

Historical facts and myth in textile and clothing trade protectionism: Lesson for LDCs and Ethiopia

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Abstract

Trade in Textile and clothing (T&C) sector has played a leading role in transforming the economies of different countries. This can be witnessed from the role the sector has played from the development of today's advanced global economies such as the USA and the EU to alarmingly increasing economies such as China and Asian tigers. On the other hand, the T&C can also be remembered as among the highly protected sectors compared to other trade in goods. The reason for this high protection went to the sector's significant importance and the leading role to transform a country's economy to the industrialization peak. If we look back to the binging of the 20th century and the following several years, almost all today's developed countries had granted huge protection to the sector even though they were the preachers for the global free trade. Conversely however, today, Developed countries' has been forcing developing and LDCs for free global trade in Textile and clothing sector. This developed countries double standard play against less developed countries to open their market for untimely global competition is as equal as kicking away the ladder, after they used it to reach the current level of development. Qualitative Doctrinal legal research method is employed in this article in order to critically examines the history of protectionism in the sector of textile and clothing trade and its current myth under the WTO agreements with recommendation that LDCs in general and Ethiopia in particular should strategically apply appropriate protectionism measures until their infant industries will be ready to compete in global market.

Keywords: protectionism, MFA, GATT, WTO, and LDCs

Introduction

For more than half a century Textile and clothing sector is among the highly protected sector of international trade in goods by developed countries against the interests of Developing and LDCs. Hence, during 1960 the short-term and long-term arrangements were made to strictly protect the textile and cotton sector of developed countries. Even before that agreement, Voluntary export restraint agreements and other similar measures between developed and developing countries were made to ban imports from developing countries to developed ones. The beginning of Agreement which initially was planned for short term extended for several years due to the influence made by developed countries against developed one and as a result Multifiber arrangement (MFA)^[1] was signed which had covered all types of apparel and fibre products. Since Textile and Cotton were an exception to GATT agreements until it ended in 2005, MFA was negotiated four times from 1974 to 1994 and ended 2005 after the end of ATC.^[2] As a result of these successive long time arrangements, developing countries were forced to highly reduce their

exports to the developed countries.

History of textile and Clothing trade

As discussed here above, uniquely from other trade in the goods sector, trade in textile and clothing is the most protected international trade area. When we look at the WTO/GATT's overall ambits, liberalization of trade is considered as founding principle in which the WTO/GATT is made of. Even though international trade liberalisation is GATT's inherent principle, the textile and clothing sector had exempted for a long time from the scope of liberalization ^[3]. After the end of the second WW, the world's collapsed economies began to rise, and countries restarted trade and economic cooperation to reconstruct the destructed world. Accordingly, in the mid-1950s, production of goods and trade again began to grow, and textile and cotton growth is also not different to mention. As a result, imports of textile and cotton into the USA mainly from developing countries had grown fast, which changed the USA's textile trade surplus into a low deficit. Apart from this, the USA agricultural policy, which allows price support to the cotton sector and imposition of high restriction on import, also played a contributing role.

Due to the imposition of quotas on the cotton sector and the system which allow double pricing, the US textile industry was forced to pay a high price domestically when seen to the world's cotton price. Increasing Competition in textile

¹ MFA is An international trade agreement from 1974 to 2005(until it was lifted) on T&C and which was designed to restrict T&C imports from developing countries to developed ones with an aim to protect manufacturing industries in developing countries. See, WILL KENTON, Multifiber Arrangement (MFA), Investopedia (Jun 25, 2019), available at <https://www.investopedia.com/terms/m/multi-fiber-arrangement.asp>, accessed on 20 October 2020.

² Brian Mcdonald, The World Trading System: The Uruguay Round And Beyond, 136(1998).

³ Mausumi Kar, The Indian Textile and Clothing Industry: An Economic Analysis, 15(2015), available at <https://www.springer.com/series/8876>

and cotton sector put pressure due to man-made cotton was begun to be substituted by modern machines. As a result of increasing competitive pressures, since 1955, industries (mainly textile and cotton) began to claim protection measures against increasing imports and curve various mechanisms to restrict the low-cost imports from developing countries. Apart from USA move for textile and cotton import restrictions, European countries already had begun to restrict imports in all sectors (of course the reason the European countries to claim import restriction was due to critical difficulties of the balance of payment-BOP, and it was based on Article 12 of the GATT)^[4].

The increasing claim of industries and their advocates mainly among US senators to impose import restrictions on the textile and cotton continued until the beginning of 1960s. As a result, the US President John Fitzgerald Kennedy announced a "seven-point program"^[5] which deemed to assist local textile industries of the US. This program had assigned department of state to organize those countries out of the US who principally import and export textile and seek them to reach an international understanding. It finally arranged a set up for the US to impose all necessary protection measures for textile and cotton industries. "Accordingly, the US requested the GATT Council to convene a Working Party to arrive at a multilateral solution to potential disruptions in the import markets. The decision that resulted from the Working Party's deliberations evoked the introduction of a short-term arrangement regarding international trade in Cotton Textiles. Trade in textiles had been regulated since then, first by STA, then by LTA, and then by several cycles of MFA after that."^[6]

Even the GATT under its Article XIX (Safeguard clause) allows both developed other countries to protect their industries, including Textile and cotton. Under the GATT principle, safeguard measures have to be applied based on a non-discriminatory basis or follow MFN principles. Nevertheless, this MFN principle did not work in MFA cases as there were provisions that considerably allowed a relaxation of this rule and permitted countries to apply protective measures in selective/discriminatory bases in a situation where they face price undercutting. "This very substantial and rather unusual change allows a country to take measures against imports purely because they are undercutting its own; the antithesis of competition. It does not have to prove injury through, for example, a substantial loss of market share, only a risk of it."^[7]

Textile in the GATT and WTO

Though GATT was established in 1947, it took a long time

for the textile and cotton sector to be incorporated under the GATT's ambit. Serious struggle was made by developing countries, during the beginning of 1980s. They struggled to incorporate the textile and clothing sectors under the GATT Umbrella. The struggle made by developing countries to incorporate Textile and cotton under GATT's principle was basically based on two reasons. "The first one is MFA had failed to rectify the imbalances inherent in textiles and clothing trade, and secondly MFA had not allowed for a sufficient "orderly" expansion of such trade." Besides, exporting developing countries also had come to know that those improvements made during the MFA agreements were made in the best interests of developed countries and they considered that it consequently harm the interest of developing countries. Regardless of the developing countries resistance to oppose, finally "reasonable departures" and the "anti-surge clause" were incorporated under the "1981 Protocols of Extension of the MFA" for the best interests of developed countries. Developing country try to persuade as if this agreement eases the import restriction though conversely, the practice shows that the restrictions were even increased more than before. Being shocked by the increasingly seen harm and injustice and the absences of developed countries commitments to progress, developing countries began to strictly push the textile and clothing sector incorporated in the GATT disciples^[8].

Despite the struggle by developing countries, and against GATT and WTO's aim to liberalize international trade, the textile and clothing agreements stayed a long time with strict protection. Moreover, those successive agreements of MFA and ATC highly undermined the genuineness and as well as it posed a big question on WTO/GATT to liberalize global trade which eventually has created a threat on the credibility of the institutions to further negotiate on other sectors. Besides, The ATC also highly undermined the WTO/GATT trading discipline as it "grants the developed countries treatment analogous to the special and differential treatment provided to the developing countries throughout the Uruguay Round agreements, i.e., a longer time for implementation."^[9] What was disadvantageous was the ten years ATC agreement extension which crafted for the advantage of a developed country and conversely implemented to weaken the interests of developing ones. "Assuming that the ATC is faithfully implemented, the ATC will have added another ten years of protection to a sector that has already received forty years of protection. The WTO is further undermined by the fact that the negotiation and implementation of the ATC took place behind the scenes, thus allowing special interests to protect their advantages."^[10]

Protectionism in textile industries

As mentioned above, several studies have indicated that among other sectors of trade, trade in textile and clothing can be considered as the most protected and stayed long years being subjected to the highest level of tariff and non-tariff barriers. These non-tariff barriers can range from "labelling restrictions, certification requirements, minimum

⁴ Id.

⁵ "On 2 May 1961, Kennedy bowed to the intense congressional and industry pressure and proposed a seven point program that covered both the domestic and international aspects of textile protection. Kennedy did not satisfy the industry's demand for quotas, but he did call for government aid to help the textile industry to modernize and become more competitive, including revised depreciation allowances, loans from the Small Business Administration, and new research and development programs under the auspices of the Commerce Department." See THOMAS W. ZEILER, *Free-Trade Politics and Diplomacy: John F. Kennedy and Textiles*, Vol. 11, No. 2 (SPRING 1987), Oxford University Press, p.132-133, available at <https://www.jstor.org/stable/pdf/24911719.pdf>, accessed on 29/07/2020.

⁶ Mausumi Kar, *The Indian Textile and Clothing Industry: An Economic Analysis*, 15(2015), available at <https://www.springer.com/series/8876>, P.16.

⁷ MCDONALD, *supra* note 2, at 137.

⁸ 2 Magda Shahin, *Textiles and Developing Countries*, In: *The World Trade Organization: Legal, Economic and Political Analysis*, 383, 401(Patrick F. J. Macrory, Arthur E. Appleton, and Michael G. Plummer, eds., 2005).

⁹ Id. at 388.

¹⁰ Id.

import prices, import restrictions, additional documentation, rules of origin, labour and environmental standards.” Cotton textile is also the most protected area by non-tariff measures followed by clothing and apparel sector^[11]. As a result, the sector had experienced several level conflicts that arise from a “shifting international division of labour.” Available evidence indicated that Developed countries had set a variety of measures to protect their domestic industries. When we look at the volumes of the textile and clothing trade, nearly 1/3rd were from the LDCs, and in some developing countries, it even constitutes more than 50%. An increasingly imposed protection by developed countries against developing countries impeded the efforts of LDCs to work for advancing their local industries and ban them from financing for their international debt through earning from their export. Apart from causing economic insufficiencies for developing countries, the protectionism move had created substantial political costs. As a result, disagreements and disputes were experienced between North and South. The dispute basically rotated on the failed negotiation regarding the North and the South's market share level^[12].

When we look back a long history of textile and clothing, protection in the sector had begun even before the 14th century. For example, “Edward III in 14th century Britain ran what can be described in modern terms as an infant industry promotion programme for the woollen manufacturing industry of his country.”^[13] Besides, “The early Tudor monarchs, Henry VII (15th century) and Elizabeth I (16th century) in particular put the idea in practice by promoting the woollen industry by an array of means - imposing import duties for textiles, first imposing export duties for and later banning the export of raw materials, buying up skilled foreign workers (whose migration was often prohibited by their own countries.”^[14] Hence, history witnessed us that, today's developed countries had done several jobs to protect the textile and clothing industries from import competition. To attain this objective, they made several protection arrangements from ancient time to the modern period protections such as short term, long term and Multi-fiber arrangements.

As one writer described, “No other barrier to world trade does as much economic damage -to workers, to consumers, and world income - as the protection in international textile trade policy made.”^[15] A regularly increasing nature of the protection in the sector over the last several years shows how much the area initially started with lower intervention step has grown to the more critical and grave level of protection dominated by political snowball effect which seems impossible to get the end. The history also has shown us that “how bilateral protection between industrial

countries is also often only a short step away from the dramatic curtailment of Third World trade interests.”^[16] At any expenses.

The origin of the present regime regulating Textile and clothing went back to 1930, and it grew from the too restrictive measure, which was called VERA. The history of VERA went to when the Japanese export had begun to surpass the outdated British industries of textile and clothing and as well the US industries. Due to this stiff competition from the Japanese side against US and British, the complaint was raised from US and British local manufacturers. To answer the complaint, the US and British agreed with the Japanese government in 1936 so that Japan had to limit its export to the USA and British. Consequently, the first, textile and clothing export restricting VERA was signed in 1937 in Osaka. Then after, the US in the middle of depression enjoyed a cooling transitional period to protect its job. And Japan was also decided to agree on VERA as the VERA is comparatively better than the USA and British's unilateral decision, which harshly restrict the exports of textile and clothing from Japan^[17].

Protection to the sector provided by developed countries started long years ago had begun to rise from time to time. During the 1960s^[18] it was also subject to diversified protective measures. This was because developing countries were not considered as complete members of the GATT agreement, and as a result, developed countries easily restrict the rights of developing countries export. For a long time, developed countries had stayed excluding the textile and clothing sector from the regime of GATT, and that was why ‘prolonged especial protection mechanisms due to parallel negotiations’^[19] in favour of developed country allowed right to ban trade in the sector. And these further permitted, developed countries impose extensive ranges of actions which highly discriminate the interest of developing countries. As stated earlier, the restriction was initially done carefully to the cotton sector and planned to end in the short term. Regardless of this plan, it gradually extended and finally covered the entire domain in the textile and clothing sector. Hence, the restriction further covered almost all kinds of clothes, including but not limited to silk blends, human-made fibres, and wool. As a result, the restrictive measure that initially deemed to attain the objective of helping domestic industries cope with the changing situation for a short time had purely shifted to increased protectionism (which was rather far from attaining initially intended objective). To make it worse, even during the last years of MFA, it allowed mainly developed importing countries to impose an import ban on those goods they did

¹¹ K.S. Kavi Kumar, Zareena Begum And Sukanya Das, Non-tariff Barriers in Textiles: Incidence and Perceptions, In: A Study Of India's Textile Exports And Environmental Regulations 73, 77(K.S. Kavi Kumar, ed., 2018).

¹² Vinod K. Aggarwal, International Organization, autumn, 1983, Vol. 37, No. 4, p 617, available at <https://www.jstor.org/stable/pdf/2706578.pdf>, accessed on 31/07/2020

¹³ HA-JOON CHANG, Institutional Foundations for Effective Design and Implementation of trade and industrial policies in least developed economies, in: the politics of trade and industrial policy in africa: forced consensus? 135, 135 (Charles C. Soludo, Osita Ogbu & Ha-Joon Chang, eds., 2004).

¹⁴ *Id.*

¹⁵ Stuart K. Tucker, US Textile Trade Policy and the Proliferation of Managed Trade, In., Trade Policies towards Developing Countries, 131 131, (Ippei Yamazawa, and Akira Hirata, eds., 1993)

¹⁶ *Id.*

¹⁷ 2 Magda Shahin, Textiles And Developing Countries, In: The World Trade Organization: Legal, Economic And Political Analysis, 383, 390(Patrick F. J. Macrory, Arthur E. Appleton, and Michael G. Plummer, eds., 2005).

¹⁸ “To obtain acceptance of its bilateral VER agreements from the GATT, the USA was the instigator of the 1961 Short-Term Arrangement on Cotton Textiles (STA). STA is essentially the first multilateral agreement governing the trade of cotton textiles.” See, Marc Lemaître, EU Textiles Policy and Developing Countries, In: The European Union and Developing Countries: THE Challenges OF Globalization, 322, 323(Carol Cosgrove-Sacks, ed., 1998).

¹⁹ “Parallel negotiations on textiles and clothing began in 1960 in the Dillon Round of trade talks where negotiators attempted to restructure the system of bilateral arrangements that was emerging.” See, MAGDA SHAHIN, *Supra* note 17, at 391.

not produce on their home country^[20].

Besides its restriction rules, the MFA was also played a visible role being as an umbrella for bilateral agreements^[21] which restrict imports further. Hence, it allowed another restriction way for importing countries (mainly developed) in the form of tariff and NTBs, which works together with the restriction allowed in MFA. As the Statistical report taken from 1988 to June/1989 disclosed, about 43 bilateral agreements regarding textile were made only by the US. Each of these bilateral agreements was last for a minimum of three years and a maximum of six years and had imposed about one thousand two hundred quota restraints on each category of textile and clothing. Moreover, About 90% of textile and clothing imports that originate from developing countries were subject to the same form of import restriction. For example, countries such as South Korea, Hong Kong and Taiwan the top three largest suppliers for the USA, were limited by the MFA so that they could be only able to grow their average supply with only 1% annually^[22]. As a result, the MFA had stayed a long time being an extremely trade restricting tool against developing countries' interests on textile and clothing^[23]. Moreover, what makes the scenario worse for developing countries was that it is not only quotas and related restrictions used to ban imports from developing countries, but also tariff was an essential tool used by developed countries to restrict imports of textile and clothing from developing countries^[24].

Therefore one can conclude that the textile and clothing sector had stayed for a long time being the fertile ground 'for imaginative protectionism policies. "Under the 'STA, LTA, and MFA'^[25] it became a web of Voluntary Export Restraints ("VERs"), price undertakings, and a grey area measures, the net effect of which has been significant trade restrictions and protectionism."^[26] During the 1970s and 1980s, the root of protectionism, which based its deep root on Textile and clothing, began to be expanded to other trade sectors in goods such as steel industry, automobile industries, and iron. Furthermore, this grew extreme, and it had come to see is a threat to the whole system of the GATT. As the fear posed against GATT existence due the increasing protectionism measures, the new Uruguay round GATT has come to formulate the way out by eliminating the rule of a grey area (Which was previously a vital tool for

importing developing countries to restrict a trade)^[27].

Throughout the whole process of negotiations and agreements (from ST to MFA and even during ATC), only little choice was left for exporting developing countries. The US-led importing developed countries set all terms of agreements inline to their interests, and they use the general term of market disruption to ban imports from developing countries. They use market disruption as a key tool to unilaterally decide on the imports of the developing countries. Article three of the LTA entitled rights for importing countries (basically developed countries) ...when they "believe" that their industries are facing market disruption they can set a limit on imports from the exporting countries (mainly developing). This shows that it was upon the full authority of importing countries wish to restrict the imports they believed is causing market disruption^[28].

It was observed that developed countries had made campaign and preached during 2001 for Doha round negotiation so that developing countries would come up with new reduced tariffs in different sectors. Many scientific and economic justifications were made to persuade the importance of free trade and reduction of tariff on the sector of Agriculture, telecommunication, services, and finance, but what was noticed is that that textile and clothing sector was not incorporated on all these discourses. Of course, this was not a surprise for developing countries, as they clearly knew the how developed countries secure their interest against the others (since liberalizing the sector harms the interests of the developed countries and benefits developing one). Needless to say, agreements on textile and clothing not only create a threat against the GATT principle; it highly jeopardized the basic frameworks upon which liberalization of trade is constructed. That can be considered the basic reason that has created mistrust today between major developing countries such as China to counterattack against badly agreed negotiations and even worse against those agreements that are badly implemented^[29].

When we further look trends in recent years after China joining the WTO in 2001, and after MFA was lifted in 2005, it was not surprising to see other members (mainly developed countries) were applying (until the end of 2008) a special trade restricting measures in the name of safeguard (Special safeguard measures) against the imports of chine textile and clothing. The major safeguard measure applying countries against the imports of Chines Textile and clothing was the EU (until the end of 2007), the USA (until the end of 2008). They applied these restrictive safeguard measure against chine import in the name of protecting their local industries. Here the apparent paradoxes lay in for how long time they have been grating protecting their strategic local industries (Such as textile and clothing) while restlessly preaching other developing countries to open their market. Even more badly than other developing countries such as India, China has faced severe imposition of quota and other measures in the history of international trade by the name of safeguarding measure clause. That is why many scholars agreed that an increasing preach made by developed countries to liberalize international trade is more of a myth than a fact and not equally working for all."^[30]

²⁰ Id. at 386.

²¹ "Bilateral agreements in the MFA framework were agreements between an exporting and an importing country about what maximum quantity (or quota) per product category could be exported annually from the former to the latter." See, MARC LEMAÎTRE, *Infra* note 50, at 328.

²² Stuart K. Tucker, *US Textile Trade Policy and the Proliferation of Managed Trade*, In., *Trade Policies towards Developing Countries*, 131 133, (Ippei Yamazawa, and Akira Hirata, eds.,1993).

²³ MOHAN KUMAR, *NEGOTIATION DYNAMICS OF THE WTO: AN INSIDER'S ACCOUNT*, 43(2018).

²⁴ AUBREY SILBERSTON, *Textile Markets and the Multi-Fibre Arrangement*, In, *COMPETITION AND MARKETS*, 63, 64 (Christopher Moir and John Dawson, eds., 1990).

²⁵ "In 1961 The Short-Term Arrangement (STA) was made. While technically violating GATT, quotas were first institutionalized in 1961 with the drawing up of the Short-Term Arrangement for international trade in cotton textiles. And latter, The Long Term Arrangement (LTA) was made in 1962. The short-term arrangement had actually opened the door for a series of bilaterally negotiated quota restrictions that became the rule in the following Long-Term Arrangement in 1962, which truly replaced the STA. The LTA was agreed to commence on October 1, 1962, and last for 5 years. The LTA was designed to prevent the rapid penetration of imported textiles in the developed markets with a view to avoid serious threat thereof to domestic producers." See, MAUSUMI KAR, *Supra* note 6, at 16.

²⁶ MAGDA SHAHIN, *Supra* note 17, at 394.

²⁷ Id.

²⁸ Id.

²⁹ Id. at 389.

³⁰ Sarmila Banerjee, Sudeshna Chattopadhyay And Kausik Lahiri, *Export Performance in Textile and Garments with China as a Competitor: An*

As a result, one can conclude that the whole approach developed countries had followed both in MFA and other textile and clothing-related agreements, principally violated GATT and WTO's intended objectives to promote freer trade competition or global trade liberalization. It did clearly pose significant challenges on fair competition of developing countries, and they had faced risk on their sectors of comparative advantage. Moreover, this clearly indicated the hidden fault-line which naturally exists in any free trading system. Though Competition in trade is good, it may highly pose a threat if it is wrongly preached and pushed beyond a normal level it would reach. And that is why Brian McDonald states on his book 'The Uruguay Round and Beyond states, "A few points on the Richter scale are all right, but beyond that even, the most imposing buildings will collapse. A lesson no doubt for the overly zealous."^[31]

MFA: An overview

During the Tokyo round negotiation, the US as the most muscular trading power of the world had manipulated the system of GATT and free trade principles in line with its domestic producers' best interests. To succeed in the USA presidential election, Richard Nixon had promised to widen protection for the textile and clothing sector even further than it was seen in LTA. As a result, the electoral campaign of Richard Nixon had come to create the new protectionist wave as he pledged to extend LTA and accordingly to restrict imports on wool production as well as man-made fibres. During that time, Maurice Stans, the Commerce Secretary, also had struggled to achieve the promise made by Richard Nixon administration. They also pledged the textile and clothing lobbying group to further extended protections on synthetics and wool producers which was also protected during the Kennedy regime.

Accordingly, after winning the election and coming to power, in 1971, Richard Nixon imposed the so-called "voluntary" aggregate ceilings," and which was the imposition of quota in a product-specific manner on those imports of manmade fibres and wool products which are coming from Chinese Taipei, Japan, Korea and Hong Kong^[32] After Richard Nixon restricted trade from Chinese Taipei, Japan, Korea and Hong Kong, the negotiation of MFA came to realize. As some writers described, "It was the cumbersome nature of bilateral negotiations, and the desire for equity in case other countries swiftly acted to fill the space in the U.S. market left by the restraints on Japan, Hong Kong, Korea and Chinese Taipei, that prompted the negotiation of a new multilateral framework. The result was a negotiation that led to "The Arrangement Regarding International Trade in Textiles", also known as the Multi-fiber Arrangement ("MFA")"^[33]

Consequently, in 1974 MFA substituted LTA on Textile and clothing which was renewed two times then after until its end in 2005. Regardless, the MFA agreement was sanctioned by GATT; it was a clear violation of GATT's principles as the agreements of MFA had stood to impose

quota and tariffs against the principle of MFN to control the trade of textile and clothing mainly from South-North. Furthermore, the quota system under MFA was based on the origin of the item imported, the destination of the item, and categories of the product. Besides, even though the previous agreements such as STA, LTA and MFA were designed to the framework for negotiations, the quota agreements were made on bilateral bases that clearly violate the basic non-discrimination principle of GATT. Hence, the birth and existences of MFA and its predecessors (STA and LTA) had undoubtedly led the scenario of trade in textile and clothing sector against the object and principles of the GATT^[34].

The first MFA after it was agreed in 1973 had begun its implementation in the first month of 1974. Basically, MFA-I was aimed at the benefit of those countries which were losing their competitive benefit on the sector of textile production. Besides, what is important to note is that MFA-I was also made (at least contextually) to benefit of developing countries by furthering social and economic developments. Article one paragraph three of the agreement (MFA-I) states that, "the aim of the MFA-I is to furthering the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide for a greater share for them in world trade in these products."^[35] Regardless of this aim and promise, the practice of the MFA-I was exactly opposite and against the interests of the developing countries^[36]. Among the developing countries, nearly at the end of 1977, the USA held a stand to a simple extension while other EC countries are holding an opposite stance. US needs just a simple extension of MFA because the country already satisfied with bilateral trade agreements that can achieve its restricting goal. Unfortunately, other developed countries did not go as well as the US made. That was why they strictly need further extensions of MFA. EC was also not ready as the US made. They were slow in devising the common textile policy that works for all EC members. The final result was that, during the extension negotiations of the MFA, developing countries compulsorily forced to accept MFA-II, which was harsher and disadvantageous when compared to the previous agreement^[37].

After the protocol signed in 1977, MFA-II came in to function in 1978. While signing the protocol to establish MFA-II, participating countries agreed to renew MFA for the second time solely based on the finished work of the GATT committee on textile(The same committee of GATT were also used for MFA-I). The new important issue called reasonable departures' clause, which was not available under MFA-I agreement were introduced on MFA-II. Based on this clause, trading countries have the right to a mutual agreement in order to depart from the MFA general terms when especial cases happen. Thus, in effect, this acted as an escape clause for participants facing undesirable situations. However, these "departures" were regarded to be temporary, and the participants were obliged to return to the MFA framework in the "shortest possible time." In a nutshell, this unique clause limited the expansion of LDC imports into developed countries, thereby making MFA-II more restrictive than MFA-I. MFA-II was extended for four

Analysis of India's Situation from the Perspective of Structure-Conduct-Performance Paradigm. In: International Trade and International Finance: Explorations Of Contemporary Issues, 201, 203(Malabika Roy and Saikat Sinha Roy, eds., 2016).

³¹ MCDONALD, *supra* note 2, at 137.

³² MAGDA SHAHIN, *supra* note 17, at 395.

³³ *Id.*

³⁴ Mausumi Kar, *Supra* note 6, at 16.

³⁵ See article one of the MFA-I

³⁶ Mausumi Kar, *Supra* note 6, at 17-18.

³⁷ *Id.*

years.”^[38]

Developing countries, who were dissatisfied on the reasonable departure clause's experiences, were encouraged to organize and cooperate. Accordingly, they held a meeting in 1980(November), in Bogota, Colombia, which undoubtedly showed their interest to get united. Its main issue was to argue with developed countries to abolish the concept of reasonable clause (Which incorporated under MFA-II) and at least restore back the rules under MFA-I. Their stand also stressed the liberalization of trade in the textile and clothing sectors to confirm the standard principles of GATT than agreeing outside the domain of the GATT principles, which clearly violates the interests of the developing countries. Consequently, developing countries established a cooperation program (Mainly by exporters of textile and clothing) called International Textiles and Clothing Bureau, in 1985. Its main objective was to work to eliminate discrimination posed against developing countries' interest and to struggle against increasingly seen protectionism measures (mainly to restrict imports from developing countries). All in all, their struggle focused on ensuring the application of the GATT rules in a full manner, including the textile and clothing sector. Regardless of their struggle, however, MFA was renewed for the third time as MFA-III, in 1982 ^[39].

It was in between January 1982 to July 1986, the 3rd MFA was agreed due to the growing pressures and concern among the developing countries regarding unwanted negative impacts of prolonged protection against their previous exports. During the 1st few months of 1981, the ECC alone had introduced more than 33 types of restrictions following the formulation of the new protectionist approach called “basket extractor mechanism.”^[40] In here, it is also essential to mention that, among these restrictions, 7 of them were concerned to China whereas 3 of them concerned India. Accordingly, the rigorousness of these trade restrictions later led to “quota frauds” by which LDCs exporters (where they had been tired quota restriction), redirected the origin of their exports through third countries or they tried to export by using the different category of products (which had lower trade restrictions than textile and clothing). Apart from this, the worst victims were those low-income countries ^[41] newly emerged in the exporting market. It was seen that on the 1981 negotiation table, The ECC was come to see holding the most protectionist stance of all the participants. Even though before a week to the protocol signs in 1981, the USA's stand was seen liberal, however, they reversed their previously holding liberal position, and came to support the stands of the ECC fully ^[42].

Developing countries admired the system of MFA, such as its commitment for consultation and inclusion of transparency provisions. Irrespective of their praise to MFA, when actually seen the provisions incorporated under MFA, it highly incorporated caveated rules, many reservations and permitted several exceptions. This clearly shows that, even though consultation was made previously to incorporate all

interests, Developed importing countries had hold monopoly control over the rules of MFA and, accordingly, the imposed restrictions on unilateral bases. This made the scenario of consultation ineffective and only pretending. In this instance, industrialized importing countries escaped having to prove the availability of disruption in the market ^[43]. As one writer described, “By the time the MFA expired, three of the Quad countries, Canada, the EC, and the United States, had resorted extensively to this subterfuge. Their argument in the TSB was that two sovereign governments had entered into an agreement whose contents cannot be challenged by others. That the two governments were not equal, and one of them had exercised its economic power to extract an irregular benefit was overlooked. Moreover, because Europe and the United States did not apply the MFA to one another, it became a *de facto* arrangement for discriminating against developing countries.” ^[44]

During its very conception MFA was expected to stay an only a short time, but despite this plan, it remained more than 25 years. Consequently, it had highly impacted the textile and clothing sector of international trade. Though its degree varies, both importers and exporters of the different countries were negatively affected due to the sector's huge restriction. Different researchers and concerned organs had attempted to calculate the magnitude (of how much) the MFA and other restriction agreements in the sector had resulted. Though it has not precisely quantified, it was apparent that the MFA agreements highly and principally affected developing countries interest adversely (because most of the restrictions were to ban imports from developing countries) ^[45].

Despite being contentious to quantify the exact cost incurred by developing countries, several studies have revealed that even if trade in textiles had increased, the adverse effects MFA had played against countries' interest was extremely large. If it were not about MFA, developing countries' export would have been highly more significant than it was. One crucial example regarding the reduction of the export of developing country could be seen under the study made by the international trade commission of the USA in 1989. This study indicated that “the value of textile and clothing exports to the U.S. market would have been 20.5 and 36.5 per cent higher, respectively if MFA restrictions had not been imposed. Another study estimated that without MFA restrictions, the United States would have increased its textile imports by ten per cent and clothing imports by 26 per cent. The World Development Report published by the World Bank in 1987 estimated that protectionism in the textiles and clothing sector raised consumer prices by billions of dollars and cost developing countries billions of dollars in lost income.” ^[46]

Why MFA lifted in 2005

It would be imperative to ask why MFA was lifted, after its long journey of safeguarding the developed countries' protectionist interests. Did developed countries had really cared about the liberalization of trade on those areas of trade they will not get a comparative advantage? Of course, one can raise many questions as the practical acts of the developed countries were more of safeguarding self-interest

³⁸ *Id.* at 18.

³⁹ Mausumi Kar, *Supra* note 6, at 19.

⁴⁰ The “basket extractor mechanism” was based on a concept of cumulative market disruption where there was an absolute limit on market penetration from “low cost” sources.” See, *Id.*

⁴¹ They were “hardly being allowed to export textile and clothing on a scale commensurate with their needs and potential.” See, Mausumi Kar, *Supra* note 6, at 19.

⁴² *Id.*

⁴³ MAGDA SHAHIN, *Supra* note 17, at 399.

⁴⁴ *Id.*

⁴⁵ Mausumi Kar, *Supra* note 6 at 21.

⁴⁶ MAGDA SHAHIN, *Supra* note 17, at 400.

than ensuring fair benefit. After a lengthy debate and controversies, MFA was eliminated in 2005. Its elimination was expected to create a new world trade environment that allows liberal trade in textile and clothing and, consequently, was anticipated the share of developing countries highly increased, so doing so would create substantial employment opportunities. Conversely, there was also a fear that the sector's liberalisation might create fierce competition among countries. The quota end was predicted to benefit developing countries though it also highly exposed them to compete with giants (who already prepared themselves well). As a result, reversely to the expectation, the final result was based on the individual countries ability to compete on the field. Accordingly, those countries that were already in firm policy and economic position came to increase their gain from the quota elimination trade ^[47] developing countries still left not benefited.

For over the last several years the MFA agreement had given ample time so that importing industrialized countries prepared themselves to compete and allowed them to adjust the overall economic system in line with the world environment's dynamic system. Moreover, similarly they adjusted the textile and clothing sector so that it would be able to compete with any foreign competitors ^[48]. Hence, Even though, literally, developed countries lifted MFA agreement in 2005 due to the pressure from the developing countries, one can logically conclude that the reason developed countries lifted MFA is due to their industries' readiness to compete without side rival. In 2005 when MFA lifted industries in developed countries were strong and ready to compete globally.

Why special supports were arranged to these sectors?

As the textile and clothing sector's nature was considered fragmented, diverse and complex, developed countries were very much curious to manage trade in the sector ^[49] Besides, developed importing countries or (their textile lobbying groups) have been considered highly inventive in creating supposedly full of common sense justifications for the need to protect the textile and clothing sector from international trade. The following can be mentioned as (but not limited to) their justification for the need for protection of the textile and clothing sector from international trade:- "First, and the most straightforward argument invoked is that low-cost exporters threaten the survival of a major industry. The second point is that the textiles industry is concentrated in backward regions and employs low-skilled labour which could not easily be re-employed in other economic activities. The social costs of a surge in imports, therefore, could be considerable A third argument concerns social dumping and unfair competition through the exploitation of the LDC labour force, subsidization, pollution and so on and fourthly, there is an argument that the clothing industry is a matter of national security." ^[50] Repeatedly bringing these justifications in various levels of negotiation tables they had stayed long years to protect the sector from the developing

countries import strictly. And hence, they made specific and especial agreements mainly for the products in textile and clothing sector as well as to the sector of Agriculture too (according to their stand, These sectors, mainly textile and clothing had thought to have a comparative advantage by developing countries and therefore developed countries decided to get advantage from it by strictly protecting the sector)

The role of textile, clothing and leather industries in growth and development

Textile and clothing sector has played a pioneering role in the development of many countries in the world. Truly speaking, since the age of 18th-century industrial revolution, the textile and clothing sector has played as an easy entry point for many countries. Hence, the employees to the sector can easily be trained; it makes a good opportunity for any country to enter the market easily. Of course, there are sub-sectors in textile and clothing industries that need automated and high skilled labour force (but most of the work in the sector needs employees with short term training and experiences). The other significant thing in the sector is that the new entrepreneurs can be easily generated from the sector. These entrepreneurs can also serve as the future hope of that country by establishing new and huge industries and finally shifting the country's economy. As history in the economic development shows us, today's industrialized countries ^[51] such as the US, the UK, Netherlands, South Korea, France, and many others have gained many benefits in their process of industrialization ^[52]. Since the 20th century, the textile and clothing sector's role for the development of the countries had increasingly seen. For example, a middle-income country like Turkey has industrialized her economy by effectively using the textile and clothing sector. Bangladesh and Cambodia among Asian region countries can also be of good examples. They have started their industrialization process by giving focus on the development of the sector. Accordingly, these countries have created enormous employment opportunities and get earnings from the export. Latin American countries can also be taken as an example as they have been struggling to develop the textile and clothing sector by using their comparatively low wages advantage ^[53].

Many scientific works of literature and existing evidence approve the growing significances of the textile and clothing sector in international trade. As one study has indicated,

⁵¹ Even though some scholars has considered the contribution of textile and clothing sector for advanced countries are less when compared to the developing ones, it is not deniable fact that any country before getting advanced(Developed) had used the sector as ladder to reach today's economic position. Initially using T&C sector as a ladder for their advancement, developed countries has significantly shifted their position to automated industries such as automobile, chemicals, and steel manufacturing industries. See, Geoffrey R. D. Underhill, industrial crisis and the open economy politics: global trade and the textile industry in the advanced economies, 36(1998).

⁵² Murat A. Yülek and Mete Han Yağmur, Textile and Clothing Sector, and the Industrialization of Sub-Saharan Africa, In, Financing Sustainable Development in Africa, 424, (Uchenna R. Efobi and Simplice Asongu, eds., 2018).

⁵³ *Id.*

⁴⁷ Mausumi Kar, *Supra* note 6, at 8.

⁴⁸ *Id.* at 20-21.

⁴⁹ Geoffrey R. D. Underhill, industrial crisis and the open economy politics: global trade and the textile industry in the advanced economies, 34(1998).

⁵⁰ Marc Lemaître, EU textiles policy and developing countries, in: the european union and developing countries: the challenges of globalizationN, 322, 328(Carol Cosgrove-Sacks, ed., 1998).

throughout the world T&C sector in 1997 covered 9% of the total exports in the area of manufacturing products, and it had contributed providing job opportunities for about 142 million employees (formally or informally). In the EC, ^[54] it covered about 9% of the job opportunities from the manufacturing sector. Likewise, in 2005, the textile and clothing sector had created 1.3 million job opportunities in the USA, which constitutes 8% of all jobs in the country's manufacturing sector ^[55]. Not only for developed, but it has also played a significant role in the growth of developing countries. It has played as one of the major basis for the export earnings. Accordingly, the sector (T & C) had accounted for nearly 12% of the manufacturing sector exporters and 15.5% of the total exports of the merchandise. As clearly known, many developing countries are highly dependent on T&C industries to earn from export. If we take Pakistan as an example, among all Merchandise exports, the textile and clothing sector constitutes 73 % (which was nearly 3/4th of the export in the merchandize sector). Furthermore, the sector has also an important role for the development of LDCs. If we see the sector's contributions in these countries, it has played an essential role as the sector is more of labour-intensive and needs small capital to begin (and they are at infant level of the industrial development process.)^[56]

While explaining the role of the sector for the development, Carol Cosgrove-Sacks, on his book 'The European Union and Developing Countries' has stated the following: "Over the past several years, the most populated region in the world has managed to expand its economy at a pace never observed before. Countries like Taiwan, China or South Korea have attained levels of development comparable to those of Southern Europe. Apart from the well-publicized very high savings rate they have sustained over the whole period, one of their main common features is that they have concentrated on low-skill and labour-intensive production as the first step towards industrialization. Among the industries best filling these criteria is textiles. This activity seems to have been the first key to rapid and lasting economic development."^[57] Even during the economic crisis (in 1977), the textile and clothing sector was the only sector which had shown significant growth compared to other manufacturing sectors. For example, during that time, in Germany T&C sector constituted 4.9% value addition, in the USA it was 6.3%, in Japan it was 6.9%, and it was more than 6.4% in the United Kingdom. Besides, if we look at the progress of the sector in France during 1982, it was more than 6.4% compared to the whole manufacturing sector (which was two times (double) greater than that of the steel sector and nearly at the level of the automobile). Regarding employment level, the sector had constituted, for example, in 1977, 15% employee was from textile and clothing compared to the overall manufacturing sector. This figure was even higher in Japan, accounting to 13.3% and 12.1%

in the USA cases. France and the UK accounted for 11.2% and 11.1% consecutively and being 8.2 % in Germany. These figures in some of the cases were more than the share of automobile sector. One study was estimated that, during the early years of the 1980s, the sector in French had linked about 800,000 jobs. Hence, even though today's contribution to the economies of developed countries has declined in today's figure, it is still an essential sector to market economies of the developed countries ^[58].

As a result, regardless of the situation had changed during the 1970s and 1980s due to the increasing imports being a threat, T&C industry has held a leading position in the economy and creating employment opportunities until today. The situation in the USA can be considered as good examples of this regard. "For example, Industry growth of the USA mainly in the South was most evident from 1885 to 1915, when, in North Carolina alone the number of textile product mills increased from 60 to 318, and the number of workers reached 51,000."^[59] As this had kept growing until 20th century, the USA for example in 1951 had employed around 250,000 workers on over 1000 mills. During the 1960s in the North Carolina, almost 50% of the jobs from the manufacturing sector were accounted by the textile sector. The situation was also not different for the apparel industry. Throughout the south, and mainly South Carolina, Tennessee, North Carolina and Georgia states were accounted for about 15% of the apparel compared to the all goods manufactured in the USA. Accordingly, the sector played an essential role in employing significant numbers of people ^[60]. "Textile and apparel industries in the USA have continued to provide substantial employment, with 497,100 wage and salary workers in 2008 contributing \$34 billion to the US GDP (National Council of Textile Organizations [NCTO]. According to the NCTO report, about 579,000 Americans were employed in the textile and apparel industries in 2015."^[61] Besides, according to the American Apparel and Footwear Association (AAFA), in 2013, apparel and footwear contributed a record of \$361 billion to the US economy."^[62] Of course, this number is less compared to the job opportunity before the lifting of MFA. As another study also indicated, even around 1998 "The textile sector in most countries is a major employer, and mainly In the United States alone, it employs about two million people, in the EU it employs 1.33 million, and in Japan, it employs 1.44 million. The sector is highly competitive and works on relatively low margins."^[63] Even recently, in 2007, about 160,000 firms around the EU had employed 2.5 million workers only in the T&C industry sector ^[64].

The situation is not also different in India textile and clothing industry sector "Indian textile industry currently estimated to be the US \$108 billion and expected to reach the US \$209 billion in the year 2021. The industry is the second largest employment generator after agriculture by employing 45 million people directly and 60 million people

⁵⁸ Geoffrey R. D. Underhill, *Supra* note 51, at 37-38.

⁵⁹ Nancy J. Hodges and Albert N. Link, *Knowledge-intensive Entrepreneurship: an analysis OF the European textile and apparel industries*, 156(2018).

⁶⁰ *Id.*

⁶¹ *Id.* at 149.

⁶² *Id.* at 15.

⁶³ MCDONALD, *supra* note 2, at 136.

⁶⁴ J. HODGES AND N. LINK, *Infra* note 67, at 23.

⁵⁴ "Particularly in Europe, but also in the United States, textile and clothing industries were an important feature of the older industrial regions." See GEOFFREY R. D. UNDERHILL, *Supra* note 51, at 37.

⁵⁵ Magda Shahin, *Supra* note 17, at 385.

⁵⁶ *Id.*

⁵⁷ Marc Lemaître, *Supra* note 50, at 328.

indirectly.⁶⁵The Indian textiles industry, currently estimated at around the US \$120 billion, is expected to reach the US \$230 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP).⁶⁶

To conclude, the T&C sector can be used as an engine to transform the economy of one country and hence it can be considered a stimulus even for other sectors of the economy. Being the Textile items become main parts of products from surgery to the bodies of aircraft, for example, a single job in the textile sector may support three more extra jobs outside and insides of the industry. Hence, beyond the sector of textile, it supports employment opportunities in the sector like shipping, rail, banking, chemical industry, energy, water and so forth ^[67]. Its benefit and role extend from today's developed countries to LDCs (Though the degree varies based on different factors). For example, the T&C sector in SSA countries provided economic gains in both the long term and the short term. Just simply put, in short, time span, the sector has allowed countries to be able to generate earnings from an export, significant number of employment opportunities, and provided gross value addition which leads them to economic growth. Moreover, in a long time span, the sector helps countries in triggering industrialization to other sectors ^[68].

Is it unfair to protect LDCs today?

The primary purpose of answering this question lies in considering the equality and fairness in the market access and the level of readiness of developing and LDCs for open competition. Hence, one has to hold the comprehensive image of the overall trade policy process, mainly the protection of the textile and clothing sector in the past developing countries had followed. Considering the overall importance of the sector for the early-stage development, it may actually not be argumentative that developed countries' decision to stay a long period of years being tight protectionists in the sector. Furthermore, that is why, as described here and there, developed countries were practically continued tight protection until a few years back. The US and almost all the developed countries had seen removing trade restrictions in the sector of T&C after where they only well enjoyed comparative advantages. When we look at the current subsidies disciples of the WTO, it is tighter than it was before when developed countries were preparing themselves for external competition. WTO subsidy Provisions that prohibits exports and import substitution subsidies and those provisions that allow a countervailing measure against actionable subsidies have highly limited the performances of developing countries to provide their key infant industries (on their early stage of development) as today's developed countries had done before.

Due to the limited local market access, infant industries in

developing countries always need the export market for their destination. Moreover, if these industries have to get market access in the competitive foreign market, government support is essential to make them competitive enough. Taking into account this fact, SCM has recognized this kind of government supports for developing countries industries. It also allowed some 'special and differential treatment' through which LDC members are permitted to apply export subsidies and eight years period (Since the WTO entered in to force) are allowed for developing countries to apply subsidies on export. However, the problem is that eight years periods already lapse. After the expiry of this period, there are a few holes for developing countries to apply export subsidies. As a result, developing countries have to prove by concrete evidence the necessity of these types of subsidy for their development plan, which otherwise called Development facilitation subsidy (DFS) ^[69].

On the other hand, as stated in the previous chapters, when we look to the past history of capitalism, almost all of this day's industrialized countries did not practice what free trade required them to do, however, conversely, they promoted their infant industries by supporting through the mechanisms of stiff import tariffs and subsidies and other related trade protection measures. "Particularly notable is the fact that the gap between the real and the imagined histories of trade policy is the greatest concerning Britain and the USA, which are conventionally believed to have reached the top of the world's economic hierarchy by adopting free trade when other countries were stuck with outdated mercantilist policies. These two countries were, in fact, often the pioneers and frequently the most ardent users of interventionist trade and industrial policy measures in their early stages of development."^[70] Evidence from the past and even in modern times has shown that it is highly challenging (if not downright impossible), for least developing countries to grow without the protection of their trade (mainly by tariff protection and subsidies). Hence, for trade liberalization to be effective, it has to be made through a gradual process and long-term industrial policy development ^[71].

Furthermore, that is why seemingly until recent days, significant challenges posed against the Multilateral trading system. Developed countries had repeatedly raised arguments for the need for the protection of the T&C sector. To depart from GATT's rules, they came to see associating their justification as textile and clothing is an essential (fundamental) need for the human person after food. Moreover, to the reverse, developed countries such as the EU and US would support liberalization of other trade sectors such as automobiles, aircrafts chemicals and watches. However, on the contrary, many scholars have agreed that their justification for the non-liberalization of textile sector is not as true as they tried to persuade. However, the hidden reason behind is they cannot get a comparative advantage against developing countries unless

⁶⁵ SATISH KUMAR R, Indian Textile Industry: Opportunities, Challenges and Suggestions, 2(3) Crimson publishers, 189(2018), available at, <https://crimsonpublishers.com/tteft/pdf/TTEFT.000538.pdf>, accessed on 02/08/2020.

⁶⁶ *Id.*

⁶⁷ Nancy J. Hodges and Albert N. link, knowledge-intensive entrepreneurship: an analysis of the european textile and apparel industries, 151(2018).

⁶⁸ R. Efobi and asongu, *Supra note 52*, at 424

⁶⁹ Yong-Shik lee, World Trade Organization and Developing Countries: Reform Proposal, *In.*, law and development perspective on international trade LAW, 105, 120(Yong-Shik Lee, Gary N. Horlick, Won-Mog Choi and Tomer Broude eds., 2011).

⁷⁰ HA-Joon chang, Kicking away the ladder: the "real" history of free trade, *In: Globalization and the myths of free trade: history, theory, and empirical evidence*, 23, 23(Anwar Shaikh, ed., 2007).

⁷¹ Ha-Joon chang, why developing countries need tariffs? How Wto nama negotiations could deny developing countries' right to a future, xii (2005).

they tightly protect the sector until they get ready to swipe at strongly on foreign competitors^[72]. As a result, the protections they have provided through MFA mechanisms and other agreements have allowed their T&C sector as a strong firm that would otherwise have been out of the market by the competition^[73]. Besides, the protection they had granted to the sector has provided an opportunity for their industries to reorganize itself for improved efficiency and better competitions. Under MFA, developed countries were required to follow and implement policies that encourage an adjustment structurally and which highly supported T&C industries to move into more feasible and practical paths of production^[74]. As a result, during these periods, considerable development and changes had registered in the textile and clothing sectors of the industrialized countries. It can furthermore be remembered that ECC industries when MFA protected them, "had been subject to strong competition amongst themselves, and have not, therefore, lacked the incentive to improve their efficiency."^[75]

As frequently stated, from 19thC to the late 20thC, almost all today's advanced countries had built up their giant economies by highly restricting trade through the means tariff, subsidies and NTBs. For example, in between 1820 and 1945(almost for more than a century), the US had maintained an average of 40% industrial tariff and were never seen reducing below 25%. Let's look at one further example. As one study indicated, "Five of the six fastest-growing developed countries in the so-called 'Golden Age' (1950-73) were high tariff countries (Japan, Italy, Austria, Finland and France). Double standards are thus rife when these countries preach the virtues of free trade and free markets to today's developing countries, many of which in fact have tariff rates lower than those that prevailed in today's developed countries at similar levels of development."^[76] Further facts from the developing countries also prove this stands. Because, developing countries performed exceptionally poorly when developed countries deprived them of their trade and industrial policy freedom (mostly their right to decide on the level of the tariffs). However, if one looks back to the fact that after their relative policy freedom (though not fully gained), the situation was a 'great deal better'. What was disastrous to these developing countries due to the tariff cut and measures related to trade liberalizations could directly result in disappointing economic performances and the worst collapses of their economies^[77].

Due to the strict trade protection in textile and clothing

sector, developing countries and LDCs had lost significant economic advantages if otherwise, they would have acquired. For example, several scientific studies that were done during the 1980s show us that "LDCs' textiles exports to the industrialized world would globally have been twice as big had trade merely been restricted by tariffs. This means that the textiles industry would have spurred economic growth even further in most countries and would have provided many more jobs to extremely poor populations, helping them to improve their lot considerably. Because of intense competition on the world market, there would have been no rent to capture for favoured exporters and so the benefits of exports would have been more broadly distributed."^[78] As Udombana described, for the last three decades, Africa has witnessed an apparent lack of progress. This will keep being more at risk if globalization and trade liberalization are going in this fashion. He has stated several reasons to justify his statement; Among others the first reason can be related to a "key problems in the supply side issues of market access, such as Africa's low capacity to produce and trade competitively in commodities, manufactured goods, and services and he emphasized that The composition of Africa's exports has essentially remained unchanged, with over-dependence on primary production and resource-based sectors"^[79] The author further discussed that "the marginalization of Sub-Saharan Africa (SSA) and suggests drastic reforms of the WTO to address current trade injustices so that it can refute the charge that globalization is another word for colonization"^[80] Still he argues that, Africa has not benefited from the globalization and free trade as the main focuses of the continent is mainly on sectors such as agriculture in which strict protections are yet remain seen in industrialized countries.

Adverse effects of globalization against Africa's interest as a continent will be too high as far as wrong-footed economic and regulatory policies and strategies are in existence. Udombana also criticized African governments' roles for they are also a Cause for the existing problems in the continent. African leaders have failed to address "the imperatives of globalization, which require utilizing imaginative policies and strategies necessary to compete favourably in a growing competitive international environment and remove numerous obstacles (and pointless regulations) that many governments place in the way of private investments."^[81] According to The Economist, "businesses in poor countries ... have to struggle through twice as many bureaucratic procedures as their counterparts in rich countries(Unless African countries rectify their contribution towards their own marginalization, they cannot benefit from their relatively less expensive labour, the proximity of local markets, and the potential for foreign direct investment)."^[82]

⁷² Mohan Kumar, *Negotiation Dynamics of The Wto: An Insider's Account*, 43(2018).

⁷³ "It is natural to ask what the consequences would be for the textile and clothing industries of the Western countries if protection of their industries were to be reduced or abandoned. Even though It is not easy to make estimates of this sort, since they depend on many imponderable factors, but several estimates has shown severe effect on employment fall and output would happen. Hence, any reasonable estimate, suggest that there would be an appreciable adverse effect on the textile and clothing industries of Western countries if the MFA were to be abolished, and an even greater one if tariffs were to be removed or greatly lowered. Thanks to MFA they saved their textile and clothing industries stiff foreign competition and in mean time saved their employment." See, AUBREY SILBERSTON, *Supra* note 69 at 70.

⁷⁴ *Id.* at 67.

⁷⁵ *Id.*

⁷⁶ HA-JOON CHANG, *Supra* note 71, at xii.

⁷⁷ *Id.*

⁷⁸ MARC Lemaître, *Supra* note 50, at 328.

⁷⁹ Elias n. Stebek, *WTO accession in the Ethiopian context: a bittersweet paradox*, 1 J.Mizan law review, 97(2007). Available at file:///C:/Users/Dell/Desktop/PhD/copied/WTO%20Accesion/10.pdf, last visited March 2020.

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Id.* at 97.

How important is to protect textile and clothing in Ethiopia?

More specifically seen, it has been highly challenging for the LDCs like Ethiopia and its infant industries to compete with the advanced Textile and clothing industries of those developed and highly emerging countries such as China. Today, in EU and developed countries, apparel and textile industries have laid their foundation on modernized technologies and competent innovation scale. Whatever markets they will enter their readiness to create new business models and flexibility to cope with changing competition environment will help them be a winner. However, these realities are hardly visible in countries like Ethiopia in which everything stays traditional until today. As one study indicated, in Ethiopia, the increasing commitment of the government to develop the textile and clothing sector is mainly concerned with getting a foreign currency (As the country has stayed long facing critical shortages of hard foreign currency) ^[83]. Jostein Løhr Hauge had conducted an interview with industry experts in Ethiopia regarding the issues. The experts affirmed the statement that the country's primary focus to invest in Textile and clothing industries is to earn foreign currency (since a long time it has stayed critical problem of the country) ^[84]. Hence the hope of the government to get foreign currency mainly lies in the sector. Besides, the other important reason according to the experts' interview responses and evidence from the country's policy document indicates that the government relays on the sector to generate substantial employment opportunities (for the increasing unemployment rates in the country) ^[85]. The third essential reason the government has focused on the sector is that this industry (sector) creates an economic link with other sectors such as agriculture ^[86]. Therefore, Textile and apparel industries are critically important for the country like Ethiopia, and the fate of these industries highly decides the country's overall economic destiny.

Despite its first establishment in the 1930s, the Ethiopian textile industry has shown a little progress as one study indicated, "...As per the computations done, about half of the four-digit manufacturing activities were unable to cover all their costs of production in 1999/00, including the cost of capital ^[87]. This implies that about half of the Ethiopian manufacturing sector is not competitive even on the current protected and distorted domestic market. What is more surprising is that most of these belong to subsectors in which one would expect Ethiopia to have a clear competitive edge on the global market—namely, the food, beverages, textiles and leather subsectors. Alarmingly, nevertheless, all the four-digit manufacturing activities under the textiles and leather sub-sectors have been uncompetitive on the domestic market ^[88]. Nevertheless, all, except for the manufacture of wearing apparels, could become domestically competitive should the capital cost be

ignored. The manufacture of wearing apparels is not competitive, even excluding capital cost for the whole period under investigation. Interestingly, the number of four-digit manufacturing activities that are domestically uncompetitive even without considering the cost of capital has dropped from three in 1997/98 to only one in 1999/00. The significance of contraband trade, dumping, and under-invoicing could be the reason behind such a situation, for this would nullify any advantage the protection of these subsectors would otherwise provide."^[89] These critical problems in the manufacturing sector in general and mainly in textile and apparel industry has stayed until today even though, some data from different sources indicated that with in the last five years the progress in the sector has begun to revive to some extent due to the government's commitment shown to attract FDI in the sector.

Conclusion

Merely looking at the protectionist experiences of the developed countries during the 19th century (and in some cases until these days), one can reasonably conclude how much strategically implemented protection measure is vital to progress today's developing and LDCs economies toward strong global competence. Ethiopia's trade at the global and continental levels remained for long years with a vast trade deficit. This shows that any decision currently made in Ethiopia, as it was once in Pakistan and India, the T&C sector can literally be considered as bread and butter. Any policy failure in the sector can either be considered a 'make or break' depending on its strength and weakness. Hence, to stay the infant industries exist and grow (Mainly Textile and clothing sector), and to get the promised economic benefits from the sector, appropriate protection measures have to be granted (even more support and protection measures are needed those stated under WTO frameworks).

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⁸³ Jostein Løhr Hauge, African industrial policy in an era of expanding global value chains: the case of Ethiopia's textile and leather industries, 156&157 (July 2017) (Unpublished PhD dissertation, University of Cambridge).

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ Bacry Yusuf, Mamo E.Meheretu, and MR. Berhanu Lakew, How to optimize advantages of accession to the World Trade Organization and measures to be taken to meet possible challenges, 66(2008).

⁸⁸ *Id.*

⁸⁹ *Id.*

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