

WEAVING A NEW WORLD: REALIZING DEVELOPMENT GAINS IN A POST-ATC TRADING SYSTEM

UNCTAD series on assuring development
gains from the international trading system
and trade negotiations



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**Weaving a New World:
Realizing Development Gains in a Post-ATC Trading System**

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Preface

As the focal point of the United Nations for the integrated treatment of trade and development and interrelated issues, and in accordance with the São Paulo Consensus adopted at the eleventh session of UNCTAD, the UNCTAD secretariat supports member States in ensuring development gains from international trade, the trading system and trade negotiations, with a view to their beneficial and fuller integration into the world economy and to the achievement of the United Nations Millennium Development Goals. Through intergovernmental deliberations and consensus-building, policy research and analysis, and technical cooperation and capacity-building support, UNCTAD's work on trade negotiations and commercial diplomacy aims at enhancing human, institutional and regulatory capacities of developing countries to analyse, formulate and implement appropriate trade policies and strategies in multilateral, interregional and regional trade negotiations.

This paper is part of a new series on "Assuring Development Gains from the International Trading System and Trade Negotiations". It builds on the previous series on "Selected Issues in International Trade Negotiations". The targeted readership is government officials involved in trade negotiations, trade and trade-related policymakers, and other stakeholders involved in trade negotiations and policymaking, including non-governmental organizations, private sector representatives and the research community.

The objective of the series is to improve understanding and appreciation of key and emerging trade policy and negotiating issues facing developing countries in international trade, the trading system and trade negotiations. The series seeks to do so by providing a balanced, objective and sound analysis of technical issues involved, drawing implications for development and poverty reduction objectives, and exploring and assessing policy options and approaches to international trade negotiations in goods, services and trade-related issues. It seeks to contribute to international policy debate on innovative ideas in realizing development dimensions of the international trading system for the achievement of the Millennium Development Goals.

The series is produced by a team led by Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch, DITC.

Abstract

The discriminatory trading system that restricted textiles and clothing exports from developing countries for over 40 years finally came to an end. Both developed and developing countries stand to gain substantially from the removal of quota restrictions and the full integration of textiles and clothing into normal WTO rules. While many quantitative studies were undertaken to examine the impact of the ATC termination, post-ATC analysis cannot be reduced to a single calculation of who will win or lose. There are economic, political and geographical factors which would affect trade in textiles and clothing in the post-ATC trading environment. This paper attempts to highlight these factors and to argue that the success of an exporter of textiles and clothing in the post-ATC phase depends on how it will take advantage of the opportunities, and overcome the challenges, that ATC expiration brings about. The first section discusses the historical perspective of trade in textiles and clothing and the recent new developments. This is followed by a review of the textiles and clothing trade patterns under the MFA and an ATC, and the analysis of the factors influencing post-ATC effects. The paper concludes with policy recommendations for ensuring and maximizing development gains in the post-ATC trading environment.

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Introduction

During the last two decades, textiles and clothing were the second most dynamic products in world trade after electronic and electrical goods. Developing countries contributed significantly to this growth, and this sector continues to play a vital role in their economies on account of inherent and evolving comparative advantage. It is one sector that offers good prospects for diversification away from traditional commodity exports, for entry into the area of manufactures, for absorption of large pools of labour, for crossing the great divide between the rural and urban sectors, and for generating foreign exchange. Also, the economic performance of the sector has important implications for socioeconomic issues such as equitable distribution of income, employment opportunities for women, development of small- and medium-scale enterprises, spillover to the informal sector, integration of remote regions into the global economy, promotion of rural development and poverty alleviation.

Moreover, in many developing countries, textiles production is linked to traditional and cultural heritage, which points to the importance of maintaining the economic sustainability of the sector as a source of comparative advantage and economic vitality. Considerations of benefits from trade cannot be divorced from the larger issue, namely that there is an encompassing development dimension to the integration of textiles and clothing into the normal rules of the trading system. Certainly, the freeing of the textiles and clothing exports of developing countries from 40 years of restrictions by major developed countries has significant positive implications for trade and development. It can contribute to the realization of the Millennium Development Goals and the Monterrey Consensus objectives of ensuring that trade serves as an engine of growth and development, as well as the aim of the São Paulo Consensus, adopted at UNCTAD XI, to ensure that development gains from the international trading system and trade negotiations accrue to developing countries.

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