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WORKING PAPER

Emerging Economies

After the MFA, the CCAs (China Containment Agreements)

OG Dayaratna-Banda
John Whalley

Working Paper No.24
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Abstract

The post-Multi Fiber Agreement (MFA) trade regime in textile and apparel appears to be emerging in ways which are quite different from what had been widely anticipated before the termination of Agreement on Textiles and Clothing (ATC). Since the end of ATC, there has been growing and spreading set of trade restrictions targeted primarily at China, the largest shipper of textile and apparel, through a series of agreements that we term China Containment Agreements. We discuss the evolution of these agreements, their behavioural responses, and then draw their parallels to those under the older MFA. We argue that there is potential for these restrictions to prolong and grow, as well as spread to other products through the product-specific safeguards mechanism included in the conditions of China's World Trade Organization accession.

1. Introduction

For 33 years following the negotiation of a one year short term agreement on cotton textiles by the US with Japan and 4 other Asian suppliers, the global trading system generated a spreading entanglement of trade restrictions on textile and apparel exports from developing countries whose main purpose was to show the adjustments in Organisation of Economic Co-operation and Development (OECD) labour markets from growing imports. The resulting Multi Fiber Arrangement (MFA) of 1974 grew to oversee export growth rate quotas in OECD markets for an ever expanding group of developing country suppliers. Under the successive MFAs, country and product coverage expanded as did rules to deal with trans-shipment and other responses to the quotas. A wider range of unintended effects of the quota regime emerged including quota-hopping foreign investment, quality upgrading, distorting effects of internal quota allocation schemes within exporting countries, and others.

The MFA was finally dismantled at the end of 2004, after a 10 year implementation period following the conclusion of the Agreement on Textiles and Clothing (ATC) as part of the Uruguay Round. Much speculation had surrounded what its demise might bring, ranging from extensive use of anti-dumping duties in developed countries to negotiated market sharing agreements for exporters in each key import market, following the precedents set for steel imports in the 1980s.

Here we argue that the post-MFA regime seems to be emerging in ways which are quite different from what had been widely anticipated. While there has been some increase in the use of anti-dumping measures in the textile and apparel area, the new and unanticipated twist has been a growing and spreading set of trade restrictions primarily targeted at China, the largest shipper. We term these the China Containment Agreements (CCAs), each having been implemented under China's World Trade Organization (WTO) accession agreements of 2001. Under the latter, China agrees to the use of measures which constrain import surges until 2013. Presently, these involve higher growth rate quotas than the MFA quotas they replace, but their product coverage is in some cases more restrictive, and the number of countries using them against China is growing.

After the termination of the MFA, exports of clothing initially surged substantially to both US and EU markets. The largest percentage and absolute surges came from China. By late summer of 2005, the US responding to pressures from domestic producers used threats of import bans to force China to accept new growth rate quotas. While these were at growth rates higher than MFA quotas and covered fewer products, they were still restrictive and significantly slowed further trade growth. Early autumn 2005 saw similar measures agreed between the EU and China, and the list has since grown to include Mexico, Turkey, Brazil, Peru, and Canada as other importers. The EU/China arrangement has become complicated due to impounding of over quota China imports, and the counting of imports later released from warehouses against later year quotas.

We argue that there has already seemingly been behavioural response to these quota regimes reminiscent of what the MFA produced. The difference is that instead of a world divided by a quota wall between developed and developing countries, it is now a quota wall set to contain the largest shipper. Thus, transshipment is an issue with Chinese exports of Kashmir sweaters (as an example) to Romania up by over 600 per cent in a year to ship into weakly administered Romanian quotas for transshipment into the EU. Quotas are allocated within China by a pricing scheme, and fear of bogus quota forces Chinese shippers to ship very quickly. Chinese quota in the EU in 2006 was nearly fully used by mid-summer, and in 2007 the same seems likely. Quota hopping foreign investment by Chinese enterprises to (again) Romania for effective shipment to the EU is also evident. In short, many of the responses to the forerunner MFA now present themselves but in a transformed guise.

The spread of these arrangements is seemingly restricted by the WTO process itself, but countries undergoing or with completed WTO accession (such as Vietnam who is still subject to restraint) seem likely to follow a similar course if their shipments grow.

In what follows, we first briefly set out the prior MFA arrangements and their effects and then move on to detail the evolution of the Containment Agreements involving China, as well as more recent developments involving the US and the EU. We then document available evidence as to behavioural responses generated thus far and draw the parallels to the behavioural responses to the older MFA. We conclude with some speculation as to where this emerging system is headed, whether it can expand further, whether it can become increasingly restrictive, whether it can spread to product categories outside of clothing, and what might happen after 2012 when accession restraints on China terminate.

2. The MFA and Its Behavioural Responses

The global quota system in textiles and apparel emerged from the Short and Long-Term Arrangements Regarding International Trade in Cotton Textile and Substitutes (LTA) initially negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT) in 1962. The LTA was extended to materials other than cotton in 1974, and became known as the Multi Fiber

Arrangement. Under the MFA, quota limitations on import growth rates apply by product and between pairs of importing and exporting countries over a five year period. A sequence of MFA country to country negotiations take place under a broad umbrella framework, and the various MFA agreements followed sequentially as MFA1, MFA2, MFA3, and MFA4. The MFA structure as its predecessors was primarily aimed at giving developed countries time to adjust to competition from imports from developing countries, and these arrangements protected producers in industrialized countries against competition from producers in developing countries.

Central to the MFA were a series of bilateral agreements between larger developed-country importers, such as the US and the EU, and developing-country exporters with potentially rapidly growing exports in the sector, such as China, India and Bangladesh. Importantly, the MFA did not apply to trade among developed countries. The number of US bilateral export restraint agreements grew from a single agreement with Japan in 1962 to agreements with 30 countries by 1972 and 40 by 1994. Agreements covered trade in as many as 105 categories of textile and clothing, with new categories progressively added to the agreements.

After 30 years, agreement was reached to phase out the MFA through the Agreement on Textile and Clothing concluded in the Uruguay Round negotiations in the World Trade Organization. The ATC ended the MFA through a phase out plan eliminating quotas. The timetable for phasing out the MFA was in four stages over 10 years beginning in January 1995 and contained two elements: 1) the integration of products into the world trading system, and 2) the progressive raising of growth rates in quotas. Many view the ATC as operating in the interests of developing countries, since it is supposed to increase their access to the previously protected markets of advanced countries.

As the ATC designated a phased-in integration of a percentage of all textile and apparel imports, not of the imports previously restricted by specific MFA quotas, importing countries like the US integrated products that were not restricted in the first place during the phase. The ATC also allowed developed country producers to use special safeguard measures under certain conditions permitting developed countries to introduce new trade restrictions if they believed liberalized imports posed a significant threat to the domestic industry. Within a few months of the ATC being signed, the US initiated 24 special safeguard actions against 14 WTO members. Finally, quota and quota growth rates against the potentially more rapidly growing exporters were already close to zero, so that a percentage increase in the growth rate quota had no effect. These and other elements of the phase effectively delayed the termination of the MFA until the end of January 2005.

The MFA quota regime had many unintended and trade distorting effects. One by-product of the MFA was quota-hopping foreign investment. This is the phenomenon of "moving production away from newly constrained to temporarily unconstrained countries and inefficiently proliferating clothing industries in more countries than would have been the case in the absence of the MFA" (Whalley, 2006). Quota-hopping foreign investment was heavily directed to Export Processing Zones (EPZs) in many developing countries in South Asia, Africa and Latin America. Many East Asian economies heavily invested in textile and clothing plants in EPZs outside of East Asia. Firms from countries, which had exhausted their quotas, searching for countries which had not, opted for investments there to benefit from the quotas. Textile and clothing firms from China, Taiwan, Malaysia and other Asian countries with exhausted export quantities at home moved to South Asia (Kelegama, 2005), Sub-Saharan Africa (Taub-Merz, 2006), and Latin and Central America to capture additional quota access in the protected markets of the US and the EU. Although the precise contribution of Asian companies to South Asia's and Africa's textile and clothing exports is not documented, it is thought to be substantial though varied.

Diverse internal quota allocation schemes also evolved in exporting developing countries over the years under the MFA. These schemes included various eligibility criteria and categorizations of quota (see Trela and Whalley, 1995). Each country's allocated quotas are divided into categories within the country such as open and closed or basic and residual quota, where the main categories involved basic or closed quotas. In most cases past export performance was used to determine recipients of basic or closed quotas, and various criteria used to distribute open or residual quotas among existing quota holders and new quota applicants. Categories of quota and eligibility criteria differed from country to country, but generated additional distorting effects within countries.

The quota regime promoted trans-shipment of clothing, so as to either falsely claim origin from a country with unused quota or to allow for residual upgrading (adding button to shirt). Though difficult to document, trans-shipment from China to US markets is claimed to have amounted to about US$2 billion worth of imports annually. Moreover, US$10 billion of Chinese textile exports were not found to be officially accounted for (Mastel, 2000). This is despite existence of a series of measures to prevent the circumvention, such as; frequent factory visits, inspection of factory and other records, bond requirements for textile and clothing imports, and special certificate of origin from certain exporting countries containing information about production capacity, machinery installed, number of workers employed, production records.

Another unintended effect of the MFA quota regime is quality upgrading (Goto, 1989). According to Cline (1987), the real value of imports grew more slowly than the physical volume prior to the MFA, while the real value of imports grew considerably in the early years of the MFA (1972-77). Evans and Harrigan (2004) relying on unit prices as proxy for quality upgrading showed that the MFA quotas caused quality upgrading. Extending the Evans and Harrigan (2004) study, Khandelwal (2005), taking into account both vertical and horizontal product differentiation and using quality estimates, showed that MFA product quality improved faster in developing countries than non-bound countries. Harrigan and Barrows (2006) provided evidence of MFA quotas causing quality upgrading based on the 'exact price index' developed by Feenstra (1994) to overcome some of the shortcomings in using unit-value to measure quality change. They showed that the prices of US textile and clothing import fell significantly in quota-constrained categories following ATC expiry from all exporters. Chinese goods' price fell by 38 per cent and quality also fell by 11 per cent.

The transfer of quota rents to exporting developing countries under the MFA has also been debated. Many argue that the MFA regime has transferred significant amount of quota rents to developing countries. Most studies assume that quota rent is transferred to developing countries because the MFA quota is administered by the exporting countries. Some studies suggested transfer of large quota rents. Tarr and Morkre (1984) reported that the rent transferred to Hong Kong from the US restrictions amounted to about US$218.2 million. Hamilton (1986) estimated transferred quota rents by the price of auctioned quota rights and found large quota rent transfers. Pelzman (1988) estimated tariff equivalents of quota rents of textile and apparel and found large quota rent transfers to Hong Kong from the US. But, some have suggested that transferred quota rents are quantitatively small (Balassa and Michalopoulos, 1985).

3. The CCAs and their Evolution

The CCAs and China's WTO Accession

The new restraints on textile and apparel exports against China, that we term China Containment Agreements (CCAs), stem from the terms of China's accession to the WTO in 2001. Almost 20 years had elapsed since China was first granted observer status to the GATT and no country acceding to the WTO had been asked to take on as many concessions as precondition for accession. China agreed to these tough accession terms seemingly to get WTO membership as a mechanism for speeding domestic policy reform; allowing reformers to cite international agreements as a way of countering domestic anti-reform political pressures. Under the terms of China's WTO accession protocol, there were a series of provisions related to textile and clothing (World Trade Organization, 2001). These included;

a. The accession agreement incorporated continuation of the provisions of the ATC signed in 1995 under which the MFA restrictions were to be phased out by 1 January 2005. The special safeguard mechanism, included in US-China agreement on China's WTO accession, aimed to prevent a surge of imports from China which was to remain in effect until 31 December 2008. In effect, the MFA safeguard restrictions remained in place against China even though the MFA had been abolished.

b. Product-specific safeguards which allowed for restrictions to prevent market disruption caused by any specific products and were to remain in force for 12 years after Chinese accession. The determination of market disruption and resulting actions according to this provision is both unilateral and bilateral. In case of market disruption (actual or potential), the affected WTO member can request consultations with China to seek a mutually beneficial solution. If consultations do not lead to an agreement between China and the affected WTO member within 60 days of receipt of the request, the WTO member is free to impose unilateral restraints. China's protocol of accession states that "[I]n determining if market disruption exists, the affected WTO Member shall consider objective factors, including the volume of exports, the effect of imports on prices for like or directly competitive articles, and the effect of such imports on the domestic industry producing like or directly competitive products". Prior to taking unilateral actions, the WTO Member has to provide a public notice to all concerned parties. A WTO Member can apply a measure pursuant to this provision only for such period of time as may be necessary to prevent or remedy the market disruption. In critical circumstances, where delay would cause irreparable damage, the affected WTO Member can take provisional safeguard actions, and request for consultation with China.

c. The accord also allowed importing countries to treat China as a 'non-market economy' in anti-dumping and countervailing cases for 15 years after Chinese accession, a provision going much beyond textile and apparel, and the source of subsequent Chinese activity to reverse it. This provision allows discriminatory treatment in the case of countries, such as China, that have a complete or substantially complete government monopoly over international trade and where all domestic prices are fixed by the state. Authorities administering anti-dumping legislation and investigations can take advantage of this provision to reject information provided on costs and prices in China.

Many initial assessments of China's WTO accession predicted a win-win situation for both China and the rest of the world, suggesting that China stood to greatly benefit from tariff reductions after WTO accession (Zhang, 2000) and that China would be able to export textile and clothing without worrying about quotas (Zhong and Yang, 2000) when the ATC terminated in 2004. This, however, was not what followed after accession.

In the six years since accession, China has been involved in a large number of trade disputes. After China's WTO accession, the largest number of WTO anti-dumping suits have been filed against China. In 2002, 540 suits covering 4000 products and involving 33 countries were filed against China. In 2005, 23 out of 105 new cases and, in 2006, 32 out of 87 new suits were filed against China. During 2005-06, anti-dumping cases against China increased by 37.5 per cent compared to the previous year.[1] Products exported from China continued to be the most frequent subject of new measures. This has led some to suggest that terms of accession to WTO has created a difficult situation as China has to cope with tough anti-dumping measures contemplated or imposed by importers, which were easier to obtain against a non-market economy (Yeung and Mok, 2004).

The Structure of the CCAs

It has been in the post-accession period that a spread in new quota protection against China on textile and clothing exports has emerged, in clear contrast to what had been anticipated prior to the termination of ATC. This spread is has been an organized effort to contain the booming Chinese textile export-market. The post-WTO accession situation has evolved with China's textile and clothing sector still operating in something like the

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[1] See WTO Statistics Database; <http://stat.wto.org/>.

old MFA era, with a new set of export quota restrictions focused bilaterally on China. These began with trade surges to both US and EU markets following the termination of the MFA at the end of 2004.

Events leading to an initial US agreement with China on textile and apparel signed in fall 2005 began unfolding much earlier in the year. In accordance with the China's WTO accession terms, on 4 April 2005, the US Committee for the Implementation of Textile Agreements (CITA) initiated safeguard proceedings on several product categories to determine whether imports of Chinese origin apparel products were contributing to disruption of the US market following several requests by the domestic firms. Requestors asked CITA to limit imports of 12 apparel and textile products from China in accordance with China's WTO accession protocol. Accordingly, the CITA determined on 13 May 2005 that the US market for cotton knit shirts and blouses, cotton trousers, and cotton and man-made fibre underwear was being disrupted and that there was a threat of further disruption. The CITA also determined that imports from China in these categories played a significant role in actual or threatened market disruption. There were also other cases pending before the CITA at that time. Before taking unilateral safeguard actions, the CITA requested consultations with China to ease or avoid market disruption in a mutually beneficial manner.

After repeated negotiation through the summer and early fall, the United States and China signed a Memorandum of Understanding Concerning Trade in Textile and Apparel Products on 8 November 2005 to limit Chinese textile and clothing exports to the US over the three year period 2006-08 in accordance with China's WTO accession protocol under the continuing special safeguard MFA arrangements. The quota allocation and growth rates under the agreement are reported in Table 1. In the year

Table 1. The 2005 US-China Bilateral Textile and Apparel Agreement: Quota Limits 2006-2008

Product Description	Unit	Preexisting 2004 MFA Quota	2004 or 2005 Unilateral Restrictions	New Agreed limits 2006	Growth Rate for 2007 (%)	Growth Rate for 2008 (%)
Sewing thread/combed cotton yarn	kilogram	3374340	2417962	7529582	15.00	17.00
Knit fabric*	kilogram	group limit	9664477	15966487	15.00	17.00
Special purpose fabric*	kilogram	group limit	-	33162019	16.00	17.00
Hosiery, including baby socks - T*	dozen pair	group limit	42433990	64386841	14.87	15.00
Sub-limit - hosiery, baby socks - B*	dozen pair	group limit	-	61146461	15.00	15.00
Cotton knit shirts	dozen	2403363	7699560	20822111	12.50	15.00
MB woven shirts, cotton and MMF	dozen	2256733	3688543	6743644	12.50	15.00
Sweaters, cotton and MMF	dozen	-	965382	8179211	12.50	16.00
Cotton trousers	dozen	2374254	7104632	19666049	12.50	15.00
Brassieres	dozen	1016010	21589056	22785906	12.50	15.00
Underwear	dozen	5025473	8286796	18948937	12.50	15.00
Swimwear	kilogram	722298	-	4590626	12.50	16.00
Towels	number	23593436	-	1.03E+08	12.50	16.00
Window blinds/shades	kilogram	546069	-	964014	12.50	17.00
Wool suits MB	number	132818	-	1346082	12.50	16.00
Wool trousers MB	dozen	72717	-	215004	12.50	16.00
Polyester filament fabric*	square meter	group limit	-	55308506	12.50	16.00
Other synthetic filament fabric*	square meter	group limit	36583997	80197248	12.50	15.00
Glass fibre fabric*	square meter	group limit	-	32265013	15.00	17.00
Knit shirts MMF	dozen	2583505	4740638	8060063	12.50	15.00
Trousers MMF	dozen	2855238	4434463	7960355	12.50	15.00
Trousers, silk, other vegetable fibres	dozen	1284980	-	17647255	12.50	16.00

* These categories were under group limits, each group covering a range of textile and clothing categories including these.

Source: <http://www.itcb.org>.

2004, the last year of MFA/ATC quota regime, China's exports to the US were restricted by specific quotas on 82 textile and clothing products. The new agreement re-imposed quotas on 34 product categories, although some of these categories are only partially covered by restrictions under the new agreement. Major import products (shirts, trousers and underwear) are all covered by the new restrictions. Apart from the 34 product categories, the US agreed not to apply any restrictions on ATC products that had been integrated into the normal GATT rules before the start of the third stage of integration. The US also agreed to exercise restraint in the application of any further restrictions with respect to all other products. The new restrictions on these 34 product categories were set in place for each of the three years, 2006, 2007 and 2008.

Table 1 indicates the quotas for the relevant products both in 2004, the year immediately preceding the expiry of all quotas under the ATC and in 2006, with growth rates in 2007 and 2008. The growth rates under the new agreement for 2007 and 2008 are much higher than under the MFA. Growth rates for China's quotas under the ATC for the respective products ranged from a low of 0.26 per cent to the maximum of 3.86 per cent, which through agreed growth rates would govern quota limits in 2007 and 2008. Agreed limits of quota under US-China agreement for 2006 were sharply quantitatively lower than unilaterally imposed restrictions by the US during 2004-2005 in some cases, and sharply higher in others. A major reallocation of quota by product category was thus achieved through negotiation.

The EU-China situation differed from that involving the US. China and the EU initially signed a bilateral agreement on 10 June 2005, providing for the imposition of the new restrictions only up to the end of 2007, with the EU agreeing to exercise restraint in applying any restrictions in 2008. Data on imports in the post-ATC period showed a spurt in shipments of textile and clothing products from China both to the EU and the US. The EU-China agreement provides for the re-imposition of quotas for a period of three years, 2005-2007 on 10 product categories. It also agreed to a similar restraint on putting any further product categories under quota limits.

A large inventory build up occurred after the EU-China agreement was signed. The quotas imposed under the agreement led to an impounding of some US$52 million worth of garments, and a trading loss of US$200 million for European importers and distributors.[2] During this period, the European Association of National Organizations of Textile Retailers appealed for an immediate solution. The large inventory accumulation in European

Table 2. The EU-China Agreement: Quota and Exports, as of 15 February 2007

Product Description	**Unit**	**Quotas (1 January-31 December 2006)**	**Quotas (1 January-31 December 2007)**	**Used Quotas (1 January-15 February 2007)**	**Filled by 15 February 2007 (%)**
Cotton fabrics	Kilogram	61948000	69692000	2993223	4.24
T-shirts	Piece	540204000	594000000	35928277	6.03
Children's sub-limit	Piece	45017000	49518000	3060822	6.17
Pullovers	Piece	189719000	220000000	13399923	6.09
Men's trousers	Piece	338923000	383000000	32726040	8.42
Blouses	Piece	80493000	88543000	9028010	9.94
Bed linen	Kilogram	15795000	17770000	916761	4.95
Dresses	Piece	27001000	29701000	4318290	14.52
Brassieres	Piece	219882000	248000000	19598439	7.83
Table & kitchen linen	Kilogram	12349000	13892000	386786	2.60
Flax or ramie yarn	Kilogram	4740000	5214000	333890	6.24

Source: <http://www.chinalinen.cn/e_article_1167.html>.

[2] See Emerging Textiles: Textile and Clothing Trade Information; <http://www.emergingtextiles.com>.

Customs warehouses was also said to trigger a 'serious shortage' of merchandise during the peak Christmas season in 2005 if the EU and China did not sign a new agreement.

As a result, the EU and China signed a revised deal on 5 September 2005 permitting the release of nearly 80 million pieces of imported Chinese clothing that have been impounded at EU borders, thus ending an episode in that the media dubbed 'bra-wars'. The agreement, approved by the EU member states two days later, increased the quantity of Chinese textile exports allowed into the EU in 2005 and amended the terms of the 10 June agreement that limited 10 types of Chinese textile exports to the EU to annual increases of no more than 8 to 12.5 per cent over the next three years. The impounded clothes, most of them ordered before the import restrictions were imposed, were held in EU ports after the quotas agreed to in June were filled. Under the new agreement, 2005 import quotas were increased to allow the release of the blocked merchandise. But, China agreed to let half of this increase be counted against the import quotas for 2006, while the EU agreed to allow the rest to be imported over and above the previously agreed quantities. This was to trigger further problems in 2006, and planted seeds for conflict in 2007.

Shipments from China to EU surged in 2005 with EU quota fill rates in most categories reaching 90 per cent within first 9 months in 2006 (Table 3). Licenses have also been used rapidly by China in the first two months of 2007. This phenomenon of quota rushing reflects both reduced 2006 quotas, and fear that either new restriction will be applied or that bogus quota claimed by other shippers increases the risk of quantitative limits being exceeded. In 2006, China's US quotas were exhausted while US-China quota fill rates began to grow in the first two months of 2007. In the first two months of 2007 fill rates are higher for US quota compared to the same period in 2006 (see Table 3).

Table 3. EU-China and US-China Quota Fill Rates in 2006 and 2007
(volume in kilograms and pieces)

EU								
Description	**Unit**	**31 Dec 2006**	**31 Dec 2006 Fill rate in EU**	**31 Dec 2006 Quota use In China (%)**	**15 Jan 2007 Cleared in EU**	**15 Jan 2007 Licensed In China**	**15 Jan 2007 Fill rate In EU**	**15 Jan 2007 Quota use In China (%)**
Cotton Fabrics	kg	44620723	72.03	83.32	3013	2123608	0	3.05
Knit Shirts/T-shirts	P	374237206	69.28	84.8	867726	28747900	0.15	4.84
Sub-limit children	P	34441650	76.51	89.98	62673	3081350	0.13	6.22
Pullovers	P	176840597	93.21	92.12	785411	10741868	0.36	4.89
Trousers	P	285057623	84	97.18	702092	23904234	0.18	6.24
W/G shirts	P	72157202	89.64	98.17	313077	6491111	0.35	7.33
Bed linen	kg	10879439	68.88	81.96	82779	8073	0.47	0.05
W/G Dresses	P	23679846	87.7	97.92	156188	3281212	0.53	11.05
Brassieres	P	183564430	83.48	93.92	1621369	16569159	0.65	6.67
Woven table linen	kg	6170382	49.97	63.25	13168	288572	0.09	2.08
Flax yarn	kg	4400583	92.84	98.15	0	309826	0	5.94
US								
	Unit	**15 March 2006 Quota Fill rate (%)**	**15 Feb 2007Quota Fillrate(%)**	**15 March 2007 Quota Fill rate(%)**				
Cotton yarn	kg	1.79	0.74	1.84				
Knit fabrics	kg	6.29	2.4	8.26				
Spec. purp. Fabrics	kg	2.41	0.91	2.22				
Socks	dpr	13.91	3.89	10.23				
Socks	dpr	14.47	3.97	10.21				
Cotton knit shirts	dozen	4.56	9.9	19.18				
MB woven shirts	dozen	7.86	4.17	9.81				
Cotton trousers	dozen	7.21	13.07	24.33				
Brassieres	dozen	4.9	4.39	10.96				
Underwear	dozen	4.73	4.33	11.38				
Swimwear	kg	9.48	8.13	17.92				
Cotton terry towels	no	7.05	4.6	12.33				
Wool suits	no	4.9	2.55	9.81				
Wool trousers	dozen	4.99	4.75	10.9				
Poly fill fabrics	m2	0.9	1.17	2.84				
Other syn. fill fabrics	m2	1.43	0.69	1.68				
Glass fiber fabrics	m2	1.98	0.64	2.9				
MMF knit shirts	dozen	5.5	6.26	11.97				
Sweaters	dozen	1.13	1.93	3.02				
MMF trousers	dozen	9.01	6.14	13.18				
O.MMF furnishing	kg	1.67	0	6.37				
Silk and veg. trousers	dozen	9.06	4.43	9.9				

Source: <http://www.emergingtextiles.com>.

Table 4. Emerging Textile and Clothing Trade Restrictions against China, 2005-2007

Country	Date of Signing agreement	Main Features
US	November 9, 2005	Quota imposed on 34 product categories for three years effective from 2005 to 2008.
EU	June 5 2005	Quota imposed on 10 product categories effective till 2008
	September 10, 2005	Amended June agreement to include more product categories and to alter quota growth rates.
South Africa	June 19, 2006	Agree to limit Chinese exports of 31 product categories till 2008.
Brazil	February 9, 2006	Quota and tariff restrictions on 8 categories of products covering 70 customs items effective till 2008.
Turkey	-	After Turkey threatened to impose sanctions on Chinese apparel imports, China announced on December 12 2006 that it impose voluntary export tariff on 6 product categories covering 148 customs items.
Canada	-	Canada Parliament debated a motion in February 2007 for the government to limit textile and apparel imports from China to less than or equal to 7.5 percent annual growth rate.
Mexico	-	Mexico textile and apparel suffered in developed country markets due to Chinese exports, considered sanctions, and negotiations are underway.
Peru	-	Imposed restrictions on Chinese textile and apparel imports, and negotiations are ongoing.

The EU and the US textile agreements with China set the precedent for a range of other textile and apparel importing countries to either introduce or contemplate trade restrictions against China on apparel imports in accordance with China's WTO accession protocol resulting in more agreements. These arrangements have varied case by case (see Table 4). Negotiated agreements have been concluded with South Africa in June 2006 and Brazil in February 2006. Turkey has threatened unilateral actions and China has unilaterally announced voluntary restraints. In Canada, Mexico, and Peru trade measures are being debated, and in the later two cases negotiations are underway. Just as the MFA spread through quota-hopping investment, now containment of Chinese exports spreads to ever more countries.

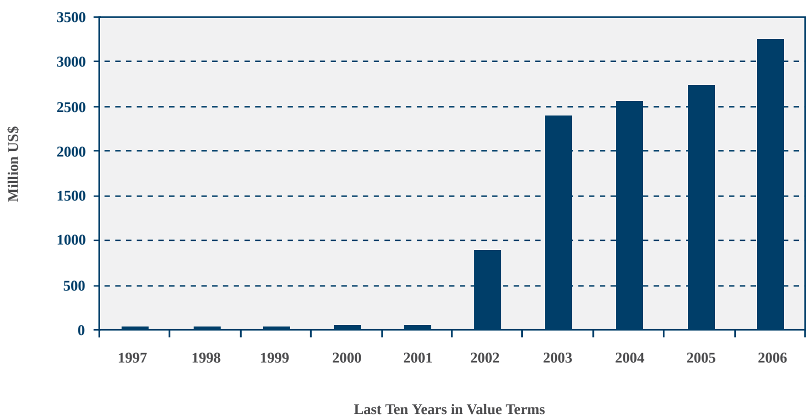
Restraints on Other Countries

An interesting case is Vietnam, where emerging trade restraints seem less severe than against China. Vietnam has become a competitor to China since 2004, especially in man-made fibres categories. Vietnam's accession to the WTO on 11 January 2007 has also brought increased competition against China, since developed countries agreed to eliminate textile and apparel quotas from Vietnamese exports upon WTO accession. Prior to Vietnam's WTO accession, there was much speculation that Vietnam's WTO accession agreement would also include the same safeguard provisions that the China's WTO accession accord included, and some civil society organizations such as Oxfam raised objections to such provisions.[3] The Vietnam's WTO accession accord does not include the same special provisions included in the China's WTO accession agreement despite heavy pressure from the domestic industry groups in the US, but does contain some trade restricting elements. The accession protocol considers Vietnam as a non market economy for 12 years after accession for anti-dumping and countervailing cases. A special safeguard provision is included in the bilateral agreements of Vietnam's WTO accession. The US-Vietnam agreement on Vietnam's WTO accession provides that if the US receives information indicating that a prohibited subsidy still exists in the textile and apparel sector it will request consultations with Vietnam. If there is no resolution of the issue during a 60 day consultation period, a third party arbitrator, acting under the Article 25 of the WTO Dispute Settlement Understanding, will be charged with determining, whether the measure is a prohibited subsidy within 120 days. If the arbitrator makes an affirmative determination or fails to decide within the proscribed timeline, the US will be entitled to immediately re-impose all 25 quotas that were removed upon

[3] See Oxfam UK: <http://www.oxfam.org.uk>.

accession, irrespective of the value or product of the violation, and will remain in effect until Vietnam comes into compliance. Those quotas, set at the agreed 2006 levels with no increase to account for expanded trade since then, could remain in force for up to one year or until Vietnam eliminates all prohibited subsidies in textile and apparel. This provision effectively allows the US to prolong quota restrictions beyond 12 months if Vietnam fails to eliminate prohibited subsidies in textile and apparel upon accession or within the 12 months period after accession. Surges of US apparel imports from Vietnam since 2003 (see Figure 1) could well result in US industry groups seeking import restrictions against Vietnam.

Figure 1. The Surge of US Apparel Imports from Vietnam, 1997-2006



Source: <http://www.emergingtextiles.com>.

Russia's accession negotiations have been influenced by demands from industry groups, but in this case outside of textiles and apparel. Nearly 15 years have elapsed since Russia formally applied for accession to the GATT. But Russia is still in the process of negotiating bilateral agreements with WTO members for accession. Some US import-sensitive industries, such as steel, are fearful of facing increased competition after Russia's WTO accession. These industries have been pressing to include a special safeguard provision to prevent or remedy market disruption caused by imports from Russia as part of the terms and conditions for Russia's accession (Cooper, 2006). EU industry groups have also raised similar demands. Whether Russia's WTO accession agreement includes special safeguard provisions remains to be seen.

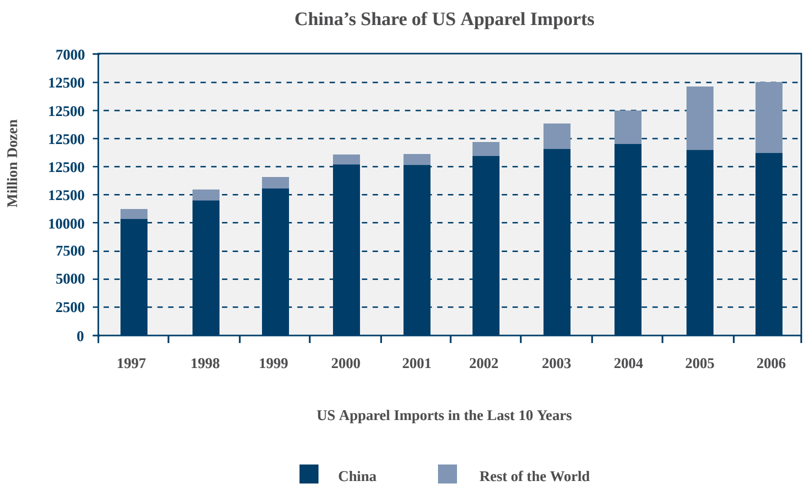
The US has been delaying implementing duty-free access to Least Developed Countries (LDCs) as agreed in a WTO declaration in Hong Kong in 2005. Under this declaration, the US, including other developed countries, is committed to provide duty-free access to LDCs; removing all duties on 97 per cent of products from LDCs. But US industry groups have been mounting pressure on the US government not to apply this provision to key apparel importers. In March 2007, they requested Bangladesh and Cambodia be excluded from the benefits of duty-free access given to LDCs (Johnson, 2007). These are two of the emerging large textile and apparel shippers. The US National Council of Textile Organizations (NCTO) asked to eliminate textile and apparel products from the product list for duty-free access. Of the 10,000 tariff lines in the US, about 300 tariff lines could be excluded from duty free access under this request. The NCTO requested that most textile and apparel imports be eliminated from the duty-free list based on this provision.

4. Impacts of the CCAs

The impacts of the CCAs parallel those of the MFA which preceded it. The very large volume and share surges into US and EU markets which occurred in 2005 have been much reduced in percentage terms in 2006 (see Table 4 and 6, and Figure 2). But, despite this slowing and restraint by quotas, the volume of US apparel imports still doubled in 2006 compared to 2005.

This was due in large part to surges in products not covered by the agreement. Data show that there has been a large sudden increase in imports from China to the US in 2005 in the immediate post-ATC period, and slowed growth thereafter. Shipments in

Figure 2. The Surge of US Apparel Imports from China



Source: <http://www.emergingtextiles.com>.

restricted categories were lower while still surging in unrestricted categories of products.[4] In index terms (2004=100), imports increased to 198 in 2005 and to 219 in 2006 reflecting only a slight increase in 2006 compared to 2005. In value terms, the same index increased to 170 in 2005 and to 207 in 2006, a 22 per cent increase in US apparel imports from China.

US apparel imports overall rose only slightly in 2006 compared to 2005 (see Table 5). Imports only increased by 2.41 per cent in 2006 in volume terms compared to 10.21 per cent in 2005. China accounted for about 117 per cent of growth in the US markets between 2004 and 2006, while shipments from rest of the world fell. Africa experienced double-digit decline of apparel exports to the US in volume terms. Central American countries recorded a significant decline of apparel exports to the US in 2006. Although other Asian countries such as Bangladesh, Indonesia, Vietnam, Cambodia, Pakistan, and Philippines all saw double-digit growth, India only grew by 6.34 per cent.

In restricted categories, China's share in US markets remained at 25 per cent in value terms and 28 per cent in volume terms in 2006, but shares in unrestricted categories of products rose from 26 per cent in 2005 to 46 per cent in 2006 reflecting a substantial growth. As Table 6 shows, import volumes in several key restricted categories of products show negative growth in 2006, while unrestricted categories show substantial positive growth.

EU apparel imports rose in 2006 even though shipments from China slowed (see Table 7).[5] In knitted clothing categories, EU imports from China declined by 2 per cent in 2006 compared to a record increase by 53.76 in 2005. In woven clothing categories,

[4] For comprehensive data, see <http://www.emergingtextiles.com>.
[5] For comprehensive data, see <http://www.emergingtextiles.com>.

Table 5. US Apparel Imports in 2005-2006, Volume (Square Meters) Change and Volume Share

Shipper	2005 Volume Change (%)	2006 Volume Change (%)	2004 Volume Share (%)	2005 Volume Share (%)	2006 Volume Share (%)
World	10.32	2.41	100.00	100.00	100.00
China	97.93	10.58	14.90	26.73	28.86
Mexico	-10.17	-13.29	9.50	7.74	6.55
Bangladesh	19.59	16.19	4.72	5.11	5.80
Honduras	4.03	-8.88	6.01	5.66	5.04
Indonesia	17.07	23.04	3.53	3.74	4.49
Vietnam	3.13	18.22	3.89	3.64	4.20
Cambodia	11.87	18.69	3.18	3.23	3.74
India	29.68	6.34	3.05	3.59	3.73
El Salvador	1.57	-16.66	4.27	3.93	3.20
Pakistan	11.28	16.42	2.60	2.63	2.98
Philippines	1.00	13.55	2.57	2.36	2.61
Dom. Rep.	-6.04	-18.39	3.82	3.25	2.59
Thailand	0.69	5.54	2.67	2.44	2.51
Hong Kong	-19.27	-12.27	3.70	2.71	2.32
Sri Lanka	9.32	-0.71	2.08	2.06	2.00
Guatemala	-6.58	-8.91	2.50	2.12	1.89

Source: <http://www.emergingtextiles.com>.

EU import from China rose only by 4.69 in 2006 per cent compared to 39.32 per cent increase in 2005. EU imports from Bangladesh in volume terms rose by 16.64 per cent in knitted clothing and 23.66 per cent in woven clothing in 2006. EU imports from Vietnam also rose by 193 per cent in knitted clothing and 116 per cent in woven clothing categories in 2006. Other Asian countries such as India, Pakistan, Indonesia, Cambodia, and Sri Lanka also gained considerably in 2006. These show that other Asian countries have benefited from quota restrictions on China.

Table 6. US Apparel Imports from China, Volume (units) and Value (US$) Change (2005-2006)

Category	2005 Volume Change (%)	2006 Volume Change (%)	2005 Value Change (%)	2006 Value Change (%)
Aggregates				
Apparel	97.93	10.58	67.61	22.29
Cotton	129.91	17.02	117.93	30.84
Wool	301.27	23.40	232.82	22.18
MMF	127.91	8.78	69.31	21.76
Cotton				
Other coats MB	535.53	77.88	233.52	77.36
Coats WG	1554.40	22.21	564.43	13.05
Knit Shirts MB	470.55	-15.84	113.57	63.84
Knit Shirts WG	792.29	17.16	276.85	85.17
Non-knit shirts MB	254.86	-13.47	131.63	11.99
Non-knit shirts WG	458.22	72.07	242.12	71.24
Skirts	1450.43	60.19	537.23	62.31
Sweaters	1456.42	3.99	589.01	23.43
Trousers MB	607.69	-22.41	247.15	6.00
Trousers WG	843.56	0.86	323.30	25.84
Bras and other	31.03	-18.06	19.35	-2.28
Dress. Gowns	11.84	5.48	12.54	11.95
Cotton Nightwear	815.25	26.53	412.52	22.67
Cotton underwear	383.44	-27.49	84.99	-9.84
Other cotton apparel	35.38	14.00	20.35	17.84
Wool				
Suits MB	957.76	-18.02	909.06	-4.50
Man-made fibers (MMF)				
Hosiery	-1.41	-31.06	-11.42	-8.57
Coats WG	690.72	3.05	210.28	12.17
Dresses	228.85	93.76	43.73	45.97
Knit shirts MB	312.81	-12.43	116.18	18.94
Knit shirts WG	201.74	52.00	78.46	71.31
Non-knit shirts MB	83.84	-44.22	33.36	-32.41
Non-knit blouses WG	263.84	54.23	150.23	45.67
Suits MB	441.47	42.31	319.23	41.43
Suits MB	95.95	28.80	57.35	23.26
Trousers MB	168.53	-24.59	51.04	13.85
Trousers WG	159.56	4.00	43.10	34.53
Bras, other	13.95	-6.93	15.02	37.28
Dress, gowns	19.97	45.87	25.24	53.41
Nightwear	307.58	56.00	146.05	40.59
Underwear	170.05	-21.71	39.13	-9.40

Source: <http://www.emergingtextiles.com>.

Import surges from China in the first half of 2006 showed that the restrictions imposed by the September 2005 agreement were largely ineffective to safeguard market disruptions by Chinese exports and EU Commission accepted requests from domestic producers for reopening an investigation in order to lift anti-dumping restrictions in December 2006. Interest in further renegotiation of the September 2005 agreement has been largely been driven by EU countries.

Table 7. EU Apparel Imports in 2005-2006, Volume (kilograms) Change and Volume Share

Shipper	Knitted Clothing					Woven Clothing				
	2005 Volume Change (%)	2006 Volume Change (%)	2004 Volume Share (%)	2005 Volume Share (%)	2006 Volume Share (%)	2005 Volume Change (%)	2006 Volume Change (%)	2004 Volume Share (%)	2005 Volume Share (%)	2006 Volume Share (%)
China	53.76	-2.00	24.46	33.99	29.92	39.32	4.69	36.03	46.13	45.30
Bangladesh	7.29	16.64	15.57	15.10	15.82	-13.03	23.66	9.29	7.43	8.63
Indonesia	-8.82	23.24	3.00	2.47	2.74	-8.26	17.41	2.22	1.87	2.06
Vietnam	16.21	193.57	1.12	1.17	3.10	12.55	116.06	1.77	1.84	3.72
Cambodia	-7.79	23.48	1.56	1.30	1.44	-10.56	-8.37	0.56	0.46	0.39
India	17.53	4.50	6.01	6.39	5.99	22.04	9.99	3.70	4.15	4.20
El Salvador	39.12	794.17	0.02	0.03	0.21	-	-	-	-	-
Pakistan	-17.77	23.89	3.19	2.37	2.64	-0.48	7.74	3.14	2.88	2.91
Philippines	-40.43	20.10	0.88	0.47	0.51	-38.71	20.17	0.49	0.28	0.31
Thailand	-8.52	-3.81	2.18	-	-	-12.82	-5.02	1.04	0.84	0.74
Hong Kong	0.15	47.32	2.72	2.46	3.26	-27.52	39.39	3.90	2.60	3.40
Sri Lanka	-12.02	14.68	1.76	1.40	1.44	-12.80	13.23	1.45	1.16	1.23

Source: <http://www.emergingtextiles.com>.

Though Chinese exports rose during the immediate post-ATC period, they declined after new restraints were imposed. Chinese exports have suffered in US and EU markets in 2006 due to trade restrictions. But, there has been an export surge from other Asian countries to the US and the EU markets, and in all probability made considerably by the CCAs.

A notable issue with these arrangements, as with the MFA, has been trans-shipment of textile and apparel products to US and EU. This is despite the US-China and EU-China agreements include provisions to prevent circumvention by trans-shipment, falsification of documents, and any other means. Many different schemes appear to be used to evade duties or quotas for textile exported to the US and EU. These include forging of country of origin documents, using of false documents or labels, and providing incorrect descriptions of merchandise.

Some US producers have suggested that Chinese manufacturers illegally trans-ship textile and apparel products, especially through Indonesia and African countries covered by the African Growth and Opportunity Act (AGOA).[6] Apparel shipped through Indonesia to US receives no preferential tariff treatment, but goods shipped through qualifying African countries can use AGOA to get preferential tariff treatment in the US. US Customs and Border Protection (CBP) claims that some Chinese companies are engaged in illegal trans-shipment of textile and apparel products to the US (Jones, 2006), and said that over a four months period ending in June 2006, it had seized more than US$10 million in 'misdescribed' textile products. This may only be a small percentage of actual illegal trans-shipments. The Indonesian government delivered a formal complaint on the issue of illegal trans-shipment to the Chinese government. The US and Philippines, meanwhile, signed an agreement to prevent illegal trans-shipment and to help safeguard and promote legitimate apparel trade between the two countries. It is also believed that Chinese apparel products reach US shores through Vietnam, Thailand, Hong Kong and Macau, and the US has contemplated investigations into these cases. There has been a growing fear since mid-2006 in China of possible

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[6] See Bilaterals.org: Everything that's Not Happening at the WTO: <http://www.bilaterals.org>; and <http://www.emergingtextiles.com>.

investigations of US Customs in Thailand and Vietnam of illegal trans-shipment of textile and apparel.[7]

The use of third countries (such as Bulgaria, Romania, Thailand, Hong Kong, Macau, and Indonesia) to ship Chinese textile and apparel products to the EU has also been an issue. Hong Kong adopted the modified control arrangements for Hong Kong's apparel exports to the EU on 15 March 2006 to prevent illegal trans-shipment (Xinhua, 2006). China's exports to Bulgaria and Romania increased substantially in 2006, in order to re-export products from Romania and Bulgaria to the EU after quotas were re-imposed. Textile and clothing exports to Romania surged 648 per cent with clothing exports increasing by more than ten times. Romania became China's fourth largest market, before South Korea. Shipments to Bulgaria were up 836 per cent and clothing exports climbed by 10 times. Following their entry into the EU, Bulgaria and Romania are now part of the EU structure of quotas on imports from China.[8]

Another impact of the CCAs as of the MFA is emergence of quota-hopping overseas investment by Chinese companies. It is reported that some manufacturers have started overseas investment to face the new quota regime.[9] Ningbo Shen Zhou Group, a larger apparel manufacturer in China, planned to invest about US$33.8 million in Cambodia in 2006 to build plants that manufacture 230,000 pieces of garments per day. Some producers have chosen Southeast Asian (Malaysia, Indonesia) or African (Nigeria) destinations for investment. There are also reports that the Chinese government has offered assistance for domestic firms to set up textile and apparel plants overseas. Addressing the Third Global

[7] See <http://www.emergingtextiles.com>.
[8] See <http://www.emergingtextiles.com>.
[9] See Danmex China Business Resource; <http://www.danmex.org>.

Textile Economic Forum in March 2006, China's Minister of Commerce announced that the government will offer assistance to domestic firms to establish Textile and Apparel Cooperation Zones (TACZ) in developing countries (China Daily, 2006). This obviously is a move by the Chinese government to enhance quota-hopping overseas investment by Chinese textile and apparel companies.

Another result of the CCAs has been the emergence of a quota market in China with quota prices. According to China's quota allocation scheme, 70 per cent of quota is allocated among existing companies according to past export performance, and 30 per cent is allocated through a competitive bidding process (China Daily, 2005). There has been intense bidding for quotas in 2005 and 2006. It was reported that more than 28,000 companies were qualified for bidding for US quotas while more than 21,000 were qualified for bidding for EU quotas at the end of 2005 for 2006 quotas (Ibid). Under the MFA, most country quotas were allocated administratively rather than by auctions and markets. EU-China and US-China quota prices are reported in Table 8. EU-China quota prices in some categories of products have been stable, while others oscillate. The price of W/G shirts and dresses quota in the US increased in 2007 compared to the same period in 2006. Most other categories (such as knit shirts/T-shirts, pullovers, trousers, brassieres) saw declines in quota prices in early 2007 compared to the same period in 2006. US-China quota prices also show a similar pattern. Prices in most categories substantially higher in 2006 compared to those reported in the early 2007. This shows that though immediately after the introduction of quotas in EU and US quota prices increased, and they have declined in the next months.

The CCAs structure has thus shown many of the evolutionary features of the MFA it preceded. It has seen progressive expansion

Table 8. EU-China and US-China Quota Prices in 2006 and 2007

EU-China Quota Prices in 2006 and 2007 in US$ per unit

Description	Unit	31 January 2006 US$ price	28 February 2006 US$ price	31 January 2007 US$ price	28 February 2007 US$ price
Cotton fabrics	p/kilo	n/a	n/a	0.3	0.3
Knit shirts/T-shirts	p/dozen	4.0	4	1.1	1.1
Sub-limit children	n/a	n/a	n/a	n/a	n/a
Pullovers	p/dozen	15.3	13.8	8	7
Trousers	p/dozen	9.5	9.3	3.6	3.9
W/G shirts	p/dozen	6.0	5.5	6.8	6.5
Bed linen	p/kilo	2.2	2.4	0.6	0.6
W/G Dresses	p/dozen	12.8	12.5	15.0	24.0
Brassieres	p/dozen	5.5	5.3	1.6	1.6
Woven table linen	p/kilo	2.0	2.2	0.6	0.5
Flax yarn	p/kilo	n/a	n/a	1.5	1.5

US-China Quota Prices in 2006 and 2007 in US$ per unit

Description	Unit	15 March 2006 US$ price	15 February 2007 US$ price	15 March 2007 US$ price
Cotton yarn	p/kilo	n/a	n/a	n/a
Knit fabrics	p/kilo	n/a	0.5	0.5
S.P. fabrics	p/kilo	0.8	0.6	0.2
Socks	p/DPR	1.3	0.8	0.7
Socks	p/DPR	-	-	-
Cotton knit shirts	p/dozen	9.0	8.2	8.0
M/B woven shirts	p/dozen	10.8	4.5	4.2
Cotton trousers	p/dozen	15.0	12.0	17.5
Brassieres	p/dozen	4.0	1.5	1.0
Underwear	p/dozen	4.0	1.5	1.3
Swimwear	p/kilo	5.5	4.5	5.0
Cotton terry towels	p/no	3.5	1.0	1.0
Wool suits	p/no	n/a	n/a	n/a
Wool trousers	p/dozen	n/a	n/a	n/a
Poly fill fabrics	p/m2	n/a	n/a	n/a
O. syn. fabric	p/m2	n/a	n/a	n/a
Glass faber fabric	p/m2	n/a	n/a	n/a
MMF knit shirts	p/dozen	11.0	6.0	6.8
Sweaters	p/dozen	11.0	3.5	2.7
MMF trousers	p/dozen	14.0	7.0	2.5
O. MMF furnishing	p/kilo	3.5	1.6	1.6
Silk & veg. trousers	p/dozen	5.3	1.7	1.7

Source: <http://www.emergingtextiles.com>.

of country coverage generated unintended effects of trans-shipment, quota-hopping foreign investment, and quota rushes. Whether it is only a short term arrangement that will have the effect of slowing Chinese trade surges following MFA removal for a couple of years, or whether the system will further develop based perhaps on the product specific safeguard mechanism contained in the MFA and extended for China out to 2013 remains to be seen.

5. Where is the System of Restraints Headed?

The agreements we refer to here as China Containment Agreements typically terminate in 2008. The EU agreement continues only until the end of 2007. At first sight, therefore, these agreements would seemingly be short term arrangements which have followed rapid immediate surges of Chinese apparel exports into US and EU markets and blunted the speed of surges. One scenario, therefore, is that come 2008 these restraints will simply disappear and the remaining surges from China needed to complete adjustments for free trade will occur. Under these adjustments, Chinese exports will recapture import share lost to unconstrained shippers since their introduction in 2005 as well as increase their share directly of US and EU markets by displacing (possibly sharply) domestic production. Under this view these agreements can perhaps be interpreted as a symbolic political concession to protectionist interests in the OECD which has only shown market driven adjustments by a couple of years.

On further reflection, however, other scenarios arise. One is the use of product specific safeguards which under the accession terms are allowed until 2013 against China and on products growing well beyond textiles and apparel these have thus far not been relied upon. The text of China's accession terms gives little indication that there could be restraints on their use in this way would seem likely. It would then be the threat of their use by key importers from China that would force negotiation of new quotas and quota growth arrangements.

If this scenario comes to pass, then the prospects for more of the same type of growth arrangements and unintended effects would seem likely. More importing countries would likely be added to the list of countries seeking such agreements, with more trans-shipment, quota-hopping investment, and quota-rushes.

Another scenario involves sharply elevated use of anti-dumping petitions in key importing markets as has happened over the years in product areas such as steel. These could be coordinated by industry groups in importing countries so that their volume could cause major problems for administrative tribunals, and the offer of withdrawal of petitions to be used as negotiating leverage for a new restraint regime. In the past, some have gone so far as to suggest such a mechanism could be a vehicle for a set of market sharing arrangements under which China's share of key import markets would be restrained. This once again would generate incentives for trans-shipment and quota-hopping foreign investment.

A further scenario is that currently even lower wage producers than China surge in the next few years and to be sufficient share away from China that pressures to restrain Chinese export growth are substantially mooted. The key candidates for such surges are from Cambodia and Vietnam, and possibly Bangladesh. For now Cambodia apparel exports are growing very rapidly, although from an initially low base, and Bangladesh exports have surged only in certain products (woolen sweaters).

Ultimately, these China Containment Agreements like the MFA which preceded it are at rock bottom only adjustment slowing mechanisms. The difference with the CCAs is that they are country specific and slow pent up adjustments built up over a period of nearly 40 years. In that an initial surge between the end of 2004 and their introduction in mid/late 2005 released some of the pent up pressures, the prospects for reduced further adjustments are improved. Also, a portion of the pent up adjustment pressures created under the MFA has been released by the removal of restraints on exporting countries other than China. Thus, whether the CCAs are merely a stepping stone towards transmuted more of the same, or a politically convenient fig leaf for a move to freer global textile trade will remain at issue until 2008 and beyond.

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Internet Resources

Bilaterals.org
<http://www.bilaterals.org>

Danmex China Business Resource
<http://www.danmex.org>

Emerging Textiles: Textile and Clothing Trade Information
<http://www.emergingtextiles.com>

Oxfam UK
<http://www.oxfam.org.uk>

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