A better bad deal for textiles

If poor countries can make the next Multifibre Arrangement the last

Third-world countries have been left twisting in the wind by the Geneva talkers on a new Multifibre Arrangement (MFA). The negotiators were supposed to replace the textile deal that dies this month. But the EEC's representatives have, in effect, gone on strike to force poor countries to recognise that no agreement would be even worse for them than the sort of MFA that European protectionists have in mind. It is not certain that they should recognise it.

This trade pact has proved ever less useful to the have-nots since the haves, about a recession and a half ago, lost sight of its original aims. When the first such deal was negotiated eight years ago, the intentions were to free trade in cloth and clothes between industrial and developing countries from a hodge-podge of national trade barriers; to give industrial countries a breathing space to restructure their lines of production; to underwrite steady but orderly growth in textile exports from the developing countries. The intentions have not been fulfilled.

Get back to Gatt

True, the second five-year MFA now coming to an end (like the first three-year one) contains a pledge by the industrial countries to increase the volume of their multifibre imports from developing countries at the generous rate of 6% a year. The pledge has, in practice, been broken. Look not at the broad pattern but at the fine stitching, and it is apparent that over the five-year life of the current MFA these imports have grown at less than half the promised rate. The rich northerners have weaselled out of their obligations by compelling

poor southerners and comparatively poor far easterners to concede voluntary (ho, ho) bilateral agreements that restrain any exports that would cause "market disruption". The customers have invoked this clause more than 800 times in five years. America's total imports of cloth and clothes from the third world were actually lower in 1980 than in 1976.

Excuses for this protectionism are far from trivial. Unemployment is growing fast almost everywhere in industrial countries, but nowhere faster than in the old industrial centres of the rag trade. About 1.5m textile jobs have gone the way of the farthingale in America and western Europe during the past decade. In a slump, industrial countries are anxious to keep their remaining 3.5m-4m workers in the textile industry in work. But they cannot be kept in work, because machines are going to replace them even if Asians do not. London's Trade Policy Research Centre has estimated that between 1974 and 1979 production of textiles in the EEC fell by only 4% and clothing by a mere 1% while employment declined by 20%. Increases in productivity accounted for the difference.

The overdue restructuring has been forced in part by imports—from more efficient competitors in the industrial world as well as from developing countries—and will be distorted if a still more protectionist MFA whacks prices out of line. International agreements about "appropriate future roles of adjustment" are even bigger nonsense in textiles than in other industries. Import barriers, like regional and unemployment aids or cross-subsidisation from chemical parents' profits, make it nearly impossible for businessmen to work

out what they need to adjust to.

Sadly, there is almost no hope that the next MFA will close the "bilaterals" bolthole. Even the least-bad trade pact to emerge is likely to allow continued interpretation of all the ambiguities that now exist in a way that serves the protectionism of the industrial world. All, though, will not be lost if the poor countries

accede on one condition: that the new MFA runs for no more than five years and that the industrial countries then pledge themselves—over, say, the following three years—to phase out all restrictions on these imports, including the easy retreats to bilateral agreements. The rag trade would then be free at last, within the restraints only of normal Gatt rules.