

**TURKEY'S CONTRIBUTION TO THE DEBATE  
ON POST-ATC RELATED-ISSUES**

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Textile and clothing sector is one of the most global industries in the world today. It constitutes a major source of income and employment for many countries, especially for the developing ones. This sector also plays a crucial socio-economic role in many of countries' development efforts, by offering entry-level jobs for unskilled labor. The clothing sector in particular employs a larger number of workers, the majority of which are female as also indicated in the Discussion Paper of the WTO<sup>1</sup>.

Businesses engaged in this sector vary from small and medium size enterprises employing labor-intensive methods of production, to highly automated and technologically advanced, large scale units. However, in many countries, textile and clothing sector is dominated by small-scale enterprises.

For more than forty years, textiles and clothing sector has received more comprehensive and persistent protection than any other industrial sector. Integration of trade in textiles and clothing into the GATT system was one of the hardest-fought issues during the Uruguay Round and in this regard, the Agreement on Textiles and Clothing (ATC) is considered one of the biggest achievements for the developing countries.

Even though the rationale of the quota system was to provide a temporary relief so that the quota imposing countries' industries could adjust for international competition on their own, many developing and the least developed countries, with the help of a guaranteed market share, have been able to use the system to develop their textile and clothing exports.

At present, for a good number of the developing countries, the sector is the main source of export revenue, accounting in some instance for as much as 90% of manufacturing exports. Depending on the country, the sector also accounts for 20-60% of manufacturing jobs. These figures are more than enough to show how some countries' economies are dependent on this sector. This fact is often compounded by the dependence on European Union and/or the United States' markets, which together absorb the lion's share of world textile and clothing imports.

Today, just a few months before the end of the ATC, it can be clearly put forward that the sustainability of textiles and clothing sectors are at stake in many developing and the least developed countries.

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<sup>1</sup> WTO Discussion Papers, No: 5, The Global Textile and Clothing Industry Post the Agreement on Textiles and Clothing, 2004.

In the third integration period of the ATC, the WTO members have witnessed a dramatic transformation of global production and sourcing patterns in this sector.

In some of the liberalized quota categories in the US market the increase of Chinese products soared as high as 800% in 2002. Also, the unit price decline in those liberalized categories was around 60%.<sup>2</sup> This is also true for the EU market. In some individual categories, the expansion of market share has multiplied several times over with an average unit price reductions of up to 75%.<sup>3</sup>

Nevertheless, developments in the Japanese textile and clothing market between 1990 and 2002 display another sign of such dramatic change in that period. The share of Japanese imports originating from a single country soared from 31% to 79%.<sup>4</sup>

Numerous credible studies on the implications of the quota phase-out have shown, by the removal of quotas by 2005, global textile and clothing trade will be monopolized by a WTO member with an estimated share of 50% or more. It is also important to stress that the quantitative restrictions that will be eliminated by 2005, cover both the most sensitive and the highest value-added products. As a result of this, more than 30 million jobs around the world are estimated to be lost to a few in a short span of time.

The textiles and clothing sector takes substantial place in Turkey's economy and foreign trade as well. It constitutes the largest industry and accounts for 10% of GDP, 22,6% of manufacturing output, and %21 of employment in manufacturing sector. Turkey's exports of textile and clothing products contributed 34.4% to total merchandise exports in 2003. The EU has traditionally been the main market, followed by the United States.

The comprehensive report of the Textiles Monitoring Body on the implementation of the ATC during the third stage of integration process draws WTO members' attention to the fact that the post-ATC period will bring about important trading opportunities and challenges that the WTO members will have to face. It is very clear that full implementation of the ATC is fundamental to the credibility of the multilateral trading system. However, the current data indicate that market dominance will limit the opportunities only for a small number of countries, whereas the great challenges are going to be left to the rest. In that case, the economic and social disruption will be significant for many developing and the least developed countries.

It should also be noted that the prospective problem, besides the least developed ones, is in the interest of many developing countries. To that end, it should permanently be kept in the WTO agenda unless an urgent satisfactory solution is generated for all countries that will be affected negatively.

The ambitious agenda of ongoing market access negotiations for non-agricultural products under Doha Development Agenda too, necessitates an urgent full review of global textile and clothing production, export and market circumstances so as to develop appropriate remedies within the multilateral trade system. In this respect, the ongoing market access negotiations for non-agricultural products provide us with an opportunity to develop appropriate trade policies that will be needed from 2005 onwards.

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<sup>2</sup> [http://www.otexa.ita.doc.gov/Safeguard\\_intro.htm](http://www.otexa.ita.doc.gov/Safeguard_intro.htm)

<sup>3</sup> Communication from the Commission to the Council on the future of the textiles and clothing industry in the enlarged EU, dated 29th October 2003.

<sup>4</sup> Structural Adjustment in Textile and Clothing in the Post-ATC Trading Environment, OECD Trade Policy Working Paper No:4, TD/TC/WP(2004)23/FINAL, Page 39

All of the WTO member countries have a responsibility to address the justifiable concerns of the developing as well as the least developed countries about the sustainability of their economic growth and its main components such as textile and clothing exports.

Turkey strongly believes that the answer to the question of how the major challenges ahead are going to be handled should be given by the all WTO countries in compliance with their WTO commitments and by developing appropriate remedies within the multilateral trade system.

It is obvious that there are rules in place in order to protect domestic markets against unfair trade practices. Likewise, there is a strong need for the establishment of such mechanisms to protect the market shares of the developing countries in their export markets.

At this stage, various options; from a monitoring mechanism that will concentrate on the threat of market distortions to a unique safeguard mechanism that has a self-triggering structure and aiming at smooth functioning of trade in the major export markets and avoiding unfair practices can be discussed towards a comprehensive and exhaustive solution under a WTO work program.

Consequently, new mechanisms should urgently be developed to ensure smooth transition to the quota free trading environment if international trade is to stay as the engine of sustainable development. There is no doubt that timely and fully implementation of the WTO commitments is vital for the credibility of the multilateral trading system. Likewise, it should also be kept in mind that all WTO members are in need to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. Moreover, it is WTO member countries' commitment to continue their positive efforts to ensure that developing countries, and especially the least developed among them, secure a market share in the growth of world trade commensurate with the needs of their economic development<sup>5</sup>. In this respect, the new mechanisms should make the WTO more flexible while responding to the needs of many developing countries timely and efficiently. This will, in turn, definitely enhance the credibility of the WTO system.

The complexity of the challenges that many developing countries will face, of course, requires policy coherence between the WTO and other relevant international organizations. However, it is clear that the WTO is the sole address to solve problems originating from the conduct of trade relations among its members in matters related to the WTO agreements and other associated legal instruments.

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<sup>5</sup> The Preamble, Marrakesh Agreement Establishing The World Trade Organization.