expire.

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The global trading system faces one of its most serious challenges as a group of developing nations today is set to join others seeking to prevent China from dominating worldwide apparel and textile markets.

Mauritius, Madagascar, Uganda and four other developing countries plan to appeal to the World Trade Organization to organize a global campaign to protect their apparel-dependent economies from the potential loss of millions of jobs when textile and apparel quotas expire at the end of the year.

Those countries will join manufacturers and labor unions in the United States and other nations that have already made similar pleas to the Geneva-based trade group.

The quota expiration will be "catastrophic to the global economy," said Sushil K.C. Khushiram, a trade minister for Mauritius, a tiny island nation off the southeastern coast of Africa that has already lost 20,000 textile and apparel jobs in the last two years.

These efforts point to growing concerns that free trade has negative consequences for some poor countries and requires a different approach from organizations such as the WTO, the World Bank and the International Monetary Fund.

Unless that occurs, those institutions could find it increasingly difficult to forge ahead with efforts to open up borders, Khushiram and others warned.

Although WTO officials have said they won't roll back expiration of the quotas, trade officials acknowledge the problems and are starting to take steps to address them, such as providing technical assistance to help countries diversify their economies.

Pressure is also growing on China to make an effort to reduce the growing global imbalance in apparel and textiles, the developing world's most important industry.

At issue is a complex system of quotas used by the United States, Europe and other developed countries to parcel out shares of their textile and apparel markets. The WTO agreed a decade ago to phase out those quotas by Jan. 1, 2005.

The quotas have allowed developing countries such as Mauritius to build apparel and textile industries that provide jobs for millions of poor people. Without quotas, orders are expected to shift to more efficient and cheaper producers, especially China.

In Mauritius, clothing factories producing for labels such as **Gap** Inc. and **J.C. Penney** Co. have become a leading provider of jobs and foreign currency. But as competition has increased in the last two years, some plants have closed and moved to China, India and Vietnam.

Mauritius fears that the trend may only accelerate, which is why the country has joined other nations appealing to the WTO for aid.

The other countries planning to join the appeal are Bangladesh, the Dominican Republic, Fiji and Sri Lanka.

The group will ask the WTO to create a global safeguard restricting China and other large economies from expanding their apparel and textile market share too quickly, said Narainduth Boodhoo, deputy director of trade policy for Mauritius.

The request also calls for establishment of a fund to help apparel-dependent economies become more competitive or move into new industries.

Chiedu Osakwe, the WTO's chief textiles official, said the organization must remain true to its promise to remove quotas or risk undermining all credibility in future trade deals.

China and India strongly oppose efforts to restrain their growth. The WTO needs their support to push forward on a new round of negotiations focused on freeing up trade in agriculture and other heavily protected sectors.

Osakwe also pointed out that many countries benefit from China's growth because it has become a huge importer of raw materials such as cotton, steel and food products.

Some aid is already in the pipeline. The IMF, for example, is helping governments that suffer a balance-of-payments shortfall because of a dramatic shift in trade resulting from market liberalization in a third country.

The irony is that it was poor countries that initially pushed for the removal of quotas a decade ago, believing they would benefit from freer trade.

But many of those same countries now maintain that the world has become a harsher place to operate in part because of the rapid growth of China and India; the development of technologies such as the Internet; and the removal of barriers that make it easier to shift production and capital across borders.

In addition, they contend that the Beijing government subsidizes its factories and keeps its currency artificially weak, making its exports cheaper on the global market. China strongly denies those charges.

The U.S. textile industry is expected to file petitions next week asking the Bush administration to impose "safeguard" measures that would restrain the import of some of China's most popular apparel and textile products next year. It is urging other countries to follow suit.

When China joined the WTO in 2002, it agreed to let other governments impose such measures if its textile or apparel exports surged and disrupted the market.

Officials from the U.S. and other countries are also stepping up pressure on China to reduce the growing imbalance. Under WTO rules, countries aren't allowed to enter into voluntary self-restraint agreements, but officials said China could reduce barriers to imports or encourage its textile and apparel firms to invest overseas.