

The Expiry of the MFA: Regulatory Changes and Implications for Workers

FLA Stakeholder Forum
Santiago, Dominican Republic
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FLA monitored factory in Cambodia

Trade Protection of Apparel Industry has a Long History

- 1961: Short-Term Cotton Agreement (STA)
 - Focused on Japan
- 1962: Long-Term Cotton Agreement (LTA)
 - Also Hong Kong, Pakistan, India; Europe
- 1974: Multi-Fiber Arrangement (MFA)
 - Renewed 1978, 1982, 1986, 1990
- 1995: Agreement on Textiles and Clothing (ATC)
 - 10 year phase out of quotas



The MFA Regime

- Covered cotton, wool, and man-made fibers
- Major departure from GATT (WTO) rules, esp. MFN (selectivity)
- Allowed negotiation of country-specific quotas between importing and exporting countries
- “Anti-surge” mechanism used to bring new suppliers under quota
- Importing Countries:
 - U.S.
 - Canada
 - European Union
 - Nordics
 - Austria
 - Japan



Effect of MFA Regime

- Cat and mouse game – investors move from one country to the next
- Over 100 developing countries were apparel exporters under some sort of import restraint
- Production in countries without economic conditions but quota availability
- The U.S. had over 30 bilateral agreements



The MFA Phase-Out

- 2005: ATC 10-year phase out of quotas
 - Integration into WTO in 4 steps or tranches.
- Some importing countries – esp. U.S., Europe – back loaded phase out
- Sensitive categories under restraint to the end
 - Men's and women's trousers
 - Shirts and blouses, knit shirts.
- January 1, 2005–restraints off
 - China, India, Pakistan, Bangladesh free to ship all categories



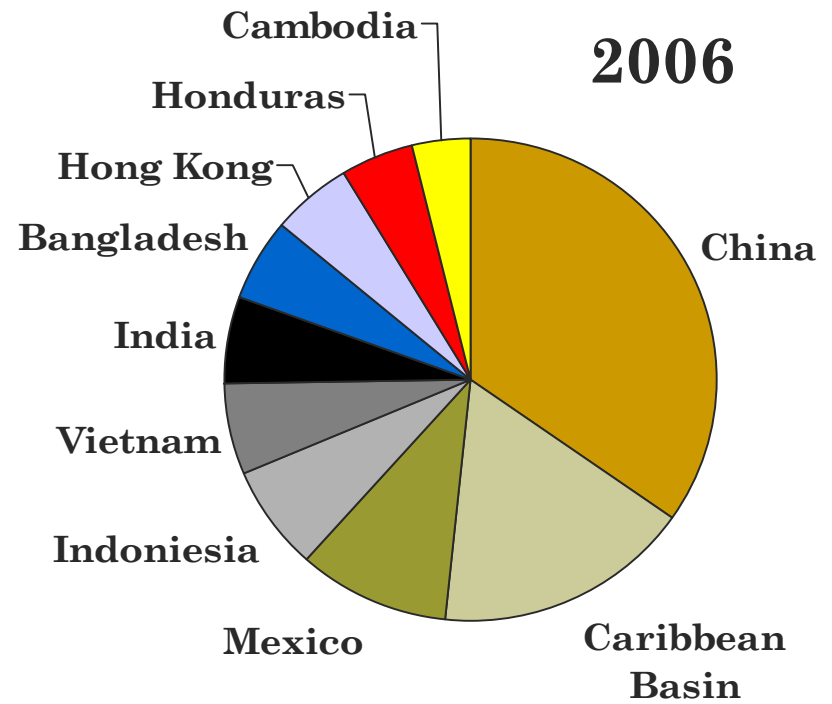
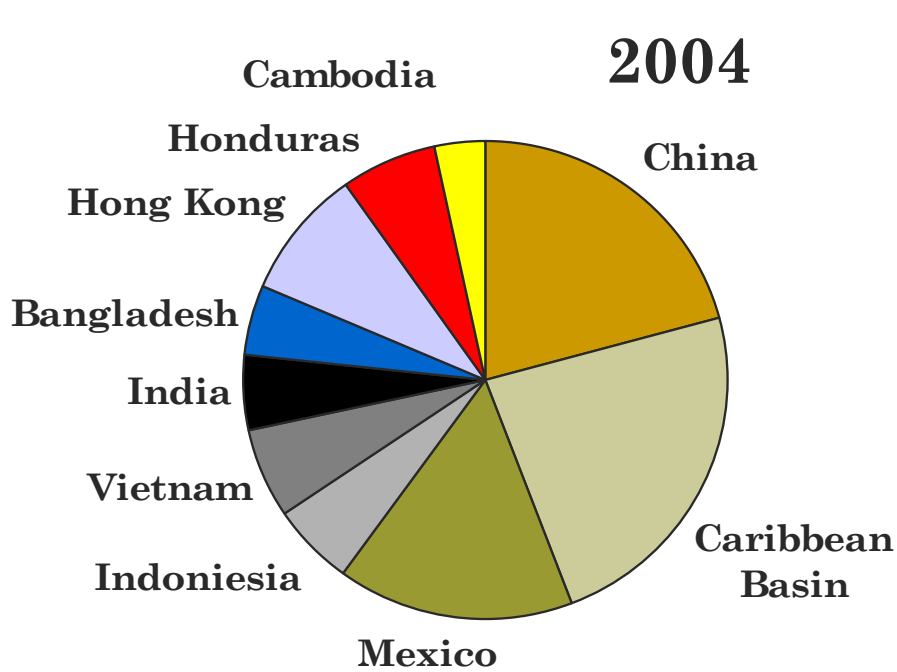
Trends for Major Importers

	2004	2005	% Change	2006	% Change
Canada (billion C\$)	5.1	5.8	14	6.6	14
U.S. (billion US\$)	64.8	68.7	6	71.6	4
EU (billion euros)*	141.1	151.0	7	155.5	3.0

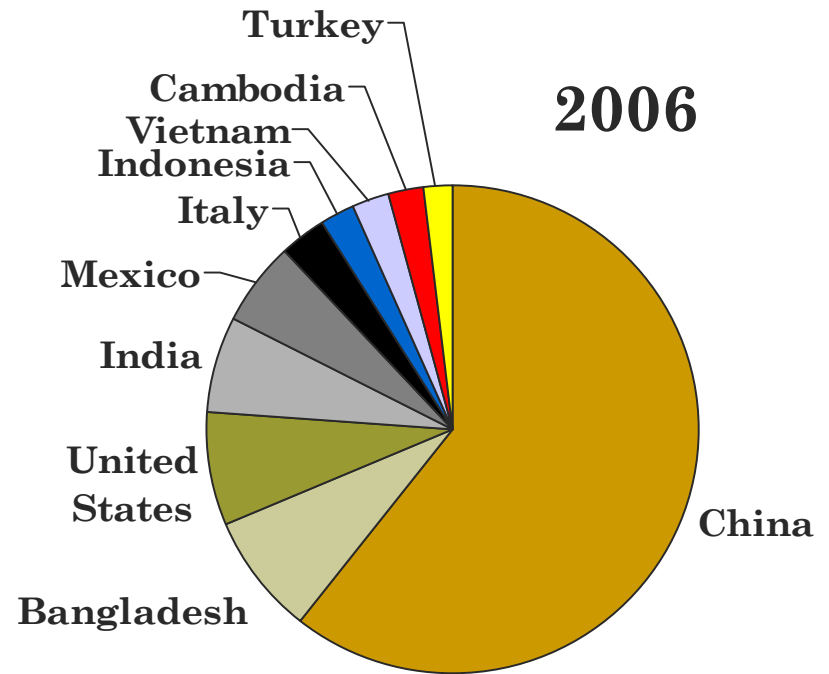
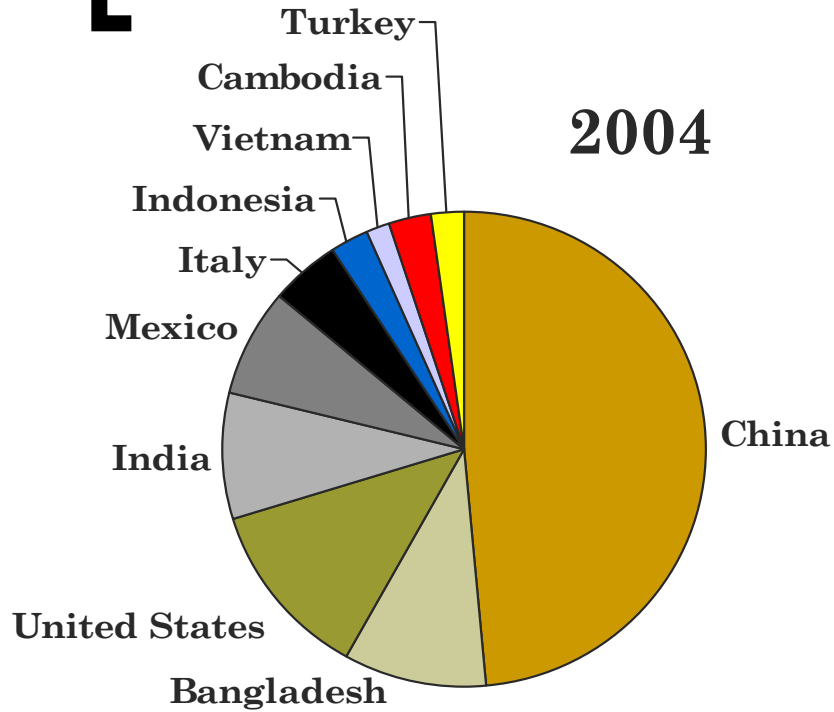
* Textiles and apparel



Top Ten Exporters to US



Top Ten Exporters to Canada



U.S. Apparel Imports from Selected Countries

