

APPENDIX B

THE MULTI-FIBRE ARRANGEMENT

The Multi-Fibre Arrangement (MFA) is negotiated under the GATT and provides an international legal framework governing trade in the textile and clothing sectors. The MFA was originally negotiated in 1974 and replaced previous arrangements on cotton textiles which had been in effect since 1961.

Since 1974, the MFA has been renewed twice (in 1977 and 1981), with relatively minor adjustments. The Arrangement currently extends to July 31, 1986 and negotiations on its future are now underway in the GATT Textiles Committee.

Over 50 countries are signatories to the MFA, including almost all major textile exporting and importing nations.

The Arrangement provides a derogation from normal GATT rules, in particular by allowing quotas to be applied on a discriminatory basis against specific countries rather than in accordance with the GATT principle of non-discriminatory "most favoured nation" treatment.

The basic objectives of the MFA are to achieve the expansion and progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and the avoidance of disruptive effects in individual markets.

While allowing for the discriminatory application of restraints, the MFA sets out a number of criteria to protect the interests of developing countries and to ensure equitable treatment amongst MFA signatories. Formulae are included for minimum base-levels of restraints, as well as minimum growth and flexibility provisions. However, lower growth rates can be applied in exceptional circumstances.

Under the MFA, more favourable treatment is provided for new entrants, small suppliers and cotton producers. Flexibility in this area has been constrained, however, by the fact that restraint levels must also respect the established performance of the large traditional suppliers.