Bachelor-Thesis

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“Effects of Quantitative Restrictions on international trade flows: Evidence from the textiles and clothing sector”

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I. Abstract

Although most economists agree about free trade being beneficial, various types of trade barriers exist. Quantitative Restrictions, as a type of trade barrier, are seen to possibly cause far-reaching impacts. It is therefore interesting to analyse possible effects of Quantitative Restrictions on international trade flows, by looking at theory as well as evidence from the textiles and clothing sector. Of the various types of Quantitative Restrictions, only bilateral import quotas and Voluntary Export Restraints (VER's) are assayed in this thesis. In the textiles and clothing sector, bilateral import quotas and VER's were notably and extensively used under the Multifibre Arrangement (MFA), which was subsequently phased-out under the Agreement on Textiles and Clothing (ATC). This extensive use and rather abrupt end of these two trade barriers in this sector make it a useful case to analyse their effects in practice. Several effects of these trade barriers on international trade flows, as set out by trade theory, were observable in this case: The MFA appears to have led to reduced trade volumes in textiles and clothing. Moreover, quota-hopping investment and transshipment strategies, in order to circumvent these MFA trade barriers, were apparent. These were obvious in case of Chinese clothing exports, via Sub-Saharan African countries, into the USA. Furthermore, trade diversion effects were visible during the MFA. In particular, these could be observed in Mexican' and Caribbean' countries clothing exports into the USA. Also, trade deflection effects, notably in case of Chinese textiles and clothing exports, were displayed. When the MFA bilateral import quotas and VER's were phased-out, some developments indicated trade focusing in textiles and clothing. Other developments however suggested the opposite. The phasing-out of the MFA led to freer international trade in textiles and clothing. Pursuant to the principle of comparative advantage and the factor proportions theory, several countries have thereupon specialized increasingly, according to their endowments with factors of production. Notably, developing countries such as China, India, Vietnam, Bangladesh and Cambodia, have increased their exports of labour-intensive clothing. Meanwhile, developed countries such as the EU and the USA, have specialized increasingly in capital- and skill-intensive segments of the textiles and clothing industry. In compliance with new trade theory, economies of scale and product differentiation were also observable, following this trade liberalization in textiles and clothing.

Keywords: Agreement on Textiles and Clothing, clothing, bilateral import quota, factor proportions theory, international trade flows, Multifibre Arrangement, new trade theory, non-tariff trade barriers, principle of comparative advantage, Quantitative Restrictions, quota-hopping, textiles, trade deflection, trade diversion, trade focusing, trade liberalization, transshipment, Voluntary Export Restraint

JEL classification: F11, F12, F13, F42, N60, N70

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AGOA: African Growth and Opportunity Act

ATC: Agreement on Textiles and Clothing

CBERA: Caribbean Basin Economic Recovery Act

GATT: General Agreement on Tariffs and Trade

EU: European Union - *For simplicity, the term "EU", will be used in this thesis also when referring to its predecessor, the European Economic Community (see European Commission Website, 2016, n. pag.). See glossary for members and their times of accession to the EU.*

IMF: International Monetary Fund

LTA: Long Term Arrangement Regarding International Trade in Cotton Textiles

OECD: Organisation for Economic Co-Operation and Development

MFA: Multifibre Arrangement

NAFTA: North American Free Trade Agreement

QR: Quantitative Restriction

SSA: Sub-Saharan Africa

STA: Short Term Arrangement Regarding International Trade in Cotton Textiles

T&C: Textiles and Clothing

UN: United Nations

USA: United States of America

USITC: United States International Trade Commission

VER: Voluntary Export Restraint

WTO: World Trade Organization

1 Introduction

1.1 Research Problem

Although most economists generally advocate the idea of free trade, several reasons to restrict international trade flows exist. Therefore, various types of trade barriers came into being. One of these types of trade barriers are Quantitative Restrictions (in the following "QR's"). Of the various types of QR's, only bilateral import quotas and Voluntary Export Restraints (in the following "VER's") are to be addressed in this thesis.[1] Though Article XI:1 of the General Agreement on Tariffs and Trade (in the following "GATT") stipulates a general prohibition of QR's, several exceptions to this provision prevail. Various reasons for the utilization of bilateral import quotas and VER's exist. Nowadays, QR's are less used than in former times. Nonetheless, they continue to subsist, which underlines the persisting relevance to study them.

Bilateral import quotas and VER's are often said to have far-reaching impacts. This thesis will focus on their effects on international trade flows only. Hence, their effects on prices, quality, welfare, supply, employment and other issues will not be considered. With regard to their effects on international trade flows, one might firstly consider that the removal of such trade barriers will lead to trade becoming freer. Pursuant to the principle of comparative advantage and the factor proportions theory, freer trade will lead to an increasing specialization of countries, according to their endowments with factors of production. New trade theory implies that freer trade may also show in intra-industry trade, economies of scale and product differentiation. To continue, bilateral import quotas and VER's might lead to so-called trade diversion and trade deflection effects. When these trade barriers are removed, these effects are supposed to cease and trade is hence predicted to become more focused. Also, bilateral import quotas and VER's likely lead to reduced trade volumes in the affected good. Moreover, quota-hopping investment as well as transshipment strategies might be used, in order to circumvent bilateral import quotas or VER's.

International trade in the textiles and clothing (in the following "T&C") sector has long been heavily regulated by QR's. The first of these dated back to the times before World War Two. In 1974, the well-known Multifibre Arrangement (in the following "MFA") came into being. The MFA was a system of bilateral import quotas and VER's in international T&C trade. Generally

[1] It is to note, that as the effects of these two trade barriers on international trade flows outlined in this thesis may be seen as identical and because mostly VER's prevailed in the textiles and clothing sector, only the term "VER's" has been used in the chapter headings of this thesis. This was done in order to ensure a better overview and reading flow. In large parts of this thesis, the term "VER" will therefore also be used synonymously for "bilateral import quota" and imply and mean both of these trade barriers. Whenever this will be done, it will however be previously announced in the text.

speaking, it applied to T&C exports from developing countries into developed countries. The World Trade Organization's (in the following "WTO") Agreement on Textiles and Clothing (in the following "ATC") of 1995 put an end to the MFA. It provided for a ten-year transition period, for the phasing-out of existing bilateral import quotas and VER's. Due to an extensive back-loading of liberalization, most of the existing bilateral import quotas and VER's actually persisted until the 1st of January 2005, when they were finally abolished. However, some bilateral import quotas and VER's were re-imposed on China a few months later. These partly lasted until the end of 2008. Still, the extensive use of QR's in the T&C sector, as well as their abrupt end, make this sector a very useful case to study effects of QR's in practice.

Several of the theoretically described effects on international trade flows, have manifested themselves in case of bilateral import quotas and VER's under the MFA, as well as in case of their subsequent phasing-out. The MFA system of bilateral import quotas and VER's appears to have led to reduced volumes of international trade in T&C. When these trade barriers were phased-out, international trade in T&C became freer. In accordance with the principle of comparative advantage and the factor proportions theory, several countries have then specialized increasingly, according to their factor endowments. As predicted by new trade theory, economies of scale and product differentiation were also observable in this case. During the MFA, trade diversion effects appeared. These were distinct in case of Mexican and Caribbean countries' clothing exports into the United States of America (in the following "USA"). Trade deflection effects were also visible, notably in case of Chinese T&C exports. When the MFA bilateral import quotas and VER's were phased-out, some developments indicated trade focusing of international T&C trade flows. Other developments however pointed into the opposite direction. During the MFA, quota-hopping investment and transshipment strategies took place. These were clear-cut in case of Chinese clothing exports via Sub-Saharan African (in the following "SSA") countries into the USA. While many of these observed effects in T&C are consistent with theoretical assertions, it also becomes obvious that reality is more complex than theoretical models. Various other issues might possibly also have impacted international trade flows in T&C.

This thesis aims to analyse possible effects of QR's on international trade flows, by looking at theory as well as evidence from the T&C sector. Focus will be on effects of the phasing-out of the MFA system of bilateral import quotas and VER's in the T&C sector.

1.2 Course of investigation

This thesis analyses effects of bilateral import quotas and VER's on international trade flows, in theory as well as in the T&C sector. Hence, general information about these trade barriers, as well as their effects as set out by trade theory is needed. Moreover, information about the T&C sector, as well as utilization and effects of bilateral import quotas and VER's in this sector is required. For this purpose, notably articles from handbooks, anthologies and journals, as well as working papers, monographs and information from the WTO Website have been used, in order to gather information. Thus, a theoretical solution-driven style, based on literature research, has been applied.

In order to answer the research question, firstly in the second chapter, general background information on QR's as a barrier to trade will be covered. Looking at free trade and restrictions to trade, QR's will be ranged in the topic of international trade theory, as a type of trade barrier. Different types of QR's, as well as their legal background in the WTO and their current utilization will be addressed. As the focus of thesis lies on bilateral import quotas and VER's as types of QR's, selected reasons for their use will be outlined.

Next, in the third chapter, several aspects of international trade theory regarding effects of bilateral import quotas and VER's on international trade flows will be discussed. For this purpose, the principle of comparative advantage, the factor proportions theory and the new trade theory will be briefly explained. Furthermore, trade diversion, trade deflection and trade focusing effects, as well as quota-hopping investment and transshipment strategies, will be defined and elucidated.

Thereafter, the fourth chapter will cover utilization and effects of QR's in the T&C sector. Briefly, characteristics of the T&C sector will be illustrated. The extensive past use of bilateral import quotas and VER's in this sector, notably under the MFA, will be described. Also, the subsequent phasing-out of these restrictions under the ATC, as well as the following re-imposition of bilateral import quotas and VER's on China, will be dealt with. Afterwards, selected effects of these bilateral import quotas and VER's and their subsequent phasing-out in the T&C sector will be addressed. For this purpose, notably developments of market shares of relevant exporting countries in total world exports of T&C, as well as in the USA T&C import market, will be analysed. T&C export values of several exporting countries will also be considered. Effects will be considered for the particular year 2005, as well as over a long term perspective. The theoretical effects, as set out in chapter three, will be applied to bilateral import quotas and VER's and their following phase-out in the T&C sector.

Finally, chapter five will conclude by giving a summary of the findings, a critical acclaim and an outlook.

2 VER's as a barrier to trade

2.1 Free trade and barriers to trade

International trade can be defined as the process of buying and selling between buyers, sellers and merchants in different countries (Goede, 1996, p.325). Free trade may be defined as the relative absence of restrictions to the flow of goods and services between nations (Cavusgil et al, 2014, p.172). Rephrasing these definitions, for the purpose of this thesis, international trade flows are to be defined as the flows of goods and services between different countries.

There is a broad consensus among economists that free trade is in most cases both desirable and beneficial (Debaere et al, 2015, p.2). The central proposition of normative trade theory is that there are gains from trade and that free trade is superior to autarky and to various degrees of trade restriction (Corden, 1984, p.69). Krugman and Obstfeld argue that the idea of gains from trade is the most important theoretical concept in international economics (Krugman and Obstfeld, 2009, p.4). When countries trade with each other, this is almost always to their mutual benefit (ibid). Trade enables nations to use their national resources more efficiently through specialization (Cavusgil et al, 2014, p.172). The outcome of trade can help to keep the cost of many products low and allow for a wider choice of products and thus improved living standards, in developing as well as developed countries (ibid.).

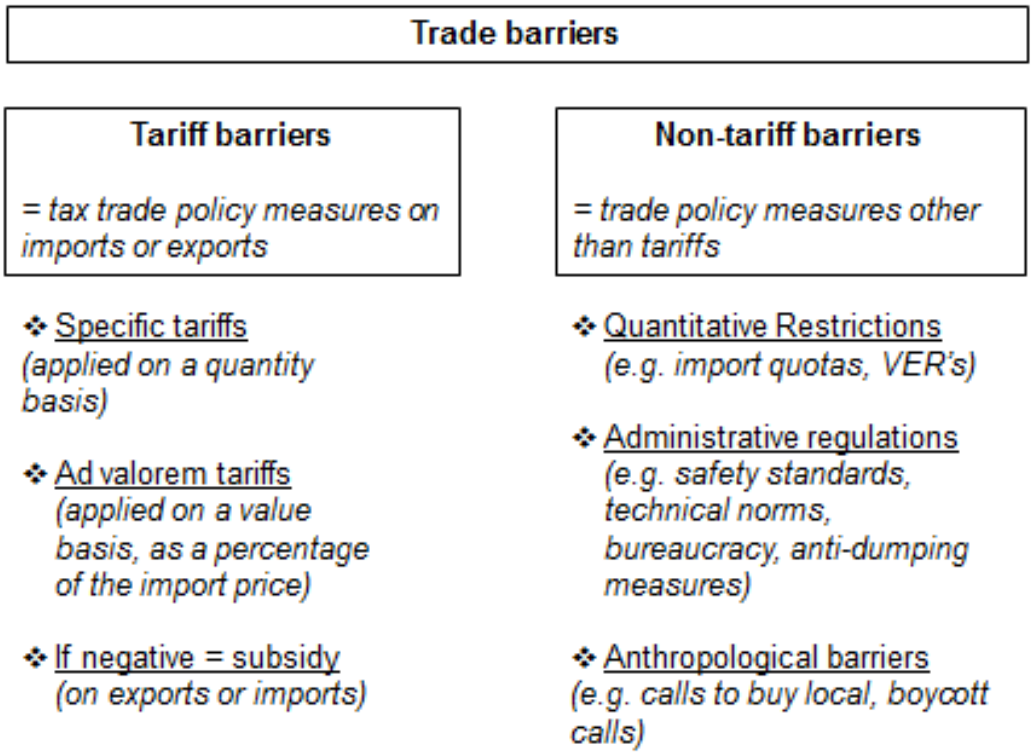
Main reasons for the occurrence of international trade are absolute or relative non-availability of goods in a country, absolute or comparative cost advantages between countries and an increased choice of products (Büter, n.d., n. pag.). Among the main classical theories explaining the rationale for international trade, the absolute advantage principle, the comparative advantage principle, the factor proportions theory, the international product life cycle theory and the new trade theory, are mentioned (Cavusgil et al, 2014, p.172, see chapter 3.1 and Glossary for brief explanations of these theories).

In the recent past, many economies have adopted policies fostering a less restrictive trade regime (Mukhopadhyay, 2004, p.1). The latter part of the 20th century thus saw a surge in trade volumes (ibid., p.79). However, few countries have anything approaching completely free trade (Krugman and Obstfeld, 2009, p.213). In most countries, one finds a mix of the trade policies of free trade and protectionism (Büter, n.d., n. pag.). Protectionism refers to government policies interfering with international trade through the imposition of trade barriers, usually restricting imports or promoting exports (ibid.).

Even though trade liberalisation has become a generally accepted goal of governments, protectionism (Kerr, 2007, p.1) and many trade barriers continue to persist (Debaere et al, 2015, p.2). There are several possible reasons for governments interfering in trade (Bown, 2014, p.21). These might be among others, of economic, political or public policy nature (Agusti et al, 2013, p.236). Annex 1 outlines selected reasons for protectionism.

Trade barriers are any impediment to trade in goods or services and can take many different forms, being usually classified as either tariff or non-tariff barriers (Agusti et al, 2013, p.236-237). Figure 1 illustrates this distinction:

Figure 1: Types of trade barriers



Source: own figure, based on Bamberger et al, 2000, p.259, p.437, p.533 and Goede, 1996, p. 487

Tariffs are usually considered one of the least restrictive trade barriers (if the tariff rate is reasonable and not prohibitive), as tariff rates are published, easily calculated and can be passed on in the price of goods (Agusti et al, 2013, p. 237). Also, their usual pre-announcement allows for some predictability for exporters (Kerr and Loppacher, 2007, p.215). Non-tariff barriers can all provide less transparency for exporters than tariffs (ibid.). Figure 1 is not encompassing, one could add more examples to each type of trade barrier: For instance, import licensing schemes, labelling or country of origin requirements and national laws complicating the importation of goods, can also be mentioned as non-tariff trade barriers (Agusti et al, 2013, p.237).

As Figure 1 has illustrated, Quantitative Restrictions are non-tariff barriers to trade (Bamberger et al, 2000, p.437). QR's are specific limits on the quantity or value of goods that can be imported or exported during a specific time period (WTO QR Website, 2013, n. pag.). In the WTO, the Committee on Market Access is responsible for updating documentation on QR's and reviewing member's use of these restrictions (WTO Website, 2016, n. pag.). Annex 2 of the Decision on Notification Procedures for Quantitative Restrictions, adopted by the Council for Trade in Goods on 22nd of June 2012 (G/L/59/Rev.1) of the WTO, provides an indicative list of different types of QR's (ibid.). It includes global quotas, global quotas allocated by country, bilateral quotas, prohibitions, prohibitions except under defined conditions, non-automatic licensing, QR's made effective through state-trading operations, mixing regulations, minimum prices triggering a QR and "Voluntary" Export Restraints (G/L/59/Rev.1 of the WTO, 2012, p.9). Each of these restrictions may apply to imports or exports (ibid.). Annex 2 illustrates this list and complements it with definitions.

The legal background of QR's by the WTO, including the Quantitative Restrictions Decision and its related notification requirements, will be addressed in chapter 2.2. In defining the types of QR's, it is interesting to mention that the WTO excludes measures covered by the agreement on sanitary and phytosanitary measures, measures covered by the agreement on technical barriers to trade, automatic import licensing procedures and tariff rate quotas, from having to be notified under the Quantitative Restrictions Decision (WTO Website, 2016, n. pag.). Thus, it somehow excludes these measures from its definition of QR's (ibid.).

Of all types of QR's, this thesis will only deal with bilateral import quotas and Voluntary Export Restraints (VER's).

Import quotas are an important non-tariff barrier to trade (Nedergaard, 2009, p.30). An import quota is a trade restriction imposed unilaterally by the government of the importing country (Skully, 2007, p.267). It is applied at the border (Czaga et al, 2004, p.5). It limits the total quantity or total value of a particular commodity, which a country allows to be imported from other countries during a specified time period, to a specific level (Goede, 1996, p.438-439). It is usually administered by a domestic government agency (Lutz, 2007, p.248). If the quota is full, further imports are prohibited (Rübel, 2008, p.188). An import quota can not only be set on a value or quantity basis, but also as a percentage of the domestic market for the item at stake (Agusti et al, 2013, p.231). In all cases, the import quota prohibits imports of an item above a pre-determined limit (ibid.). If set on a quantity basis, the import quota might be set on the basis of allowed units or weight (Rübel, 2008, p.188). If set on a value basis, the quota may be set in the domestic or in a foreign currency (ibid.). As mentioned above, there are global quotas, global quotas allocated by country, bilateral quotas and prohibitions. A total import prohibition on a particular good amounts to a quota of size zero (Lutz, 2007,

p.248). Global quotas are imposed by the importing nation on a particular product, regardless of its country of origin (Agusti et al, 2013, p.247). They can be global allocated quotas, implying that the total quota limit is allocated among several specific countries (ibid.). Bilateral import quotas are set against specific countries only (Lutz, 2007, p.248). In this thesis, only bilateral import quotas and VER's are to be considered.

Voluntary Export Restraints are arrangements made by the government or an industry of an exporting country to "voluntarily" limit their exports to the importing country (WTO QR Website, 2013, n. pag.). Typically, a VER is a result of requests made by the importing country, to provide a measure of protection for its domestic businesses that produce substitute goods (ibid.). Hence, differently to an import quota, a VER is implemented (Lutz, 2007, p.248), administered and controlled by the exporting country (Nüesch, 2010, p.2). In this sense, VER's are considered "voluntary" (ibid.).

Typically, VER's are requested from a specific exporting country, because the importing country seeks protection (ibid.) for its injured or competitively inferior domestic industry, from international competition (ibid., p.62). Thus, VER's are often negotiated bilaterally (Lutz, 2007, p.248). Therefore, VER's are usually negotiated with the most important exporting countries only, leaving minor suppliers free of restrictions (Okawa, 2002, p.151). VER's are source-specific; they apply to a limited number of specific exporters, or possibly only one exporter (Nüesch, 2010, p.3). Usually, the exporting country or countries agree to a VER under a threat of the importing country, that even more severe mandatory import quotas will be introduced, if they do not agree to the VER (Baldwin, 1984, p.600). Nüesch thus defines that VER's are induced, whether directly through negotiation or indirectly by means of alternative pressure and intimidation, by the importing country (Nüesch, 2010, p.5).

VER's are typically implemented for a specific period of time (ibid.). "Auto-limitation", referring to a unilateral imposition of a VER, which does not require an agreement with the importing country, is also possible (ibid.). "Auto-limitation" might all the same be the result of protectionist pressure from the importing country, or it might serve to maximise profits in the exporting country (ibid.). VER's can further be of informal nature and might take the shape of either government-to-government, importing government to exporting industry, or domestic industry in the importing country to competing industry in the exporting country, agreements (ibid., p.4-5).

Summing up, Nüesch argues that the most visible form of a VER is a negotiated bilateral agreement, in which the government of an exporting country agrees to limit its exports of a particular product to an importing country to predetermined levels (ibid., p.4). Moreover, VER's tend to be sector-specific, bilateral, quantitative, temporary and discriminatory, she argues (ibid., p.3). Pomfret amends, that a VER might not only limit exports of a specific

good to a fixed quantity, but that limitations to a fixed market share or rate of growth are also possible (Pomfret, 1989, p.208). There are miscellaneous terminology and concepts when it comes to VER's (Nüesch, 2010, p.3). VER's might also be called export restraint agreement (ERA), voluntary restraint agreement (VRA) or orderly marketing agreement (OMA) (ibid.).

Taking all these points into consideration, one could sum up that in general both, bilateral import quotas and VER's, set limits on the total quantity or value of a specific good, which flows from a specific exporting country into a specific importing country. The limit is set to a certain level and for a specific time period.

2.2 Legal Background of VER's by the WTO

International trade regulation is based on a general ban of Quantitative import and export Restrictions (Cottier, 2010, p.XIII). As a fundamental rule, the GATT (see Glossary for an explanation of the term "GATT") prohibits QR's through Article XI (Czaga et al, 2004, p.6), which states that:

> *"No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party." (Article XI:1 of the GATT)*

The term "contracting parties" refers to the member states of the WTO (Czaga et al, 2004, p.6).There are however several exceptions to this general prohibition (Kazeki, 2005, p.202). Table 1 lists some of the major exceptions to Art. XI:1 of the GATT and supplements them with brief explanations:

Table 1: Main exceptions to Article XI:1 of the GATT

Exception	Explanation
Art. XI:2 of the GATT	Export prohibitions or restrictions may be applied temporarily, to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting country (Art. XI:2 of the GATT). Import and export prohibitions or restrictions, which are necessary for the application of standards or regulations for the classification, grading or marketing of commodities in international trade, may be applied (ibid.). Several exceptions relating to agricultural products are put forward (Agusti et al, 2013, p.247).
Art. XII of the GATT and Art. XVIII of the GATT in case of developing countries	Allow member countries to apply QR's to safeguard the balance of payments (Kazeki, 2005, p.203). A balance of payments deficit can arise, when a nation's payment obligations in foreign exchange exceed its receipts (Agusti et al, 2013, p.258). QR's on imports might be the fastest way to halt the outflow of foreign currency by local companies (ibid.). The problem is usually more serious for developing countries, as they tend to depend on foreign currency for buying essential goods on the international markets, and can only obtain foreign currency by exporting (ibid.). The restrictions may however not exceed the extent necessary to address the difficulty, and have to be temporary (Czaga et al, 2004, p.7)
Art. XX of the GATT	Sets forth general exceptions to the main GATT principles, in order for the country to protect certain essential public policy objectives (August et al, 2013, p.388). These may be protecting human, animal or plant life or health; securing compliance with laws or regulations which are not inconsistent with the GATT; protecting natural treasures of artistic, historic or archaeological value and several others (ibid.). For instance, Art. XX was often used in the context of export controls, to limit the removal of cultural artefacts from their country of origin (ibid, p.389). However, these exceptions may not be used if they result in an arbitrary or unjustifiable discrimination between countries, or in a disguised restriction on international trade (Art. XX of the GATT).
Art. XXI of the GATT	Allows WTO member countries to deviate from the main GATT principles in cases, where their security interests are concerned (Czaga et al, 2004, p.7). Hence, QR's are permissible in respect to trade in products, which would negatively affect a country's security interests, such as e.g. arms and ammunition (ibid.). For instance, states have invoked Art. XXI to restrict their exports of conventional arms or dual-use goods, for national security reasons, or in support of United Nations (in the following "UN") actions for maintaining peace (August et al, 2013, p.389).
Art. XIX of the GATT	Is a so-called safeguard clause (Glismann, 1996, p.12). It allows WTO member countries to, among others, impose QR's, in the case when there is such an increased amount of imports into the member country, under such conditions that it causes or seriously threatens injury to domestic producers of similar or competing products (ibid., p.4). According to Glismann, Art. XIX was regularly used for imposing QR's (ibid., p.12). The WTO Agreement on Safeguards (which entered into force on the 1st of January 1995 (Nüesch, 2010, p.50)) refined this provision and made it more difficult for member countries to impose such safeguard measures (Glismann, 1996, p.4). Also, the safeguard measures have to be transparent and applied without discrimination (ibid., p.6).

Source: own table, sources indicated in the table

Table 1 is not encompassing and more possibilities might be added: To name only some, the GATT also allows for selective restrictions against specific countries in case of unfair (dumped or subsidized) goods (Glismann, 1996, p.6) and WTO members have also referred to the Agreement on Agriculture, the Understanding on the Balance of Payments and the Agreement on Safeguards, when introducing QR's (WTO Website, 2016, n. pag.). Moreover, developing countries might (subject to several requirements) impose QR's if this is required

to promote the establishment of a particular industry in the country, with a view to raising the general standard of living of its people (Art. XVIII:C of the GATT). Also, import restrictions may be imposed if a waiver of obligations (Art. XXV:5 of the GATT) is granted (Czaga et al, 2004, p.7). In the context of this thesis, mainly the exception of Art. XIX of the GATT will be of further relevance.

If QR's are used and allowed for, Article XIII of the GATT states that they must be applied on a non-discriminatory basis (Kazeki, 2005, p.202). Quotas should be global (Czaga et al, 2004, p.7) and not be applied *"…unless the importation of the like product of all third countries … is similarly prohibited or restricted."* (Art. XIII:1 of the GATT). As far as possible, each supplier country should get the import share, which it would also have without the quota in place (Glismann, 1996, p.6, referring to Art.XIII:2 of the GATT). If the country decides to allocate the quota among supplying countries, it should endeavour to do so in a way that meets the approval of all interested parties (Skully, 2007, p.273, referring to Art. XIII:2 (d) of the GATT). If this is not possible, it should allocate the quota rights to import in proportion to supplier market shares in some prior representative period (ibid.). Article XIII of the GATT provides further recommendations for the design of QR's (Czaga et al, 2004, p.7), for instance with regard to the administration of these or to providing of information about these (Art. XIII of the GATT). It also states that, as far as possible, Art. XIII shall apply to QR's on exports too (Art. XIII:5 of the GATT). It becomes obvious, that bilateral import quotas appear contrary to Art. XIII of the GATT.

Glismann sums up, that after the Uruguay Round,[2] a number of exceptions to the general prohibition of QR's remain (Glismann, 1996, p.13). Nonetheless, the preconditions for invoking these are now more precise and stricter (ibid.). Also, publication, information and consultation obligations are stronger (ibid.).

The Uruguay Round also established a notification procedure for QR's (Bonarriva et al, 2009, p.17). The Decision on Notification Procedures for Quantitative Restrictions of the WTO, adopted by the Council for Trade in Goods on 22nd of June 2012, revised and replaced this notification procedure (G/L/59/Rev.1 of the WTO, 2012, p.3). It requires WTO member countries to make complete notifications of all their QR's in force every two years and to notify changes to their QR's no later than six months after their entry into force (ibid., p.1). The notifications are expected to include among others, information on the products affected by the restriction, the type of restriction, and an indication for its justification under WTO provisions (ibid., p.1-2). Also, reverse notification is possible (ibid., p.2). This implies members reporting QR's maintained by other members (Bonarriva et al, 2009, p.17). Annex

[2] The Uruguay Round lasted from 1986 to 1994 (Dowlah, 2016, p.111, see Glossary for further information on the Uruguay Round). From January 1995 on, the agreements which were agreed upon during this round took effect (WTO Website, 2016, n. pag.).

2 of this decision, which contains an indicative list of different types of QR's, has been described in the previous chapter. The Quantitative Restrictions database by the WTO, which is publicly accessible, contains all QR's notified by WTO member countries (WTO Website, 2016, n. pag.). However, for instance in 2015, only 27 out of the total 162 WTO member countries had notified QR's to the WTO (WTO, 2015b, p.2). Hence, the WTO admitted that these notifications might not be representative for the universe of all QR's being maintained by its members (ibid.).

It hence becomes clear that import quotas are explicitly regulated in the above mentioned legal provisions by the WTO. A certain ambiguity arises however, with respect to VER's: On the one hand there is abundant literature explaining how VER's violate the GATT, in particular Art. XI (Prohibition of QR's), Art. XIII (Non-discriminatory Administration of QR's), Art. I (Most-Favoured Nation Clause), Art. III (National treatment) and Art. X (Transparency) (Nüesch, 2010, p.67). Moreover, a note by the Director-General of the GATT on Safeguards commented that VER's are, no matter whether one defines them as export or import restrictions, generally prohibited by Art. XI of the GATT, unless covered by one of the exceptions to it (ibid., p.68). Additionally, the note goes on, VER's limit exports to certain WTO member countries only and are thus in any case contrary to the provision of Art. XIII of the GATT, which provides for the non-discriminatory application of QR's (ibid.).

On the other hand, Nüesch argues, that VER's were a significant innovation in world trade policy and not foreseen by the drafters of the GATT (ibid., p.2). Before the Uruguay Round, they were so-called "grey area agreements", not directly subject to GATT control (Glismann, 1996, p.10-11). A certain ambiguity with regard to their legality prevailed (Nüesch, 2010, p.24). They allowed governments to circumvent GATT provisions, eluding effective legal disciplines and judicial control (ibid.).

Although VER's might still be called "grey area measures" today, they are now, as a result of the Uruguay Round, explicitly prohibited under the Agreement on Safeguards by the WTO (Kazeki, 2005, p.203). The WTO's Agreement on Safeguards, which entered into force on the 1st of January 1995 (Nüesch, 2010, p.50) explicitly prohibits the use of VER's (Glismann, 1996, p.10). Article 11:1 (b) of the Agreement on Safeguards sets forth that:

> *"… a Member shall not seek, take or maintain any voluntary export restraints, orderly marketing arrangements or any other similar measures on the export or the import side. These include actions taken by a single Member as well as actions under agreements, arrangements and understandings entered into by two or more Members. ... " (Art. 11:1 (b) of the Agreement on Safeguards by the WTO)*.

Hence, not only bilaterally agreed upon VER's but also unilaterally imposed VER's are prohibited (Glismann, 1996, p.11).

Moreover, Article 11:3 of the Agreement on Safeguards stipulates that WTO member countries shall not encourage or support the adoption or maintenance of non-governmental measures equivalent to VER's, by public and private enterprises either (Nüesch, 2010, p.69). However, Footnote 3 to Article 11:1 (b) of the Agreement on Safeguards sets forth that:

> *"An import quota applied as a safeguard measure in conformity with the relevant provisions of GATT .. and this Agreement may, by mutual agreement, be administered by the exporting Member." (Footnote 3 to Art. 11:1 (b) of the Agreement on Safeguards by the WTO)*.

Thus, VER's can, if all these preconditions are fulfilled, still take place (Glismann, 1996, p.11). However, unlike before the Uruguay Round (when they truly were grey-area measures), VER's are now subject to the control and dispute settlement system of the WTO (ibid.).

Having discussed their legal background in the modern world, it is also interesting to consider the current utilization of QR's: In general, QR's are less often applied nowadays than in former times (Czaga et al, 2004, p.29). Prior to the Uruguay Round, import quotas and other QR's on imports or exports were quite common in both, developed and developing countries (Czaga et al, 2005, p.12). Since the Uruguay Round, countries have discontinued many QR's (ibid.). Nonetheless, QR's, although less used nowadays, continue to exist (Czaga et al, 2004, p.29). Practically all WTO member countries maintain some QR's, for instance prohibitions and restrictions relating to nuclear material, narcotic drugs, weapons and others (WTO Website, 2016, n. pag.).

Nowadays, import quotas are relatively rare (see Krugman and Obstfeld, 2009, p.213 and Nüesch, 2010, p.1 and Skully, 2007, p.267). Historically, countries used import quotas to protect domestic industries (Agusti et al, 2013, p.247). In modern days however, industry protection reasons for the use of quotas and prohibitions are rare (Czaga et al, 2004, p.15). Quota restrictions prevail most notably in agricultural products (Whalley and Yao, 2015, p.2, p.13). Also, QR's on exports are imposed by many countries in the modern world (Bonarriva et al, 2009, p.1, p.5). These might relate to security reasons (ibid., p.12), such as limitations on the export of dual-use-technologies and dual-use-goods (which could be used to compromise national security) (ibid., p.1), or restrictions on the export of conventional arms (August et al, 2013, p.396). Many countries also use QR's on exports to preserve the environment (Bonarriva et al, 2009, p.12). These might for example relate to the transboundary movements of hazardous wastes or to the trade in endangered species (ibid., p.5). However, neither the agricultural sector nor such QR's on exports are to be discussed further in this thesis.

VER's in particular, were especially popular and very heavily used in the 1980s (see Baldwin, 1984, p.600 and Bown, 2014, p.7 and Hillman and Ursprung, 1988, p.729 and Nüesch, 2010, p.6, p.14). They were used notably by the European Union (in the following "EU") and the USA (Cottier, 2010, p.XIII). However, this significance of VER's as a protectionist trade device subsequently led to their outright ban in the Uruguay Round, when they were finally outlawed by the Agreement on Safeguards (Nüesch, 2010, p.6). The provisions of Art.11 of the Agreement on Safeguards thereafter reduced the recourse to VER's (Cottier, 2010, p.XIII). Some even argue that the expiration of the ATC on the 1st of January 2005 represented the final end of VER's (Nüesch, 2010, p.7). These QR's in the T&C sector will be described in chapter four.

Cottier and Nüesch are nonetheless of the opinion, that VER's have not disappeared in today's world trade, but rather take the shape of private company- or industry-level arrangements or export cartels, instead of government-sponsored agreements (Cottier, 2010, p.XIII and Nüesch, 2010, p.8-9). Moreover, as VER's often lack transparency and many of them are clandestine, they might be invisible, no matter whether they are government sponsored or not (Nüesch, 2010, p.9). In this sense, Nüesch hence asserts that VER's continue to exist and to proliferate in modern days (ibid., p.65, p.67). Although these issues are not the subject of this thesis, Nüesch's statements underline the continued relevance to study effects of VER's on international trade flows.

2.3 Selected reasons for utilizing VER's

In this chapter, selected reasons for the utilization of bilateral import quotas and VER's will be described. The present chapter is not all-embracing: Only selected reasons, which are of relevance for the following chapters on T&C, are considered. A large variety of further possible reasons for the use of bilateral import quotas and VER exists (see notably Czaga et al, 2004 and Nüesch, 2010 and Pomfret, 1989).

VER's and bilateral import quotas might be imposed, in order to protect an injured or competitively inferior domestic industry from foreign competition, usually from a surge of imports from the exporting country (Nüesch, 2010, p.2, p.62). Lobbying or pressure from domestic import-competing industries or unions may hence induce policy makers and governments to impose or negotiate them (ibid., p.26, p.30-31 and Goede, 1996, p.438 and Krugman and Obstfeld p.225 and Suh, 1981, p.1). There are, among others, three possible explanations for this reason:

Firstly, the classical problem of concentrated benefits and dispersed costs may arise in case of bilateral import quotas and VER's (Krugman and Obstfeld, 2009, p.196, see also Nüesch, 2010, p.30-31, p.63). This implies that a small group of domestic producers receives a large benefit, at the expense of a large group of domestic consumers, each of whom bears only a small cost (ibid.). Therefore, the producers may be very well organised, as they might also be dependent on the protection (ibid.). Meanwhile, the consumers might even be unaware of the effects of the bilateral import quota or VER (ibid.).

Secondly, in theory, free trade leads to a shrinking import sector and an expanding export sector (chapter 3.1 will elaborate on traditional trade theory forecasting an increasing specialization of countries in free trade) (Rübel, 2008, p.159-160). This structural change of the economy would lead to gains for the country as a whole (ibid.). However, this is a longer restructuring process, requiring flexibility of local factor markets, such as the labour market (ibid., p.160). In reality, several issues can hinder this process, leading to current social adaptation costs, while the gains might only occur in the future (ibid.). Hence, negatively affected sectors often exert political pressure, for instance in order to protect jobs in the affected industry (ibid.).

Thirdly, one might consider a simple theoretical two-country partial equilibrium model:[3] Such a model sets out, that a bilateral import quota or VER will reduce the amount of imports of the affected good in the importing country, to the level that it sets (Gandolfo, 2014, p.231). This reduced supply will lead to a higher market price for the good at stake, in the importing country (ibid. and Whalley and Yao, 2015, p.6). The higher domestic price has a protective effect on domestic producers and stimulates them to replace imports to some extent (Corden, 1971, p.204). Production output of the domestic import-competing industry increases due to the bilateral import quota or VER (Gandolfo, 2014, p.219, p.231). The lower the quota or VER for any particular product, the greater is the rise in domestic production of it (Corden, 1984, p.229). Thereby, domestic import-competing industries can possibly gain advantages from the imposition of a bilateral import quota or VER. It needs to be noted that in cases of a monopoly or oligopoly in domestic import-competing production, domestic output might possibly fall after a bilateral import quota or VER has been imposed (see Corden, 1971, p.204, p. 212 and Krugman and Obstfeld, 2009, p.209-210 and Lutz, 2007, p.250-251 and Nüesch, 2010, p.22-23 and Pomfret, 1989, p.202-203).

[3] See Gandolfo, 2014, p.219, p.231 and Krugman and Obstfeld, 2009, p.195-196 for an explanation of the model and see Gervais and Larue, 2007a, p.188 and Krugman and Obstfeld, 2009, p.183 for underlying assumptions of the model. See Pomfret, 1989, p.200-201 for an application of the model to VER's.

Analysing selected reasons for the utilization of VER's in particular, one can start by analysing possible motives of the importing country: As explained in chapter 2.2, prior to the entry into force of the Agreement on Safeguards in 1995, a main advantage of VER's consisted in them allowing governments to circumvent GATT provisions concerning QR's and discriminatory trade barriers (Nüesch, 2010, p.24, p.50). VER's, being "grey-area measures", eluded effective legal disciplines and judicial control (ibid., p.24, p.66). Contrary to general GATT principles, VER's could hence be implemented bilaterally and selectively (ibid., p.24). Prior to the Agreement on Safeguards, VER's were not subject to the GATT rules allowing other nations to impose equivalent trade restrictions (retaliatory measures) and obliging the imposing country to provide compensation to the affected country (which it would have had to do in case of a unilaterally imposed import quota) (ibid., p.24).

Moreover, differently to import quotas, VER's are less likely to induce retaliation or a complaint to the WTO by trading partners, as they are usually bilaterally agreed upon and implemented by the exporting country (Nüesch, 2010, p.15, p.24, p.65 and Pomfret, 1989, p.200). In using a VER, the importing country's government in a certain way seeks the acquiescence of the affected foreign country, with its protectionist policies (Hillman and Ursprung, 1988, p.729-730). Thereby, the impact of VER's on foreign relations might also be less detrimental than the impact of import quotas (Nüesch, 2010, p.25, p.28-29).

Furthermore, possible motives of the exporting country agreeing to a VER may be of relevance: It is often argued that governments of exporting countries agree to VER's in order to pre-empt other protectionist measures in their export markets, such as antidumping or countervailing duties, competitions law investigations, or stricter unilaterally imposed trade barriers, such as import quotas or tariffs (Bown, 2014, p.7 and De Santis, 1997, p.5 and Hillman and Ursprung, 1988, p.729, p.731 and Nüesch, 2010, p.2, p.32, p.63 and Pomfret, 1989, p.200). Such other protectionist measures might possibly impose greater political or economic costs on the exporting country than a VER (Nüesch, 2010, p.32). A government of an exporting country might also agree to a VER in order to appease the importing country and to avoid trade frictions or trade wars, which might negatively affect it (ibid., p.3 and Hillman and Ursprung, 1988, p.743). Also, unlike with unilateral trade barriers, the government of the exporting country might, at least to some extent, be able to influence the political decision making process regarding the trade barrier in the importing country (Hillman and Ursprung, 1988, p.743).

With regard to the exporting country, the "voluntariness" of VER's is a complex and controversial subject: Economics literature often considers VER's to be "voluntary" if the foreign producers' profit increases by restraining their exports to the domestic market and "involuntary" if the foreign producers' profit decreases (Nüesch, 2010, p.2). On the one hand,

it is often argued that VER's might possibly increase profits of exporting producers and lead to possible welfare gains for the restricted exporting country (Gandolfo, 2014, p.279 and Hillman and Ursprung, 1988, p.731, p.738 and Nüesch, 2010, p.14 and Pomfret, 1989, p.208 and Suh, 1981, p.2). In this sense, VER's might actually be seen as "voluntary". This might also explain, why exporting countries agree to VER's (Gandolfo, 2014, p.279 and Hillman and Ursprung, 1988, p.731-732). On the other hand, several authors state that exporting producers' profits might decrease (Pomfret, 1989, p.202, p.205 and Suh, 1981, p.2) and that the restricted exporting country may experience a net welfare loss due to a VER (De Melo and Winters, 1990, p.1-2, p.32). It is often argued that especially small and developing countries were rather forced than agreed voluntarily to VER's (De Santis, 1997, p.7 and Pomfret, 1989, p.208). This might be seen as confirmed by the historical preference of large importing countries' or trading blocs' (such as the EU and the USA) preference for negotiating VER's (Nüesch, 2010, p.14). Political and economic power might thus rather be underlying causes (ibid.). The "voluntariness" of VER's will however not be discussed further in this thesis.

3 Effects of VER's on international trade flows in trade theory

3.1 Comparative advantage, factor proportions and new trade theory

In the present and following chapters, only effects of bilateral import quotas and VER's on international trade flows are to be considered. These trade barriers may also induce a variety of other effects: Among others, effects on welfare, prices, quality of the goods traded and output of a domestic import-competing industry might be analysed (see notably Barrows and Harrigan, 2009, p.283-284 and De Melo and Winters, 1990, p.1-2 and Gandolfo, 2014, p.219, p.231-232, p.278 and Glismann, 1996, p.48 and Krugman and Obstfeld, 2009, p.195-196 and Pomfret, 1989, p.200-201, p.208). These are not the subject of this thesis. Therefore, the following analysis is not all-encompassing.

The following chapters mostly deal with general principles and prevailing opinions of international trade theory. These have been refined by many scholars and challenged on several fronts. However, addressing all of these issues would be beyond the scope of this thesis. Hence, the following analysis is not all-embracing.

It is to note that the effects which will be described in this chapter three (Effects of VER's on international trade flows in trade theory) hold true for bilateral import quotas and VER's alike (see for instance Lutz, 2007, p.248 and Hillman and Ursprung, 1988, p.729). Differences in the effects of these two trade barriers would occur, for instance, with regard to welfare-related effects (see Gandolfo, 2014, p.219, p.231, p.278 and Pomfret, 1989, p.200-201, p.208). These will however not be addressed in this thesis. For the trade flow related effects described here, the effects of these two trade barriers may be seen as identical. For this reason and in order to ensure a better reading flow, only the term "VER" will be used in this entire chapter three. It will imply and mean both, "VER" and "bilateral import quota".

Considering effects of VER's generally, one might argue that the elimination of such trade barriers will lead to trade becoming freer (Kowalski and Molnar, 2009, p.24). Different theories of international trade forecast miscellaneous implications of freer trade (ibid.):

Traditional trade theory is based on the assumptions of constant returns to scale and perfectly competitive markets (ibid.). It would predict an increased specialization across countries with different factor endowments, following freer trade (ibid.). The factor proportions theory, developed by Heckscher and Ohlin, simply put, states that each country should export products that intensively use relatively abundant factors of production and import goods that intensively use relatively scarce factors of production (referring to the respective country's endowment with factors of production) (Cavusgil et al, 2014, p.177). Abundance is defined in relative terms, by comparing the ratios of factors of production in countries, so that no country is abundant in everything (Krugman and Obstfeld, 2009, p.65). In freer trade, labour abundant countries would hence specialize increasingly in labour-intensive activities, while capital and human-capital abundant countries would tend to specialize in capital- and skill-intensive segments (Kowalski and Molnar, 2009, p.24). An increased specialization, simply put, refers to increasing production and exports of the respective segment (Krugman and Obstfeld, 2009, p.37). In classical economics, land, labour and capital are seen as the major factors of production (Peukert et al, n.d., n. pag.).

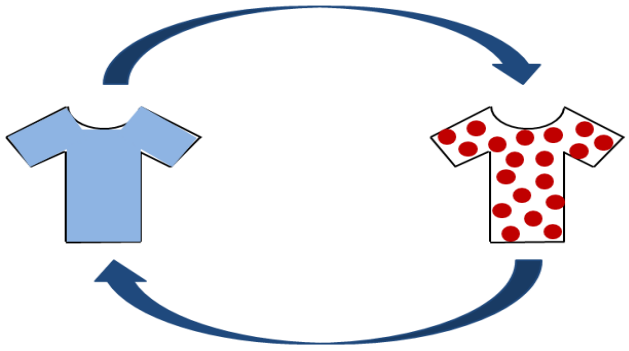
This theory shows that the comparative advantage of a country is influenced by the country's natural resources (the relative abundance of factors of production) and the technology of production (influencing the relative intensity with which different factors of production are used in the production of different goods) (Krugman and Obstfeld, 2009, p.54). The principle of comparative advantage, simply put, states that it can be beneficial for two countries to trade, as long as one is relatively more efficient at producing goods or services needed by the other (Cavusgil et al, 2014, p.174-175). Not the absolute cost of production, but the relative efficiency with which a country can produce the product matter (ibid.). The relative efficiency refers to the opportunity costs of production, which describe the value of a

foregone alternative activity (ibid.). According to the principle of comparative advantage, each country should specialize on the good which it can produce at lower opportunity cost (ibid.). When each country specializes in producing and exporting goods in which it has a comparative advantage, countries can gain from trade (Krugman and Obstfeld, 2009, p.37). Comparative advantage is reflected in inter-industry trade, which describes different goods being traded among different countries, as each country is presumed to be a net exporter of goods for which it has a comparative advantage and a net importer of goods for which it has no comparative advantage (ibid., p.131).

When considering new trade theory, which acknowledges the existence of increasing returns to scale and product differentiation (Kowalski and Molnar, 2009, p.24), international trade flows might also be explained by economies of scale (Cavusgil et al, 2014, p.179). When markets are not perfectly competitive but for instance show the features of monopolistic competition, freer trade results in a larger market for these companies, allowing them to increase their returns to scale (Krugman and Obstfeld, 2009, p.125, p.149). Monopolistic competition refers to an oligopoly, in which each firm is assumed to be able to differentiate its product from that of its rivals (see Glossary for short explanation and underlying assumptions of this model) (ibid., p.120). By trading with each other, countries can create a combined market, which is larger than each of their individual markets (ibid., p.125). This combined market allows for a larger scale of production (ibid.). The larger market through freer trade will thus support a greater number of firms, each producing at a larger scale (ibid., p.149). Thus, more varieties of a good can be produced at lower average costs, than in either market alone (ibid., p.125). Each country can thereby specialize in a narrower range of products, but simultaneously increase the variety of products available to domestic consumers, by buying goods from other countries (ibid., p.125). Hence, countries can gain from trading with each other, even if they do not differ in their resources or technology (ibid.).

Economies of scale may hence serve to explain intra-industry trade (ibid., p.131, p.149). Intra-industry trade is the international two-way trade of the same, though differentiated, product category within a sector and it does not reflect comparative advantage (ibid.). Economies of scale keep each country from producing the full range of product itself and hence serve to explain intra-industry trade (ibid., p.131). Firms produce differentiated products and some consumers will prefer foreign varieties of the product, resulting in international trade (ibid., p.130-131). Figure 2 illustrates intra-industry trade:

Figure 2: Intra-industry trade



Source: own figure, based on Krugman and Obstfeld, 2009, p.130-131, p.149

Freer trade may thus also manifest itself in intra-industry trade, economies of scale and product differentiation (Kowalski and Molnar, 2009, p.24).

3.2 Diversion, deflection, focusing and reduced volume of trade

As stated in chapter 2.1, VER's set a limit (to a certain level) on the total quantity or value of a specific good, which flows from a specific exporting country into a specific importing country. One might consider a simple theoretical two-country partial equilibrium model:[4] Such a model sets out, that a VER will reduce the amount of imports of the affected good in the importing country, to the level that it sets (Gandolfo, 2014, p.231 and Pomfret, 1989, p.200-201). It may be noted that in several cases (among others administrative delays, changed foreign or domestic supply and demand conditions, imperfectly competitive market structures or cartelization), the amount of imports might even be lower than the level set by the VER (see notably Bhagwati, 1965, p.65 and Gandolfo, 2014, p.279 and Nüesch, 2010, p.33).

When considering more than two countries, further effects may be observed: As explained in chapter 2.1, VER's are usually negotiated with the most important exporting countries only, leaving minor exporters free of restrictions (Okawa, 2002, p.151). Hence, VER's tend to be inherently discriminatory, differentiating between restricted and non-restricted suppliers (Pomfret, 1989, p.207).

Therefore, when analysing VER's, so-called trade diversion or trade deflection effects might occur (Conway and Fugazza, 2010, p.1 and Nüesch, 2010, p.3, p.63, p.70). Both effects originally stem from the theory of customs unions and free trade areas (Glismann, 1996, p.70 and Goede, 1996, p.503). Trade diversion in this case refers to imports from a low-cost

[4] See Gandolfo, 2014, p.219, p.231 and Krugman and Obstfeld, 2009, p.195-196 for an explanation of the model and see Gervais and Larue, 2007a, p.188 and Krugman and Obstfeld, 2009, p.183 for underlying assumptions of the model. See Pomfret, 1989, p.200-201 for an application of the model to VER's.

country outside the trade agreement, being replaced by imports from a higher-cost partner country (Gaisford and Kendall, 2007, p.120). This happens, because the partner has preferential access to the market and faces less trade barriers (ibid.).

Applying these ideas on VER's, trade diversion implies that the excess demand of the VER-imposing importing country might spill over to other exporting countries, which are not restricted by the VER (Conway and Fugazza, 2010, p.13). There is excess demand in the VER-agreeing importing country, because imports from the VER-restrained exporting country are artificially reduced due to the VER (see Baldwin, 1984, p.601-602). Hence, countries which before did not participate in the export market (the importing country agreeing the VER), might start exporting into this VER-imposing country (Conway and Fugazza, 2010, p.1, p.13 and Nüesch, 2010, p.3). Also, these non-VER-restricted third countries might already before have participated in the export market (the importing country agreeing the VER), but might now increase their exports due to the VER (Pomfret, 1989, p.205-206).

Several authors argue, that these third countries that are not restricted by a VER, would not have a comparative advantage and not be competitive under free trade (see Czaga et al, 2004, p.30 and Conway and Fugazza, 2010, p.13 and Glismann, 1996, p.70, p.111, p.119). They can only enter the export market, as VER's restrict the most or more competitive exporting countries (or country), which have a comparative advantage (ibid.). In that respect, trade diversion would imply the replacement of more competitive lower cost imports, with less competitive higher cost imports from unrestricted third countries (Glismann, 1996, p.111, p.119 and Nüesch, 2010, p.21). Production might hence also be diverted from lower-cost to higher-cost countries (Czaga et al, 2004, p.30). Overall, under a VER, there will be at least as many and possibly more countries exporting into the VER-agreeing importing country (Conway and Fugazza, 2010, p.13).

If these trade barriers are removed, trade should thus likely become more focused (ibid., p.27). This implies fewer countries exporting into those countries formerly under VER's (ibid.). The third country exporters (those without a comparative advantage in the absence of a VER), might export less into the importing countries now removing the VER's (ibid., p.13) or even cease exporting into these markets completely (ibid., p.27).

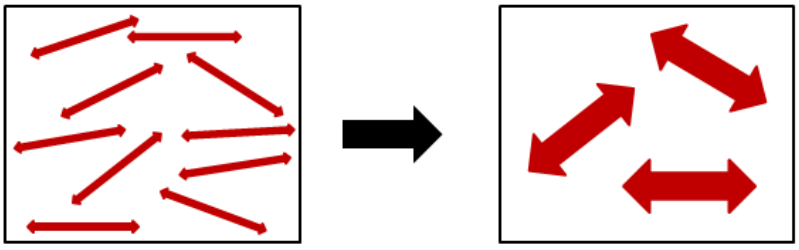
Trade deflection in case of VER's would imply exporting countries, which are restrained by a VER, subsequently increasing their exports into other, non-VER-imposing importing countries (ibid., p.13, p.16). This "deflection" of their exports might lead to exports to some countries which were previously not served (ibid., p.13). The restricted exporters are likely to regain the lost export market by enlarging their presence in other countries, which might put greater competitive pressure on third country markets (Nüesch, 2010, p.63, p.70). De Melo

and Winters agree that VER's are likely to result in such spill overs of exports to unrestricted markets (De Melo and Winters, 1990, p.1, p.31).

With the removal of VER's, theory predicts that exports to the previously VER-imposing importing countries should surge, being partly redirected from non-VER imposing countries (Kowalski and Molnar, 2009, p.44). The removal of VER's might lead to trade becoming more focused, as those exporters serving the formerly VER-restrained importing countries might then export to fewer other countries (Conway and Fugazza, 2010, p.27). The previously restricted importing markets might possibly be very lucrative markets (Kowalski and Molnar, 2009, p.39). Therefore, previously restricted exporting countries might reap benefits from increasing their exports to previously restricted importing countries and decreasing their exports to previously non-restricted importing countries (ibid.).

Moreover and as described in the beginning of this chapter, the quantities imported from exporting countries subject to a binding VER will of course be less (Conway and Fugazza, 2010, p.13). Also, trade diversion and trade deflection effects likely lead to more trading partners and smaller values traded (ibid., n. pag.). When VER's are removed, this reduction in trade volume as well as both, trade diversion and trade deflection effects, should cease (ibid., p.13, p.27). All this might hence result in average imports along fewer remaining bilateral trading lines being greater (ibid.). There might then be larger trade values, concentrated in a smaller group of exporters (ibid., n. pag.). Figure 3 illustrates this idea of trade focusing:

Figure 3: Trade focusing effect



Source: own figure, based on Conway and Fugazza, 2010, p.13

In case of a trade diversion effect, it is interesting to reconsider the protective effect on domestic producers, as explained in chapter 2.3: Baldwin argues that as long as the international supply at the free trade price from all countries, other than the restricted exporting country, equals or exceeds the import demand of the VER-requesting country at the free trade price, the VER will have no effect on the domestic price of the good in the VER-requesting country (Baldwin, 1984, p.601). Thus, instead of domestic production replacing a part of the imports as explained in chapter 2.3, imports from non-restricted exporting countries might simply replace imports from restricted exporting countries,

undermining the protective effect of the VER on domestic producers (Nüesch, 2010, p.21). Pomfret argues that the effectiveness of a VER depends on the elasticity of substitution between goods from restrained and unrestrained foreign suppliers (Pomfret, 1989, p.205). If the product at stake is homogenous and the supply of the unrestrained suppliers very elastic, the degree of protection given to the domestic industry is less (ibid., p.204). The above effects of trade diversion and trade deflection imply that the output by each foreign producer is homogenous and perfectly substitutable for the domestic output (Baldwin, 1984, p.602). If this is not the case, the correlations might become more complex (ibid.). However, there will still be a tendency for substitution among foreign suppliers, to offset the effectiveness of the VER as a device for protecting domestic producers (ibid.). Pomfret however argues, that if a VER covers all suppliers or applies to a supplier whose comparative advantage vis-à-vis third countries is overwhelming, the trade diversion aspect of imports from unrestrained third countries replacing imports from restrained exporting countries is unimportant (Pomfret, 1989, p.205).

If trade diversion undermines the protective effect on domestic producers, one might question why an importing country would be interested in negotiating a VER in such a case: Among others, a possible explanation might be that the importing country might want to favour unrestricted foreign countries over restricted foreign countries (ibid., p.206). The objective might be to help developing countries and encourage the development of potential foreign suppliers, or to achieve other foreign policy objectives (ibid.). However, as domestic producers are usually the most influential group on politics, Pomfret believes that they will likely lobby for an extension of the VER to non-restricted countries (ibid.). Suh argues that the rapidly growing suppliers in the world are likely to be restricted by VER's (Suh, 1981, p.10). Nüesch adds that non-restrained exporters are usually countries too small to warrant the costs of negotiating a VER agreement (Nüesch, 2010, p.3). If however these non-restrained third country producers appear to be much more efficient than domestic producers, the same political pressure might lead to an extension of VER's to them (ibid., p.20). Nüesch argues that this "snowball effect" occurred for instance in case of the MFA (ibid.), which will be addressed in chapter 4.2.

In general, a system of VER's such as the Multifibre Arrangement (which will be addressed in chapter 4.2), will likely lead to an overall reduced volume of world trade in the affected products, according to basic economic theory (Whalley and Yao, 2015, p.5). It has already been explained, that exports of the affected good, from the restricted exporting country into the restricting importing country, are reduced by a VER (Nüesch, 2010, p.4). Moreover, the restricted exporting country might have difficulties to switch sales from the VER-restricted to non-restricted export markets (relating to the above explained trade deflection effect) (De

Santis, 1997, p.5-6). Hence, a VER might lead to a contraction of the restrained industry in the exporting country (ibid. and De Melo and Winters, 1990, p.32). The size of industries for which the exporting country has a comparative advantage (exporting industries) might be reduced (De Melo and Winters, 1990, p.1 and n. pag.). This way, total exports of the VER-restrained product of the exporting country may be reduced due to a VER.

3.3 Quota-hopping, transshipment and further effects

VER's might also cause several other effects (Rübel, 2008, p.190). For instance, restricted exporting countries might try to evade the VER by delivering their goods through third countries, to the actual country of destination (ibid.). In this respect, quota-hopping and transshipment strategies may be considered:

Quota-hopping investment might be undertaken, by a restrained exporting country in a third country, which is less restricted by VER's (Whalley and Yao, 2015, p.7). The production of the final good thus takes place in that third country (ibid.). The good is then re-exported to the actual country of destination (ibid.). Part of the restrained exporting country's production facilities is hence moved to countries not subject to, or subject to underutilized VER's (Kowalski and Molnar, 2009, p.39). Transshipment also refers to a restrained exporting country shipping its exports to a third country, which is less restricted by VER's (Whalley and Yao, 2015, p.7). This third country then re-exports the goods to the final importing country (ibid.). Figure 4 illustrates this general principle of quota-hopping and transshipment:

Figure 4: Quota-hopping and transshipment

Source: own figure, based on Whalley and Yao, 2015, p.7

Usually, transshipment is rather defined as a simple re-loading of goods, e.g. from one ship into another, in an intermediary country. However, in case of VER's, this term might also be used in a slightly different sense: Rotunno et al use the term "transshipment" as a superordinate term, in order to describe the flows of goods between countries, while rather using the term "quota-hopping" when referring to the company level and hence to companies undertaking an investment in a less-restricted third country (see Rotunno et al, 2012). Often,

Rotunno et al also use these two terms concurrently and synonymously (see ibid.). In order to avoid confusion, both terms will hence be used simultaneously in this thesis.

It is important to consider, that all effects explained in this chapter three, only hold true in case of binding VER's (Nordas, 2004, p.24). Nordas argues that if a VER is set at a higher level than local demand at world market prices, it will not be binding (ibid). A non-binding VER will have no effect, besides the administrative cost of managing it (ibid.). In practice, whether a VER is binding, is often defined by considering its fill rate (Barrows and Harrigan, 2009, p.285). The fill rate is the proportion of the VER which was used by the end of a calendar year (ibid.). Higher fill rates indicate that the VER keeps imports below the level they would otherwise reach (Whalley and Yao, 2015, p.5). Even though slightly differing opinions prevail, most authors define VER's with a fill rate of at least 90% as binding (Barrows and Harrigan, 2009, p.285 and Nordas, 2004, p.31 and Whalley and Yao, 2015, p.5). Complexity in VER-management systems can make it difficult to fill the VER to 100% (Barrows and Harrigan, 2009, p.285). This explains why VER's with a lower fill rate than 100% are considered as binding (ibid.).

In general, it is argued that the damage caused by QR's is quite uncontroversial (Glismann, 1996, p.1, p.128). They are argued to possibly have far-reaching and trade distorting effects (ibid., p.1 and Heron, 2012, p.49). According to Nüesch, an overwhelming dissatisfaction with the effects and consequences of VER's prevails (Nüesch, 2010, p.64).

4 Utilization and effects of VER's in the textiles and clothing sector

4.1 Characteristics of the textiles and clothing sector

The T&C industry is made up of a number of distinct activities (Heron, 2012, p.2). These range from the supply of raw materials and intermediate inputs at one end of the supply chain, to the transformation of these inputs into end-use products and their eventual distribution and retail at the other end (ibid.). Figure 5 illustrates a general T&C supply chain in a simplified way:

Figure 5: Textiles and Clothing supply chain

Source: own figure, based on Nordas, 2004, p.3

At each step of the supply chain, there are usually several companies (Nordas, 2004, p.3). The textiles industry undertakes spinning, weaving, dying or printing activities (ibid.). It also includes the production of household appliances and industrial fabric (e.g. for furniture or industrial use) (ibid., p.7). In short, the textiles industry transforms fibre into yarn and subsequently yarn into fabric (Nedergaard, 2009, p.18). The fabric is then finished, which may involve for instance dying, printing or softening (Kowalski and Molnar, 2009, p.8). Natural and synthetic fibre production may also be seen as part of the textiles industry (ibid.).

The textiles industry is much more capital intensive than the clothing industry (Nordas, 2004, p.7). It is, especially in developed countries, often highly automated (ibid.). It is also requires more skilled labour than the clothing industry (Dowlah, 2016, p.135). Many textiles production steps are usually higher-value adding than clothing assembly (Heron, 2012, p.33). Textiles provide the major input into the clothing industry, creating vertical linkages between the two (Nordas, 2004, p.1).

The clothing industry cuts the fabric and sews it together into clothing (Kowalski and Molnar, 2009, p.8). It is a rudimentary manufacturing activity, requiring only simple technology, low fixed costs and low-skilled labour (Dowlah, 2016, p.107). Clothing production is labour intensive (Kowalski and Molnar, 2009, p. 8). It still relies heavily on manual labour, as technological innovations have taken place almost entirely in the textiles and not in the clothing sector (Heron, 2012, p.52). These characteristics of the clothing industry result in low-income countries excelling more easily in clothing than in textiles (Dowlah, 2016, p.135). Their usually low labour costs imply greater cost advantages, especially in the clothing sector (ibid., p.152). Thus, the labour intensity and low technological requirements of the clothing sector result in low-wage countries having a strong comparative advantage in this industry, while high-wage countries have a strong comparative disadvantage (Krugman and Obstfeld, 2009, p.227). It is to be noted that the words “apparel” or “garments” are often used as synonyms for clothing in the literature (Seyoum, 2010, p.152 and Oxford Dictionary, 2016, n. pag.).

A typical feature of the T&C industry is that parts, components and semi-finished goods cross the border several times before the final product reaches the consumer (Nordas, 2004, p.8). Such vertical specialization implies among others, that tariffs have a multiple effect on costs and that such trade is hence particularly sensitive to tariffs (ibid.).

Retailers are intermediaries, connecting consumers and textiles or clothing factories (Kowalski and Molnar, 2009, p.54). In case of producers and consumers being located in different countries, retailers could hence be seen as importing companies (ibid.). Especially in the low- to middle- priced clothing market, the role of the retailer has become increasingly prominent in the organization of the supply chain (Nordas, 2004, p.3). The retail market has

become more concentrated, leaving more market power to a few multinational retailers (ibid.). This is especially true for the retail sector in the USA (Kowalski and Molnar, 2009, p.54). These retailers thus have more market power in the consumer market and considerably more buying power vis-à-vis T&C suppliers (Nordas, 2004, p.3). Retailers increasingly manage the supply chain and source their clothing directly from suppliers (ibid., p.1, p.3). Dowlah states that such a buyer driven global market implies that a few lead firms are able to squeeze the profits of developing country clothing exporters, which often results in poorer working conditions in these developing countries (Dowlah, 2016, p.172).

Due to the aforementioned low-entry barriers of the clothing sector (low requirements with regard to technology, skills and initial investments), it has often been a suitable industry for the first step on the industrialization ladder of many poor countries (ibid., p.107 and Nordas, 2004, p.1, p.6). Even countries lacking an industrial base (including suppliers of inputs) could, through initially high imports of textiles, establish a clothing industry (ibid., p.6). For instance, Bangladesh's import value of textiles was about 60% of its export value of clothing in 1991 (ibid.). This figure declined to about 40% in 2001, indicating that some backward linkages had developed (ibid.). However, as the value added of the clothing industry is usually low, backward linkages (to the textile sector) and forward linkages (to sophisticated production and marketing networks) are important (Dowlah, 2016, p.107 and Nordas, 2004, p.7).

While some countries have succeeded in upgrading their clothing sector and moving to full-package production, many poor countries face difficulties in developing backward linkages (Nordas, 2004, p.7). Their import content in the clothing industry remains high (ibid.). For instance, mainly due to low backward linkages, the T&C sector only contributed to about 5% of Bangladesh's and about 11% of Cambodia's GDP (in 2013 and 2008 respectively) (Dowlah, 2016, p.148, p.150-151). This was the case, even though it accounted for more than 80% of both countries' total merchandise exports in 2010 and 2008 respectively (ibid.).

Seyoum argues that many Asian suppliers, overall from China, have developed into "full package" suppliers (Seyoum, 2010, p.174): They organize their own production network of assembly operations around the world (ibid.). This implies an integrated production, from textiles, to clothing, to the final delivery to retailers (ibid.). This is different with regard to production clusters which evolved around major clothing import markets, such as the USA and the EU (ibid., p.174-175). Clothing exporters in these clusters are for instance Latin American, Caribbean, Eastern European or African countries (ibid.). Those clothing exporters are rather carrying out specific functions in clothing assembly, rather not developing local backward or forward linkages (ibid.). The issue of clothing exports from Mexico and Caribbean countries to the USA will be taken up in chapter 4.3.4.

The T&C sector is often regarded as a particularly sensitive issue, as it plays a central role in the economic development of many developing countries (Seyoum, 2010, p.151). Many of these countries heavily depend on this industry for their employment and exports (ibid.). For instance Bangladesh's clothing exports accounted for 80.9% and Cambodia's clothing exports for 54.3% of the respective country's total merchandise exports in 2014 (WTO, 2015a, p. 121). The T&C sector also offers jobs for unskilled workers (including mainly women), who previously often had no other income opportunities in such developing countries (Whalley and Yao, 2015, p.4).

The importance of the T&C sector in the industrialisation and economic development of a country may also be observed historically (Dowlah, 2016, p.140). Dowlah argues that the T&C sector has been the harbinger of industrialization in the western world, during the eighteenth through the nineteenth century, and that it has been at the forefront of the industrialization of almost all countries ever since (ibid.). The T&C sector has migrated firstly from North America and Western Europe to Japan, in the 1950s and early 1960s (ibid.). Subsequently, it has migrated from Japan to Hong Kong, Taiwan, Singapore and South Korea (the so-called "East Asian Tigers") in the early 1970s (ibid.). Thereafter it migrated to mainland China and several South-East Asian countries in the 1980s (ibid.). In the 1990s, it also expanded to South Asia, Central America and the Caribbean, as well as Mediterranean and SSA countries (ibid.).

Many emerging economies, such as South Korea, China and Vietnam, have taken the T&C sector as their first step to industrialization (Whalley and Yao, 2015, p.4). Seyoum argues that a typical pattern of successful industrialization and economic development, for instance in case of the East Asian Tigers, was a dramatic increase in labour-intensive manufacturing exports (such as e.g. clothing) (Seyoum, 2010, p.161, p.174). These became a major engine of export-led growth (ibid.). As the country's labour and production costs rose, they moved away from low-value-added and unskilled labour-intensive manufacturing (such as e.g. clothing), into higher-value added and more knowledge intensive industries (ibid., p.161). The labour-intensive industries were then transplanted to other developing countries (in case of the East Asian Tigers mainly to China), where low-skilled labour was cheap and abundant (ibid.).

In developed countries, the T&C sector plays a, generally speaking, decreasingly important role (Kowalski and Molnar, 2009, p.8). Already in 2007, it only accounted for about 3% of the total merchandise exports of Organisation for Economic Co-Operation and Development (in the following "OECD") countries (ibid.). However, some OECD countries, such as Portugal, Greece or Italy, had higher shares (up to 13%) (ibid.). The large majority of the 34 OECD members are developed countries (see Glossary and see IMF, 2016, p.148 and OECD

Website, 2016, n. pag.). In 2014, the USA's and the EU's shares of clothing in their respective total merchandise exports were only 0.4% and 2.1% respectively (WTO, 2015a, p.121). In textiles, this figure amounted to 1.2% for the EU and 0.9% for the USA (ibid., p.117).

Nonetheless, the T&C sector remains important for developed countries (Whalley and Yao, 2015, p.4). In the EU, the T&C sector is dominated by small and medium-sized enterprises, concentrated in a number of regions which are highly dependent on the sector (ibid.). The T&C sector contributes to employment in developed countries, particularly in regions where alternative jobs may be difficult to find (Nordas, 2004, p.1). Liberalization of trade in T&C has hence been controversial (ibid.). It is also to be noted that developed 'countries' like the USA and the EU, remain among the major exporters of T&C in the world (this issue is to be addressed in chapter 4.3.2) (Dowlah, 2016, p.129, p.137).

4.2 Proliferation and phasing-out of VER's in textiles and clothing trade

The T&C sector has long faced many protectionist measures and has been a source of significant trade conflict between developed and developing countries (Heron, 2012, p.17 and Seyoum, 2010, p.150). The general development after the establishment of the GATT in 1947 was towards an increasing liberalization of trade in manufacturing goods (Dowlah, 2016, p.108). However, trade in the T&C sector actually moved into the opposite direction and became increasingly restricted over time (ibid.).

In general, QR's in T&C mostly took the shape of VER's or country-by-country and product-by-product quotas, which were allocated to some countries (while other countries faced no quotas) (Dowlah, 2016, p.107-108 and Nedergaard, 2009, p.19-20 and Nordas, 2004, p.34). They were heavily used by developed countries, in order to restrain low-cost imports from developing countries (Dowlah, 2016, p.107-108). Figure 6 briefly summarizes historical developments of the proliferation of QR's in international T&C trade. It illustrates relevant milestones in this respect.

Figure 6: Major historical aspects regarding the proliferation of Quantitative Restrictions in textiles and clothing trade

Source: own figure, based on Barrows and Harrigan, 2009, p.282 and Brambilla et al, 2010, p.382 and Dowlah, 2016, p.111, p.118 and Heron, 2012, p.20, p.22, p.25, p.38, p.41, p.69 and James and Hernando, 2008, n. pag., p.2 and Kowalski and Molnar, 2009, p.18, p.58 and Mutuc et al, 2011, p.901 and Nedergaard, 2009, p.20 and Nordas, 2004, p.13 and Nüesch, 2010, p.36 and Sheng, 2012, p.308

All these milestones illustrated by Figure 6 will be covered in more detail and in chronological order, in the following paragraphs of this present chapter.

To begin with, prior to World War Two, in times of the Great Depression and multiple beggar-thy-neighbour trade restrictions, QR's were widely used (Heron, 2012, p.17). Many of these QR's targeted Japan (ibid., p.17-18). Annex 3 briefly outlines these early restrictions on Japan. By the end of the 1950s, an entire network of bilaterally negotiated VER's was built in the T&C sector (Nüesch, 2010, p.35).

In 1960, the so-called **"market-disruption clause"** (The Decision on the Avoidance of Market Disruption) was adopted by the GATT (Heron, 2012, p.20). It was intended to strengthen the safeguard clause of Article XIX GATT (ibid.). Market disruption was defined rather vaguely (ibid., p.20-21): To begin with, it implied a sharp and substantial increase, or potential increase, of imports of particular products, from particular sources (ibid.). Also, those products had to be offered at prices substantially below those prevailing for similar goods in the market of the importing country (ibid.). Moreover, there needed to be a serious damage to domestic producers or a threat thereof (ibid.).

Hence, the surge in imports did not need to be an illegal practice in order to establish trade barriers (ibid., p.21). Heron argues that by defining lower prices as a market disruption, this clause actually questioned the principle of comparative advantage (ibid.). Moreover,

restrictions could already be enforced if no actual injury had taken place (ibid.). A perceived potential threat sufficed for justification (ibid.). Also, deviating from normal GATT rules (as described in chapter 2.2), QR's were hence allowed to be enforced on particular countries (ibid.). It is important to keep the market disruption clause in mind, as in practice, it was only ever invoked on trade in T&C (ibid., p.21-22). Also, it provided the rationale and legal underpinning for the series of international agreements that regulated international trade in T&C from 1961 to 1995 (ibid.). These agreements will be outlined in the following:

Following the establishment of the market disruption clause, the **Short Term Arrangement Regarding International Trade in Cotton Textiles** (in the following "STA") adapted the existing quotas and VER's into multilateral rules (Nüesch, 2010, p.36). It institutionalized the use of quotas and VER's by major importing countries for the first time (Sheng, 2012, p.308). It was adopted in 1961 and allowed for QR's, thus legalizing the existing VER's and quotas (Nüesch, 2010, p.36). Dowlah argues that the STA violated general GATT principles, as Art. XI of the GATT explicitly prohibits the use of QR's, except under a small number of exceptions (Dowlah, 2016, p.109, p.173). In addition, Art. XIII of the GATT states that trade measures must not discriminate between supplying countries (see chapter 2.2) (ibid.).

Only one year later, in 1962, the **Long Term Arrangement Regarding International Trade in Cotton Textiles** (in the following "LTA") replaced the STA (Heron, 2012, p.22). Following several extensions, it finally remained effective until 1973 (Dowlah, 2016, p.110). As explained with regard to the market disruption clause, it allowed importing countries, in case of real or only potential threats of market disruption, to negotiate bilateral agreements with the exporting countries (ibid. and Heron, 2012, p.22-23). Also, unilateral import restrictions were allowed to be imposed, in case no bilateral agreements could be reached (ibid., p.23). As explained in chapter 2.3, developing exporting countries hence often accepted multi- or bilateral agreements, rather than running the risk of unilateral import restraints (ibid., p.22).

Heron argues that the LTA somehow failed to control the growth of low cost imports (ibid., p.24): During the 1960s, imports of T&C into the USA grew at an annual rate of 11.5% (ibid.). The LTA had failed to anticipate technological advances and the rapid shift away from cotton, to new artificial and non-cotton textiles (e.g. synthetic fibres such as polyester and acrylic) (ibid., p.25). Those were not covered by the agreement (ibid.). The EU had been relatively successful in controlling the influx of artificial and woollen fibre imports during the 1960s (ibid., p.26). This was largely due to bilateral and unilateral restrictions that it maintained outside the LTA (ibid.).

Putting it in a nutshell, from the 1960s on, the system of bilateral QR's on T&C imports was an enduring feature of the USA and the EU commercial policy system (Conway and Fugazza, 2010, p.3).

In 1974, the **Multifibre Arrangement (MFA)** came into force (Sheng, 2012, p.308 and Heron, 2012, p.25, p.38). Due to the aforementioned difficulties of the LTA, it extended the previous system of QR's to include not only cotton fibres, but also synthetic and woollen fibres (ibid.).

The MFA provided a framework for bilateral agreements (VER's) or unilateral actions (import quotas) that established quotas which limited imports (WTO Website, 2016, n. pag.). The MFA was the general framework, setting out the conditions under which such quotas or VER's could be implemented (Heron, 2012, p.28). It was a fundamental premise of the MFA, that quotas should be negotiated on a bilateral basis (Heron, 2012, p.30-31). Already in the 1970s, member countries of the MFA gradually moved from the unilateral imposition of quotas, to signing bilateral agreements (Dadakas and Katranidis, 2010, p.250). Typically, the quotas under the MFA took the shape of VER's, being negotiated on a bilateral basis and being administered by the exporting country's government (Kar and Kar, 2011, p.131). Hence, VER's and also bilateral import quotas prevailed under the MFA (Krugman and Obstfeld, 2009, p.226). The MFA is thus often described as a system of VER's or a system of bilateral quotas (Bown, 2014, p.8 and Barrows and Harrigan, 2009, p.282). As mostly VER's prevailed under the MFA and in order to ensure a better reading flow, again from now on and for the entire remaining part of this chapter four, only the term "VER" will be used, whenever referring to the restrictions which were maintained under the MFA. The MFA will thus be called a "system of VER's". The term "VER" will again imply and mean both, VER and bilateral import quota.

VER's under the MFA were set in terms of quantity (total weight or quantity of items) and not in terms of value (Barrows and Harrigan, 2009, p.283 and Heron, 2012, p.49). Usually, the MFA VER's were fairly broad, potentially including many different products (Barrows and Harrigan, 2009, p.283). Annex 4 provides some further information on the administration of VER's under the MFA.

Heron argues that the MFA was specifically targeted at discriminating developing countries by imposing VER's on them, while T&C trade between developed countries was not subject to VER's (Heron, 2012, p.40). The MFA came to compromise most developing country exports of T&C into the USA and the EU (Nordas, 2004, p.13). It was an agreement among the major T&C importing and exporting countries (Lutz, 2007, p.254).

The MFA was originally intended as a four year mechanism (Sheng, 2012, p.308). After numerous renewals, it lasted for more than 20 years (ibid. and James and Hernando, 2008, p.1). It expired at the end of 1994 (Dowlah, 2016, p.111 and Nordas, 2004, p.13). Annex 4 provides further information on the extensions of the MFA.

During the final years of the MFA, six developed countries applied VER's on T&C imports into their markets, namely the EU, Austria, Canada, Finland, Norway and the USA (Nordas, 2004, p.13). These VER's applied almost exclusively to imports from developing countries (ibid.). It is to note that Austria and Finland became members of the EU on the 1st of January 1995 and that China, even though it only became a member of the WTO in 2001, was a member of the MFA (Dowlah, 2016, p.174 and Nordas, 2004, p.13 and Sheng, 2012, p.307). Details with regard to VER's, which were in place by the end of the MFA, will be addressed after the description of the ATC in this very chapter.

Dowlah sets out that the MFA turned out to be one of the most discriminatory trade regimes in the entire history of multilateral trade (Dowlah, 2016, p.111). Several authors moreover state that the MFA became increasingly protectionist and restrictive over time (Dadakas and Katranidis, 2010, p.250 and Heron, 2012, p.37, p.46, p.167 and Seyoum, 2010, p.150).

During the 1980s, when the MFA system of VER's had become thoroughly institutionalized, restrictions increasingly began to impact smaller developing countries (Heron, 2012, p.32). Countries like Bangladesh, Mauritius, the Maldives, Uruguay or Turkey were targeted for the first time (ibid.). Typically, after such a small country had agreed to a VER with one importing country, other importing countries soon followed with similar agreements (ibid., p.33). For instance, the USA, Canada, France and the UK concluded VER's with Bangladesh in the mid-1980s (ibid.). This happened, even though Bangladesh was the second poorest country worldwide and accounted for only 0.2% of developing country clothing exports into developed countries back then (ibid.).

These observations appear consistent with the statements of chapter 3.2, describing that the rapidly growing and most competitive suppliers in the world are likely to be restricted by VER's (Suh, 1981, p.10) and that non-restrained exporters are usually countries too small to warrant the costs of negotiating a VER agreement (Nüesch, 2010, p.3). If however these non-restrained third country producers appear to be more efficient than domestic producers, the same political pressure might lead to an extension of VER's to them (ibid., p.20). Hence, a "snowball effect" could be observed in case of the MFA (ibid.). By the mid-1980s, more than 70% of T&C products imported into developed country markets were subject to non-tariff trade barriers, both within and outside the MFA (Dowlah, 2016, p.111).

With regard to underlying reasons for the MFA restrictions, it is argued that T&C is the only product group, apart from agriculture, where import quotas and VER's have been frequently used for industry protection purposes (Czaga et al, 2004, p.17). The MFA VER's were induced and maintained by developed countries, in order to shield their domestic T&C industries from the growing competition from developing country producers (ibid.). Similar to the arguments mentioned in chapter 2.3, it is stated that lobbying of import-competing T&C

producers in the USA and the EU was a major reason for the system of VER's prevailing since the 1960s (Lutz, 2007, p.254). Nüesch argues that more politically powerful industries are more likely to succeed in getting their governments to negotiate VER's (Nüesch, 2010, p.31). The T&C industry in Europe was among the strongest lobbies and hence among the most successful industries in receiving protection through VER's (ibid.). In the USA, the clothing industry is a traditionally well organised sector with strong workers unions as well (Krugman and Obstfeld, 2009, p.227). The problem of concentrated benefits and dispersed costs (as mentioned in chapter 2.3) is used by Heron in order to explain the existence of the MFA (Heron, 2012, p.46): Producers and workers threatened by imports tend to be concentrated and politically organised (ibid.). Those who possibly benefit from free trade tend to be more diffuse and their stake in the particular matter is usually small (ibid.). Moreover, similar to the arguments mentioned in chapter 2.3, the MFA was seen as being preferable to unilateral restraints, as its VER's were at the time at least nominally consistent with the GATT (Heron, 2012, p.26).

Like its predecessors, the MFA built on the market disruption clause (Conway and Fugazza, 2010, p.4 and Nordas, 2004, p.13). However, the MFA imposed stricter rules for determining market disruption (Dowlah, 2016, p.111). It allowed for unilateral restrictions only in case of actual market disruptions (ibid.). In case of a threat of market disruptions, only bilateral restraint agreements were permissible (ibid.). Nonetheless, the definition of market disruption remained vague, which resulted in a large number of VER's prevailing under the MFA (ibid. and Nordas, 2004, p.13).

The MFA was a special regime, outside normal GATT rules (WTO Website, 2016, n. pag.). It was negotiated under the auspices of the GATT and was originally devised only as a temporary departure from GATT rules (Nüesch, 2010, p.36). However, it gradually took a rather permanent shape (Dowlah, 2016, p.113). Glismann argues that even though the MFA violated Art. XIII of the GATT, by imposing discriminatory QR's among supplying countries, on cannot easily state that the MFA violated the GATT in general (Glismann, 1996, p.6). In fact, the MFA could be seen as a complete multilateral system of exception rules for the T&C industry (ibid.). One might call the MFA a special regime for the T&C sector existing within the GATT (ibid.). The MFA effectively removed and formally exempted trade in T&C from the GATT (James and Hernando, 2008, p.1 and Seyoum, 2010, p.156). It explicitly allowed the negotiation of VER's (James and Hernando, 2008, p.1).

Obviously, there are many aspects of the MFA which contradicted general GATT rules (Dowlah, 2016, p.113 and WTO Website, 2016, n. pag.): Contrary to GATT's general prohibition of QR's (as mentioned in chapter 2.2) and its preference of tariffs over QR's, the MFA allowed for VER's (Nordas, 2004, p.13 and WTO Website, 2016, n. pag.). Contrary to

GATT's general non-discrimination principle and especially to Art. XIII of the GATT (which provides for the non-discriminatory application of QR's, as mentioned in chapter 2.2), the MFA allowed for VER's (Dowlah, 2016, p.113 and Glismann, 1996, p.6 and Whalley and Yao, 2015, p.3 and WTO Website, 2016, n. pag.). Thereby, not all trading partners were treated equally, as the MFA VER's specified how much an importing country was going to accept from individual exporting countries (WTO Website, 2016, n. pag.). Also, the non-compensation for imposing import restrictions under the MFA was in contrast to general GATT rules (Dowlah, 2016, p.113). The non-transparency and special discrimination against developing countries further clash with fundamental principles of the GATT (Nordas, 2004, p.13).

The MFA came to an end in 1994, when it was replaced by the **Agreement on Textiles and Clothing (ATC)** (Barrows and Harrigan, 2009, p.282 and Nüesch, 2010, p.35 and USITC, 2013b, p.2.17). The ATC had been agreed upon during the Uruguay Round and came into effect on the 1st of January 1995 (Barrows and Harrigan, 2009, p.282 and Heron, 2012, p.41).

The ATC provided for a ten year transition phase, by the end of which the T&C sector was fully integrated into the multilateral trading system and finally subjected to the general GATT rules (Seyoum, 2010, p.150 and WTO Website, 2016, n. pag., see also Art. 1:1 of the ATC (see Annex 6 for the full legal text of the ATC)). The MFA system of VER's hence came to an end on the 1st of January 2005 (Nedergaard, 2009, p.19). During the ten year transition period, existing VER's were gradually phased-out (Barrows and Harrigan, 2009, p.282 and Dowlah, 2016, p.115 and Mutuc et al, 2011, p.901).

The 1st of January 2005 marked the end of this transition period, when all remaining VER's had to be abolished (Barrows and Harrigan, 2009, p.282 and Dowlah, 2016, p.115 and WTO Website, 2016, n. pag.). From this date on, trade in T&C was subject to the normal GATT rules and no longer subject to a special regime outside the GATT (the MFA) (Dowlah, 2016, p.117 and Seyoum, 2010, p.150 and WTO Website, 2016, n. pag. and Art. 9 of the ATC (see Annex 6)). The transition period allowed the affected countries time to adjust to the new situation (WTO Website, 2016, n. pag.). The ATC was a transitional mechanism, which ceased to exist on the 1st of January 2005 (Nordas, 2004, p.13 and WTO Website, 2016, n. pag. and Art. 9 of the ATC (see Annex 6)).

Any VER's which were in place as of 31st December 1994, were carried over into the ATC (Kowalski and Molnar, 2009, p.16). Four importing 'countries' carried their MFA restrictions over into the ATC (Nordas, 2004, p.13). These were Canada, the EU, Norway and the USA (ibid.). Austria and Finland, which had applied VER's within the MFA, became members of the EU on the 1st of January 1995 (ibid.).

The ATC covered all products which were subject to MFA, or MFA-type, VER's in at least one importing country (Dowlah, 2016, p.115-116 and WTO Website, 2016, n. pag.). These products were listed in the Annex of the ATC (ibid. and Art. 1:7 of the ATC (see Annex 6)). Nordas argues that this Annex contained products which were not actually restricted under the MFA (Nordas, 2004, p.13). Hence, it served to inflate the basis from which liberalization was calculated (ibid.). Annex 6 contains the full legal text (including the Annex) of the ATC.

Furthermore, the ATC required that non-MFA QR's (or measures with a similar effect) on T&C trade, also had to be brought into conformity with the GATT, or phased out over the ten year transition period, if they were inconsistent with the GATT (Dowlah, 2016, p.116 and WTO Website, 2016, n. pag.). Art. 3 of the ATC (see Annex 6), deals with this topic (WTO Website, 2016, n. pag.).

Under the ATC, existing VER's were to be eliminated in four progressive phases (on the 1st of January in 1995, 1998, 2002 and 2005 respectively) (Dowlah, 2016, p.116 and Kowalski and Molnar, 2009, p.17 and WTO Website, 2016, n. pag.). The importing countries maintaining VER's were required to "integrate restricted products into the GATT" (Mutuc et al, 2011, p.901 and Seyoum, 2010, p.156). This implied, among others, to eliminate all existing VER's on the respective product (Kowalski and Molnar, 2009, p.17 and WTO Website, 2016, n. pag.). Annex 5 provides further information on these integration phases and on further aspects of the ATC. Art. 2 of the ATC (see Annex 6) lays down this integration process (WTO Website, 2016, n. pag).

However, the ATC allowed the importing countries maintaining VER's to select which products they integrated at each of the four phases (Dowlah, 2016, p.117). Also, the minimum integration levels for each phase were set in terms of quantity and not in terms of value (ibid., p.118). Moreover, as mentioned above, the Annex to the ATC included products which had actually faced no restrictions under the MFA (Nordas, 2004, p.13). Thereby, the basis from which liberalization was calculated was inflated (ibid.). All these aspects led to a heavy, so-called "back-loading" of liberalization (ibid., p.15, p.24 and Dowlah, 2016, p.117-118 and Heron, 2012, p.59-60):

During the first two phases of the ATC, only one previously restricted product was integrated into the GATT (work gloves by Canada) (Nordas, 2004, p.14). All other products, which were integrated during these two phases, had actually not faced restrictions under the MFA (ibid.). During the third phase, previously restricted products were integrated (ibid.). However, there was a strong tendency to integrate products, which had very low fill rates and where VER's were hence not considered to be binding (ibid.). More than half of the products to be integrated in the third phase by Canada, the EU and the USA, had a fill rate of less than 50% in 2000 (ibid.). The most sensitive products, with high fill rates and a high value added, were

left to be integrated on the 1st of January 2005 (ibid., p.15 and Dowlah, 2016, p.118). This back-loading for instance showed itself in the values (not the quantities), of USA and EU VER-restricted clothing products, which were integrated during the different phases (Dowlah, 2016, p.118). Table 2 illustrates these:

Table 2: Values of VER-restricted clothing products integrated during different phases of the Agreement on Textiles and Clothing

country	first three phases	final phase (1st of January 2005)
USA	6.6%	89%
EU	8.7%	70%

Source: own table, based on Dowlah, 2016, p.118

Back-loading is further confirmed by a statement of developing countries (Nordas, 2004, p.14): It was stated, that during the first phases of the ATC, liberalization was not commercially meaningful for them (ibid.). Heron agrees that due to heavy back-loading, the economic gains anticipated by competitive exporters such as China and India, were only fully realized in 2005 (Heron, 2012, p.62). Table 3 illustrates the number of constraints left to be eliminated on the 1st of January 2005, as compared to the total number of constraints carried over from the MFA (Nordas, 2004, p.14):

Table 3: “Back-loading” of liberalization under the Agreement on Textiles and Clothing

Country	VER’s left to be eliminated on 1st of January 2005	VER’s carried over from MFA
Canada	239	295
EU	167	218
USA	701	758

Source: own table, based on Nordas, 2004, p.14

The USA delayed the bulk of MFA liberalization under the ATC until the last moment, with hundreds of binding VER’s still in place until midnight of the 31st December 2004 (Barrows and Harrigan, 2009, p.282). The EU similarly waited until the end of 2004 to eliminate most MFA VER’s (ibid.).

Norway was the only exception to back-loading among the four ‘countries’ maintaining restrictions under the ATC (Kowalski and Molnar, 2009, p.17 and Nordas, 2004, p.15): It eliminated all its MFA restrictions in quicker steps, having phased out all its MFA restrictions in 2001 already (Kowalski and Molnar, 2009, p.17). It is important to note, that despite the back-loading, all four importing ‘countries’ maintaining restrictions had fully complied with their obligations under the ATC (Nordas, 2004, p.15).

It has to be mentioned that China only joined the WTO in December 2001 (Brambilla et al, 2010, p.346, p.349). Therefore, it was not eligible for the first two phases of VER eliminations under the ATC (ibid.). For this reason, VER’s on China were lifted simultaneously for the first three ATC phases in January 2002 (ibid., p.346). Thereafter, China received the same ATC

increases in VER growth rates (see Annex 5) and the regular phase four ATC removal of all remaining VER's on the 1st of January 2005 (ibid., p.346, p.349).

Looking at VER's in place by the end of the MFA (and thus the signing of the ATC) in 1994, interesting observations can be made (Dowlah, 2016, p.117 and Kowalski and Molnar, 2009, p.17). The USA maintained bilateral QR's with 41 countries, of which 25 were WTO members, by that time (ibid.). The EU maintained bilateral QR's with 13 WTO member countries in 1994 (Kowalski and Molnar, 2009, p.17). Canada and Norway maintained bilateral QR's with 43 and 20 countries respectively (ibid.).

Regarding 1997, Nordas found that for both, the USA and the EU, VER's were more restrictive for the clothing than for the textiles sector (Nordas, 2004, p.25-26). Also, the USA maintained more restrictive VER's on both, textiles and clothing, than the EU (ibid., p.26). Regarding the years 2000 to 2009 and clothing trade only (Gebreeyesus, 2013, p.1, p.4, p.30), the number of effectively VER-restricted exporting countries and their respective market shares was relatively small in the EU, as compared to the USA (ibid., p.19, p.30). Several major clothing exporting countries were not subject to VER's in the EU (ibid., p.30). In the USA, there were more effectively VER-constrained clothing exporting countries (ibid., p.19). By far the most restricted T&C exporting countries in both markets (EU and USA) in 1997 were China and India (Nordas, 2004, p.25-26).

Looking at EU restrictions only, Asian countries such as China, India, Malaysia, Indonesia and the Philippines faced the highest trade barriers in T&C (ibid., p.24). In the year 2000, Nordas found that only 16 out of the 38 exporting countries facing T&C VER's into the EU, actually faced binding VER's (ibid., p.31-32). China, Vietnam, Macao, India and Pakistan seemed to be the most restricted suppliers in terms of the number of binding VER's they faced into the EU (ibid., p.32). However, Belarus, Bosnia Herzegovina, Croatia, Hong Kong, Indonesia, South Korea, Malaysia, the Philippines, Sri Lanka, Taiwan and Thailand also faced binding VER's (ibid.). Seyoum states that in 2000, VER's applied by the EU were lowest for T&C exports from Central and Eastern Europe and highest towards Asian countries (Seyoum, 2010, p.166).

It is stated that about 40% of the USA's T&C imports came in under binding VER's throughout the 1990s (Nordas, 2004, p.33 and Whalley and Yao, 2015, p.5). Chinese T&C exports seemed to be more restricted than those of other countries, not only with regard to the EU, but also to the USA import market (Brambilla et al, 2010, p.346 and Gebreeyesus, 2013, p.14). Brambilla et al found that USA VER's on China were more likely to be binding and grew at a slower rate, than those imposed by the USA on other countries (Brambilla et al, 2010, p.346). Looking at the USA import market, not only China but also other major T&C exporters such as India, Hong Kong, South Korea, Vietnam, Indonesia, Pakistan,

Bangladesh, the Philippines, Sri Lanka, Cambodia, Taiwan, Turkey and Thailand faced high VER coverage and binding VER's in 2004 (Barrows and Harrigan, 2009, p.287). In that very year, 17% of USA T&C imports came in under binding VER's (ibid.). For instance in 2003, more than 99% of T&C exports from Bangladesh and Indonesia were subject to high tariffs and VER's in the USA market (Seyoum, 2010, p.165).

As each country applied different VER's and different growth rates, the extent of restrictiveness of the MFA and consequently the extent of liberalization brought about by the ATC, were rather specific to each individual bilateral trade relation (Kowalski and Molnar, 2009, p.16-17). Nonetheless, taking all these points into consideration, one might expect to see an especially visible impact of the ATC VER-phase-out on the clothing sector, as it was more restricted than the textiles sector. One might also expect a visible impact on the USA import market, as it was especially restricted (Nordas, 2004, p.26). For this reason, notably, though not exclusively, the USA import market will be analysed in the following chapters. Considering exporters, one might expect significant impacts overall on China, but also on other severely restricted exporters mentioned above.

Following the rather abrupt end of VER's on the 1st of January 2005 (due to the above mentioned back-loading), Chinese T&C exports into the USA and the EU import markets surged dramatically during the first months of 2005 (Dadakas and Katranidis, 2010, p.251 and Dowlah, 2016, p.118 and Kowalski and Molnar, 2009, p.18 and Nedergaard, 2009, p.19 and Seyoum, 2010, p.173). These export surges and their effects in the particular year 2005 will be addressed in chapter 4.3.1. The present chapter is merely concerned with the **re-imposition of QR's on China**, which was caused by this dramatic surge in exports (Brambilla et al, 2010, p.382).

In case of the USA, unilaterally imposed bilateral import quotas on seven categories of Chinese T&C products were re-established between May and December 2005 (Dowlah, 2016, p.118 and Heron, 2012, p.69 and Kowalski and Molnar, 2009, p.18). In November 2005, the USA and China concluded a VER (Dadakas and Katranidis, 2010, p.251 and Kowalski and Molnar, 2009, p.18). This so-called "Memorandum of Understanding" came into effect on the 1st of January 2006 (James and Hernando, 2008, n. pag. and Mutuc et al, 2011, p.901). It lasted until the 31st of December 2008 (ibid.). Hence, from the 1st of January 2009 on, Chinese T&C exports into the USA were no longer subject to QR's (James and Hernando, 2008, p.2, p.25 and Sheng, 2012, p.314). This VER covered a subset of 22 T&C product categories, which had previously been restricted until phase four of the ATC (e.g. cotton shirts, cotton trousers, underwear) (Brambilla et al, 2010, p.350, p.382 and Kowalski and Molnar, 2009, p.18 and Dadakas and Katranidis, 2010, p.251). It covered about 90% of the T&C imports restricted in 2004 (Kowalski and Molnar, 2009, p.18).

Following a threat of the European Commission that it might unilaterally impose bilateral import quotas on China, China agreed to a VER with the EU in June 2005 (Heron, 2012, p.69 and Kowalski and Molnar, 2009, p.18 and Nedergaard, 2009, p.20). This so-called "Shanghai Agreement" was a VER on Chinese T&C exports into the EU (Dadakas and Katranidis, 2010, p.251 and Nedergaard, 2009, p.20). This VER came to an end on the 1st of January 2008 (Brambilla et al, 2010, p.382 and James and Hernando, 2008, p.2 and Kowalski and Molnar, 2009, p.18, p.58 and Nedergaard, 2009, p.20). It covered ten categories of T&C products, such as pullovers, t-Shirts, dresses or men's trousers (Brambilla et al, 2010, p.382-383 and Kowalski and Molnar, 2009, p.18).

It is argued, that this VER was somewhat not deployed in the year 2005 (Nedergaard, 2009, p.17): It took the EU about a month to implement this VER, after it had been signed (ibid., p.20). During this month, tremendous amounts of import licences were granted by EU governments to China (ibid.). These included licences for products, where protection was most being asked for (ibid.). For instance, licences to import a further 120 million pullovers (almost four times total sales in 2004), were granted to China (ibid.). As a result, more than 75 million T&C products were stuck in European ports, after China had filled the VER so quickly (ibid.). In September 2005, the European Commission and the Chinese government agreed to allow these stockpiled goods into the EU (ibid.). Only half of them were counted as 2006 VER's, or as VER's in still unfilled categories (ibid.).

The legal justification of these new VER's can be found in China's accession protocol to the WTO (James and Hernando, 2008, p.1-2 and Kowalski and Molnar, 2009, p.18). In its protocol, China agreed that WTO members were allowed to impose temporary China-specific and product specific safeguard measures (for instance QR's), on their T&C imports from China until 2013 (Brambilla et al, 2010, p.382 and James and Hernando, 2008, p.1 and Mutuc et al, 2011, p.901 and Nedergaard, 2009, p.20). WTO members however had to show, that there was a sustained surge in Chinese T&C exports, which threatened to cause market disruption to their domestic T&C markets and producers (Brambilla et al, 2010, p.349-350 and James and Hernando, 2008, p.1 and Nedergaard, 2009, p.19-20). Also, such safeguard measures were only to be taken after a careful examination of the trade data and consultations with China (Brambilla et al, 2010, p.349-350 and Nedergaard, 2009, p.19-20).

With regard to possible reasons for the implementation of these VER's, political pressure and lobbying by USA and European T&C producers are seen to have pushed their respective governments to conclude them (Brambilla et al, 2010, p.382 and Nedergaard, 2009, p.35). Consumers were again the most weakly organized group, with only a small incentive for lobbying (ibid., p.35-36). Moreover, Nedergaard argues that unilaterally imposed bilateral import quotas would rather have induced China to bring a complaint before the WTO

(Nedergaard, 2009, p.31). According to him, this was not the case with VER's (ibid.): Being bilaterally negotiated and agreed upon with China, they were not such a direct violation of WTO obligations as unilaterally imposed bilateral import quotas would have been (ibid.). These reasons are consistent with the theoretical reasons, as mentioned in chapter 2.3.

It should be kept in mind that Vietnam, another relevant T&C exporter, only joined the WTO in 2007 (Brambilla et al, 2010, p.383). Therefore, Vietnam for instance faced QR's on its exports of 25 T&C product groups into the USA until 2007 (ibid.).

Taking all these points into consideration, it becomes clear that 2009 was the first year, when Chinese T&C exports were no longer restrained by any formats of quota-or VER-restrictions (Sheng, 2012, p.314). Therefore, 2009 can be considered as the first year, when world trade in T&C truly entered the post-quota-and-VER era (ibid.). The complete MFA restrictions were phased out by 2009 (Dowlah, 2016, p.164). International trade in T&C is nowadays as free as international trade in any other manufacturing activity (ibid.). From January 2009 on, trade in T&C was finally quota-, VER- and licence-free and subject to the same rules and conditions of international trade, as trade in any other industrial products (ibid., p.118). For instance, there are no QR's on USA imports of T&C nowadays (USITC, 2013b, p.2.17).

4.3 Selected effects of VER's on international trade flows in textiles and clothing

4.3.1 Impacts on trade volume

As explained in chapter 3.2, theory generally sets out that a VER reduces the amount of exports of restrained products, from the restrained exporting country, into the VER-imposing importing country, to (at least) the level set by the VER (Gandolfo, 2014, p.231 and Lutz, 2007, p.248 and Hillman and Ursprung, 1988, p.729). It is interesting to consider this aspect with regard to the VER-phase-out in T&C trade:

Due to heavy back-loading of liberalization under the ATC, as mentioned in chapter 4.2, the system of VER's maintained by the EU and the USA ended rather abruptly on the 1st of January 2005 (Barrows and Harrigan, 2009, p.282). This large and sudden change in trade policy is thus argued to be a useful natural experiment, to test the theory of trade policy on effects of VER's (ibid.). As only little liberalization took place during the first three phases of the ATC, the major impact of VER-removal was really felt in this last stage of liberalization (on the 1st of January 2005) (Dowlah, 2016, p.116 and Gebreeyesus, 2013, p.5).

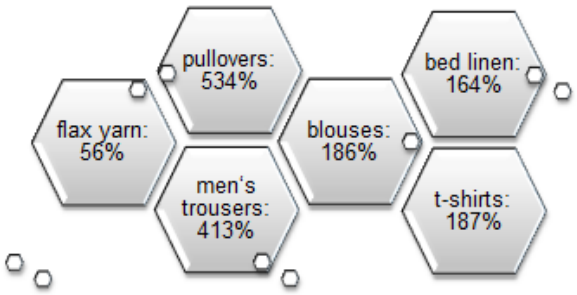
As mentioned in chapter 4.2, the years 2006 to 2008 were again characterised by EU and USA VER's on Chinese T&C exports (Mutuc et al, 2011, p.901 and Nedergaard, 2009, p.20). By contrast, the first months of the year 2005 were genuinely quota- and VER-free (James and Hernando, 2008, p.12 and Kowalski and Molnar, 2009, p.18). Moreover, as mentioned previously, it was argued that the EU VER on China was not even truly deployed in 2005 (Nedergaard, 2009, p.17). In case of the USA, 17% of its T&C imports came in under binding VER's in 2004 (Barrows and Harrigan, 2009, p.287). In 2005, even with the re-imposing of QR's on China, it were only 3.5% (ibid.). For all these reasons, 2005 is an especially obvious year to analyse effects of VER's.

In 2005, Chinese exports of products which had previously faced VER's increased drastically into the EU and USA import markets (Dowlah, 2016, p.118). It is often stated, that Chinese T&C products literally flooded the EU and USA import markets, following the elimination of VER's in the beginning of 2005 (Dadakas and Katranidis, 2010, p.251).

Looking at the USA import market, overall Chinese T&C export quantities to the USA increased 39% in 2005 (Brambilla et al, 2010, p.345). Exports of goods that previously faced VER's jumped 270% (ibid.). The value of Chinese textiles exports into the USA grew by 29% in 2005 (Kowalski and Molnar, 2009, p.19). The respective value of clothing exports grew by 70% (ibid.). Especially drastic impacts were seen in USA imports of cotton trousers and knit cotton shirts from China (ibid., p.18): These increased by 1500% and 1250% respectively between January and March 2005, as compared to their levels during the same period in 2004 (ibid.).

Analysing the EU import market, Chinese exports of T&C also surged after the ATC expired in 2005 (Brambilla et al, 2010, p.382). The value of Chinese textiles exports into the EU grew by 22% in 2005 (Kowalski and Molnar, 2009, p.18). The value of respective clothing exports grew by 45% (ibid.). Meanwhile, exports of previously restricted Chinese T&C goods increased by about 90% (ibid. and Dowlah, 2016, p.118). In April 2005, EU trade data had revealed significant increases in Chinese T&C imports (Heron, 2012, p.68). These ranged from 51% to 534%, depending on the product category (ibid.). Figure 7 illustrates selected growth rates of Chinese T&C imports into the EU in the first quarter of 2005, as compared to the first quarter of 2004 (Nedergaard, 2009, p.19 and Kowalski and Molnar, 2009, p.18).

Figure 7: Selected 2005 growth rates of Chinese textiles and clothing exports into the EU



Source: own figure, based on Nedergaard, 2009, p.19 and Kowalski and Molnar, 2009, p.18

In 2006, the value of Chinese T&C exports into the EU only grew by 13% (Kowalski and Molnar, 2009, p.19). Also in 2007, EU imports of T&C from China grew only about 10% and 16% respectively (ibid.). Kowalski and Molnar argue that this illustrates the impact of the new EU VER on China (ibid.): It apparently succeeded in curbing the surging imports from China in 2006 and 2007 (ibid.). This would be in line with both, theory on the export-reducing effects of VER's and the above statement of the EU VER on China not being fully deployed in the year 2005.

Comparing the above numbers, it may be stated that the 2005 surge in Chinese T&C exports to the USA has apparently been more pronounced than the respective surge to the EU.

As mentioned in chapter 4.2, Chinese T&C exports were especially restricted (Brambilla et al, 2010, p.346 and Nordas, 2004, p.26, p.32), with the EU and the USA being restricted import markets (Kowalski and Molnar, 2009, p.11). The USA market tended to be even more restricted (Nordas, 2004, p.26). This makes the drastic 2005 increase of Chinese T&C exports into the EU - and the even more pronounced increase of Chinese T&C exports into the USA - consistent with theory on the export reducing effects of VER's, as mentioned in the beginning of this chapter. The even larger 2005 increase of previously restricted Chinese T&C exports into these two markets (again being more significant with regard to the USA market), hence also seems to fit. As clothing imports into the EU and the USA were more restricted than textiles imports (Nordas, 2004, p.25-26), the more drastic 2005 surge in Chinese clothing exports into these two markets, further fits with theory.

Some analysists believe China's large increase in previously restricted T&C products in early 2005 to have occurred primarily as a hedge against future protectionist measures (Brambilla et al, 2010, p.382). By dramatically increasing their exports early in the year, the argument goes, Chinese firms would be able to establish higher base levels for an inevitable round of new quotas or VER's (ibid.). Therefore, the dramatic surge of Chinese T&C exports in early 2005 might perhaps not be exclusively ascribable to theoretical export-reducing effects of VER's. Some evidence for this argument might be, that the levels of the post-ATC VER's on

China, agreed to in 2005, were substantially larger than the respective levels of previous VER's under the MFA and the ATC (Brambilla et al, 2010, p.382). Moreover, several authors state that the drastic surge in Chinese T&C exports in 2005 was a one-off effect, which levelled off in subsequent years (Dowlah, 2016, p.118 and Kowalski and Molnar, 2009, p.5, p.24).

As explained in chapter 4.2, VER's between China and the EU, and between China and the USA, lasted for as long as the end of 2008 (James and Hernando, 2008, n. pag., p.2 and Mutuc et al, 2011, p.901). Therefore, it is relevant to take a more long-term oriented look at effects of the VER-phase-out in the T&C sector as well:

The USA is the largest single-country importer of T&C in the world (USITC, 2013b, p.2.15 and Whalley and Yao, 2015, p.10). In 2013, the USA accounted for 19.7% of world clothing imports and for 8.4% of world textile imports (Dowlah, 2016, p.134, p.139). Also, as mentioned in the previous chapter, it used to apply especially restrictive VER's on its T&C imports (Nordas, 2004, p.26). For these reasons, effects of the VER-removal on USA imports of T&C are interesting to study.

Between 1995 and 2013, the total value of USA imports of T&C increased (Dowlah, 2016, p.133-134, p.139). The nominal value of its clothing imports more than doubled during this period (ibid., p.133). The import value of both, textiles and clothing, into the USA increased between 2001 and 2013 (Whalley and Yao, 2015, p.10-11). The pattern of higher growth of T&C imports after 2005 is argued to be connected with the removal of MFA VER's (ibid.). Clothing imports increased quicker than textiles imports, with an average increase of 5% and 2.5% respectively, from 2001 to 2013 (ibid.). The USA imports about four to five times more clothing than textiles (ibid.). T&C import quantities from China have kept increasing into the USA, from 2001 to 2013 (ibid., p.12). After the VER phase-out in 2005, this rate of increase was higher (except during the 2008/2009 global financial crisis), despite the new import quotas and VER's on China (ibid.).

As explained in the beginning of this chapter, theory has set out that VER's generally reduce the amount of exports of restrained products from the restrained exporting country, into the VER-imposing importing country, to (at least) the level set by the VER (Gandolfo, 2014, p.231 and Lutz, 2007, p.248 and Hillman and Ursprung, 1988, p.729). Also, it has been argued that the MFA had restricted nearly all relevant T&C exporters (Pomfret, 1989, p.205). Moreover, China is the number one exporter of T&C in the USA market (Whalley and Yao, 2015, p.15). Chinese T&C exports into the USA tended to be especially restricted (Brambilla et al, 2010, p.346). Hence, the overall increase in USA imports of T&C, following the removal of VER's, seems to match theoretical predictions. Obviously, the higher rate of increase of Chinese T&C exports into the USA, following VER-removal, thus fits as well. Although China

still faced VER's on its T&C exports to the USA until the end of 2008 (James and Hernando, 2008, n. pag. and Mutuc et al, 2011, p.901), these were argued to have been much larger than previous MFA/ATC VER's (Brambilla et al, 2010, p.382). This might explain why effects on China were possibly already visible post-2005. Additionally, trade in clothing tended to be more restricted than trade in textiles (Nordas, 2004, p.25-26). Hence, the larger increase of USA clothing imports following the removal of VER's, also seems to match theory.

Looking at clothing exports into the EU and the USA between 2000 and 2009 only (Gebreeyesus, 2013, p.1, p.4, p.30), Gebreeyesus finds that countries which faced higher fill rates and thus more binding VER's, were more likely to increase their exports in the aftermath of the removal of the MFA system of VER's (ibid., p.26, p.28-29). The higher the fill rate, the more likely it was that the country would increase its exports (ibid.). In the USA, nine countries faced clothing VER fill rates of 80% or more in 2004 (ibid., p.17, p.42). These were notably Bangladesh, Cambodia, China, India, Indonesia, Pakistan and Vietnam (ibid., p.42). In contrast to several other exporting countries, these countries have sharply increased their clothing exports into the USA in the post-VER period (ibid., p.17, p.24). In the EU, notably China, India and Vietnam faced such high fill rates (ibid., p.19, p.42). Following VER-elimination, these countries have sharply increased their clothing exports into the EU (ibid., p.19, p.25). These observations seem to match the theoretical statement of VER's generally reducing the amount of exports of restrained products from the restrained exporting country, into the VER-imposing importing country, to (at least) the level set by the VER (Gandolfo, 2014, p.231 and Lutz, 2007, p.248 and Hillman and Ursprung, 1988, p.729). They also match the statement of VER's having to be binding in order to have an effect (Nordas, 2004, p.24).

As described in chapter 3.2, theory has further set out that a system of VER's, such as the MFA, would likely lead to an overall reduced volume of world trade in the affected products (Whalley and Yao, 2015, p.5). VER's reducing exports of the affected good, from the restricted exporting country, into the restricting importing country, are one factor contributing to this (Nüesch, 2010, p.4). Additionally, as described in chapter 3.2, the restricted exporting country might have difficulties to switch sales from the VER-restricted to non-restricted export markets (De Santis, 1997, p.5-6). This might lead to total exports of the VER-restrained product of the exporting country being reduced due to a VER.

Again looking at the particular year 2005, an outstanding effect was the overall increase of Chinese T&C exports to the world (Dowlah, 2016, p.118). This is illustrated by Table 4.

Table 4: Growth of Chinese textiles and clothing exports from 2004 to 2005

Chinese Exports:	**2004**	**2005**	**Growth rate 2004-2005**
Textiles	88.8 billion US $	107.7 billion US $	21.3%
Clothing	62 billion US $	74 billion US $	19.4%

Source: own table, based on Dowlah, 2016, p.118

Exports from several other developing countries, for instance India, Bangladesh and Cambodia, also surged significantly (Dowlah, 2016, p.175). However, Chinese growth rates were much greater than those of other exporters (ibid.).

The effect of surging Chinese T&C exports in early 2005 seems consistent with theoretical predictions of VER's likely reducing the total amount of exports of the restrained products of the exporting country, especially in case of difficulties with switching sales from the VER-restricted, to non-restricted export markets (De Melo and Winters, 1990, p.32 and De Santis, 1997, p.5-6). As the EU and the USA are the world's largest T&C importing 'countries' (Dowlah, 2016, p.154) and they had applied VER's in T&C (Nordas, 2004, p.13), China might have had such difficulties to deflect all of its exports to other markets.

In 2006, there was a visible dip in Chinese clothing export growth rates (Kowalski and Molnar, 2009, p.24). Kowalski and Molnar argue that this dip is likely associated with the effects of the new VER's on China, as these mostly concerned clothing products (ibid.). This would again be consistent with theoretical predictions of VER's, likely reducing the total amount of exports of restrained products of the exporting country.

Looking at the world market and again taking a more long-term oriented perspective, one can see that the MFA system of VER's substantially reduced the volume of world T&C trade (Sheng, 2012, p.309 and Whalley and Yao, 2015, p.2). The liberalization of T&C trade then led to substantial increases in the volume of T&C trade (Dadakas and Katranidis, 2010, p.248). Since the VER-phase-out in 2005, trade volume in T&C has increased more quickly than the average for all world trade (Whalley and Yao, 2015, p.4). Also, the increase in world clothing trade is greater than in world textiles trade (ibid.). Table 5 illustrates this growth in world T&C trade.

Table 5: Growth of world trade in textiles and clothing from 2001 to 2013

world import value	**2001**	**2013**	**average rate of increase**
textiles	144.8 billion US $	242.1 billion US $	4.4%
clothing	215.9 billion US $	404.8 billion US $	5.4%
total goods and services	9.82 trillion US $	17.6 trillion US $	4.9%

Source: own table, based on Whalley and Yao, 2015, p.9

It is observable, that trade in clothing is larger and increased quicker than trade in textiles (Whalley and Yao, 2015, p.9). During the 2001 to 2013 period, world trade in T&C decreased two times; once in 2009 (following the global financial crisis in 2008) and once in 2012 (following the economic contraction and Euro crisis in the EU) (ibid., p.10). Therefore, one might not look at the year 2009, but at the years 2010 and 2011 as the first years when trade in T&C became truly VER-free (Dowlah, 2016, p.121). In these years, remarkable growth rates could be observed (ibid.). These are illustrated by Table 6.

Table 6: Growth rates of world trade in textiles and clothing in 2010 and 2011

annual growth rate of world trade in:	2010	2011
textiles	19%	17%
clothing	12%	18%

Source: own table, based on Dowlah, 2016, p.121

The above explained increase in world T&C trade volume is consistent with theoretical expectations, following the removal of VER restrictions (Whalley and Yao, 2015, p.4). As set out in chapter 3.2, a system of VER's such as the MFA, was argued to likely lead to an overall reduced volume of world trade in the affected products (Whalley and Yao, 2015, p.5).

As already explained, theory predicts that VER's will likely reduce the total amount of exports of the restrained products of the exporting country, especially in case of difficulties with switching sales from the VER-restricted, to non-restricted export markets (De Melo and Winters, 1990, p.32 and De Santis, 1997, p.5-6). As the EU and the USA are the world's largest T&C importing 'countries' (Dowlah, 2016, p.154) and they had applied VER's in T&C (Nordas, 2004, p.13), T&C exporters might have faced such difficulties.

Moreover, theory has set out that VER's generally reduce the amount of exports of restrained products, from the restrained exporting country, into the VER-imposing importing country, to (at least) the level set by the VER (Gandolfo, 2014, p.231 and Lutz, 2007, p.248 and Hillman and Ursprung, 1988, p.729). It has been argued, that the MFA covered nearly all relevant exporters of T&C (Pomfret, 1989, p.205) and that it was an agreement among the major T&C importing and exporting countries (Lutz, 2007, p.254). Its effect of reducing world trade volume in T&C (Sheng, 2012, p.309 and Whalley and Yao, 2015, p.2), hence appears to fit theory. The above explained increases in world T&C trade, following the removal of the MFA system of VER's, therefore appear consistent with theoretical predictions.

Additionally, as mentioned in the previous chapter, trade in clothing was comparably more restricted than trade in textiles (Nordas, 2004, p.25-26). Therefore, clothing trade has been more affected by the removal of the MFA system of VER's (Whalley and Yao, 2015, p.3). Thus, a greater increase in world clothing trade has been observable (ibid., p.4). This hence also appears to be consistent with theoretical predictions.

4.3.2 Developments of major exporters after the VER-phase-out

As explained in chapter 4.2, VER's between China and the EU, and between China and the USA, lasted for as long as the end of 2008 (James and Hernando, 2008, n. pag., p.2 and Mutuc et al, 2011, p.901). Therefore, it is relevant to take a long-term oriented look at effects of the VER-phase-out in the T&C sector. The present and all following chapters will therefore take such a rather long-term oriented perspective.

As mentioned in the previous chapter, effects of the VER-phase-out in the T&C sector are especially interesting with regard to the USA import market. This is due to the fact that the USA is the largest single-country importer for both, textiles and clothing (USITC, 2013b, p.2.15 and Whalley and Yao, 2015, p.10). Also, it used to apply rather restrictive VER's in T&C (Nordas, 2004, p.26). Table 7 hence illustrates changing market shares of the five major T&C exporters in the USA import market.

Table 7: Changing market shares of major textiles and clothing exporters in the USA import market

Sector	Rank	2001	2004	2010	2013
textiles	**1**	China: 13%	China: 23%	China: 37%	China: 37%
	2	Canada: 13%	Canada: 10%	India: 11%	India: 13%
	3	Mexico: 10%	India: 9%	Mexico: 7%	Mexico: 6%
	4	India: 7%	Mexico: 9%	Pakistan: 7%	Pakistan: 6%
	5	Pakistan: 7%	Pakistan: 7%	Canada: 7%	Canada: 6%
clothing	**1**	China: 13%	China: 18%	China: 41%	China: 39%
	2	Mexico:12%	Mexico: 9%	Vietnam: 8%	Vietnam: 10%
	3	Hong Kong: 7%	Hong Kong: 5%	Indonesia: 6%	Indonesia: 6%
	4	South Korea: 4%	Honduras: 4%	Bangladesh: 5%	Bangladesh: 6%
	5	Indonesia: 4%	Vietnam: 4%	Mexico: 5%	Mexico: 4%

Source: own table, based on Whalley and Yao, 2015, p.17 (based on UN's Comtrade Database)

As explained in chapter 4.2, the MFA system of VER's was phased-out in 2005, under the ATC (Nedergaard, 2009, p.19). The new VER on Chinese T&C exports into the USA ended on the 31st of December 2008 (James and Hernando, 2008, p.2, p.25 and Sheng, 2012, p.314). 2001 and 2004 hence represent years with VER's on T&C trade still in place, while 2010 and 2013 represent VER-free years.

Table 7 shows, that China's market share in USA clothing as well as textiles imports almost tripled from 2001 to 2013 (Dowlah, 2016, p.131). In textiles, India increased its market share, while Pakistan remained relatively stable (Whalley and Yao, 2015, p.17). North American Free Trade Agreement (in the following "NAFTA") exporters Mexico and Canada saw their market shares declining (ibid.). Especially after the VER-phase-out in 2005, USA import quantity from NAFTA countries dropped quickly (ibid., p.12).

In clothing, NAFTA member Mexico similarly saw its market share declining (ibid., p.17). Following the years of the removal of VER's in T&C trade, Hong Kong, South Korea and Honduras saw their clothing market shares in the USA declining (ibid.). Meanwhile, Bangladesh, Indonesia and Vietnam increased their market shares (ibid.). Bangladesh increased its clothing exports to the USA by about 72%, in the aftermath of VER removal (Heron, 2012, p.79): They increased from 1.98 billion US dollar in 2004, to 3.41 billion US dollar in 2009 (ibid.). In both, textiles and clothing, the share of American exporters in the top 10 exporters into the USA has kept decreasing, while the share of Asian exporters rose rapidly (Whalley and Yao, 2015, p.17-18).

The EU and the USA are the largest importers of T&C in the world (Dowlah, 2016, p.134, p.139, p.154). This was the case already before, and also after the removal of VER's in T&C (ibid., p.134, p.139). In 2013, the EU accounted for 37.9% of world imports of clothing and for 24.2% of world imports of textiles, being the number one world importer (ibid.). The USA accounted for 19.7% of world clothing imports and for 8.4% of world textiles imports in 2013, being the number two world importer (ibid.). Canada accounted for a further 2.1% of world clothing and 1.4% of world textiles imports (ibid.). These numbers also show that the EU, the USA and Canada are relatively more important import markets for exporters of clothing, than for exporters of textiles (Nordas, 2004, p.16). These countries were among the importing countries carrying over VER's into the ATC (Nordas, 2004, p.13). Hence, due to the importance of the EU and the USA as T&C importers, one would expect the removal of their VER's, brought about by the ATC, to impact the world T&C market.

Table 8 hence shows changing world market shares of the top 15 world clothing exporters, as a percentage of total world clothing exports (Dowlah, 2016, p.129). The year 2000 represents a year with the system of VER's in the T&C sector still in place (Barrows and Harrigan, 2009, p.282). The year 2005 represents the removal of the system of VER's under the ATC (Nedergaard, 2009, p.19). The years 2010 and 2013 then represent years, when the new T&C VER's of the EU and the USA on China were no longer in place (James and Hernando, 2008, p.2, p.25 and Kowalski and Molnar, 2009, p.18 and Sheng, 2012, p.314). The ranking is based on the export value of a country in US dollar (Dowlah, 2016, p.129).

Table 8: Changing world market shares of major clothing exporters

Rank	**2000**	**2005**	**2010**	**2013**
1	China: 18.1%	EU (25): 29.2%	China: 36.9%	China: 38.6%
2	Hong Kong: -	China: 26.9%	EU (27): 28.1%	EU (27): 25.6%
3	Italy: 6.6%	Hong Kong: -	Hong Kong: -	Bangladesh: 5.1%
4	Mexico: 4.4%	Turkey: 4.3%	Bangladesh: 4.5%	Hong Kong: 4.7%
5	USA: 4.3%	India: 3.0%	Turkey: 3.6%	Vietnam: 3.7%
6	Germany: 3.4%	Mexico: 2.6%	India: 3.2%	India: 3.7%
7	Turkey: 3.3%	Bangladesh: 2.3%	Vietnam: 3.1%	Turkey: 3.3%
8	France: 2.7%	Indonesia: 1.9%	Indonesia: 1.9%	Indonesia: 1.7%
9	India: 2.8%	USA: 1.8%	USA: 1.3%	USA: 1.3%
10	South Korea: 2.5%	Vietnam: 1.7%	Mexico: 1.2%	Cambodia: 1.1%
11	Indonesia: 2.4%	Romania: 1.7%	Thailand: 1.2%	Malaysia: 1.0%
12	United Kingdom: 2.1%	Thailand: 1.5%	Pakistan: 1.1%	Pakistan: 1.0%
13	Thailand: 2.0%	Pakistan: 1.3%	Malaysia: 1.1%	Mexico: 1.0%
14	Belgium: 2.0%	Tunisia: 1.2%	Sri Lanka 1.0%	Sri Lanka: 1.0%
15	Taiwan: 1.5%	Sri Lanka: 1.0%	Tunisia: 0.9%	Thailand: 0.9%
Share of top 15 in total world clothing exports	63.1%	83.1%	89.4%	89.0%

Source: own table, based on Dowlah, 2016, p.129 (based on WTO statistics database and International Trade Statistics)

It is to note, that Romania joined the EU in 2007 (European Commission Website, 2016, n. pag.). Moreover, the EU already existed and had 15 members in 2000 (ibid.). The year 2000 in Table 8 does however not show the EU, but rather its member countries individually. Therefore, one needs to keep in mind that the ranking of the year 2000 is not directly comparable to the rankings of the other years in table 8.

Table 8 shows that China's world market share increased dramatically after the subsequent removal of VER's on its clothing exports (Dowlah, 2016, p.129). Other developing countries, such as Vietnam, Bangladesh, India and Cambodia have also increased their clothing world market shares (ibid.). These countries are great beneficiaries of the VER-removal (ibid., p.131-132). Bangladesh's world market share of clothing exports was only 1.3% in 1995 (ibid.). Dowlah argues that many developing country exporters had impressive clothing export growth rates in the post-MFA period from 2005 to 2013 (ibid., p.127). Annual growth of clothing exports averaged 18% for Vietnam, 17% for Bangladesh, 12% for China, 11% for Cambodia and 9% for India during this period (ibid.).

Bangladesh increased its value of clothing exports by 12 times from 1995 to 2013 (from 2 billion to 24 billion US dollar) (ibid., p.148). Vietnam quadrupled its export value in clothing between 2005 and 2013 (ibid., p.132). Cambodia emerged, from virtually non-existent in the 1990s, to a top 10 exporter in the 2010's (ibid.). Cambodia increased its clothing exports by 100 times from 1995 to 2013 (from 50 million US dollar to 5 billion US dollar) (ibid., p.150). India's nominal value of clothing exports more than doubled from 2005 to 2013 (ibid.).

The EU, the USA, Mexico, Hong Kong, South Korea and Taiwan saw their clothing world market shares decline in the aftermath of VER-removal (ibid., p.127, p.129). Hong Kong's share of world clothing exports declined from 12% in 2001, to 4.9% in 2013 (Whalley and Yao, 2015, p.23).

Turkey has increased its clothing world market share in the aftermath of the 2005 VER-removal (Dowlah, 2016, p.129). Although its market share declined slightly afterwards, the value of its clothing exports kept increasing constantly (ibid.). Indonesia's clothing world market share declined in the aftermath of liberalization, although the value of its exports increased (ibid.). Pakistan's clothing world market share showed slight declines between 2005 and 2013 (ibid.). However, the value of its clothing exports was constantly increasing (ibid.). Thailand, Tunisia, Sri Lanka and Malaysia will not be analysed further in this thesis.

Analogously to table 8, table 9 shows changing world market shares of the top 15 world textiles exporters, as a percentage of total world textiles exports (Dowlah, 2016, p.137). The ranking is again based on the export value of a country in US dollar (ibid.). Again, the year 2000 does not show the EU as a whole, but instead its member countries individually.

Therefore, the ranking of the year 2000 is again not directly comparable to the rankings of the other years in table 9.

Table 9: Changing world market shares of major textiles exporters

Rank	2000	2005	2010	2013
1	China: 10.2%	EU (25): 33.5%	China: 30.7%	China: 34.8%
2	Hong Kong: -	China: 20.2%	EU (27): 26.8%	EU (28): 23.6%
3	South Korea: 8.1%	Hong Kong: -	India: 5.1%	India: 6.2%
4	Italy: 7.6%	USA: 6.1%	USA: 4.9%	USA: 4.6%
5	Taiwan: 7.4%	South Korea: 5.1%	Hong Kong: -	Turkey: 4.0%
6	Germany: 7.0%	Taiwan: 4.8%	South Korea: 4.4%	South Korea: 3.9%
7	USA: 7.0%	India: 3.9%	Taiwan: 3.9%	Hong Kong: -
8	Japan: 4.5%	Pakistan: 3.5%	Turkey: 3.6%	Taiwan: 3.3%
9	France: 4.3%	Turkey: 3.5%	Pakistan: 3.1%	Pakistan: 3.1%
10	Belgium: 4.1%	Japan: 3.4%	Japan: 2.8%	Japan: 2.2%
11	India: 3.4%	Indonesia: 1.7%	Indonesia: 1.7%	Vietnam: 1.6%
12	Pakistan: 2.9%	Thailand: 1.4%	Thailand: 1.5%	Indonesia: 1.5%
13	United Kingdom: 2.7%	Canada: 1.2%	Vietnam: 1.1%	Thailand: 1.3%
14	Turkey: 2.3%	Mexico: 1.1%	Mexico: 0.8%	United Arab Emirates: 0.9%
15	Indonesia: 2.2%	United Arab Emirates: 0.9%	Canada: 0.8%	Mexico: 0.8%
Share of top 15 in total world textile exports	74.5%	90.5%	91.1%	91.8%

Source: own table, based on Dowlah, 2016, p.137 (based on WTO statistics database and International Trade Statistics)

Similarly to table 8, table 9 shows that after the subsequent removal of VER's on its exports, China has dramatically increased its world market share in textiles as well (Dowlah, 2016, p.137). In terms of value, Chinese textiles exports rose by 12 times in 18 years (ibid., p.138): They increased from 9.1 billion US dollar in 1995, to 107 billion US dollar in 2013 (ibid.).

Similarly to clothing, industrialized countries such as the EU, the USA and Japan saw their textiles world market shares declining in the aftermath of VER removal (ibid., p.136-137). The same holds true for Hong Kong, South Korea and Taiwan (ibid.). Hong Kong's share of world textiles exports decreased from 7.8% in 2001, to 3.6% in 2013 (Whalley and Yao, 2015, p.23). The EU, the USA and Japan still controlled about 30% of the capital-intensive textiles export market in the world in 2013 (Dowlah, 2016, p.138). However, this share had also declined from 48% in 2000 (ibid., p.125). It appears, that competition from developing countries (for instance China, India, Turkey, Pakistan) has intensified (ibid., p.138).

Similarly to developments in the clothing market, countries such as India, Turkey and Vietnam have increased their textiles world market shares in the aftermath of VER removal (ibid., p.137). Between 1995 and 2013, Vietnam had an annual textiles exports growth rate of 27% per year (ibid., p.125). This figure stood at 13% for China and at 11% for India (ibid.).

Pakistan has also increased its market share in world textiles exports in the aftermath of VER removal in 2005 (ibid., p.137). Although its market share subsequently showed slight declines, the value of its textiles exports was constantly increasing (ibid.).

As in case of clothing, Indonesia's textiles world market share declined in the aftermath of liberalization (ibid.). The value of its exports declined slightly from 2000 to 2005, but increased to higher levels than in 2000, in 2010 and 2013 (ibid.). Mexico and Canada saw their textiles world market shares and values of exports declining (ibid., p.137). Thailand and the United Arab Emirates are not to be further analysed in this thesis.

It has been stated previously, that the year 2005 is an especially obvious year to analyse effects of VER's in T&C (Barrows and Harrigan, 2009, p.282). Moreover, the USA import market was argued to be useful for analysis: The USA had applied rather restrictive VER's in T&C (Nordas, 2004, p.26). Also, the USA is the world's largest single-country importer of T&C (USITC, 2013b, p.2.15 and Whalley and Yao, 2015, p.10). It is thus interesting, to consider market share developments of major T&C exporters in the USA import market, from 2004 to 2005. Generally speaking, these are in line with the long-term developments, which have just been outlined.

Looking at changes in market shares of major T&C exporters into the USA from 2004 to 2005, China, as the leading T&C exporter into the USA, increased its market share from 20.7% to 27.8% (Barrows and Harrigan, 2009, p.287). Meanwhile, Mexico and Canada saw their market shares and export revenues drop (ibid.). These countries are members of the NAFTA (ibid.). Unlike all other major T&C exporters into the USA, which faced large shares of their T&C trade coming in under binding VER's, these two countries did previously not face binding T&C VER's into the USA (ibid.). Other countries that previously enjoyed preferential access to the USA market, such as Honduras, El Salvador and Guatemala, also saw their market shares and export revenues drop from 2004 to 2005 (ibid.). Moreover, relatively developed major T&C exporters to the USA, such as Hong Kong, Taiwan and South Korea also saw their market shares and export revenues drop (ibid.).

A number of low-cost Asian T&C exporters, such as Bangladesh, Cambodia, India, Pakistan and Indonesia, has on the other hand succeeded in increasing their market shares from 2004 to 2005 (ibid. and Kowalski and Molnar, 2009, p.18 and Seyoum, 2010, p.173). T&C exports from the SSA region into the USA have decreased in 2005, abruptly reversing the trend of robust T&C export growth in previous years (Brambilla et al, 2010, p.346). Brambilla et al hence argue that China's rapid increase in USA market shares came at the expense of both, USA domestic T&C manufacturers and other T&C trading partners of the USA (ibid.).

4.3.3 Traditional and new trade theory related effects

As described in chapter 3.1, the **principle of comparative advantage and the factor proportions theory** would, simply put, predict an increased specialization across countries with different factor endowments, following freer trade (Cavusgil et al, 2014, p.177 and Kowalski and Molnar, 2009, p.24 and Krugman and Obstfeld, 2009, p.54). In freer trade, labour abundant countries would hence specialize increasingly in labour-intensive activities, while capital and human-capital abundant countries would tend to specialize in capital- and skill-intensive segments (Kowalski and Molnar, 2009, p.24). Such developments appear to have taken place in the case of freer trade after the ATC phasing-out of VER's in the T&C sector:

With regard to the developments in the world market and the USA market, as described in chapter 4.3.2, one might identify several countries as especially obvious beneficiaries from the removal of the MFA system of VER's in T&C: In textiles, these were notably China, India, Vietnam, Turkey and Pakistan (see Dowlah, 2016, p.137 and Whalley and Yao, 2015, p.17). In clothing, these were mainly China, India, Vietnam, Bangladesh, Cambodia and to some extent Indonesia (which gained market shares in the USA import market, but lost world market shares) (see Dowlah, 2016, p.129 and Whalley and Yao, 2015, p.17). These longer term developments are also in line with the previously described observations in 2005: There were surging T&C exports from China, India, Bangladesh and Cambodia in general (Dowlah, 2016, p.118, p.175). In addition, there were increasing T&C market shares of China, Bangladesh, Cambodia, India, Pakistan and Indonesia in the USA import market (Barrows and Harrigan, 2009, p.287 and Kowalski and Molnar, 2009, p.18 and Seyoum, 2010, p.173).

All these obvious beneficiary countries had a revealed comparative advantage[5] in both, textiles and clothing, in the year 2000 (Nordas, 2004, p.32 and Karaalp and Yilmaz, 2013, p.14). Dowlah expands, that less developed countries had already emerged as dominant T&C exporters, showing a comparative advantage, by the 2000s (Dowlah, 2016, p.107). However, due to prolonged protectionism in the sector, their day of triumph only arrived in 2009 he argues (ibid.).

With regard to clothing, namely China, with its abundance of low-cost labour, possesses a natural comparative advantage in the labour-intensive clothing sector (ibid., p.141). The other just mentioned obvious beneficiary countries in clothing - Bangladesh, Cambodia, India and Vietnam - also enjoy such a natural comparative advantage in the clothing sector (ibid.). This is due to their abundance of low-cost labour (ibid.). They are developing countries (ibid.).

[5] Revealed comparative is calculated as the share of textiles or clothing in the total exports of each country, relative to the share of textiles or clothing in world exports in this case (Nordas, 2004, p.31). If the number was larger than unity, the country had a revealed comparative advantage (ibid.).

With regard to their clothing exports into the USA and the EU, those previously VER-constrained exporting countries with low labour costs benefitted more from the removal of VER's than previously restrained more advanced economies with rising labour costs (Gebreeyesus, 2013, p.28-29). These observations are clearly in line with the principle of comparative advantage and the factor proportions theory, as explained in chapter 3.1 and with the characteristics of the clothing industry being labour-intensive, as explained in chapter 4.1. It was already stated in chapter 4.1, that low-wage countries tend to have a strong comparative advantage in the labour-intensive clothing industry (Krugman and Obstfeld, 2009, p.227). Many of the less developed countries have an inherent advantage in the clothing sector, as it requires relatively little capital, relatively low entrepreneurial skills and unskilled labour (Dowlah, 2016, p.141).

It is moreover interesting to note, that all these obvious beneficiary countries had previously (in 2004) faced binding T&C VER's in the USA import market (Barrows and Harrigan, 2009, p.287). In the EU import market, China, India, Vietnam and Pakistan were even among the most restricted suppliers in terms of the number of binding T&C VER's that they faced in 2000 (Nordas, 2004, p.32). With regard to clothing and to the USA market only, Gebreeyesus finds that only nine countries faced an aggregate VER fill rate of 80% or more in 2004 (Gebreeyesus, 2013, p.17, p.42). All above mentioned obvious beneficiary countries in clothing were among these nine countries (ibid.). Very generally speaking, this observation might thus be seen in line with a statement of chapter 3.2: It was set out that the most or more competitive countries, possessing a comparative advantage in the respective sector, are likely to be restricted by VER's (see Czaga et al, 2004, p.30 and Conway and Fugazza, 2010, p.13 and Glismann, 1996, p.70, p.111, p.119).

Especially in clothing, these developments clearly demonstrate a movement along the path of neoclassical economics (Dowlah, 2016, p.133): In a freer market, specialization gravitates in favour of low-cost producers in this case (ibid.). As the clothing sector is labour intensive, low-cost labour abundant countries such as overall China, but also Bangladesh, Cambodia, India and Vietnam, enjoying a natural comparative advantage in clothing, have remarkably gained from the liberalization of trade (ibid., p.141).

Summing up, these observed developments in the clothing sector hence appear consistent with the factor proportions theory and the principle of comparative advantage, as explained in chapter 3.1: Trade in clothing became freer after the MFA system of VER's was removed. As a result, several labour-abundant developing countries, possessing a comparative advantage in the labour-intensive clothing industry, have increasingly specialized in the labour-intensive clothing industry. This specialization showed in their increasing clothing exports and world

market shares. These countries were notably China, India, Vietnam, Bangladesh and Cambodia (Dowlah, 2016, p.141).

Not only in clothing, but even in textiles, that require a more capital-intensive production, many developing nations have substantially increased their market shares (Seyoum, 2010, p.162). It has just been mentioned, that in textiles, notably China, India, Vietnam, Turkey and Pakistan, seem to have benefitted from trade liberalization (see Dowlah, 2016, p.137). Seyoum argues that many developing countries have managed to reduce the productivity gap, by acquiring modern technologies through machinery imports and with globalized knowledge networks (Seyoum, 2010, p.159). They have thus been catching up with developed countries.

Generally speaking, one might hence argue that developing countries have demonstrated their natural and evolving comparative advantage in the overall generally labour-intensive T&C sector (Dowlah, 2016, p.171): They have emerged as leading exporters, following the removal of VER's (ibid.). Traditionally, developed countries had dominated T&C exports (ibid., p.140). Nowadays, developing countries account for more than half of the world's textiles, and almost three quarters of the world's clothing exports (ibid.). While developed countries have lost market shares in global T&C exports, developing countries' production and exports have soared (ibid., p.171).

The phase-out of MFA VER's forced T&C exporters to compete in global markets, under less distorted conditions (Kowalski and Molnar, 2009, p.24). Some argue, that the situation after the liberalization reflected actual comparative advantages and factor endowments, rather than effects of a largely arbitrary state regulation, which clearly was in place with the MFA system of VER's (ibid., p.24-25 and Heron, 2012, p.76). The global T&C industry is now more competitive (James and Hernando, 2008, p.25). The phasing out of VER's has led to a concentration of production in countries with a real comparative advantage (Dowlah, 2016, p.172).

Summing up, these developments in the textiles industry and in the T&C sector in general, hence also appear to fit with the factor proportions theory and the principle of comparative advantage. Freer trade in T&C has apparently led to an increasing specialization of countries, according to their factor endowments.

On the one hand, it has hence been argued that, following the phasing out of T&C VER's, developed country producers could not compete with low-wage and labour abundant countries, such as namely China (Barrows and Harrigan, 2009, p.287 and Kowalski and Molnar, 2009, p.24 and Seyoum, 2010, p.173). Tables 8 and 9 have shown that developed country exporters, notably the USA and the EU, have lost world market shares, following trade liberalization in T&C.

On the other hand, it needs to be admitted that, especially in textiles, developed countries such as the EU and the USA still enjoy large market shares in world exports (see Dowlah, 2016, p.129. p.137). In 2013, the EU was the world's second largest exporter of textiles and of clothing (ibid.). In the same year, the USA was the world's fourth largest exporter of textiles and the world's ninth largest exporter of clothing (ibid.).

Within the T&C industry, there has been a tendency for physical capital and human capital rich countries (e.g. OECD countries) to specialize in capital-intensive segments of the market, with a higher content of technology and innovation (Kowalski and Molnar, 2009, p.24). This development clearly appears to be in line with theoretical predictions of the factor proportions theory and the principle of comparative advantage, as explained in chapter 3.1 (ibid.).

According to Gebreeyesus, developed countries still have a comparative advantage in textiles, as it is relatively capital-intensive (Gebreeyesus, 2013, p.4). For instance, Seyoum argues that the USA has a relative advantage in textiles, as it is capital-intensive and amenable to technical change (Seyoum, 2010, p.165). For example, the USA has developed a competitive advantage in specialty and industrial fabrics (such as stain-resistant fabric), using nano-technology (ibid., p.153). Textile companies in the USA have managed to upgrade their technology, in order to reduce the share of labour in production (ibid., p.157-158). A range of modern technologies in textiles production, as well as customized production, allow USA companies to offer differentiated goods and services (ibid.).

Still, due to the above mentioned catching up of developing countries in textiles (acquiring modern technologies), USA companies can only compete in the highest value-added segments of the T&C industry, he argues (ibid., p.159). Clothing companies in the USA on the other hand seem to be most vulnerable to foreign competition (ibid., p.165). Many of them have already exited low-value-added activities (ibid.).

Nowadays, domestic USA T&C producers no longer compete directly with imports (USITC, 2013b, p.2.17). The limited remaining domestic production of T&C, is primarily for high-end and niche markets (willing to pay a premium price for a higher quality and a more advanced product) and for medical and industrial purposes (requiring specialized materials such as nonwoven, flame-resistant fabrics) (ibid. and USITC, 2011, p.2.29, p.2.31). USITC argues that low-cost countries lack the requisite advanced technologies to manufacture such products (USITC, 2011, p.2.31). These developments in the USA textiles industry hence appear in line with both, the factor proportions theory and product differentiation, as forecasted by new trade theory.

Summing up, freer trade in T&C has apparently led to capital and human-capital abundant countries, such as the EU and the USA, increasingly specializing in capital- and skill-intensive segments of T&C, such as high-quality, high-technology and high-value added activities (Kowalski and Molnar, 2009, p.2, p.6, p.25 and Seyoum, 2010, p.153, p.157-159, p.165). As the textiles industry is more capital-intensive (Nordas, 2004, p.7), generally speaking, developed countries seem rather to have been able to maintain a comparative advantage in the textiles industry in some cases. Therefore, the USA and the EU remain among the top exporters of textiles in the world (Sheng, 2012, p.322), as table 9 has shown. However, due to developing countries catching up in textiles, developed countries such as the USA can only compete in the highest-value adding segments of the T&C industry (Seyoum, 2010, p.159). These developments hence also appear in line with the factor proportions theory and with the principle of comparative advantage.

New trade theory, as described in chapter 3.1, is for instance relevant in case of monopolistic competition (Krugman and Obstfeld, 2009, p.120, p.125, p.149). Simply put, this theory sets out, that freer trade results in a larger market for companies, allowing them to increase their returns to scale (ibid.). The larger market through trade will support a greater number of firms, each producing at a larger scale (ibid., p.149). Each country can thereby specialize in a narrower range of products, but simultaneously increase the variety of products available to domestic consumers, by buying goods from other countries (ibid., p.125). Freer trade may thus manifest itself in intra-industry trade, economies of scale and product differentiation (Kowalski and Molnar, 2009, p.24). Following trade liberalization in T&C, such developments also appear to have taken place:

Kowalski and Molnar argue that despite the back-loading of much of the VER-removal until 2005, there has been a long-term adjustment process in OECD countries and developing countries (Kowalski and Molnar, 2009, p.58). This adjustment process began already prior to the ATC (ibid.). As mentioned previously, the large majority of the 34 OECD members are developed countries (see Glossary and see IMF, 2016, p.148 and OECD Website, 2016, n. pag.).

Exporters in countries with low costs and high productivity, for instance China, India, Pakistan and Vietnam, have consolidated their production of labour-intensive T&C products (Kowalski and Molnar, 2009, p.2). They have pursued economies of scale to benefit from enlarged markets, following the liberalization of trade in T&C (ibid.). Furthermore, there was an upgrading of capital stocks (mostly through machinery imports) (ibid.). Also, a falling number of T&C firms could be observed (ibid., p.25). These, on average, employed growing numbers of employees (ibid.). Kowalski and Molnar argue that these developments are in

line with the factor proportions theory and the new trade theory (ibid.), as explained in chapter 3.1.

Meanwhile, producers in high-cost OECD countries (developed countries) have moved towards a market structure characterised by a larger number of more specialized T&C firms (ibid., p.2, p.6). These are smaller in terms of average number of employed staff, but larger in terms of average revenue per firm and per employee (ibid.). Some T&C producers located in high-income developed countries have been successfully differentiating away from the market segments where they have to compete on labour cost (ibid., p.2, p.25). They have differentiated towards segments where they can compete on quality, on the application of sophisticated technology, on design and marketing strategies, as well as by concentrating on fewer product categories and exploiting economies of scale (ibid.). Kowalski and Molnar argue these developments to be fitting with product differentiation and new trade theory and also with the factor proportions theory (ibid., p.25), as explained in chapter 3.1. They further observed that specializing on quality has been mainly done by OECD producers (ibid., p.25). However, producers in both, OECD and developing countries have seemingly increasingly concentrated on fewer product categories (ibid.).

Very simply put, some evidence for intra-industry trade may be found, when considering world market shares of major T&C importers and exporters: In 2013, several countries such as the EU, the USA, Hong Kong, Turkey, Mexico and China were among the world's Top 15 clothing exporters as well as importers (see Dowlah, 2016, p.129, p.134). In textiles, several countries such as the EU, the USA, Hong Kong, Turkey, China, Vietnam, Japan, India, South Korea, Indonesia and Mexico, were among the world's top 15 textiles exporters as well as importers in 2013 (see ibid., p.137, p.139).[6]

However, one needs to keep in mind that parts of this intra-industry trade may possibly be explained by comparative advantage and factor endowments (see Krugman and Obstfeld, 2009, p.133 for a similar case): For instance, it was set out in this very chapter that capital- and human-capital abundant countries such as the USA have specialized increasingly in capital- and skill-intensive segments within the T&C industry (Kowalski and Molnar, 2009, p.24 and (Seyoum, 2010, p.153, p.157-159, p.165). Also it was said, that some producers in developed countries have been differentiating away from market segments where they have to compete on low labour cost, towards segments where they can compete e.g. on technology or quality (Kowalski and Molnar, 2009, p.2, p.25). Hence, such developed countries might import rather labour-intensive T&C goods but simultaneously export capital- or skill-intensive T&C goods. Thus, differently to what has been set out in chapter 3.1,

[6] These statements are simplified. See Krugman and Obstfeld, 2009, p.132 for the correct and usual way of calculating the importance of intra-industry trade within a given industry.

economies of scale might not be the only factor explaining intra-industry trade in this case. Krugman and Obstfeld call such trade “pseudo-intra-industry” trade (Krugman and Obstfeld, 2009, p.133).

Summing up, new trade theory, as explained in chapter 3.1 also seems to show in the observed developments in T&C: Following the elimination of the MFA system of VER’s in T&C, most countries have apparently specialized in a narrower range of products (Kowalski and Molnar, 2009, p.2, p.6, p.25). Moreover, product differentiation and economies of scale could be observed (ibid.).

Tables 8 and 9 have shown that several “East Asian Tigers” countries, namely **South Korea, Taiwan and Hong Kong have lost world market shares** in T&C, following the ATC phasing-out of VER’s (see Dowlah, 2016, p. 129, p.133, p.137). Table 7 has shown that Hong Kong and South Korea have also lost market shares in the USA clothing market. These longer term developments are moreover in line with the observed developments in 2005, as described in chapter 4.3.2 (Barrows and Harrigan, 2009, p.287): It was observed that South Korea, Taiwan and Hong Kong saw their T&C market shares and export revenues in the USA import market drop in 2005 (ibid.).

These countries are relatively developed, higher-income suppliers (ibid.). Barrows and Harrigan argue that their market share losses were due to the increased competition from China (ibid.). With low-wage China (and others) no longer constrained by VER’s, these relatively high-wage T&C exporters could no longer compete (ibid.). These observations might be seen in line with the comparative advantage and factor endowment statements of the previous paragraphs.

Dowlah however objects that South Korea, Taiwan and Hong Kong already began losing market shares in world clothing exports by the 1980s (Dowlah, 2016, p.133). He argues that much of their loss is due to technological advancement and diversification into higher value-adding products (ibid.). These developments in the “East Asian Tigers” countries in the 1980s have already been described in chapter 4.1. Thus, market share losses of these countries might not be solely attributable to the phasing out of VER’s in the T&C sector.

Several authors agree that **China can unanimously be seen as the largest beneficiary** of the ATC elimination of VER’s in the T&C sector (Dowlah, 2016, p.131 and Sheng, 2012, p.306 and Whalley and Yao, 2015, p.17). Despite the new VER’s on Chinese T&C exports, China achieved more market share gains in the world clothing market from 2000 to 2009 than other clothing exporters (Sheng, 2012, p.306). As tables 7, 8 and 9 have shown, China

is now the largest exporter of both, textiles and clothing, in both, the world and the USA market. It commands more than one third of global exports in both sectors (Dowlah, 2016, p.141). Table 10 illustrates the impressive growth of China's world market share and value of exports in T&C (in billion US Dollars) (ibid., p.129, p.137):

Table 10: China's growing exports in textiles and clothing

sector/year	2000		2013	
	export value	world market share	export value	world market share
textiles	16.14	10.2	107	34.8
clothing	36.07	18.1	177	38.6

Source: own table, based on Dowlah, 2016, p.129, p.137

Despite the new VER's on its T&C exports lasting until the end of 2008 (James and Hernando, 2008, n. pag. and Mutuc et al, 2011, p.901), China has acquired an advantage in T&C exports, and its advantage in clothing is even more obvious (Whalley and Yao, 2015, p.22). Much of the phenomenal success of China may well be attributed to its abundance of low-cost labour (Dowlah, 2016, p.141). This afforded the country a natural comparative advantage in the labour-intensive clothing sector (ibid.). China's comparative advantage in T&C goods has already been addressed earlier in this chapter. Next to its abundance of low-cost labour and its especially low labour costs, other success factors are also argued to have had an influence (ibid., p.142-143 and Heron, 2012, p.65-66):

China is one of the least dependent countries on imported raw materials for its T&C products in the world (Dowlah, 2016, p.143). It disposes of a competitive supply of raw materials (e.g. fibres and yarns), that is sufficient to meet domestic and global demand (Seyoum, 2010, p.171). Many developing country competitors of China, for instance Bangladesh, Cambodia and Vietnam, contrastingly heavily depend on imported inputs (Dowlah, 2016, p.143).

Furthermore, China's workforce is not only little costly, but also relatively high skilled (Heron, 2012, p.65 and Seyoum, 2010, p.171). Due to its size and historical experience in the T&C sector, China has developed the necessary technology and linkages and disposes of a large manufacturing capacity, to produce a wide range of T&C products at competitive prices (James and Hernando, 2008, p.12 and Seyoum, 2010, p.171). China hence benefits from economies of scale, its large size allowing to ship at lower costs (James and Hernando, 2008, p.12). New trade theory related effects, such as an increased pursuit of economies of scale in China, following freer trade in T&C, have already been described in previous paragraphs of this chapter.

Large investments in infrastructure (such as port facilities) to shorten shipping times, as well as investments in spinning and weaving equipment, have enhanced China's production, productivity and efficiency (Seyoum, 2010, p.171). Not only low labour costs, but also high productivity, large scale production capacity, range and flexibility of services and efficient

supplier networks, might hence be seen as Chinese T&C success factors (ibid. and Heron, 2012, p.66 and James and Hernando, 2008, p.25).

China's flexibility in adopting different strategies to cope with the restrictions of the MFA system of VER's in T&C might be seen as a further success factor (Kowalski and Molnar, 2009, p.39). For instance, China did so-called quota-hopping (ibid.). This implies that it moved part of its production facilities to countries not subject to or subject to underutilized VER's, in order to avoid the restrictions into the EU, USA and Canadian markets (ibid.). This strategy of VER evasion has already been explained in the theoretical chapter 3.3. Chinese quota-hopping and transhipment via SSA countries, into the USA, will be described in chapter 4.3.7. Also, China successfully deflected its exports to non-VER-restrained markets (ibid. and Nordas, 2004, p.23). This aspect will be addressed in chapter 4.3.5.

As stated in chapter 4.2, China was comparatively severely restricted under the MFA (Brambilla et al, 2010, p.346) and continued to face VER's on its T&C exports until the end of 2008 (James and Hernando, 2008, n. pag. and Mutuc et al, 2011, p.901), unlike other countries. The significant effect of the removal of VER's on Chinese T&C exports hence appears to be in line with a statement of chapter 4.2: It was said, that as China was especially restricted, probably visible effects might be observable. The 2005 increase in Chinese T&C exports to the world has been addressed in chapter 4.3.1. Similar conclusions with regard to export-reducing effects of VER's might hence be drawn with regard to the long-term increase of Chinese T&C exports to the world, outlined in this chapter. Furthermore, the statement of China being seen as the largest beneficiary from the ATC phase-out of VER's (Dowlah, 2016, p.131 and Sheng, 2012, p.306 and Whalley and Yao, 2015, p.17), in combination with China being previously especially restricted under the MFA (Brambilla et al, 2010, p.346), might fit with a statement of chapter 3.2: It was set out, that VER's are likely to restrain the most or more competitive suppliers in the world, possessing a comparative advantage in the respective sector (see Czaga et al, 2004, p.30 and Conway and Fugazza, 2010, p.13 and Glismann, 1996, p.70, p.111, p.119).

4.3.4 Trade diversion effects

It is interesting to analyse, whether trade diversion effects, as explained in chapter 3.2, have occurred in case of MFA VER's and their subsequent phase-out in the T&C sector:

As explained in chapter 3.2, trade diversion implies that non-restricted third countries increase their exports into the VER-restrained importing countries (Conway and Fugazza, 2010, p.1, p.13). These third countries are often argued not to have a comparative advantage and not to be competitive under free trade (see Czaga et al, 2004, p.30 and

Conway and Fugazza, 2010, p.13 and Glismann, 1996, p.70, p.111, p.119). It may be argued, that they can only enter the export market, as the most or more competitive exporting countries (possessing a comparative advantage) are restricted (ibid.). Trade diversion would hence imply the replacement of more competitive lower cost imports, with less competitive higher cost imports, from unrestricted third countries (Glismann, 1996, p.111, p.119 and Nüesch, 2010, p.21). Thereby, production might also be diverted among these countries (Czaga et al, 2004, p.30). When VER's are removed, the trade diversion effect should cease and trade should become more focused (Conway and Fugazza, 2010, p.13, p.27).

Although the MFA (and subsequently the ATC) placed restrictions on nearly all developing counties that exported T&C products, several authors argue that this system of VER's, as well as preferential access schemes, actually guaranteed generally smaller developing countries access to developed country markets (Brambilla et al, 2010, p.346 and Heron, 2012, p.62 and Seyoum, 2010, p.151, p.166). The MFA tended to impose more restrictive VER's on the most competitive suppliers, while other countries benefitted from large and often underused VER levels (Heron, 2012, p.77-78, p.112). Preferential access schemes allowed many of these smaller developing countries to export without VER's, or with large VER levels (and without customs duties) into developed country markets (Czaga et al, 2004, p.17 and Seyoum, 2010, p.151). Moreover, free trade agreements with developed countries also granted VER- and duty-free access to selected developing countries (see for instance Heron, 2012, p.55) Many other developing countries on the other hand suffered from severely restricted market access under the MFA (Czaga et al, 2004, p.17). Hence, major T&C importing countries (notably the EU and the USA) (Dowlah, 2016, p.134, p.139), on the one hand applied VER's on exports from certain countries and on the other hand provided preferential treatment to other selected exporting countries (Gebreeyesus, 2013, p.3). Hence, there were restricted exporting countries and non- or less-restricted exporting countries in the T&C sector.

The MFA system of VER's restricted the world's most competitive T&C exporters and hence guaranteed these less restricted countries an access to developed country markets (Heron, 2012, p.62 and Seyoum, 2010, p.166). It thereby stimulated exports of T&C from a number of non-regulated or under-regulated developing countries that might otherwise not have participated in those import markets (Conway and Fugazza, 2010, p.1 and Heron, 2012, p.49).

As exporters such as China could not obtain enough VER level for their products, China's export volume was lower than it would have been under free trade (Whalley and Yao, 2015, p.24). This provided market space for other exporters (ibid.). The MFA had allowed some

less efficient exporters to gain access to markets, at the expense of more productive ones, whose access had been limited (Kowalski and Molnar, 2009, p.58). The system of VER's hence impeded severely restricted countries, for instance Bangladesh or Indonesia, from effectively participating in international trade based on their factor endowments (Seyoum, 2010, p.165).

Under the MFA system of VER's, foreign direct investment in T&C was undertaken in countries with lower productivity but underused VER's, or in countries not subject to VER's (Dowlah, 2016, p.155). This resulted in a dispersed and inefficient production of T&C around the globe (ibid.). There was a shift of production from VER-restrained to less-restrained or favoured countries (Gebreeyesus, 2013, p.3). This led to an increased fragmentation of exports (ibid.).

The removal of VER's has led to the relocation of production plants from both, low-cost-low-productivity and high-cost countries, to the most productive and relatively low cost countries (Dowlah, 2016, p.155). This has led to a consolidation in the T&C sector (ibid.). The phasing out of VER's has thus led to the concentration of production in countries with a real comparative advantage (ibid., p.172).

Some less regulated developing countries did not only enter the market as suppliers of their own right, but also due to transhipment or quota-hopping by restrained exporting countries (Heron, 2012, p.49 and Whalley and Yao, 2015, p.24-25). For instance China used such strategies, via SSA countries, to evade VER's in the USA (Dowlah, 2016, p.151-152 and Whalley and Yao, 2015, p.13-15). This issue will be described in chapter 4.3.7. With the expiration of VER's, such trans-exporting or quota hopping through third countries was no longer necessary (Whalley and Yao, 2015, p.25).

Summing up, one can clearly see that these developments in the T&C sector seem to match the above theoretical statements regarding trade diversion. As described in chapter 4.3.3, all countries which are obvious beneficiaries from the ATC liberalization of trade in T&C (China, India, Vietnam, Pakistan, Turkey, Bangladesh and Cambodia), had previously faced binding VER's and had a comparative advantage in T&C. Generally fitting with theoretical statements regarding trade diversion, these previously restricted competitive exporting countries have hence increased their T&C exports and world market shares in the aftermath of VER-removal. With regard to non- or less-restricted and preferentially treated exporting countries under the MFA/ATC, the case of Mexican and Caribbean countries clothing exports into the USA will be described in the end of this chapter.

As explained in chapter 3.2, the trade diversion effect might undermine the protective effect of VER's on domestic producers (Nüesch, 2010, p.21): Instead of domestic production, imports from non-restrained exporting countries might simply replace imports from restricted

exporting countries (ibid.). Pomfret argues that this effect was not relevant in case of the MFA, as it covered all relevant suppliers (Pomfret, 1989, p.205). Heron disagrees with this statement:

Heron generally agrees that from the 1960s onward, import-competing firms and their employees were shielded from competition in T&C (Heron, 2012, p.49). However, he also argues that the MFA was somehow ineffective in shielding domestic import-competing producers (ibid.). According to him, the MFA had the effect of encouraging non-regulated and under-regulated countries to enter the market, thereby failing to arrest overall levels of import penetration (ibid.). This would reflect the above described trade diversion effect.

One might contradict this statement by referring to chapter 4.3.1, where it has been stated that the MFA substantially reduced the volume of world T&C trade (Sheng, 2012, p.309 and Whalley and Yao, 2015, p.2), the liberalization of trade in T&C led to substantial increases in the volume of world T&C trade (Dadakas and Katranidis, 2010, p.248) and the pattern of higher growth of T&C imports into the USA after 2005 is argued to be connected with the removal of the MFA (Whalley and Yao, 2015, p.10). Several authors agree that the MFA had provided protection to domestic import-competing T&C producers, for instance in the EU and the USA (Kowalski and Molnar, 2009, p.58 and Lutz, 2007, p.254).

On the other hand, less developed countries exports of T&C products to developed countries did increase significantly during the MFA regimes (Dowlah, 2016, p.112). In spite of the protective MFA regimes, in developed countries such as the EU and the USA, there was a longer term trend of declining T&C employment, as well as increasing sourcing of labour-intensive products such as clothing from foreign (lower cost) countries (see Heron, 2012, p.34, p.42-43, p.45, p.51, p.58 and Nordas, 2004, p.11 and Seyoum, 2010, p.159). Several studies however suggest that T&C exports of developing countries could have been many times higher, in the absence of MFA regimes (Dowlah, 2016, p.112).

Although the contraction of the T&C industry in developed countries such as the USA had hence been a longer term trend, it was exacerbated by the elimination of VER's in 2005 (Seyoum, 2010, p.157 and USITC, 2013b, p.2.16, p.2.17 and USITC, 2011, p.2.29). Job losses in the USA T&C industry accelerated with the VER-phase-out in 2005 (Dowlah, 2016, p.159). This might also underline, how VER's in T&C had provided a certain degree of protection, to domestic import-competing producers in developed countries.

Taking all these points into consideration, possibly both effects (trade diversion and protection of domestic producers), were to some extent observable in case of VER's in the T&C sector.

In the following, the case of **Mexico, as well as Caribbean countries**, being non- or less-restricted and preferentially treated suppliers, will be addressed, with regard to their **clothing exports into the USA import market.**

Heron argues that there were actually two sources of preferences (Heron, 2012, p.77). One source was the MFA itself (ibid., p.77-78, p.112): It tended to impose more restrictive VER's on the most competitive suppliers, while other countries benefitted from large and often underused VER levels (ibid.). A second source was "direct" preferences (ibid., p.77).

The North American Free Trade Agreement (NAFTA), between the USA, Canada and Mexico, was such a direct preference (ibid., p.55, p.77 and Nordas, 2004, p.28). Upon its implementation in 1994, VER's on Mexican T&C exports into the USA were eliminated (Nordas, 2004, p.28). The NAFTA provided for tariff-, quota- and VER-free treatment of trade among its member states (Heron, 2012, p.55). This also applied to T&C goods, generally speaking as long as they originated from within the NAFTA (ibid.).

Another source of direct preferences was the Caribbean Basin Economic Recovery Act (in the following "CBERA") and its subsequent enhancements (ibid., p.77, p.109, p.112, p.127). Since its enactment in 1983 (USITC, 2013a, p. i), it has granted duty free access and relatively generous bilateral import quotas on T&C imports, from eligible Caribbean Basin countries, into the USA (Heron, 2012, p.80, p.127). These countries moreover benefitted from generally underutilized VER's provided by the MFA (ibid., p.112). Selected CBERA beneficiary countries during the time of the MFA included Jamaica, Haiti, Honduras, Guatemala, the Dominican Republic, Costa Rica and El Salvador (see Glossary for all CBERA beneficiary countries) (USITC, 2013a, p.xvii).[7]

Several authors argue that strict rules of origin have, especially in case of CBERA, and to some extent in case of Mexico in the NAFTA, actually forced participating beneficiary countries to source their textiles inputs from the USA, in order to qualify for preferential treatment (Heron, 2012, p.55-56 p.81-82, p.112 and James and Hernando, 2008, p.3-4 and Seyoum, 2010, p.158). Thereby, the USA has succeeded in keeping the higher value-adding textiles industry in the USA, while outsourcing the labour-intensive clothing assembly to low-wage countries (Heron, 2012, p.33 and James and Hernando, 2008, p.2-4). This is argued to have helped the USA textile industry to protect jobs and market shares and remain competitive (ibid.). It is seen as a factor explaining the continued relevance of the USA, as one of the world's major T&C exporters (Seyoum, 2010, p.159), especially with regard to textiles.

[7] It is relevant to notice, that since they joined the Central America United States Dominican Republic Free Trade Agreement (CAFTA-DR) between 2006 and 2009, El Salvador, Honduras, Nicaragua, Guatemala, the Dominican Republic and Costa Rica are nowadays no longer counted as CBERA beneficiary countries (USITC, 2013a, p.xvii).

At the same time, this is also argued to have had negative economic impacts on the beneficiary countries, especially in the Caribbean basin (Heron, 2012, p.128). Firstly, this is due to the fact that they were somewhat forced to source less competitive and more expensive USA textile inputs, if they wanted to qualify for preferential treatment in the USA important market (ibid., p.126 and Mutuc et al, 2011, p.901). This made their clothing exports less competitive (Seyoum, 2010, p.177). As the USA import market was of high importance for them and tariffs in T&C remained high, qualifying for preferential treatment mattered (James and Hernando, 2008, p.4, p.10): For instance in 2002, about 96% of Mexico's, and more than 90% of Honduras' and the Dominican Republic's clothing exports went into the USA (Nordas, 2004, p.19). Secondly, this is due to the fact that CBERA beneficiary countries were thereby discouraged from increasing local content and developing local backward linkages to more value adding activities (Heron, 2012, p.112 and Seyoum, 2010, p.161), such as the textiles industry (Dowlah, 2016, p.107 and Nordas, 2004, p.7). Linkages to the local economy are argued to be crucial for the resilience of a country's T&C industry (Seyoum, 2010, p.176). Not only the removal of VER's, but also these rules of origin related issues may thus have impacted the developments of T&C market shares and exports of the USA, Mexico and Caribbean basin countries.

Under the MFA, there was hence a situation in which T&C exports from competitive suppliers such as China, Bangladesh or Indonesia into the USA were severely restricted by VER's (Brambilla et al, 2010, p.346 and Seyoum, 2010, p.165). Simultaneously, Mexico and Caribbean basin countries enjoyed none or large VER's or quotas and duty free access into the USA market (Heron, 2012, p.55, p.80, p.127 p.112 and Nordas, 2004, p.28). This situation thus led to increasing clothing exports from Mexico and Caribbean basin countries into the USA (Seyoum, 2010, p.169, p.175). Hence, the typical above explained trade diversion effect on non- or less-restricted third country exporters, such as Mexico and several Caribbean basin countries, filling the supply gap, could be observed (Heron, 2012, p.109).

Thence, trade was diverted away from lower cost countries, especially in Asia and notably from China, to preferentially treated countries, regarding USA T&C imports (Mutuc et al, 2011, p.901). Nordas argues that Mexico made it to the world's top clothing exporters mainly due to NAFTA (Nordas, 2004, p.16). In 1999, Mexico even was the largest clothing exporter to the USA (Dowlah, 2016, p.132). During the 1980s, clothing exports from the Dominican Republic, Haiti and Jamaica into the USA grew by more than 20% annually (Heron, 2012, p.108). In the 1990s and early 2000s, Guatemala, El Salvador and Honduras witnessed even more spectacular growth rates of their clothing exports to the USA (ibid.). Countries like Mexico, Honduras and the Dominican Republic emerged as prominent suppliers of clothing to the USA market, prior to the elimination of VER's (Seyoum, 2010, p.175).

With the removal of VER's in T&C, theory predicts that the trade diversion effect should cease and that non- or less-restricted third country suppliers might hence export less into the previously restrained importing countries (Conway and Fugazza, 2010, p.13, p.27). Such developments were also observable in this case:

Without their most competitive suppliers being constrained by restrictive VER's, while they enjoyed large or no VER's, preferential access of Mexico and CBERA countries to the USA market was eroded (Heron, 2012, p.55, p.80, p.127 p.112 and Nordas, 2004, p.28 and Seyoum, 2010, p.169 and Whalley and Yao, 2015, p.15-16). NAFTA and CBERA countries still enjoy tariff benefits in T&C, after the ATC elimination of VER's (Seyoum, 2010, p.169). However, such benefits are argued not to be sufficient to offset the production cost advantages of large Asian suppliers (ibid.). After the end of the MFA system of VER's, Mexico and the Caribbean basin countries thus had to face up to more or less direct competition with the world's most dynamic exporters (Heron, 2012, p.109).

Table 7 has already shown Mexico's declining share in the USA textiles import market, as well as Mexico's and Honduras declining market shares in the USA clothing import market, following the removal of VER's over the longer run (see Whalley and Yao, 2015, p.17). These longer term developments are in line with the observed effects in 2005 (see Barrows and Harrigan, 2009, p.287): As described in chapter 4.3.2, NAFTA members Mexico and Canada, as well as other countries previously enjoying preferential access to the USA import market (such as Honduras, Guatemala, El Salvador), saw their T&C market shares and export revenues in the USA market drop (ibid.). Tables 8 and 9 have shown the longer term decline of Mexico's world market share in clothing and textiles respectively (see Dowlah, 2016, p.129, p.137).

Table 11 shows changes in USA clothing imports, from Mexico, from selected CBERA countries and from selected major clothing suppliers into the USA, in million US dollars (Heron, 2012, p.123). The year 2004 represents a year with many VER's still in place and 2005 represents the year of the final phasing-out of VER's under the ATC (Barrows and Harrigan, 2009, p.282). The year 2009 represents the first year when even the new VER's on Chinese T&C exports into the USA were not in place anymore (James and Hernando, 2008, p.2, p.25 and Sheng, 2012, p.314).

Table 11: Changing USA imports of clothing in the aftermath of VER-removal

Country:	**2004**	**2005**	**2009**
Mexico	6685	6078	3391
CBERA:			
Dominican Republic	2059	1849	613
Honduras	2673	2622	2032
El Salvador	1720	1619	1298
Costa Rica	516	482	206
Guatemala	1947	1816	1103
Jamaica	85	56	1
CBERA total:	9952	9595	6666
top USA suppliers:			
China	8928	15143	23503
India	2217	2976	2846
Bangladesh	1978	2372	3410
Vietnam	2562	2725	5068
Indonesia	2403	2875	3861
Pakistan	1138	1259	1306
Cambodia	1429	1713	1871

Source: own table, based on Heron, 2012, p.123

Table 11 appears in line with the market share developments as described in chapter 4.3.2: It was stated in chapter 4.3.3, that China, India, Bangladesh, Vietnam and Cambodia, possessing a comparative advantage in clothing, were obvious beneficiaries from trade liberalization in clothing (see Dowlah, 2016, p.141). Indonesia also possesses a comparative advantage in clothing (Nordas, 2004, p.32). As described in chapter 4.3.2, it has lost world market shares in clothing exports, but gained market shares in the USA clothing import market (see Dowlah, 2016, p.129 and Whalley and Yao, 2015, p.17). Pakistan also possesses a comparative advantage in clothing (Nordas, 2004, p.32). As described in chapter 4.3.2, its world market share in clothing exports showed slight declines between 2005 and 2013, although the value of its clothing exports to the world was constantly increasing (Dowlah, 2016, p.129). Table 11 shows that the value of Indonesia's and Pakistan's clothing exports to the USA has also been increasing during the observed period (see Heron, 2012, p.123). All these competitive Asian exporters have hence seen increasing values of their clothing exports into the USA, in the aftermath of VER-removal (see Heron, 2012, p.123).

In a VER-free world, these countries, having a significant cost advantage over Mexico, could easily displace Mexico's dominance in the USA clothing import market (Dowlah, 2016, p.131). In 1999, Mexico was the largest exporter to the USA clothing market (ibid., p.132). Already in 2002 and thus even prior to the final VER-phase out under the ATC, it lost this rank to China (ibid.).

Generally speaking, the USA has increased its clothing imports from the Asian region, after VER elimination (Sheng, 2012, p.321). Following the expiration of VER's on China in 2009, USA producers have shifted sourcing away from preferential trade agreement countries (Mutuc et al, 2011, p.902). They shifted sourcing to China and other previously constrained Asian countries (ibid.). It was preferential suppliers that have lost market shares in the post-ATC environment (James and Hernando, 2008, p.25). Looking at the top ten exporters into the USA, in both, textiles and clothing, the share of American exporters has kept decreasing in the aftermath of trade liberalization (Whalley and Yao, 2015, p.17). Meanwhile, the share of Asian exporters rose rapidly (ibid.).

As table 11 shows, several Caribbean basin countries, as well as CBERA countries in total, have suffered an absolute decline of their clothing exports to the USA in the post-VER period (Heron, 2012, p.122). Their relative clothing exports to the USA have also declined (ibid.). In previously VER-restricted T&C categories, most Central American countries' (e.g. Mexico, El Salvador) exports to the USA have declined from 2005 on (Seyoum, 2010, p.173). Especially Mexico's clothing exports to the USA decreased rapidly after 2005 (Whalley and Yao, 2015, p.16). As table 11 has illustrated, the value of Mexican clothing exports into the USA in 2009 was only about half of the respective value in 2004 (see Heron, 2012, p.123). Mexico's clothing exports to Germany, where it did not have preferential access during the MFA/ATC, did not show such a clear decrease (Whalley and Yao, 2015, p.16). As table 7 has shown, not only Mexico but also Canada, being the other NAFTA beneficiary, has lost USA textiles market shares in the aftermath of trade liberalization in T&C (see ibid., p.17).

Seyoum argues that T&C exporter's from Latin America, Africa and the Caribbean largely compete on price and not on quality (Seyoum, 2010, p.176). According to him, they lack the capability to produce higher value added products (ibid.). Differently to developed countries, product differentiation in response to VER elimination (as explained in chapter 4.3.3) was hence difficult to realize for them. Seyoum sees this as one further possible explanation for their large market share losses to countries such as China, in the aftermath of trade liberalization in T&C (ibid.).

With regard to the world market (see table 8), Dowlah argues Mexico to be the developing country which has lost most from trade liberalization in clothing (Dowlah, 2016, p.132). Its share in global clothing exports declined by about 80% from 2000 to 2013 (ibid.). According to Dowlah, the developments in the USA import market have largely caused this decline in Mexico's world market share in clothing exports (ibid., p.131-132). Following the ATC VER phase-out, countries such as Canada, Guatemala and the Dominican Republic have also lost out on world clothing exports (ibid., p.152).

The drastic effect of the VER removal in T&C on NAFTA and CBERA countries might possibly further be explained by their high dependence on the USA import market: This dependence is illustrated by table 12.

Table 12: Share of selected NAFTA and CBERA countries T&C exports going into the USA in 2002

country	Canada	Mexico	Dominican Republic	Honduras
textiles	94.2%	88.2%	50.2%	42.8%
clothing	94.3%	95.9%	95.0%	91.8%

Source: own table, based on Nordas, 2004, p.19

Markedly, developments of Mexican and Caribbean countries' clothing exports to the USA match theory on trade diversion as explained in chapter 3.2. Under the MFA/ATC system of VER's, these non-restricted or less-restricted third country suppliers have increased their clothing exports into the VER-constrained USA import market. With the elimination of these VER's and the trade diversion effect ceasing, they have lost out against competitive Asian exporters and exported less into the previously restrained USA market.

4.3.5 Trade deflection effects

It appears that trade deflection effects, as explained in chapter 3.2, were also observable in case of MFA VER's and their subsequent phase-out in the T&C sector:

It has been explained in chapter 3.2, that trade deflection refers to restricted exporting countries exporting more into other, non-VER-imposing importing countries (Conway and Fugazza, 2010, p. 13). When VER's are removed, exports to the previously VER-imposing importing countries should surge, being partly redirected from non-VER restricted importing countries (Kowalski and Molnar, 2009, p.44).

Under the MFA/ATC, the most productive T&C producing countries expanded by entering new markets, or by increasing their sales in markets which did not impose VER's (ibid., p.43). This led to a diversification trend of export markets for rapidly growing producers such as China, prior to 2005 (ibid.). Namely China, given the limitations of its exports to the major markets of the EU, the USA and Canada, conquered other markets and increased its market shares to very high levels (ibid., p.39.). Such non-VER restricted import markets included for instance Australia, Japan and South Africa (Nordas, 2004, p.23 and Seyoum, 2010, p.171). Table 13 illustrates these high and increasing T&C market shares of China in these countries, prior to the final 2005 ATC elimination of VER's:

Table 13: Chinese shares of total textile and clothing imports in selected non-VER-restricted countries

country	sector	1995	2002
Australia	textiles	19.3%	35.2%,
	clothing	54.3%	70.4%
Japan	textiles	41.1%	66.5%
	clothing	59.1%	77.5%
South Africa	textiles	5.9%	18.5%
	clothing	29%	56.3%

Source: own table, based on Nordas, 2004, p.23

In some categories, such as underwear and t-shirts, China's share of Australia's market was even estimated at over 95% in 2004 (Seyoum, 2010, p.171).

With the abolition of VER's in T&C trade, China increased its exports to the previously restrained countries (EU, USA and Canada) and decreased its share of exports to some other markets, such as Japan (Kowalski and Molnar, 2009, p.39, p.44). Kowalski and Molnar argue the EU, USA and Canada to be some of the most lucrative markets of the world (ibid., p.39). Therefore, China has reaped benefits from increasing its T&C exports to these previously restricted import markets and decreasing its exports to other markets, they argue (ibid.). With regard to the year 2005, this surge in Chinese T&C exports to the USA and the EU has been described in chapter 4.3.1. Also, it has been stated that after 2005 and until 2013, the rate of increase of T&C import quantities from China into the USA, was higher than in previous years (Whalley and Yao, 2015, p.12).

Summing up, these observations appear to match the trade deflection effect, as explained in chapter 3.2.

4.3.6 Trade focusing effects

As explained in chapter 3.2, theory predicts that with the removal of VER's, trade should become more focused (Conway and Fugazza, 2010, p.13). With the trade diversion effect ceasing, fewer countries might export into the formerly VER-restrained countries (ibid., p.27). Especially non- or less-restricted third country exporters, possibly not having a comparative advantage under free trade, might export less into these countries (ibid., p.13) or even cease exporting into these markets completely (ibid., p.27). With the trade deflection effect ceasing, previously restricted exporters might export more into the previously VER-imposing countries and less into other countries (Kowalski and Molnar, 2009, p.44). The formerly restrained exporting countries might then export to fewer other countries (Conway and Fugazza, 2010, p.27). With these two effects, as well as the trade volume reducing effect of VER's among

the countries concluding it (described in chapter 3.2) ceasing, average imports along fewer remaining bilateral trading lines might possibly be greater (ibid., p.13, p.27).

With regard to T&C and looking at the year 2005 only, several studies find these effects to hold true in case of China (Conway and Fugazza, 2010, p.1, p.29 and Kowalski and Molnar, 2009, p.43-44). In 2005, the share of Chinese T&C exports to the EU, the USA and Canada increased sharply (Kowalski and Molnar, 2009, p.44). Meanwhile, some of China's other major export markets, such as Japan and South Korea, got a smaller share of exports (ibid.). China increased its mean T&C export value and reduced its number of export markets (Conway and Fugazza, 2010, p.29). However, in case of Japan, this effect was also seen to be caused by Japanese demand not growing as fast as Chinese exports (Kowalski and Molnar, 2009, p.44).

Other competitive exporters (including major Asian exporters, such as India or Bangladesh), also showed market concentration in 2005 and directed a larger share of their T&C exports to the previously restricted markets of the EU, the USA and Canada (Conway and Fugazza, 2010, p.1 and Kowalski and Molnar, 2009, p.43). For instance India, Turkey, Vietnam and Pakistan have reduced their number of trading partners and increased the average volume of T&C trade per exporter in 2005 (India and Turkey in T&C, Vietnam in Clothing and Pakistan in Textiles) (Conway and Fugazza, 2010, p.1, p.35).

By contrast and unlike in theory, many third-country exporters, which only became exporters of T&C products because of the MFA system of VER's, have sold smaller export volumes to a larger number of importing countries, following T&C trade liberalization in 2005 (ibid., p.1, p.29, p.31-32). Their markets had been reduced in the previously VER-imposing countries (ibid., p.31-32). Instead of shutting down their T&C exports completely, they adjusted to the new situation by selling less, to a greater number of importing countries (ibid., p.1, p.31-32). In textiles, these were for instance Mexico, Honduras, Guatemala, El Salvador, Jamaica, Uganda, Tanzania, Malawi, Mauritius, Kenya (ibid., p.35). In clothing these included for instance Guatemala, Honduras, Jamaica, El Salvador, Tanzania, Malawi, Kenya, Lesotho and Madagascar (ibid.).[8]

Generally speaking (as already mentioned with regard to the trade diversion effect in case of the MFA in chapter 4.3.4), the removal of VER's on trade in T&C has led to a consolidation in the T&C sector and to the concentration of production in countries with a real comparative advantage (Dowlah, 2016, p.155, p.172). In general, world trade in T&C has become increasingly concentrated in a few large exporters, following the ATC elimination of VER's (Whalley and Yao, 2015, p.23-24). Since the elimination of T&C VER's in 2005, global T&C

[8] It is important to note, that Conway and Fugazza only analysed trade in cotton T&C and looked at the year 2005, as compared to the previous period from 1997 to 2004 only (Conway and Fugazza, 2010, p.iii, p.1, p.5, p.11).

production has become concentrated among a small group of lower-cost Asian suppliers, particularly China (USITC, 2013b, p.2.17 and USITC, 2011, p.2.31-2.32). Among others, ceasing quota-hopping investment and transhipment strategies are seen to have caused this increasing concentration of exporters (Whalley and Yao, 2015, p.3, p.5, p.23-25). Table 14 illustrates this increasing concentration of exports in T&C: It shows the share of the top 15 exporting countries' exports, in total world exports of textiles and clothing respectively (Dowlah, 2016, p.129, p.137). The significance of the years displayed is analogous to table 8.

Table 14: Increasing share of top 15 exporters in total world exports in textiles and clothing

sector	**2000**	**2005**	**2010**
textiles	74.5%	90.5%	91.1%
clothing	63.1%	83.1%	89.4%

Source: own table, based on Dowlah, 2016, p.129, p.137 (based on WTO statistics database and International Trade Statistics)

Table 15 illustrates the increasing geographical concentration of world clothing exports, in the aftermath of VER-removal (Sheng, 2012, p.307). It displays the share of selected regions' clothing exports in total world clothing exports (ibid.). Again, the year 2000 represents a year with many VER's in the T&C sector still in place under the ATC (Barrows and Harrigan, 2009, p.282). The year 2009 again represents a year when also the new VER's of the EU and the USA on China were no longer in place (James and Hernando, 2008, p.2, p.25 and Kowalski and Molnar, 2009, p.18 and Sheng, 2012, p.314).

Table 15: Increasing geographic concentration of clothing exports

Region	**2000**	**2009**
Asia	46%	53.16%
South and Central America	10.3%	0.3%

Source: own table, based on Sheng, 2012, p.307 (based on WTO 2010 International Trade Statistics)

Table 15 shows that the market share of South and Central America, where many small and medium-sized clothing exporters were located, declined sharply (Sheng, 2012, p.307). Meanwhile, the share of Asian clothing exports increased (ibid.). VER-removal has led to an increasing concentration of the clothing industry in a few large, notably Asian, countries (Gebreeyesus, 2013, p.30).

With regard to clothing, Dowlah argues that in the post-MFA/ATC world, clothing supply has been concentrated in a few developing countries with large scale production capacities, such as China and India (Dowlah, 2016, p.161). This may be considered in line with observed effects relating to new trade theory and economies of scale in T&C, as described in chapter 4.3.3: It was stated that countries with low costs and high productivity (such as China, India, Pakistan, Vietnam), have consolidated their production of labour-intensive T&C products

(Kowalski and Molnar, 2009, p.2). Following trade liberalization in T&C, they have pursued economies of scale, in order to benefit from enlarged markets (ibid.).

Moreover, in the post-MFA/ATC world, clothing sourcing strategies have increasingly turned to supply chain rationalization (which implies reducing costs and lead times) (Dowlah, 2016, p.160). This led to a greater consolidation of the supply base and of sourcing countries (ibid.). It implies an increasing concentration on a few core suppliers with large scale production capacities (ibid.). VER-elimination has brought about more competition across producers (Kowalski and Molnar, 2009, p.54). Also, it has enabled retailers to focus on the most competitive suppliers in terms of cost, quality and lead times, rather than being confined to those producers who possess unfilled VER's (ibid.). Hence, retailers have tended to consolidate their purchases, by buying from fewer firms and countries (ibid.). This development may be seen in combination with the increasing concentration of the retail market and the development of retailers increasingly managing the entire supply chain, as described in chapter 4.1 (Nordas, 2004, p.1, p.3).

Taking all these points into consideration, one might hence argue that this observed increase in the concentration of T&C exports in the aftermath of VER-elimination appears consistent with the ceasing of the trade diversion effect and thus increased trade focusing.

When looking at T&C imports however, different developments were observable:

Consistently with theory and with the developments explained in chapter 4.3.1, T&C imports (in terms of value) into the previously restrained import markets of the USA and the EU (Nordas, 2004, p.13) have increased in the aftermath of their VER-removal (see Dowlah, 2016, p.134, p.139). Despite this increase in the value of their imports, their shares in total world imports of T&C have decreased over the long run (see ibid.). Table 16 illustrates this development. The significance of the years displayed is analogous to Table 8.

Table 16: Decreasing USA and EU shares in world imports of textiles and clothing

country	sector	2000	2005	2010	2013
USA	**textiles**	9.4%	10.5%	8.8%	8.4%
	clothing	31.6%	27.9%	22.3%	19.7%
EU	**textiles**	-	30.8% (EU-25)	27.5% (EU-27)	24.2% (EU-28)
	clothing	-	44.8% (EU-25)	44.7% (EU-27)	37.9% (EU-28)

Source: own table, based on Dowlah, 2016, p.134, p.139 (based on WTO statistics database and International Trade Statistics)

From 2005 to 2013, the EU remained the rank one importer and the USA the rank two importer, in both sectors (see Dowlah, 2016, p.134, p.139).

The import concentration of the largest top ten T&C importers refers to the share of top ten importers as a proportion of world imports in a particular year (Whalley and Yao, 2015, p.20-21). It has also decreased in the aftermath of trade liberalization in T&C (ibid.). The import

pattern of world T&C trade has hence become more diversified (ibid.). Table 17 illustrates this development:

Table 17: Decreasing import concentration in textiles and clothing

sector	2001	2013
textiles	56%	50%
clothing	79%	68%

Source: own table, based on Whalley and Yao, 2015, p.20

The developments illustrated by tables 16 and 17 appear contradictory to theory on trade focusing and ceasing of the trade deflection effect as explained in chapter 3.2. It was stated that with the trade deflection effect ceasing, previously restricted exporters might export more into the previously VER-imposing countries and less into other countries (Kowalski and Molnar, 2009, p.44). It was also said that the formerly restrained exporting countries might export to fewer other countries (Conway and Fugazza, 2010, p.27). This, in addition to the trade diversion effect ceasing, was argued to possibly lead to average imports among fewer remaining bilateral trading lines being greater (ibid., p.13, p.27).

In case of clothing, several authors argue that stagnating demand in developed countries, in combination with faster-growing demand in emerging and developing countries might be a reason for these developments (Dowlah, 2016, p.160 and Sheng, 2012, p.310). Hence, the phasing-out of MFA VER's in T&C might not be the only reason for changes in major T&C importers. Sheng further suggests that the robust growth of clothing imports of some developing countries in recent years may be attributable to clothing exporters diversifying their export markets (Sheng, 2012, p.320). This would be in line with one development described earlier in this chapter with regard to trade focusing: It was stated that many third-country exporters, which only became exporters of T&C because of the system of VER's, have sold smaller T&C export volumes to a larger number of importing countries, following T&C trade liberalization in 2005 (Conway and Fugazza, 2010, p.1, p.29, p.31-32).

With regard to textiles, Dowlah sees another reason for the declining import shares of the EU and the USA (Dowlah, 2016, p.138-139, p.161). Some low-income developing countries' imports of textiles have increased sharply (ibid.). For instance Vietnam, which did not even figure among the top 15 importers in 1995 and 2000, has increased its share of world textiles imports to 1.6% in 2005 and to 3.3% in 2013 (ibid., p.138). Similarly, Bangladesh only entered the top 15 importers in 2010, with a share of 1.9% of the world's textiles imports, which it maintained in 2013 (ibid., p.138-139). According to Dowlah, these high import levels indicate the heavy dependence of Vietnam and Bangladesh on imports of textiles for their export-oriented clothing industries (ibid., p.139). Contrastingly, China, which has a very low dependence on foreign inputs for its T&C products (ibid., p.143) and sources most of its inputs for the clothing industry domestically (Nordas, 2004, p.21), has kept a more or less

steady share of about 7% of the world's textile imports from 1995 to 2013 (Dowlah, 2016, p.138).

Summing up, several developments in the T&C sector seem to fit with theory on trade focusing, after the removal of VER's. Notably, T&C exports appear to have become increasingly concentrated in the aftermath of the phasing-out of the MFA system of VER's. By contrast, T&C imports appear to have become increasingly diversified. Several other issues possibly influencing the development of international trade flows in T&C need to be borne in mind in this case.

4.3.7 Quota-hopping and transshipment

In the following, clothing exports of several Sub-Saharan African countries (SSA) into the USA will be addressed. These were less restricted and preferentially treated suppliers, which have lost market shares in the aftermath of the ATC VER-removal.

The expiration of the MFA/ATC system of VER's also led to the end of quota-hopping investment and transshipment in T&C trade (Whalley and Yao, 2015, p.13). These changes can be clearly observed in the experience of the African Growth and Opportunity Act (in the following "AGOA") countries (ibid.).

Theory on quota-hopping investment and transshipment has been described in chapter 3.3: It was explained that quota-hopping investment may be undertaken by a VER-restrained exporting country, in a less-restricted third country (Whalley and Yao, 2015, p.7). The production of the final good thus takes place in that third country (ibid.). The good is then re-exported to the actual country of destination (ibid.). Part of the restrained exporting country's production facilities is hence moved to countries subject to no or underutilized VER's (Kowalski and Molnar, 2009, p.39). As explained previously, transshipment also refers to a restrained exporting country shipping its exports to a third country, which is less restricted by VER's (Whalley and Yao, 2015, p.7). This third country then re-exports the goods to the final importing country (ibid.). Due to the explanations set forth in chapter 3.3, both terms are used simultaneously in this thesis.

Several authors argue that especially China (and to some extent other Asian exporters) undertook such quota-hopping investment and transshipment strategies in AGOA countries (Dowlah, 2016, p.112-113 and Rotunno et al, 2012, p.1-2 and Whalley and Yao, 2015, p.7). The AGOA, which started in October 2000 and will last until 2025, is a preferential trade program, granted by the USA to certain SSA countries (AGOA.info, 2016, n. pag. and Heron, 2012, p.82 and Rotunno et al, 2012, p. 6, p.26). It grants duty-, quota- and VER-free access to the USA, among others for clothing products (Rotunno et al, 2012, p.6). Looking at the

period relevant for the following analysis, rules of origin under the AGOA are argued to have been quite liberal (Heron, 2012, p.82): For instance, lesser-developed countries' clothing exports were allowed to enter the USA without any rules of origin on the source of textiles inputs (Rotunno et al, 2012, p.6). The only requirement was that the products had to be assembled in AGOA countries (ibid.). The only countries actually facing rules of origin under AGOA were Botswana, Mauritius, Namibia and South Africa (ibid.). In 2003, rules of origin were then even removed on Namibia and Botswana (ibid.).

Thus, under the MFA/ATC, a situation of strict MFA/ATC VER's on Chinese clothing exports into the USA, in combination with many SSA countries enjoying VER-free access under liberal rules of origin to the USA prevailed (ibid., p.1, p.6, p.9 and Whalley and Yao, 2015, p.14). This situation has led to a rapid but ephemeral rise of SSA clothing exports to the USA (ibid.): Several authors argue that this temporary increase in SSA clothing exports to the USA is to be explained by Chinese quota-hopping investment and transshipment through SSA countries (Heron, 2012, p.83-84 and Rotunno et al, 2012, p.1-2, p.9, p.16 and Whalley and Yao, 2015, p.14-15). The absence of rules of origin under the AGOA allowed Chinese producers, generally speaking, to export their quasi-finished products to SSA countries (Rotunno et al, 2012, p. p.1-4, p.6, p. 15-16). There, the little remaining assembly work was executed and the clothing products were then re-exported to the USA (ibid.). Hence, only little value was added in SSA countries and local linkages and local components were often low (ibid., p.3-5). On top, Chinese producers could benefit from preferential duty-, quota- and VER-free AGOA access to the USA import market (ibid., p.2, p.6).

Prior to the phase-out of VER's in 2005, AGOA clothing exports to the USA increased sharply (ibid., p.26). Rotunno et al show that clothing exports from AGOA countries to the USA, are linked with Chinese clothing exports to AGOA countries (ibid., p.4). One might consider AGOA countries such as Botswana, Ethiopia, Kenya, Malawi, Namibia, Uganda and Tanzania (Whalley and Yao, 2015, p.14): The increase in their clothing exports to the USA between 2003 and 2005 was accompanied by an increase of their imports from China (ibid.). Rotunno et al find that USA clothing imports mostly came from a few AGOA countries, which did not face rules of origin (Rotunno et al, 2012, p.9). These were notably Kenya, Madagascar, Lesotho and Swaziland (ibid.). These same countries also received relatively large amounts of Chinese clothing exports (ibid.).

In South Africa and Mauritius, the sourcing of inputs was subject to rules of origin (ibid., p.14). For these two countries, there seemed to be no link between VER's on Chinese clothing exports and AGOA clothing exports to the USA (ibid.). While AGOA clothing exports into the USA started booming in 2001, this was not the case for AGOA clothing exports into

the EU (ibid., p.2). According to Rotunno et al, this is due to the EU imposing rules of origin on AGOA clothing imports, which counteracted transshipment (ibid.).

The end of the system of VER's on Chinese T&C exports made transshipment and quota-hopping unnecessary (ibid.). Hence, Chinese investors retracted their "footloose" investment from AGOA countries and moved their businesses back to their home country (ibid. and Dowlah, 2016, p.113, p.152 and Heron, 2012, p.83). This led to the closure of factories and the fall of AGOA clothing production and exports (Rotunno et al, 2012, p.2 and Dowlah, 2016, p.152). Clothing exports from SSA countries fell from 3.2 billion US dollar in 2004 to 2.7 billion US dollar in 2008, in terms of export revenue (Dowlah, 2016, p.152). Following the expiration of MFA VER's in T&C, SSA countries such as Swaziland, Lesotho, Kenya and Madagascar hence lost exports, production and employment (ibid., p.151, p.159). In 2005 alone, SSA clothing exports to the USA fell by 17% (ibid., p.119). As mentioned in chapter 4.3.2, T&C exports from the SSA region into the USA have decreased in 2005, abruptly reversing the trend of robust growth in previous years (Brambilla et al, 2010, p.346). Post-2005, for instance Botswana's, Ethiopia's, Kenya's, Malawi's, Namibia's, Uganda's and Tanzania's exports to the USA kept decreasing (Whalley and Yao, 2015, p.14). Simultaneously, their imports from China decreased (ibid.).[9]

This observed pattern of change is even more significant in individual countries, such as Botswana, Namibia and Uganda (Whalley and Yao, 2015, p.15). Their clothing exports to the USA jumped significantly when they entered AGOA, but fell sharply following the expiration of the MFA system of VER's in 2005 (ibid.). Whalley and Yao argue that a country's industry structure and export flexibility cannot fluctuate so dramatically (ibid.). Therefore, a reasonable explanation is that these countries largely transshipped other countries' (namely China's) exports to the USA (ibid., p.14-15 and Heron, 2012, p.84 and Rotunno et al, 2012, p.1, p.6, p.16). Rotunno et al estimate that direct transshipment of Chinese clothing exports may have accounted for around half of AGOA countries' clothing exports to the USA (Rotunno et al, 2012, p.1).

Noticeably, as in case of Mexican and Caribbean countries, developments of AGOA countries' clothing exports to the USA seem to match theory on trade diversion as explained in chapter 3.2: Under the MFA/ATC system of VER's, these non-restricted third country suppliers have increased their clothing exports into the VER-constrained USA import market. With the phasing out of VER's and the trade diversion effect ceasing, they have exported less into the previously restrained USA market. However, in case of AGOA countries, this

[9] It is interesting to note, that similar decreases in exports were observable in other developing countries such as Fiji, the Maldives, Mongolia and Nepal (Dowlah, 2016, p.159). In these countries, foreign investors also shifted their production elsewhere, following the expiration of MFA/ATC VER's (ibid.).

effect was mainly argued to be due to quota-hopping investment and transhipment of Chinese clothing exports, via AGOA countries to the USA, which ceased with the expiration of VER's (Rotunno et al, 2012, p.1, p.6, p.16 and Whalley and Yao, 2015, p.14-15).

Interestingly, the decrease in AGOA clothing exports to the USA already occurred while China still faced VER's on its T&C exports to the USA (see Dowlah, 2016, p.151-152, p.159 and James and Hernando, 2008, p.2, p.25 and Sheng, 2012, p.314 and Whalley and Yao, 2015, p.14). However, as mentioned in chapter 4.3.1, these post-ATC VER's on China were substantially larger than the levels of its previous VER's under the MFA/ATC (Brambilla et al, 2010, p.382). This might be a possible explanation for Chinese transhipment and quota-hopping already being no longer necessary from 2005 on and prior to 2009.

5 Conclusion

5.1 Summary

Among economists, there is a broad consensus about free trade being beneficial. Nonetheless, several reasons to restrict international trade flows exist. Thus, various types of tariff- and non-tariff trade barriers impede international trade flows. QR's are non-tariff barriers to trade. Of the various types of QR's, this thesis has only dealt with bilateral import quotas and VER's. These two trade barriers, generally speaking, set limits on the total quantity or value of a specific good, which flows from a specific exporting country into a specific importing country, to a certain level and for a certain time period.

Both, bilateral import quotas and VER's are nowadays explicitly prohibited by WTO law. However, several exceptions to these prohibitions prevail, making their use possible in certain cases. Prior to the Uruguay Round, VER's were often seen as "grey-area measures", somehow eluding legal control by the GATT. In general, QR's are less used in the modern world than in former times. Still, they continue to persist, notably in the agricultural sector or in shape of export restrictions on dual-use goods and arms.

Among various reasons for the utilization of bilateral import quotas and VER's, the protection of a domestic import-competing industry has notably been relevant in this thesis. VER's historically eluding GATT provisions and generally being less likely to induce retaliation by trading partners, were further relevant reasons. Moreover, VER's being possibly less detrimental to the affected exporting country than other trade barriers, might be another reason for their use.

To continue, this thesis has dealt with several selected effects of bilateral import quotas and VER's on international trade flows, as set out by international trade theory. Firstly, when such trade barriers are removed, trade becomes freer. The principle of comparative advantage in combination with the factor proportions theory, would then predict an increasing specialization of countries, according to their endowments with factors of production. In freer trade, labour-abundant countries would hence specialize increasingly on labour-intensive activities and thus export such goods. Meanwhile, capital- and human-capital abundant countries would do so with respect to capital- and skill-intensive activities.

In case of market structures such as monopolistic competition, new trade theory becomes relevant. It predicts that freer trade will imply a larger market, supporting a larger number of firms, each producing at a larger scale. Thus, each country can specialize in a narrower range of products and carry out product differentiation. Simultaneously, countries may engage in intra-industry trade. Thereby, they can increase the variety of goods available to consumers.

Secondly, theory sets out that bilateral import quotas and VER's will generally reduce the amount of exports of the affected good, between the two affected countries, to the level set. Also, VER's or bilateral import quotas are likely to restrict more competitive exporting countries, while minor suppliers are left free of restrictions. Thereby, they might enable non-restricted third countries to increase their exports of the good at stake, into the restricted importing countries. This effect is called trade diversion. At the same time, restricted exporting countries are likely to increase their exports of the affected good into other, non-VER-or-quota-restricted importing countries. This effect is called trade deflection. When these trade barriers are removed, both effects are supposed to cease. Hence, non-restricted third countries' exports of the affected good might decrease (or cease) into the previously restricted importing countries. Previously restricted exporting countries might increase their exports of the good at stake into the previously restricted importing countries and decrease (or cease) their respective exports to other countries. The ceasing of these two effects and of the above mentioned bilateral trade volume reducing effect of these trade barriers, might lead to trade focusing. This implies greater average imports along fewer bilateral trading lines. If a deflection of exports is difficult to realize, VER's or bilateral import quotas may also reduce the overall export volume of a restrained exporting country in the affected good. A system of VER's or bilateral import quotas is likely to lead to a reduced volume of world trade in the good at stake.

Thirdly, VER's or bilateral import quotas may cause quota-hopping investment or transshipment strategies to occur. Generally speaking, these imply that a restricted exporting country exports its restricted goods via a less- or non-restricted third country, into the actual importing country. It might undertake an investment in the third country and the production of the final good might take place in that third country.

The T&C industry consists of different activities. In general, the clothing industry is labour-intensive, requiring only low-skilled labour and simple technology. The textiles industry is more capital-intensive than the clothing industry and it requires more skilled labour. International trade in T&C has historically been severely regulated by QR's. This was especially visible in the infamous Multifibre Arrangement, which lasted from 1974 to 1994. It was a system of mostly VER's and also bilateral import quotas. For this reason, again only the term "VER" will be used whenever referring to the MFA restrictions in this chapter five. The MFA was concluded among the major T&C importing and exporting countries. Generally speaking, it covered developing countries' exports into developed countries. During the final years of the MFA, Canada, the EU, Norway and the USA were the importing countries applying VER's in its context. The USA applied more restrictive VER's than the EU. In both import markets, clothing was more restricted than textiles and notably China, but also other (mainly Asian) exporters were severely restricted.

Between 1995 and 2005, all existing MFA restrictions were phased-out under the Agreement on Textiles and Clothing. Due to an extensive back-loading of liberalization, most VER's were eliminated rather abruptly on the 1st of January 2005. For this reason, this case is seen as useful to analyse effects of VER's in practice.

Both, the EU and the USA, re-imposed bilateral import quotas or VER's on Chinese T&C exports by mid-2005. These restrictions lasted until the end of 2007 in case of the EU and until the end of 2008 in case of the USA. These restrictions were however larger than previous restrictions on Chinese T&C exports and the EU restrictions were not fully deployed in the year 2005. Still, one might hence consider 2009 as the first truly quota-and-VER-free year in international T&C trade.

Several effects of VER's, as set out by international trade theory, were observable in case of international trade in T&C: To begin with, VER's appear to have reduced exports among the affected countries, generally to the level set. As China used to be especially restricted, its exports of previously restricted T&C items increased drastically into the EU and the USA in 2005. In general, its T&C exports to these two markets increased in 2005. The increase was larger in previously more restricted clothing items and larger for both, textiles and clothing, into the previously more severely restricted USA import market. Due to the re-imposing of

VER's, growth rates of Chinese T&C exports into the EU were smaller in 2006 and 2007 than in 2005. Over a longer term perspective, USA imports of T&C showed a higher growth after 2005, due to the removal of the MFA restrictions. The rate of increase of Chinese T&C exports into the USA post-2005 was also higher than in previous years. Also, clothing imports from all sources increased quicker than textiles imports into the USA.

In 2005, total Chinese T&C exports to the world increased. This may reflect that the restricted exporting country China had certain difficulties in deflecting its exports to non-restricted importing countries. Therefore, the prevailing MFA restrictions possibly reduced its total volume of T&C exports. As the EU and the USA are the world's largest T&C importing countries, China might have had some difficulties to deflect all of its exports to other countries.

As predicted by theory, the MFA system of VER's substantially reduced the volume of world trade in T&C. When it was phased-out, world trade volumes in T&C increased significantly. Since 2005, trade volume in T&C has increased quicker than the average for all world trade. The increase has been larger in previously more restricted clothing trade, as compared to trade in textiles.

When the MFA and subsequently the new VER's on China were removed, international trade in T&C became freer. In line with the principle of comparative advantage and the factor proportions theory, it appears that several countries have thereupon specialized increasingly, according to their endowments with factors of production: Several labour-abundant developing countries, which possess a comparative advantage in the labour-intensive clothing industry, have increasingly specialized in clothing. This specialization showed notably in their increasing clothing exports and market shares in total world clothing exports. These countries were in particular China, India, Vietnam, Bangladesh and Cambodia. Even in textiles, requiring a more capital-intensive production, several developing countries have substantially increased their shares in total world exports. These were mainly China, India, Vietnam, Turkey and Pakistan. They have been catching up with developed countries, for instance by reducing the productivity gap through technology imports. Overall, the T&C sector may be seen as rather labour-intensive. In general, developing countries have hence shown their comparative advantage in this sector and increased their exports in the aftermath of trade liberalization in T&C. The situation after trade liberalization in T&C reflected actual comparative advantages and factor endowments to a greater extent than it had been the case before.

Capital- and human-capital abundant developed countries, such as the EU and the USA, have lost market shares in world T&C exports after the phasing-out of the MFA. Still, these countries remain among the world's top ten T&C exporters. They have tended to specialize in capital- and skill-intensive segments of the T&C industry, with a high content of technology and innovation. Notably, they have been able to retain an advantage in the more capital-intensive textiles industry. However, due to developing countries catching up also in textiles, they can only compete in the highest value-adding segments of the T&C industry, producing high-technology and high-quality materials. These developments hence also appear in line with the principle of comparative advantage and the factor proportions theory, as well as product differentiation as predicted by new trade theory.

In line with new trade theory, exporters in low-cost-and-high-productivity countries such as China, India, Pakistan and Vietnam have consolidated their production of T&C products: They have pursued economies of scale, in order to benefit from enlarged markets, following trade liberalization in T&C. Producers of T&C in both, developed and developing countries have increasingly specialized in a narrower range of products. Several producers in developed countries have successfully been differentiating their T&C products. They have differentiated away from market segments where they have to compete on low labour costs, towards segments where they can compete for instance on quality, design, marketing or technology. These developments may simultaneously be seen in line with the factor proportions theory.

Trade diversion effects have been observable in case of VER's in T&C trade: The MFA tended to severely restrict more competitive T&C exporters. Other countries by contrast enjoyed no, or very lax restrictions. Hence, the MFA curbed T&C exports of competitive exporting countries, for instance China or Bangladesh. As described with regard to the comparative advantage effects, these countries have increased their respective exports in the aftermath of the MFA removal. Simultaneously, the MFA stimulated T&C exports from a number of non- or less-restricted third countries, which might otherwise not have participated in the restricted import markets.

A clear-cut example of such trade diversion occurred in case of Mexican' and Caribbean countries clothing exports into the restricted USA import market. Due to NAFTA, Mexico faced no VER's or quotas on its T&C exports into the USA. Thanks to CBERA, several Caribbean countries enjoyed large and underutilized bilateral QR's on their T&C exports into the USA. They were hence non- or less-restricted third country exporters. During the MFA, clothing exports from Mexico and from countries such as Honduras, the Dominican Republic, Jamaica, Guatemala and El Salvador into the USA thus increased significantly. With the

removal of the MFA VER's, this trade diversion effect appears to have ceased: Clothing exports of notably Mexico, but also Honduras, Guatemala, El Salvador, Jamaica, the Dominican Republic and others into the USA then decreased sharply.

Trade deflection effects also manifested themselves in T&C trade: Notably China, facing severe MFA restrictions on its T&C exports to the major markets of the EU and the USA, greatly increased its T&C exports to other markets such as Australia, Japan and South Africa. With the elimination of VER's on its T&C trade, China then increased its T&C exports to previously restricted importing countries (the EU and the USA), and decreased its share of exports to some other markets, such as Japan.

With regard to the year 2005 and to trade in cotton T&C, trade focusing developments could be observed in case of China and other competitive exporters, for instance India, Vietnam, Turkey or Pakistan. These countries have reduced their number of trading partners and increased average cotton T&C trade volumes per partner. Meanwhile, many previously less- or non-restricted third country exporters have moved into the opposite direction: They have sold smaller cotton T&C export volumes to a larger number of importing countries. These countries included Mexico, as well as several Caribbean and SSA countries.

In general and over a longer term perspective, the export pattern in global T&C trade appears to have shown trade focusing developments: World exports of T&C have become increasingly concentrated, following the elimination of MFA VER's. They have become concentrated in a few large scale supplying countries, which are notably low-cost Asian suppliers and particularly China. These developments appear consistent with the ceasing of the trade diversion effect and hence increased trade focusing. Meanwhile, developments regarding the import pattern in global T&C trade appear contrary to trade focusing and ceasing of the trade deflection effect: World imports of T&C have become less concentrated and thus increasingly diversified. Several explanations, which are not solely related to the phasing-out of the MFA, might be considered here.

During the MFA, quota-hopping investment and transshipment strategies were obviously observable in case of Chinese clothing exports, via several SSA countries, into the USA. Under the MFA and subsequently the ATC, China faced severe VER's on its clothing exports into the USA. Meanwhile, thanks to the AGOA, several SSA countries enjoyed duty-, quota- and VER-free access, under mostly no rules of origin, on their clothing exports into the USA. This induced China to undertake quota-hopping investment and transshipment strategies with regard to those SSA countries. With the end of MFA VER's in 2005, such strategies were no longer necessary. Therefore, a sharp increase of several SSA countries clothing exports into the USA could be observed, prior to 2005. Post-2005, these respective exports

showed a drastic decline. Simultaneously, clothing imports from China by those SSA countries increased and declined.

Taking all these points into consideration, several possible effects of QR's on international trade flows could be observed, in theory as well as in the T&C sector. This thesis has analysed bilateral import quotas and VER's as types of QR's only and focused on their utilization and subsequent phase-out under the MFA in international T&C trade. When those trade barriers were removed, trade became freer. Subsequently, various developments as predicted by the principle of comparative advantage, the factor proportions theory and the new trade theory were observable. Moreover, bilateral import quotas and VER's have induced trade diversion and trade deflection effects in international T&C trade. When they were phased-out, some developments indicated trade focusing in international T&C trade. Furthermore, quota-hopping investment and transshipment strategies took place in international T&C trade, in order to circumvent bilateral import quotas and VER's. Also, bilateral import quotas and VER's have led to reduced volumes of international trade in T&C.

5.2 Critical acclaim

The present thesis is not an all-embracing analysis and might be challenged on several fronts. Notably, it has focused largely on providing evidence for several theoretical effects of bilateral import quotas and VER's on international trade flows, by using evidence from the T&C sector. There was no attempt to challenge these theories within the scope of this thesis. For this reason, only the most obvious country examples have been analysed. As Tables 8 and 9 have shown, market shares in total world T&C exports of top exporting countries such as Thailand, Malaysia, Tunisia, Sri Lanka or the United Arab Emirates and others did not all show such unambiguous developments. They might possibly have presented counter-evidence. Also, notably the USA import market has been analysed. One might also have taken a closer look at the previously restricted import markets of the EU, Canada or Norway in this context. Moreover, one could also have analysed other exporting countries, which did not figure among the top 15 world exporters. Nonetheless, it also needs to be admitted that analysing all of these markets and developments would have been beyond the scope of this thesis. Challenging these effects as set out by theory, by using evidence from the T&C sector, might thus present an interesting scope for future research. To continue, this thesis is not all-encompassing with regard to possible theoretical and practical effects that bilateral import quotas and VER's might induce either.

As set out in chapter 4.3.1, the phasing-out of the MFA system of VER's under the ATC is argued to be a useful natural experiment to analyse effects of VER's (Barrows and Harrigan, 2009, p.282). Nonetheless, one needs to consider that several other aspects might possibly also have impacted the development of international trade flows in T&C, both during the MFA/ATC and in the post-ATC period (Sheng, 2012, p.322):

One might begin with the issue of industry upgrading: It has already been stated in chapter 4.3.3 that the loss of world market share in clothing exports of Hong Kong, South Korea and Taiwan may also be explained by these countries technological advancement (Dowlah, 2016, p.133): They have upgraded their industries and diversified into higher-value added products (ibid.). Similar developments could be observed in many high- and medium-income developing countries such as Malaysia, Indonesia, India, Brazil and Mexico (ibid.). They have also been diversifying into high-tech manufacturing activities (e.g. television, communications, office products) (ibid.). In case of China and other developing countries, such strategic upgrading of exports is also argued to influence clothing exports (Sheng, 2012, p.314). Such strategic upgrading implies gradually replacing labour-intensive exports (e.g. clothing) with more skill- and capital-intensive exports (ibid.). This development is linked to the economic advancement of a country, inducing it to upgrade and diversify its industries (ibid.). Notably with regard to the future, several authors argue that China has a growing interest in exporting more capital- and skill-intensive products and in upgrading its industry (Brambilla et al, 2010, p.383 and Sheng, 2012, p.321, p.316). Hence, in continuation with the historical developments as described in chapter 4.1, the T&C sector might in the future gradually migrate away from China, on to other low-cost labour abundant countries (Dowlah, 2016, p.140-141). Such issues hence influence international trade flows in T&C.

To continue, the ATC dismantled VER's on T&C items, while tariffs on these items were not abolished (Kar and Kar, 2011, p.131). Thus, trade in T&C is today still not entirely free, but merely "VER free" (ibid.). Around the world, tariffs in T&C remain considerably higher than average tariffs on manufactured goods (Dowlah, 2016, p.164-165 and Heron, 2012, p.68 and James and Hernando, 2008, p.10). As explained in chapter 4.1, trade in T&C is particularly sensitive to tariffs, because parts and goods typically cross borders several times, before the final product reaches the consumer (Nordas, 2004, p.8). Therefore, not only the phasing-out of the system of VER's, but also prevailing tariff rates greatly influence and influenced international trade flows in T&C (ibid., p.34).

USA tariffs on T&C imports were also reduced from 1994 to 2004, as a result of the Uruguay Round (Barrows and Harrigan, 2009, p.283). However, USA trade policy saw no significant changes from 2004 to 2005 (ibid.). This greatly speaks for the unequivocalness of the above

analysed effects of the ATC VER phase-out in the USA import market in 2005. These might hence actually be the results of the change in VER's.

Moreover, the global financial crisis in 2008 brought about a significant contraction of T&C trade, with regard to both, the EU and the USA market, and all their respective trading partners (Kowalski and Molnar, 2009, p.5 and Sheng, 2012, p.322). This effect also needs to be borne in mind. Furthermore, effects such as the appreciation or depreciation of an exporting country's currency against the importing country's currency also impact, and have impacted, international trade flows in T&C (Heron, 2012, p.56 and James and Hernando, 2008, p.21 and Sheng, 2012, p.322). Such effects hence also need to be considered to possibly have impacted the previously explained developments of international trade flows in T&C.

In general, China's WTO accession in 2001 was another influential factor, shaping the patterns of world T&C trade (Sheng, 2012, p.314). Moreover, many other trade policies, for instance new anti-dumping measures, have been adopted since the ATC VER-removal (Sheng, 2012, p.322). These might also affect and have affected international trade flows in T&C (ibid.).

Chapters 4.3.4 and 4.3.7 have already shown that free trade agreements such as NAFTA and preferential trading schemes such as CBERA and AGOA impact international trade flows in T&C. Tariffs in T&C remain high (Dowlah, 2016, p.164-165). Therefore, such agreements continue to impact international T&C trade flows in the post-ATC environment (ibid., p.154 and Barrows and Harrigan, 2009, p.283 and Nordas, 2004, p.34). The USA is not the only developed country concluding free trade agreements and granting preferential market access to certain developing countries (Dowlah, 2016, p.154). The same holds true for the EU and many other developed countries, such as Canada or Japan (ibid.). One example is the EU-Turkey customs union, which entered into force in 1996 (Nordas, 2004, p.19): It has led to a sharp increase in Turkey's share of the EU's textiles imports between 1995 and 2002 (ibid.). Another example is the "Everything but Arms" program (Dowlah, 2016, p.154). Under this program, the EU provides duty-, quota- and VER-free access to all products from least-developed countries, with the exception of arms, ammunition and some agricultural products, since 2001 (ibid.). Many more examples of USA and EU preferential trading schemes and free trade agreements could be mentioned (see for instance Gebreeyesus, 2013, p.2). Hence, one needs to keep in mind that the existence, as well as the conclusion of new free trade agreements or preferential trading schemes, has impacted and impacts international trade flows in T&C (ibid. and Barrows and Harrigan, 2009, p.283 and Nordas, 2004, p.34 and Sheng, 2012, p.322).

Further currently prevailing obstacles to trade have also impacted and continue to impact international trade flows in T&C:

It was already stated that tariffs in T&C remain high (Dowlah, 2016, p.164-165). Both in the EU and the USA, average MFN tariffs on manufactured goods are about 4% (ibid., p.165). Average tariffs are 6.9% in textiles and 12% in clothing (ibid.). Moreover, considerable tariff peaks (higher rates of duty on certain "sensitive" items) prevail in T&C (ibid., p.164-165, p.172 and Heron, 2012, p.68). In the USA and the EU for instance, tariff peaks on T&C items can go up to 32% (Dowlah, 2016, p.165). Moreover, substantial tariff escalation prevails in developed nations (James and Hernando, 2008, p.10), such as the USA (USITC, 2013b, p.2.17). Tariff escalation refers to increasing rates of duty for more processed goods (James and Hernando, 2008, p.10). It implies that raw material inputs enter at low rates of duty, while final goods face high tariffs (ibid.). In the USA and also in other countries around the world, tariffs on clothing are hence higher than tariffs on textiles (such as yarn or fabric) (Dowlah, 2016, p.165 and USITC, 2013b, p.2.17). Remaining tariff barriers in T&C trade thus continue to restrain many developing countries' potential (Dowlah, 2016, p.164).

Especially in free trade- or preferential trade agreements, rules of origin become relevant (ibid., p.169-170). Non-harmonized rules of origin in the T&C sector are seen as another prevailing obstacle to trade (ibid.). It is argued that some countries use rules of origin to protect their capital-intensive textiles industry (ibid.). This strategy is argued to be applied by the USA, within agreements such as NAFTA and CBERA, as described in chapter 4.3.4. As described in chapter 4.3.4, this issue may also discourage countries (e.g. CBERA countries) from developing local backward linkages (Heron, 2012, p.112 and Seyoum, 2010, p.161). As explained in chapter 4.1, clothing exporters in clusters which have evolved around major import markets such as the EU and the USA are rather carrying out specific functions in clothing assembly (Seyoum, 2010, p.174-175). These exporters, such as Latin American, Caribbean, Eastern European or African countries, have thus rather not developed local backward linkages to the textiles industry (ibid.). It becomes clear that rules of origin issues hence also influence trade flows in T&C.

Furthermore, some countries use government procurement schemes to stimulate domestic T&C production (Dowlah, 2016, p.171). In this context, one might mention the Berry Amendment in the USA (USITC, 2013b, p.2.17): It requires that T&C articles procured by the USA Department of Defence have to be produced in the USA, including fibre, yarn and fabric inputs (ibid.).

Moreover and among others, non-universalized customs and documentation formalities, non-uniform classification practices with respect to many products, technical barriers to trade and social condition related requirements, are prevailing non-tariff trade barriers to developing

countries in T&C (Dowlah, 2016, p.170). Many standards, such as core labour standards, environmental protection or label requirements, might go beyond legitimate concerns (ibid.). They might hence represent unnecessary barriers to trade, being difficult and costly to implement for developing countries (ibid.). At the same time, an increasingly buyer driven global market, due to the increasingly concentrated retail sector (as described in chapter 4.1), has left many developing country clothing exporters with little or no bargaining power (ibid., p.171-172). Their profit margins are hence increasingly squeezed by retailers (ibid.). This makes it even more difficult for them to provide better wages and working conditions, or to adhere to environmental standards (ibid.). Such trade barriers may of course also impact international trade flows in T&C.

Taking all these points into consideration, one can see that it may be difficult to separate effects of the ATC VER phase-out from other factors possibly influencing international trade flows in the T&C sector (see Sheng, 2012, p.322). Of course, the issues described in this critical acclaim are not all-embracing either. It becomes obvious that reality presents a greater complexity than theoretical models and assertions. Nonetheless, one might still consider the case of the ATC VER phase-out to be an unusually clear and outstanding case, to analyse effects of VER's (Barrows and Harrigan, 2009, p.282). However, the results of this thesis might of course be challenged.

5.3 Outlook

Reflecting the findings, one is inclined to say that VER's and bilateral import quotas have had rather far-reaching effects on international trade flows, in case of the MFA and its subsequent phase-out in T&C trade. Although these trade barriers are less used and more strictly regulated nowadays than in former times, they continue to exist. With regard to this and to possible future trade policies which governments (or also industries in case of VER's) might consider to adapt, it is of continuing relevance for decision makers to be aware of these trade barriers' possible impacts.

As described in this thesis, the T&C sector has long faced many protectionist measures and especially many QR's. Although MFA VER's were eliminated under the ATC, tariffs on international trade flows in T&C remain high in modern times. They hence continue to impede international trade in T&C. The phasing-out of the MFA restrictions under the ATC has brought about considerable trade liberalization in T&C. This thesis has demonstrated how far-reaching several consequences of this trade liberalization were. If the current Doha Round of WTO negotiations succeeds and brings about further tariff reductions, trade in T&C could become even more liberalized (Dowlah, 2016, p.166-168). It will be interesting to

observe, whether the consequences that this trade liberalization might bring about, will be similar to those triggered by the ATC. Possibly, as in case of the ATC trade liberalization, tariff reductions in T&C might further benefit currently tariff-restrained competitive Asian T&C exporters. Meanwhile, as in case of the ATC, they might also lead to a further erosion of preferences (Dowlah, 2016, p.166-168) and thus possibly decreasing T&C exports of currently preferentially treated and less-restricted countries. Among others, one might again mention Mexico, as well as the CBERA and AGOA beneficiary countries, currently enjoying duty-free access of their T&C exports into the USA, in this respect.

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VII. Glossary

Absolute advantage principle:

The principle of absolute advantage sets out that under free trade, each country benefits if it specializes and thus exports goods in which it has an absolute advantage (Cavusgil et al, 2014, p.173). A country has an absolute advantage in a good, if it can produce the good using fewer input resources (e.g. less labour) than its trading partner country or countries (ibid., and Mankiw and Taylor, 2012, p.64 and Krugman and Obstfeld, 2009, p.32) . The pattern of trade cannot be determined from absolute advantage alone (Krugman and Obstfeld, 2009, p.32). The principle of comparative advantage is argued to be of a greater relevance (ibid., p.32, p.40).

Antidumping duties:

Dumping is a pricing practice, in which a company charges a lower price for exported goods than it does for the same goods sold on its domestic market (Krugman and Obstfeld, 2009, p.135) or for the same goods sold on third-country markets or when a company charges a price which is lower than production cost (WTO Website, 2016, n. pag.). Anti-dumping duties are tariffs imposed on goods, which are seen to be dumped and to cause injury to producers of competing products in the importing country (ibid.). Anti-dumping duties are allowed for by Art. 6 of the GATT (ibid.). They are equal to the difference between the goods' export price and their normal value, if dumping causes injury (ibid.).

Autarky:

Autarky describes a situation of self-sufficiency of a country (Mankiw and Taylor, 2012, p.61). In autarky, the country is isolated from the rest of the world and does not trade with any other countries (ibid., p.218).

Beggar-thy-neighbour trade policies:

A beggar-thy-neighbour trade policy benefits the country imposing it, at the expense of a foreign country or countries (Goede, 1996, p.44 and Krugman and Obstfeld, 2009, p.271, p.513). The imposing country's economic condition is improved, only because economic conditions abroad are worsened (ibid.). For instance, the imposing country's welfare or employment might rise at the expense of foreign countries, due to such a protectionist trade policy (ibid.).

CBERA beneficiary countries:

There are 16 CBERA beneficiary countries (USITC, 2013a, p.xvii). These are Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, the British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago (ibid.). Several other countries have historically also been CBERA beneficiary countries, but are no longer eligible for CBERA benefits, because they have entered into Free Trade Agreements with the USA (ibid.). These are El Salvador, Honduras, Nicaragua, Guatemala (all since 2006), the Dominican Republic (since 2007), Costa Rica (since 2009) and Panama (since 2012) (ibid.).

Countervailing duties:

Countervailing duties refer to increased tariffs levied by an importing country, in order to offset subsidies which are given to producers or exporters in an exporting country (WTO Website, 2016, n. pag.). A subsidy is somehow the opposite of a tax (Mankiw and Taylor, 2012, p.141). It is a payment of a government (ibid.), for instance to producers or exporting companies (WTO Website, 2016, n. pag.).

Developed countries:

Varying definitions and lists of developed countries and developing countries prevail. One might use the International Monetary Fund's (in the following "IMF") list of "advanced economies" for defining developed countries (IMF, 2016, p.148). It lists 39 countries, namely the USA, Japan, the 19 countries of the Euro-Area (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, the Slovak Republic, Slovenia, Spain), Canada, the United Kingdom, Australia, the Czech Republic, Denmark, Hong Kong, Iceland, Israel, South Korea, Macao, New Zealand, Norway, Puerto Rico, San Marino, Singapore, Sweden, Switzerland and Taiwan (ibid.). It is observable, that 23 of the 28 EU members are included in this list (ibid. and European Commission Website, 2016, n. pag.). Hence, in general, the EU may be considered a "developed country". Also, 29 out of 34 OECD members are included in this list of developed countries (see Glossary Term "OECD member countries" for all OECD member countries and see IMF, 2016, p.148 and OECD Website, 2016, n. pag.). It was already stated in this thesis, that the large majority of OECD countries are developed countries (see IMF, 2016, p.148 and OECD Website, 2016, n. pag.).

Developing countries:

For simplicity, one might hence define all countries in the world not listed by the IMF's list of advanced economies, as developing countries. In this thesis, the term "less developed country" has been used synonymously for "developing country". Moreover, in this thesis, least-developed countries (see glossary term below) have been included in the term "developing countries".

Dual-Use goods:

Dual-use goods, as well as dual-use technologies and knowledge, do normally serve civil purposes, but may also be used for military ends (Weerth, n.d., n. pag.). For instance and broadly speaking, this may include telecommunications, information security, sensors and lasers, aviation electronics and navigation technology, marine and ship technology or space vehicles and propulsion systems (ibid.).

Economies of scale:

Economies of scale, also referred to as increasing returns, imply that production is more efficient, the larger the scale at which it takes place (Krugman and Obstfeld, 2009, p.115). With increasing company size and production capacity, the long-run average costs decrease (Mankiw and Taylor, 2012, p.340). If fixed costs remain at the same level while output can be increased, average fixed costs per unit produced decrease (Wöhe and Döring, 2013, p.876). This definition rather refers to internal economies of scale (Krugman and Obstfeld, 2009, p.116): These occur, when the cost per unit depends on the size of an individual firm, but not necessarily on the size of the industry (ibid.). External economies of scale by contrast occur, when the cost per unit depends on the size of the industry, but not necessarily on the size of an individual firm (ibid.).

Elasticity of supply:

In general, the elasticity of supply measures the effect of a price change on the quantity of supply (Mankiw and Taylor, 2012, p.124). The supply is deemed "elastic" if price changes induce relatively large changes in the quantity of supply (ibid.). By contrast, the supply is deemed "non-elastic" if price changes induce relatively small or no changes in the quantity of supply (ibid.).

European Union:

For simplicity, the term “EU“, has been used in this thesis also when referring to its predecessor, the European Economic Community (see European Commission Website, 2016, n. pag.). In this sense, the EU was founded by Belgium, Germany, the Netherlands, Luxembourg, France and Italy in the 1950s (ibid.). In the 1970s and 1980s, Denmark, Ireland, the United Kingdom, Greece, Spain and Portugal joined (ibid.). In 1995, Austria, Finland and Sweden joined (now EU-15) (ibid.). In 2004, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia joined (now EU-25) (ibid.). In 2007 Romania and Bulgaria joined (EU-27) and in 2013 Croatia joined (ibid.). Today, the EU thus comprises 28 member countries (ibid.).

Foreign direct investment:

A foreign direct investment is an international capital flow, in which a company creates or expands a subsidiary in another country (Krugman and Obstfeld, 2009, p.163). Differently to other types of international capital movements, a foreign direct investment involves not only a transfer of resources, but also the acquisition of control (ibid.). The foreign subsidiary does not simply have a financial obligation to the parent company, but is part of the same organizational structure (ibid.).

General Agreement on Tariffs and Trade (GATT):

Due to the failure to establish the originally planned International Trade Organization, the GATT was established in 1947 (Krugman and Obstfeld, 2009, p.230). In practice, it was an agreement and not an organization, which however maintained a permanent “secretariat” in Geneva, Switzerland (ibid.). In 1995, the WTO was established, finally creating the formal international organization planned about 50 years earlier (ibid.). The GATT was absorbed into the WTO and its rules remained in force (ibid., p.230, p.233). Nowadays, the GATT is officially referred to as the “GATT 1994” (GATT 1994 and WTO Website, n.d., n. pag.). Subject to certain additional legal decisions and protocols, the Marrakesh protocol, understandings on the interpretation of certain GATT articles and explanatory notes, the legal text however remains identical to the one of the “GATT 1947” (ibid.). Therefore, with the exception of trade lawyers, most people refer to it simply as the “GATT” (WTO Website, 2016, n. pag.). This was hence also done in this thesis. The GATT regulates international trade in goods only, not covering trade in services (Krugman and Obstfeld, 2009, p. 233). GATT rules apply to all 162 member countries of the WTO (GATT 1994 and GATT 1947 and WTO Website, 2016, n. pag.). Currently, the USA for instance counts a total of 195

independent countries in the world (United States Department of State, 2016, n. pag.). One might thus state that the GATT governs trade in goods of the large majority of all countries in the world.

International product life cycle theory:

In general, the international product life cycle theory sets out that each product and its manufacturing go through three stages of evolution (Cavusgil et al, 2014, p.178-179): In the first stage (introduction), a product typically originates in an advanced economy, due to its research and development capabilities and high-income consumers willing to try it (ibid.). In the second stage (maturity), the product is exported to other advanced economies, it is mass-produced and competition gradually intensifies (ibid.). In the third stage (standardization), knowledge about its production is now widespread and manufacturing is not as specialized anymore, but rather a straightforward matter (ibid.). Hence, production shifts to lower income countries and the country that invented the product eventually becomes a net importer of it (ibid.).

Inter-industry trade:

Inter-industry trade refers to different goods being traded among different countries (Krugman and Obstfeld, 2009, p.131). For instance, country A might export cloth into country B, in exchange for wine exports from country B into country A (ibid.). Inter-industry trade reflects comparative advantage (ibid.).

Intra-industry trade:

Intra-industry trade is the international two-way trade of the same, though differentiated, product category within a sector (Krugman and Obstfeld, 2009, p.149). For instance, it could refer to country A exporting cloth to country B and simultaneously country A importing cloth from country B (ibid., p.131). Intra-industry trade reflects economies of scale (ibid.).

Least-developed countries:

Currently, 48 countries are defined as least-developed countries by the UN (UN, 2016, n. pag.). These are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, Tanzania, Vanuatu, Yemen, Zambia (ibid.).

Monopoly:

A pure monopoly refers to a market structure in which a firm faces no competition (Krugman and Obstfeld, 2009, p.117). The monopolist maximizes its profits by setting its output at the point where marginal revenue (the revenue gained from selling an extra unit) equals marginal cost (the cost of producing an extra unit) (ibid., p.119). The marginal revenue curve lies below the demand curve, as the monopolist must lower the price of all units (not just the marginal one), in order to sell an additional unit (ibid., p.118). Theory sets out that in a monopoly, the price for the respective good will be higher and the quantity sold will be lower than under perfect competition (Mankiw and Taylor, 2012, p.392, p.394).

Monopolistic competition:

The model of monopolistic competition refers to an oligopolistic market structure, in which each firm is assumed to be able to differentiate its product from that of its rivals (Krugman and Obstfeld, 2009, p.120). Therefore, consumers will not rush to buy other firms' products because of a slight price difference (ibid.). Hence, each firm has a monopoly in its particular product within an industry and is thus to some extent insulated from competition (ibid.). Moreover, each firm is assumed to ignore the impact of its own price on the prices of its rivals and thus take the prices charged by its rivals as given (ibid.). Therefore, each firm in this model behaves as if it were a monopolist, even though it is, in reality, facing competition from other firms (ibid.). Although this model may leave out some features of the real world, it is widely used, because modelling oligopolies is otherwise a very complex matter (see ibid., p.124-125).

Most-favoured Nation:

The principle of Most-Favoured Nation Treatment can be found in Art. I of the GATT (Dowlah, 2016, p.173). Simply put and rephrased, it states that whenever a WTO member country extends a trade privilege to any other country (members or non-members of the WTO), that privilege is automatically extended to all WTO member countries (see Art. I:1 of the GATT and see Dowlah, 2016, p.108 and Nüesch, 2010, p.35) . For instance, if a WTO member country negotiates a reduced tariff rate on a certain product, imported from a certain other WTO member country, that rate of duty automatically becomes applicable to imports of like products from all other WTO member countries (see ibid.). Most-Favoured Nation Treatment is a central principle of the GATT (Dowlah, 2016, p.108), but several exceptions to this principle prevail.

Non-discrimination principle of the GATT:

The principle of non-discrimination in trade of the GATT includes two principles, namely Most-Favoured Nation Treatment (see previous Glossary term) and National Treatment (Nüesch, 2010, p.35). National treatment is outlined in Art. III of the GATT (Dowlah, 2016, p.173). Simply put, it sets out that once a foreign produced good (from a WTO member country) has entered an import market of a WTO member country, it has to be treated just like a nationally produced good (ibid., p.108). Hence, imports from WTO members should receive treatment no less favourable than the treatment accorded to like domestic products (Nüesch, 2010, p.35). This implies that they should for instance not face higher taxes, or different laws or regulations (see Art. III:2 and Art. III:4 of the GATT).

Normative Trade Theory:

Normative trade theory deals with making welfare judgements about policies and economic events (Corden, 1984, p.65). It is concerned with evaluating the desirability of the imposition of tariffs and other measures of intervention on trade, and with defining the properties of a set of optimal measures (Gandolfo, 2014, p.216).

Organisation for Economic Co-Operation and Development (OECD) member countries:

The OECD currently has 34 members (OECD Website, 2016, n. pag.). These are Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the USA (ibid.). 29

of these 34 countries are included in the above mentioned IMF list of developed countries (see ibid. and IMF, 2016, p.148). It was already stated in this thesis, that the large majority of OECD member countries are developed countries (ibid.). Of all OECD members, only Chile, Hungary, Mexico, Poland and Turkey are not included in the above mentioned IMF list of developed countries (see IMF, 2016, p.148).

Oligopoly:

The market structure of an oligopoly refers to several firms, each of them being large enough to affect prices, but none of them possessing an uncontested monopoly (Krugman and Obstfeld, 2009, p.120). In oligopolies, pricing policies of firms are interdependent (ibid.): Each firm will, in setting its price, consider not only the responses of consumers, but also the expected responses of competitors (ibid.). An oligopoly is the usual market structure in industries characterized by internal economies of scale (ibid.).

Partial equilibrium analysis:

Analyses in trade policy, which deal with the winners and losers that arise from government intervention in markets, are most often accomplished with a partial equilibrium analysis (Kerr, 2007, p.1, also Pomfret, 1989, p.208 and Krugman and Obstfeld, 2009, p.200, p.204). A partial equilibrium analysis considers solely the market for the commodity on which the trade barrier is imposed and neglects the repercussions on and from the rest of the system (Gandolfo, 2014, p.218). General equilibrium analyses also take cross-market effects into account (Krugman and Obstfeld, 2009, p.204). They are typically used for analyses in trade theory (Kerr, 2007, p.1).

Uruguay Round:

The Uruguay Round was the last round of WTO negotiations, before the current Doha Round (Kerr, 2007, p.7). It lasted from 1986 to 1994 (Dowlah, 2016, p.111). As a result of the Uruguay Round, the WTO was established as a formal international organization and the GATT was absorbed into the WTO (ibid. and Kerr, 2007, p.7 and Krugman and Obstfeld, 2009, p.230, p.233 and see Glossary Term “GATT”). As further results of the Uruguay Round, among others, the ATC, the Agreement on Safeguards and the GATT 1994 were agreed upon and entered into force (WTO Website, 2016, n. pag.). From January 1995 on, the agreements which were agreed upon during the Uruguay Round took effect (ibid.).

Retaliation:

Retaliation in this context refers to trade barriers: It implies that a country, which is harmed by a trade barrier imposed by another country, might in turn impose a trade barrier against that very country. Thereby, more and more trade barriers might possibly be imposed and hence a so-called 'trade war' may erupt between these countries.

Rules of Origin:

Rules of Origin are laws, regulations and administrative procedures which an importing country uses, in order to determine the country of origin of a product (WTO Website, 2016, n. pag.). Such rules are not yet completely harmonized across the world - they tend to be different from country to country (ibid.). Obviously, the decision of a custom's authority on the country of origin of a product might, among others, determine whether the product is subject to a bilateral import quota or whether it qualifies for a tariff preference (ibid.). Therefore, as mentioned previously in this thesis, rules of origin become especially relevant in free trade agreements or preferential trading programs (Dowlah, 2016, p.169-170).

Tariff-rate quota:

A tariff-rate quota consists of two aspects (WTO Website, 2016, n. pag.): There is a lower tariff (in-quota tariff) which applies to a specific volume of imports (quota volume) (ibid.). Afterwards, a higher tariff (out-of-quota tariff), applies to all additional imports (ibid.).

Welfare:

Usually, welfare in theoretical models is defined as the sum of consumer surplus and producer surplus (Mankiw and Taylor, 2012, p.178). Consumer surplus describes how much consumers are willing to pay, minus the price that they actually pay for a good (ibid., p.173). It is hence shown by the area below the demand curve and above the market equilibrium price (ibid., p.177). Producer surplus refers to the price that producers sell at, minus their cost of producing the good (ibid., p.179). It is hence shown by the area above the supply curve and below the market equilibrium price (ibid., p.183). These statements refer to supply and demand curves in a diagram with the quantity of the good sold on the horizontal axis and the price of the good sold on the vertical axis (ibid., p.177, p.183). It is a generally accepted premise, that free trade is the best means of maximizing overall societal welfare (Heron, 2012, n. pag.). Protectionist trade policies (for instance trade barriers such as import quotas) are, by contrast, usually associated with welfare losses (Mankiw and Taylor, 2012, p.228 and Krugman and Obstfeld, 2009, p.213).

VIII. Appendix

Outline Appendix

Annex 1: Selected reasons for protectionism

To begin with, there might be trade related reasons for restricting trade: These might for instance relate to protecting the balance of payments (Goede 1996, p.487), retaliation against foreign government's trade barriers (Agusti et al, 2013, p.237), counteracting prohibited measures of unfair trade such as trade-distorting subsidies or dumping (ibid., p.236) or aiding in the development of developing countries by granting preferential treatment to their exports (ibid, p.237).

Trade protection is increasingly linked to domestic policy objectives, which are not typical questions of trade economists (Kerr, 2007, p.2). Selected political and public policy related reasons for restricting trade are illustrated in the following table:

Political and public policy related reasons for restricting trade

Reason	**Example(s)**
Implementation of foreign policy	Prohibition on imports of goods from a country which violates international norms or is a military adversary
Protection of the national defence	Protection of strategically important industries such as aerospace or telecommunications, export controls on strategically important goods such as conventional arms or dual use goods and technologies
Protection of natural resources or of the environment	Requirement that imported cars be equipped with anti-pollution devices, ban on import of tuna caught in fishing nets trapping dolphins
Protection of public health, safety and morals	Standards to ensure safety in consumer goods, prevent import of banned obscene materials
Protection of plant and animal life	Ban on import of disease carrying fruit or foreign species of wildlife
Ensure uniform compliance with common standards or standard-setting-codes	Compliance with electrical codes, fire codes, standards for automotive transportation or aviation
Protection of local cultural, religious or ethnic values	Ban on exports of artefacts or antiques, prohibition of import of religiously offensive materials in Islamic countries

Source: own table, based on Agusti et al, 2013, p.237 and August et al, 2013, p.396

A further argument for the use of trade barriers is related to market failures (Bown, 2014, p.10). However, domestic policy instruments to directly address the market failures are argued to be preferable to trade policy in these cases (ibid.). This relates to the general concept of the theory of the second best in economics: If for some reason the best policy option cannot be done (e.g. making wages more flexible), the second best policy (e.g. a trade policy subsidizing labour intensive industries, as the labour market fails to deliver full employment), can be a second-best way to alleviate the problem (Krugman and Obstfeld, 2009, p.220). This argument for the use of trade barriers is often criticised, as the trade policy may lead to unintended distortions elsewhere in the economy (ibid., p.220-221).

Moreover, the so-called terms of trade argument might be mentioned for restricting trade (Gervais and Larue, 2007a, p.187). It implies that a country, which has a large enough trade volume to influence the prices of the world market, can increase its level of welfare relative to

the free trade level, by restricting trade below the free trade level (ibid.). This argument is however based on several assumptions (among others no retaliation by foreign trading partners and perfect competition) which in reality rather rarely hold true (ibid.).

In addition, the so-called infant industry argument may be named in this context (Krueger, 1984, p.522). It states that some industries may initially have high costs and therefore require protection, but may have a comparative advantage in the long run, after a temporary period of development (ibid.). Hence, their temporary protection against foreign competition might in the long run be beneficial for the country (Gandolfo, 2014, p.256-257). Even if the domestic infant industry might at a current point produce at higher average costs than the foreign competition, it might in the long run have the relative price advantage for producing a certain good, if it is able to realise greater learning and scale effects (Rübel, 2008, p.185). In the long run, if the infant industry succeeds in becoming competitive with the foreign competition, improvements in production techniques and labour skills might lead to increased production possibilities and hence increased welfare (Gandolfo, 2014, p.256-258). The infant industry argument for trade restrictions is however criticized in many respects (see Gandolfo, 2014, p.256-258 and Grosso, 2005, p.105). Other domestic policies are argued to be more suitable (Gandolfo, 2014, p.256 and Rübel, 2008, p.186).

An additional reason for restricting trade might be the collection of government revenue through the imposition of tariffs (Goede, 1996, p.487).

Annex 2: Types of Quantitative Restrictions as defined by the WTO

Quantitative Restriction	**Definition**
Global quota Global quota allocated by country	A limit set by one country, on the quantity or total value of a particular commodity that may be imported or exported during a specified time period, on a global basis (Goede, 1996, p.281, p.439). A global quota is imposed on a particular product regardless of its country of origin (Agusti et al, 2013, p.231). The total quota limit can be allocated among several specific countries (ibid.).
Bilateral quota	Anything less than a global quota. A quota which is set not globally but instead against specific countries (Lutz, 2007, p.248).
Prohibition Prohibition except under defined conditions	A ban to import and/or export a specific good (WTO QR Website, 2013, n. pag.). In general it is an unconditional interdiction to import (Czaga et al, 2004, p.4) amounting to a quota of size zero (Lutz, 2007, p.248). Export prohibitions are also possible (Kazeki, 2005, p.201).

Non-automatic licensing	An import or export licence is the permission obtained from a government, to import or export certain goods (Goede, 1996, p.215, p.302). In more detail, import licensing can be defined as administrative procedures, requiring the submission of an application or other documentation (other than those required for customs purposes), to the relevant administrative body, as a prior condition for the importation of goods (WTO Website, 2016, n. pag.) Non-automatic licensing is licensing, where the approval is not granted in all cases (WTO QR Website, 2013, n. pag.). It is used to administer trade restrictions such as QR's (ibid.).Automatic import licensing on the other hand refers to import licensing, where the approval of the application is granted in all cases (ibid.). It is maintained to collect statistical and other factual information on imports (ibid.). In many cases, QR's are implemented by issuing quota licenses (Mukhopadhyay, 2004, p.47), which the issuing government distributes to importers according to various criteria (Gandolfo, 2014, p.231). Non-automatic licensing can be used to implement quotas (Grosso, 2005, p.106). In that case, the basic barrier to trade is the quota rather than the license (ibid.). Nonetheless, the administration of quotas through licensing may operate as an additional impediment to trade (ibid.): The procedures for granting import licenses can themselves have restrictive or distortive effects on imports, in addition to those effects caused by the underlying quota (ibid, p.118). Furthermore, licensing can act as a QR by reducing the volume of imports, without a priori setting explicit quotas as well (ibid., p.106). The WTO provides for far-reaching disciplines in the area of import licensing, particularly through its Agreement on Import Licensing Procedures (ibid, p.118). The conditions and measures which this Agreement sets, aim mainly at simplifying and bringing transparency to import licensing procedures, ensuring a fair and equitable application and administration of these and preventing the procedures for granting import licences from having in themselves restrictive or distortive effects on imports, in addition to those caused by the underlying measures (ibid.). Of course, export licensing is also possible (Bonarriva et al, 2009, p.2).
Quantitative Restriction made effective through state-trading operations	State-trading enterprises are defined as governmental or non-governmental enterprises, including marketing boards, which deal with goods for export and/or import (WTO Website, 2016, n. pag.). They have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports (ibid.). In practice, these special rights often are single-desk selling and/or purchasing rights (Gervais and Larue, 2007b, p.321). The WTO does not want to prohibit or discourage the establishment and maintenance of state-trading enterprises as such (WTO Website, 2016, n. pag.). However, as they can potentially have trade distorting effects and can be used to implement various trade-related policies (among others QR's), the work of the WTO aims to ensure that they are not operated in a manner inconsistent with the principal WTO rules (ibid.). A principal WTO rule is for instance the general prohibition of QR's (the legal background of QR's was addressed in chapter 2.2), which is also valid for state-trading enterprises (ibid.). State-trading operations raise a wide range of issues (Czaga et al, 2004, p.28). The use of QR's is only one of them (ibid.). Czaga et al found that the reference to QR's as a part of state-trading operations is very rare and that other concerns regarding state-trading operations are mentioned more often (among others competition or transparency issues) (ibid.). Gervais and Larue argue that the ambiguity of the WTO Definition of state-trading enterprises is one of the reasons why many countries do not notify their state-trading enterprises to the WTO, even though the WTO obliges its members to notify their state-trading enterprises (Gervais and Larue, 2007b, p.321).

Mixing regulation	Regulation specifying the proportion of domestically produced content in products offered for sale on the domestic market and regulation specifying, for any imports of a given product, the quantity of a domestically produced like product that must be purchased by the importer (WTO QR Website, 2013, n. pag.). This definition resembles the WTO definition of local-content measures, being requirements that the investor purchase a certain amount of local materials for incorporation in the investor's product (WTO Website, 2016, n. pag.). Local-content requirements are regulated under the Agreement on Trade-Related Investment Measures by the WTO (ibid).
Minimum price, triggering a Quantitative Restriction	Pre-established import/export price, below which imports cannot take place (WTO QR Website, 2013, n. pag.).
"Voluntary" export restraint	Arrangements made by the government or an industry of an exporting country to "voluntarily" limit their exports to the importing country (WTO QR Website, 2013, n. pag.). Typically, a VER is a result of requests made by the importing country to provide a measure of protection for its domestic businesses that produce substitute goods (ibid.).
➔ *Note: each restriction may apply to imports or exports and be seasonal or not seasonal*	

Source: own table, unless otherwise indicated based on Annex 2 of the Decision on Notification Procedures for Quantitative Restrictions (G/L/59/Rev.1 of the WTO, 2012, p.9)

Annex 3: Quantitative Restrictions on Japan in the 1930s to 1950s

Prior to World War Two, in times of the Great Depression and multiple beggar-thy-neighbour trade restrictions, many QR's targeted Japan (Heron, 2012, p.17-18). Japan had become the largest producer of cotton textiles by the 1930s (Heron, 2012, p.17-18). Especially with Japan's accession to the GATT in 1955, many developed countries feared the effect of an influx of cheap labour-intensive goods (in which Japan had a comparative advantage at the time), from Japan (Nüesch, 2010, p.37, p.39). Many invoked their GATT Article XXXV rights, thus making the GATT rules inapplicable to their trade relations with Japan (ibid., p.39 and Bown, 2014, p.7-8). Various developed countries imposed country-specific quotas or negotiated VER's with Japan (Bown, 2014, p.7-8).

Japan actually was the first country to sign a VER with the USA in 1936 (Heron, 2012, p.17). By the 1950s, several VER's existed between the USA and Japan (ibid., p.19). Japanese exports to the EU were also subject to unilaterally imposed bilateral import quotas (ibid., p.20). Other developed countries soon followed the example of the USA and by the end of the 1950s, an entire network of bilaterally negotiated VER's was built in the T&C sector (Nüesch, 2010, p.35). It is noteworthy, that already in the late 1960s Japan had largely shifted away from T&C exports, towards higher value added exports such as e.g. electrical goods (Heron, 2012, p.22), upgrading its industry. This "migration" of the T&C sector has been described in chapter 4.1.

Similar to the arguments mentioned in chapter 2.3, Heron argues that the USA negotiated VER's with Japan as they were at least nominally consistent with the GATT, being "voluntary" in nature (Heron, 2012, p.20, p.40 and Bown, 2014, p.8). Heron further states that although these early VER's on Japan provided a short term protection for producers in the USA and the EU, they failed to do so in the long run (Heron, 2012, p.19). While Japan's share of USA T&C imports fell by more than half from 1955 to 1960, other at that time low-waged suppliers such as Hong Kong, India, South Korea, Pakistan, Portugal and Spain soon filled this supply gap (ibid., p.20 and James and Hernando, 2008, p.1). Hence, despite the VER's, cotton textile imports into the USA increased sharply during the second half of the 1950s (Heron, 2010, p.20). This is consistent with the trade diversion effect as explained in chapter 3.2.

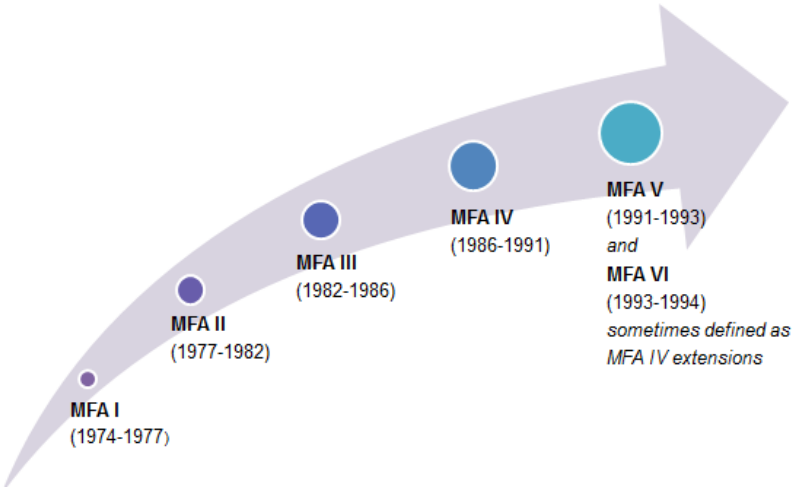
Annex 4: Further information on the Multifibre Arrangement

The MFA mandated that when a restraint was renewed, the new VER could not be lower than the previous level (Dowlah, 2016, p.110-111). In case of continuing VER's, the annual growth rate had to be at least 6% (ibid.). From the renewal of the MFA in 1978 on, these growth rates could be lower in exceptional circumstances (and dropped to zero in some cases) (Heron, 2012, p.30 and Kowalski and Molnar, 2009, p.5). Also, exporting countries were allowed to use up to 10% of the previous year's unused VER's (carry-over), to use up to 5% of the following year's VER in the current year (carry-forward) and to transfer up to 7% of any unfilled VER to different product categories (swing) (Dowlah, 2016, p.111 and Heron, 2012, p.28). This made the MFA more flexible than the LTA (Heron, 2012, p.28).

Although the MFA increased market access through more generous growth rates and a more precise market disruption clause as compared to the LTA, this effect was offset by its greater product coverage (the MFA covered not only cotton but also synthetic and woollen fibres) (Heron, 2012, p.167). The MFA is thus argued to have been one of the most discriminatory trade regimes in the entire history of multilateral trade (Dowlah, 2016, p.111).

The MFA was renegotiated and extended five times before its expiration at the end of 1994 (Dowlah, 2016, p.111). The following figure illustrates these different extensions of the MFA:

Extensions of the Multifibre Arrangement



Source: own figure, based on Dowlah, 2016, p.111, p.174 and Dadakas and Katranidis, 2010, p.249-250

MFA IV was argued to have been especially and increasingly protectionist, making outright cutbacks in VER's for major low-cost suppliers and further derogations from the above mentioned 6% growth rate possible (Heron, 2012, p.37). Also, product coverage was further extended to categories such as ramie, silk blends and linen (ibid.). MFA V and MFA VI made no substantial changes to MFA IV (Dadakas and Katranidis, 2010, p.250). They are thus often included in the definition of MFA IV (ibid.). The MFA was thereby extended until the agreements of the Uruguay Round came into force (ibid.).

The MFA also provided for a multilateral surveillance institution, the Textile Surveillance Body (Dowlah, 2016, p.111). It monitored compliance of all parties to the agreement (ibid.). Moreover, a GATT textiles committee was established as a final arbiter, for disputes which could not be resolved at the Textile Surveillance Body level (ibid.)

Looking at some effects of VER's, Heron argues that the USA quickly concluded several new VER's during the first years of the MFA, while the EU had a two year delay before implementing any new VER (Heron, 2012, p.29). Therefore, he argues, the USA only saw a 3% increase in their T&C imports from 1974 to 1975, while the figure stood at 41% for the EU (ibid.). This illustrates how VER's result in a reduced amount of imports (ibid.).

Annex 5: Further information on the Agreement on Textiles and Clothing

The products covered by the ATC encompassed basically the four main types of T&C, namely tops and yarns, fabrics, made-up textile products, clothing (Dowlah, 2016, p.115-116 and WTO Website, 2016 n. pag.).

During the ten year transition phase of the ATC, the importing countries maintaining VER's had to integrate restricted products into the GATT in four progressive phases (Mutuc et al, 2011, p.901 and Seyoum, 2010, p.156): On the 1st of January 1995, at least 16% of the respective country's total 1990 volume of imports of the products listed in the Annex to the ATC, had to be integrated (Dowlah, 2016, p.116 and WTO Website, 2016, n. pag.). On the 1st of January 1998, at least a further 17% of the respective country's 1990 imports of these products had to be integrated (ibid.). On the 1st of January 2002, it was at least a further 18% (ibid.). On the 1st of January 2005, all remaining products (a maximum of 49% of the 1990 imports, depending on how many products had been integrated before), had to be integrated (ibid.).

Integration of a product meant, that the product was henceforth subject to general GATT rules, that any VER's maintained on it were eliminated and that the transitional safeguard mechanism (which will be addressed in the following) could not be invoked with regard to this product anymore (Kowalski and Molnar, 2009, p.17 and WTO Website, 2016, n. pag.). Countries were free to choose which products they integrated at each stage (Dowlah, 2016, p.115 and Mutuc et al, 2011, p.901). However, at each stage, products from each of the four above mentioned categories had to be integrated (ibid. and Nordas, 2004, p.14). This integration process is laid down in Art. 2 of the ATC (see Annex 6) (WTO Website, 2016, n. pag.).

The ATC further required that products, which were not yet integrated into the GATT, had to see increasing growth rates of their VER's in each of the above mentioned four phases (Mutuc et al, 2011, p.901 and Nordas, 2004, p.13 and WTO Website, 2016, n. pag.). The increase was calculated based on the respective growth rate which existed under the MFA (as explained in Annex 4, this growth rate was usually supposed to be at least 6%) (Kowalski and Molnar, 2009, p.18 and WTO Website, 2016, n. pag.). On the 1st of January 1995, the respective MFA growth rate was to be increased by 16% (Dowlah, 2016, p.115 and WTO Website, 2016, n. pag.). The resulting growth rate was increased by a further 25% on the 1st of January 1998 (ibid.). The thereby resulting growth rate was further increased by 27% on the 1st of January 2002 (ibid.). On the 1st of January 2005, as mentioned above, all remaining products were integrated and all remaining VER's hence eliminated (ibid.).

As the restricting importing countries applied different growth rates during the MFA, differences remained under the ATC (Nordas, 2004, p.13). Moreover it was controversial, whether increasing growth rates under the ATC had actually represented a significant liberalization (ibid., p.14). While the EU, Canada and the USA argued that the increasing growth rates sufficed to render most VER's de-facto non-binding before the end of the ten year transition period, a number of restricted exporting countries complained that increasing growth rates had not significantly improved market access by 2004 (ibid.). The topic of increasing growth rates can similarly be found in Art. 2 of the ATC (see Annex 6) (WTO Website, 2016, n. pag.).

The ATC also established a Textiles Monitoring Body, to supervise the implementation of the ATC, to ensure that the ATC rules were being followed and to handle disputes among member countries during the ten year transition period (Seyoum, 2010, p.156 and WTO Website, 2016, n. pag.). If they remained unsolved, the disputes could afterwards be brought to the regular WTO Dispute Settlement Body (WTO Website, 2016, n. pag.). The establishment of the Textiles Monitoring Body may be found in Art. 8 of the ATC (see Annex 6).

In addition, the ATC provided for a special transitional safeguard mechanism during its ten year transition period (Glismann, 1996, p.12 and WTO Website, 2016, n. pag.). For products not yet integrated into the GATT and not already facing a VER, countries could thereby impose new temporary bilateral import quotas or VER (for a maximum of three years), subject to certain prerequisites (ibid. and Seyoum, 2010, p.156). If no bilateral agreement could be reached, unilateral restrictions, subject to the review of the Textiles Monitoring Body, were also permissible (WTO Website, 2016, n. pag.). This mechanism was invoked on several occasions between 1995 and 1998, notably by the USA (Nordas, 2004, p.15 and WTO Website, 2016, n. pag.). The special transitional safeguard mechanism can be found in Art. 6 of the ATC (see Annex 6) (WTO Website, 2016, n. pag.).

The ATC also required WTO member countries to take action against circumvention of VER practices (such as transhipment, re-routing, false declaration of origin, falsification of official documents) (Dowlah, 2016, p.174 and WTO Website, 2016, n. pag.). These issues can be found in Art. 5 of the ATC (see Annex 6) (WTO Website, 2016, n. pag.). Moreover, the ATC provided for special treatment for certain categories of countries, for instance new market entrants, small suppliers, least-developed countries or countries that had not been MFA members since 1986 (Dowlah, 2016, p.116 and WTO Website, 2016, n. pag.).

Annex 6: Legal text of the Agreement on Textiles and Clothing

AGREEMENT ON TEXTILES AND CLOTHING

Members,

Recalling that Ministers agreed at Punta del Este that "negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade";

Recalling also that in the April 1989 Decision of the Trade Negotiations Committee it was agreed that the process of integration should commence following the conclusion of the Uruguay Round of Multilateral Trade Negotiations and should be progressive in character;

Recalling further that it was agreed that special treatment should be accorded to the least-developed country Members;

Hereby *agree* as follows:

Article 1

1. This Agreement sets out provisions to be applied by Members during a transition period for the integration of the textiles and clothing sector into GATT 1994.

2. Members agree to use the provisions of paragraph 18 of Article 2 and paragraph 6(b) of Article 6 in such a way as to permit meaningful increases in access possibilities for small suppliers and the development of commercially significant trading opportunities for new entrants in the field of textiles and clothing trade.[1]

3. Members shall have due regard to the situation of those Members which have not accepted the Protocols extending the Arrangement Regarding International Trade in Textiles (referred to in this Agreement as the "MFA") since 1986 and, to the extent possible, shall afford them special treatment in applying the provisions of this Agreement.

4. Members agree that the particular interests of the cotton-producing exporting Members should, in consultation with them, be reflected in the implementation of the provisions of this Agreement.

5. In order to facilitate the integration of the textiles and clothing sector into GATT 1994, Members should allow for continuous autonomous industrial adjustment and increased competition in their markets.

6. Unless otherwise provided in this Agreement, its provisions shall not affect the rights and obligations of Members under the provisions of the WTO Agreement and the Multilateral Trade Agreements.

7. The textile and clothing products to which this Agreement applies are set out in the Annex.

[1] To the extent possible, exports from a least-developed country Member may also benefit from this provision.

Article 2

1. All quantitative restrictions within bilateral agreements maintained under Article 4 or notified under Article 7 or 8 of the MFA in force on the day before the entry into force of the WTO Agreement shall, within 60 days following such entry into force, be notified in detail, including the restraint levels, growth rates and flexibility provisions, by the Members maintaining such restrictions to the Textiles Monitoring Body provided for in Article 8 (referred to in this Agreement as the "TMB"). Members agree that as of the date of entry into force of the WTO Agreement, all such restrictions maintained between GATT 1947 contracting parties, and in place on the day before such entry into force, shall be governed by the provisions of this Agreement.

2. The TMB shall circulate these notifications to all Members for their information. It is open to any Member to bring to the attention of the TMB, within 60 days of the circulation of the notifications, any observations it deems appropriate with regard to such notifications. Such observations shall be circulated to the other Members for their information. The TMB may make recommendations, as appropriate, to the Members concerned.

3. When the 12-month period of restrictions to be notified under paragraph 1 does not coincide with the 12-month period immediately preceding the date of entry into force of the WTO Agreement, the Members concerned should mutually agree on arrangements to bring the period of restrictions into line with the agreement year[2], and to establish notional base levels of such restrictions in order to implement the provisions of this Article. Concerned Members agree to enter into consultations promptly upon request with a view to reaching such mutual agreement. Any such arrangements shall take into account, *inter alia*, seasonal patterns of shipments in recent years. The results of these consultations shall be notified to the TMB, which shall make such recommendations as it deems appropriate to the Members concerned.

4. The restrictions notified under paragraph 1 shall be deemed to constitute the totality of such restrictions applied by the respective Members on the day before the entry into force of the WTO Agreement. No new restrictions in terms of products or Members shall be introduced except under the provisions of this Agreement or relevant GATT 1994 provisions.[3] Restrictions not notified within 60 days of the date of entry into force of the WTO Agreement shall be terminated forthwith.

5. Any unilateral measure taken under Article 3 of the MFA prior to the date of entry into force of the WTO Agreement may remain in effect for the duration specified therein, but not exceeding 12 months, if it has been reviewed by the Textiles Surveillance Body (referred to in this Agreement as the "TSB") established under the MFA. Should the TSB not have had the opportunity to review any such unilateral measure, it shall be reviewed by the TMB in accordance with the rules and procedures governing Article 3 measures under the MFA. Any measure applied under an MFA Article 4 agreement prior to the date of entry into force of the WTO Agreement that is the subject of a dispute which the TSB has not had the opportunity to review shall also be reviewed by the TMB in accordance with the MFA rules and procedures applicable for such a review.

6. On the date of entry into force of the WTO Agreement, each Member shall integrate into GATT 1994 products which accounted for not less than 16 per cent of the total volume of the Member's 1990 imports of the products in the Annex, in terms of HS lines or categories. The products to be integrated

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[2]The "agreement year" is defined to mean a 12-month period beginning from the date of entry into force of the WTO Agreement and at the subsequent 12-month intervals.

[3]The relevant GATT 1994 provisions shall not include Article XIX in respect of products not yet integrated into GATT 1994, except as specifically provided in paragraph 3 of the Annex.

shall encompass products from each of the following four groups: tops and yarns, fabrics, made-up textile products, and clothing.

7. Full details of the actions to be taken pursuant to paragraph 6 shall be notified by the Members concerned according to the following:

(a) Members maintaining restrictions falling under paragraph 1 undertake, notwithstanding the date of entry into force of the WTO Agreement, to notify such details to the GATT Secretariat not later than the date determined by the Ministerial Decision of 15 April 1994. The GATT Secretariat shall promptly circulate these notifications to the other participants for information. These notifications will be made available to the TMB, when established, for the purposes of paragraph 21;

(b) Members which have, pursuant to paragraph 1 of Article 6, retained the right to use the provisions of Article 6, shall notify such details to the TMB not later than 60 days following the date of entry into force of the WTO Agreement, or, in the case of those Members covered by paragraph 3 of Article 1, not later than at the end of the 12th month that the WTO Agreement is in effect. The TMB shall circulate these notifications to the other Members for information and review them as provided in paragraph 21.

8. The remaining products, i.e. the products not integrated into GATT 1994 under paragraph 6, shall be integrated, in terms of HS lines or categories, in three stages, as follows:

(a) on the first day of the 37th month that the WTO Agreement is in effect, products which accounted for not less than 17 per cent of the total volume of the Member's 1990 imports of the products in the Annex. The products to be integrated by the Members shall encompass products from each of the following four groups: tops and yarns, fabrics, made-up textile products, and clothing;

(b) on the first day of the 85th month that the WTO Agreement is in effect, products which accounted for not less than 18 per cent of the total volume of the Member's 1990 imports of the products in the Annex. The products to be integrated by the Members shall encompass products from each of the following four groups: tops and yarns, fabrics, made-up textile products, and clothing;

(c) on the first day of the 121st month that the WTO Agreement is in effect, the textiles and clothing sector shall stand integrated into GATT 1994, all restrictions under this Agreement having been eliminated.

9. Members which have notified, pursuant to paragraph 1 of Article 6, their intention not to retain the right to use the provisions of Article 6 shall, for the purposes of this Agreement, be deemed to have integrated their textiles and clothing products into GATT 1994. Such Members shall, therefore, be exempted from complying with the provisions of paragraphs 6 to 8 and 11.

10. Nothing in this Agreement shall prevent a Member which has submitted an integration programme pursuant to paragraph 6 or 8 from integrating products into GATT 1994 earlier than provided for in such a programme. However, any such integration of products shall take effect at the beginning of an agreement year, and details shall be notified to the TMB at least three months prior thereto for circulation to all Members.

11. The respective programmes of integration, in pursuance of paragraph 8, shall be notified in detail to the TMB at least 12 months before their coming into effect, and circulated by the TMB to all Members.

12. The base levels of the restrictions on the remaining products, mentioned in paragraph 8, shall be the restraint levels referred to in paragraph 1.

13. During Stage 1 of this Agreement (from the date of entry into force of the WTO Agreement to the 36th month that it is in effect, inclusive) the level of each restriction under MFA bilateral agreements in force for the 12-month period prior to the date of entry into force of the WTO Agreement shall be increased annually by not less than the growth rate established for the respective restrictions, increased by 16 per cent.

14. Except where the Council for Trade in Goods or the Dispute Settlement Body decides otherwise under paragraph 12 of Article 8, the level of each remaining restriction shall be increased annually during subsequent stages of this Agreement by not less than the following:

(a) for Stage 2 (from the 37th to the 84th month that the WTO Agreement is in effect, inclusive), the growth rate for the respective restrictions during Stage 1, increased by 25 per cent;

(b) for Stage 3 (from the 85th to the 120th month that the WTO Agreement is in effect, inclusive), the growth rate for the respective restrictions during Stage 2, increased by 27 per cent.

15. Nothing in this Agreement shall prevent a Member from eliminating any restriction maintained pursuant to this Article, effective at the beginning of any agreement year during the transition period, provided the exporting Member concerned and the TMB are notified at least three months prior to the elimination coming into effect. The period for prior notification may be shortened to 30 days with the agreement of the restrained Member. The TMB shall circulate such notifications to all Members. In considering the elimination of restrictions as envisaged in this paragraph, the Members concerned shall take into account the treatment of similar exports from other Members.

16. Flexibility provisions, i.e. swing, carryover and carry forward, applicable to all restrictions maintained pursuant to this Article, shall be the same as those provided for in MFA bilateral agreements for the 12-month period prior to the entry into force of the WTO Agreement. No quantitative limits shall be placed or maintained on the combined use of swing, carryover and carry forward.

17. Administrative arrangements, as deemed necessary in relation to the implementation of any provision of this Article, shall be a matter for agreement between the Members concerned. Any such arrangements shall be notified to the TMB.

18. As regards those Members whose exports are subject to restrictions on the day before the entry into force of the WTO Agreement and whose restrictions represent 1.2 per cent or less of the total volume of the restrictions applied by an importing Member as of 31 December 1991 and notified under this Article, meaningful improvement in access for their exports shall be provided, at the entry into force of the WTO Agreement and for the duration of this Agreement, through advancement by one stage of the growth rates set out in paragraphs 13 and 14, or through at least equivalent changes as may be mutually agreed with respect to a different mix of base levels, growth and flexibility provisions. Such improvements shall be notified to the TMB.

19. In any case, during the duration of this Agreement, in which a safeguard measure is initiated by a Member under Article XIX of GATT 1994 in respect of a particular product during a period of one year immediately following the integration of that product into GATT 1994 in accordance with the provisions of this Article, the provisions of Article XIX, as interpreted by the Agreement on Safeguards, will apply, save as set out in paragraph 20.

20. Where such a measure is applied using non-tariff means, the importing Member concerned shall apply the measure in a manner as set forth in paragraph 2(d) of Article XIII of GATT 1994 at the request of any exporting Member whose exports of such products were subject to restrictions under this Agreement at any time in the one-year period immediately prior to the initiation of the safeguard measure. The exporting Member concerned shall administer such a measure. The applicable level shall not reduce the relevant exports below the level of a recent representative period, which shall normally be the average of exports from the Member concerned in the last three representative years for which statistics are available. Furthermore, when the safeguard measure is applied for more than one year, the applicable level shall be progressively liberalized at regular intervals during the period of application. In such cases the exporting Member concerned shall not exercise the right of suspending substantially equivalent concessions or other obligations under paragraph 3(a) of Article XIX of GATT 1994.

21. The TMB shall keep under review the implementation of this Article. It shall, at the request of any Member, review any particular matter with reference to the implementation of the provisions of this Article. It shall make appropriate recommendations or findings within 30 days to the Member or Members concerned, after inviting the participation of such Members.

Article 3

1. Within 60 days following the date of entry into force of the WTO Agreement, Members maintaining restrictions[4] on textile and clothing products (other than restrictions maintained under the MFA and covered by the provisions of Article 2), whether consistent with GATT 1994 or not, shall (*a*) notify them in detail to the TMB, or (*b*) provide to the TMB notifications with respect to them which have been submitted to any other WTO body. The notifications should, wherever applicable, provide information with respect to any GATT 1994 justification for the restrictions, including GATT 1994 provisions on which they are based.

2. Members maintaining restrictions falling under paragraph 1, except those justified under a GATT 1994 provision, shall either:

(a) bring them into conformity with GATT 1994 within one year following the entry into force of the WTO Agreement, and notify this action to the TMB for its information; or

(b) phase them out progressively according to a programme to be presented to the TMB by the Member maintaining the restrictions not later than six months after the date of entry into force of the WTO Agreement. This programme shall provide for all restrictions to be phased out within a period not exceeding the duration of this Agreement. The TMB may make recommendations to the Member concerned with respect to such a programme.

3. During the duration of this Agreement, Members shall provide to the TMB, for its information, notifications submitted to any other WTO bodies with respect to any new restrictions or changes in existing restrictions on textile and clothing products, taken under any GATT 1994 provision, within 60 days of their coming into effect.

4. It shall be open to any Member to make reverse notifications to the TMB, for its information, in regard to the GATT 1994 justification, or in regard to any restrictions that may not have been notified

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[4] Restrictions denote all unilateral quantitative restrictions, bilateral arrangements and other measures having a similar effect.

under the provisions of this Article. Actions with respect to such notifications may be pursued by any Member under relevant GATT 1994 provisions or procedures in the appropriate WTO body.

5. The TMB shall circulate the notifications made pursuant to this Article to all Members for their information.

Article 4

1. Restrictions referred to in Article 2, and those applied under Article 6, shall be administered by the exporting Members. Importing Members shall not be obliged to accept shipments in excess of the restrictions notified under Article 2, or of restrictions applied pursuant to Article 6.

2. Members agree that the introduction of changes, such as changes in practices, rules, procedures and categorization of textile and clothing products, including those changes relating to the Harmonized System, in the implementation or administration of those restrictions notified or applied under this Agreement should not: upset the balance of rights and obligations between the Members concerned under this Agreement; adversely affect the access available to a Member; impede the full utilization of such access; or disrupt trade under this Agreement.

3. If a product which constitutes only part of a restriction is notified for integration pursuant to the provisions of Article 2, Members agree that any change in the level of that restriction shall not upset the balance of rights and obligations between the Members concerned under this Agreement.

4. When changes mentioned in paragraphs 2 and 3 are necessary, however, Members agree that the Member initiating such changes shall inform and, wherever possible, initiate consultations with the affected Member or Members prior to the implementation of such changes, with a view to reaching a mutually acceptable solution regarding appropriate and equitable adjustment. Members further agree that where consultation prior to implementation is not feasible, the Member initiating such changes will, at the request of the affected Member, consult, within 60 days if possible, with the Members concerned with a view to reaching a mutually satisfactory solution regarding appropriate and equitable adjustments. If a mutually satisfactory solution is not reached, any Member involved may refer the matter to the TMB for recommendations as provided in Article 8. Should the TSB not have had the opportunity to review a dispute concerning such changes introduced prior to the entry into force of the WTO Agreement, it shall be reviewed by the TMB in accordance with the rules and procedures of the MFA applicable for such a review.

Article 5

1. Members agree that circumvention by transshipment, re-routing, false declaration concerning country or place of origin, and falsification of official documents, frustrates the implementation of this Agreement to integrate the textiles and clothing sector into GATT 1994. Accordingly, Members should establish the necessary legal provisions and/or administrative procedures to address and take action against such circumvention. Members further agree that, consistent with their domestic laws and procedures, they will cooperate fully to address problems arising from circumvention.

2. Should any Member believe that this Agreement is being circumvented by transshipment, re-routing, false declaration concerning country or place of origin, or falsification of official documents, and that no, or inadequate, measures are being applied to address and/or to take action against such circumvention, that Member should consult with the Member or Members concerned with a view to seeking a mutually satisfactory solution. Such consultations should be held promptly, and within 30 days

when possible. If a mutually satisfactory solution is not reached, the matter may be referred by any Member involved to the TMB for recommendations.

3. Members agree to take necessary action, consistent with their domestic laws and procedures, to prevent, to investigate and, where appropriate, to take legal and/or administrative action against circumvention practices within their territory. Members agree to cooperate fully, consistent with their domestic laws and procedures, in instances of circumvention or alleged circumvention of this Agreement, to establish the relevant facts in the places of import, export and, where applicable, transshipment. It is agreed that such cooperation, consistent with domestic laws and procedures, will include: investigation of circumvention practices which increase restrained exports to the Member maintaining such restraints; exchange of documents, correspondence, reports and other relevant information to the extent available; and facilitation of plant visits and contacts, upon request and on a case-by-case basis. Members should endeavour to clarify the circumstances of any such instances of circumvention or alleged circumvention, including the respective roles of the exporters or importers involved.

4. Where, as a result of investigation, there is sufficient evidence that circumvention has occurred (e.g. where evidence is available concerning the country or place of true origin, and the circumstances of such circumvention), Members agree that appropriate action, to the extent necessary to address the problem, should be taken. Such action may include the denial of entry of goods or, where goods have entered, having due regard to the actual circumstances and the involvement of the country or place of true origin, the adjustment of charges to restraint levels to reflect the true country or place of origin. Also, where there is evidence of the involvement of the territories of the Members through which the goods have been transshipped, such action may include the introduction of restraints with respect to such Members. Any such actions, together with their timing and scope, may be taken after consultations held with a view to arriving at a mutually satisfactory solution between the concerned Members and shall be notified to the TMB with full justification. The Members concerned may agree on other remedies in consultation. Any such agreement shall also be notified to the TMB, and the TMB may make such recommendations to the Members concerned as it deems appropriate. If a mutually satisfactory solution is not reached, any Member concerned may refer the matter to the TMB for prompt review and recommendations.

5. Members note that some cases of circumvention may involve shipments transiting through countries or places with no changes or alterations made to the goods contained in such shipments in the places of transit. They note that it may not be generally practicable for such places of transit to exercise control over such shipments.

6. Members agree that false declaration concerning fibre content, quantities, description or classification of merchandise also frustrates the objective of this Agreement. Where there is evidence that any such false declaration has been made for purposes of circumvention, Members agree that appropriate measures, consistent with domestic laws and procedures, should be taken against the exporters or importers involved. Should any Member believe that this Agreement is being circumvented by such false declaration and that no, or inadequate, administrative measures are being applied to address and/or to take action against such circumvention, that Member should consult promptly with the Member involved with a view to seeking a mutually satisfactory solution. If such a solution is not reached, the matter may be referred by any Member involved to the TMB for recommendations. This provision is not intended to prevent Members from making technical adjustments when inadvertent errors in declarations have been made.

Article 6

1. Members recognize that during the transition period it may be necessary to apply a specific transitional safeguard mechanism (referred to in this Agreement as "transitional safeguard"). The transitional safeguard may be applied by any Member to products covered by the Annex, except those integrated into GATT 1994 under the provisions of Article 2. Members not maintaining restrictions falling under Article 2 shall notify the TMB within 60 days following the date of entry into force of the WTO Agreement, as to whether or not they wish to retain the right to use the provisions of this Article. Members which have not accepted the Protocols extending the MFA since 1986 shall make such notification within 6 months following the entry into force of the WTO Agreement. The transitional safeguard should be applied as sparingly as possible, consistently with the provisions of this Article and the effective implementation of the integration process under this Agreement.

2. Safeguard action may be taken under this Article when, on the basis of a determination by a Member[5], it is demonstrated that a particular product is being imported into its territory in such increased quantities as to cause serious damage, or actual threat thereof, to the domestic industry producing like and/or directly competitive products. Serious damage or actual threat thereof must demonstrably be caused by such increased quantities in total imports of that product and not by such other factors as technological changes or changes in consumer preference.

3. In making a determination of serious damage, or actual threat thereof, as referred to in paragraph 2, the Member shall examine the effect of those imports on the state of the particular industry, as reflected in changes in such relevant economic variables as output, productivity, utilization of capacity, inventories, market share, exports, wages, employment, domestic prices, profits and investment; none of which, either alone or combined with other factors, can necessarily give decisive guidance.

4. Any measure invoked pursuant to the provisions of this Article shall be applied on a Member-by-Member basis. The Member or Members to whom serious damage, or actual threat thereof, referred to in paragraphs 2 and 3, is attributed, shall be determined on the basis of a sharp and substantial increase in imports, actual or imminent[6], from such a Member or Members individually, and on the basis of the level of imports as compared with imports from other sources, market share, and import and domestic prices at a comparable stage of commercial transaction; none of these factors, either alone or combined with other factors, can necessarily give decisive guidance. Such safeguard measure shall not be applied to the exports of any Member whose exports of the particular product are already under restraint under this Agreement.

5. The period of validity of a determination of serious damage or actual threat thereof for the purpose of invoking safeguard action shall not exceed 90 days from the date of initial notification as set forth in paragraph 7.

6. In the application of the transitional safeguard, particular account shall be taken of the interests of exporting Members as set out below:

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[5]A customs union may apply a safeguard measure as a single unit or on behalf of a member State. When a customs union applies a safeguard measure as a single unit, all the requirements for the determination of serious damage or actual threat thereof under this Agreement shall be based on the conditions existing in the customs union as a whole. When a safeguard measure is applied on behalf of a member State, all the requirements for the determination of serious damage, or actual threat thereof, shall be based on the conditions existing in that member State and the measure shall be limited to that member State.

[6]Such an imminent increase shall be a measurable one and shall not be determined to exist on the basis of allegation, conjecture or mere possibility arising, for example, from the existence of production capacity in the exporting Members.

(a) least-developed country Members shall be accorded treatment significantly more favourable than that provided to the other groups of Members referred to in this paragraph, preferably in all its elements but, at least, on overall terms;

(b) Members whose total volume of textile and clothing exports is small in comparison with the total volume of exports of other Members and who account for only a small percentage of total imports of that product into the importing Member shall be accorded differential and more favourable treatment in the fixing of the economic terms provided in paragraphs 8, 13 and 14. For those suppliers, due account will be taken, pursuant to paragraphs 2 and 3 of Article 1, of the future possibilities for the development of their trade and the need to allow commercial quantities of imports from them;

(c) with respect to wool products from wool-producing developing country Members whose economy and textiles and clothing trade are dependent on the wool sector, whose total textile and clothing exports consist almost exclusively of wool products, and whose volume of textiles and clothing trade is comparatively small in the markets of the importing Members, special consideration shall be given to the export needs of such Members when considering quota levels, growth rates and flexibility;

(d) more favourable treatment shall be accorded to re-imports by a Member of textile and clothing products which that Member has exported to another Member for processing and subsequent reimportation, as defined by the laws and practices of the importing Member, and subject to satisfactory control and certification procedures, when these products are imported from a Member for which this type of trade represents a significant proportion of its total exports of textiles and clothing.

7. The Member proposing to take safeguard action shall seek consultations with the Member or Members which would be affected by such action. The request for consultations shall be accompanied by specific and relevant factual information, as up-to-date as possible, particularly in regard to: (*a*) the factors, referred to in paragraph 3, on which the Member invoking the action has based its determination of the existence of serious damage or actual threat thereof; and (*b*) the factors, referred to in paragraph 4, on the basis of which it proposes to invoke the safeguard action with respect to the Member or Members concerned. In respect of requests made under this paragraph, the information shall be related, as closely as possible, to identifiable segments of production and to the reference period set out in paragraph 8. The Member invoking the action shall also indicate the specific level at which imports of the product in question from the Member or Members concerned are proposed to be restrained; such level shall not be lower than the level referred to in paragraph 8. The Member seeking consultations shall, at the same time, communicate to the Chairman of the TMB the request for consultations, including all the relevant factual data outlined in paragraphs 3 and 4, together with the proposed restraint level. The Chairman shall inform the members of the TMB of the request for consultations, indicating the requesting Member, the product in question and the Member having received the request. The Member or Members concerned shall respond to this request promptly and the consultations shall be held without delay and normally be completed within 60 days of the date on which the request was received.

8. If, in the consultations, there is mutual understanding that the situation calls for restraint on the exports of the particular product from the Member or Members concerned, the level of such restraint shall be fixed at a level not lower than the actual level of exports or imports from the Member concerned during the 12-month period terminating two months preceding the month in which the request for consultation was made.

9. Details of the agreed restraint measure shall be communicated to the TMB within 60 days from the date of conclusion of the agreement. The TMB shall determine whether the agreement is justified in accordance with the provisions of this Article. In order to make its determination, the TMB shall

have available to it the factual data provided to the Chairman of the TMB, referred to in paragraph 7, as well as any other relevant information provided by the Members concerned. The TMB may make such recommendations as it deems appropriate to the Members concerned.

10. If, however, after the expiry of the period of 60 days from the date on which the request for consultations was received, there has been no agreement between the Members, the Member which proposed to take safeguard action may apply the restraint by date of import or date of export, in accordance with the provisions of this Article, within 30 days following the 60-day period for consultations, and at the same time refer the matter to the TMB. It shall be open to either Member to refer the matter to the TMB before the expiry of the period of 60 days. In either case, the TMB shall promptly conduct an examination of the matter, including the determination of serious damage, or actual threat thereof, and its causes, and make appropriate recommendations to the Members concerned within 30 days. In order to conduct such examination, the TMB shall have available to it the factual data provided to the Chairman of the TMB, referred to in paragraph 7, as well as any other relevant information provided by the Members concerned.

11. In highly unusual and critical circumstances, where delay would cause damage which would be difficult to repair, action under paragraph 10 may be taken provisionally on the condition that the request for consultations and notification to the TMB shall be effected within no more than five working days after taking the action. In the case that consultations do not produce agreement, the TMB shall be notified at the conclusion of consultations, but in any case no later than 60 days from the date of the implementation of the action. The TMB shall promptly conduct an examination of the matter, and make appropriate recommendations to the Members concerned within 30 days. In the case that consultations do produce agreement, Members shall notify the TMB upon conclusion but, in any case, no later than 90 days from the date of the implementation of the action. The TMB may make such recommendations as it deems appropriate to the Members concerned.

12. A Member may maintain measures invoked pursuant to the provisions of this Article: (*a*) for up to three years without extension, or (*b*) until the product is integrated into GATT 1994, whichever comes first.

13. Should the restraint measure remain in force for a period exceeding one year, the level for subsequent years shall be the level specified for the first year increased by a growth rate of not less than 6 per cent per annum, unless otherwise justified to the TMB. The restraint level for the product concerned may be exceeded in either year of any two subsequent years by carry forward and/or carryover of 10 per cent of which carry forward shall not represent more than 5 per cent. No quantitative limits shall be placed on the combined use of carryover, carry forward and the provision of paragraph 14.

14. When more than one product from another Member is placed under restraint under this Article by a Member, the level of restraint agreed, pursuant to the provisions of this Article, for each of these products may be exceeded by 7 per cent, provided that the total exports subject to restraint do not exceed the total of the levels for all products so restrained under this Article, on the basis of agreed common units. Where the periods of application of restraints of these products do not coincide with each other, this provision shall be applied to any overlapping period on a *pro rata* basis.

15. If a safeguard action is applied under this Article to a product for which a restraint was previously in place under the MFA during the 12-month period prior to the entry into force of the WTO Agreement, or pursuant to the provisions of Article 2 or 6, the level of the new restraint shall be the level provided for in paragraph 8 unless the new restraint comes into force within one year of:

(a) the date of notification referred to in paragraph 15 of Article 2 for the elimination of the previous restraint; or

(b) the date of removal of the previous restraint put in place pursuant to the provisions of this Article or of the MFA

in which case the level shall not be less than the higher of (*i*) the level of restraint for the last 12-month period during which the product was under restraint, or (*ii*) the level of restraint provided for in paragraph 8.

16. When a Member which is not maintaining a restraint under Article 2 decides to apply a restraint pursuant to the provisions of this Article, it shall establish appropriate arrangements which: (*a*) take full account of such factors as established tariff classification and quantitative units based on normal commercial practices in export and import transactions, both as regards fibre composition and in terms of competing for the same segment of its domestic market, and (*b*) avoid over-categorization. The request for consultations referred to in paragraphs 7 or 11 shall include full information on such arrangements.

Article 7

1. As part of the integration process and with reference to the specific commitments undertaken by the Members as a result of the Uruguay Round, all Members shall take such actions as may be necessary to abide by GATT 1994 rules and disciplines so as to:

(a) achieve improved access to markets for textile and clothing products through such measures as tariff reductions and bindings, reduction or elimination of non-tariff barriers, and facilitation of customs, administrative and licensing formalities;

(b) ensure the application of policies relating to fair and equitable trading conditions as regards textiles and clothing in such areas as dumping and anti-dumping rules and procedures, subsidies and countervailing measures, and protection of intellectual property rights; and

(c) avoid discrimination against imports in the textiles and clothing sector when taking measures for general trade policy reasons.

Such actions shall be without prejudice to the rights and obligations of Members under GATT 1994.

2. Members shall notify to the TMB the actions referred to in paragraph 1 which have a bearing on the implementation of this Agreement. To the extent that these have been notified to other WTO bodies, a summary, with reference to the original notification, shall be sufficient to fulfil the requirements under this paragraph. It shall be open to any Member to make reverse notifications to the TMB.

3. Where any Member considers that another Member has not taken the actions referred to in paragraph 1, and that the balance of rights and obligations under this Agreement has been upset, that Member may bring the matter before the relevant WTO bodies and inform the TMB. Any subsequent findings or conclusions by the WTO bodies concerned shall form a part of the TMB's comprehensive report.

Article 8

1. In order to supervise the implementation of this Agreement, to examine all measures taken under this Agreement and their conformity therewith, and to take the actions specifically required of it by this Agreement, the Textiles Monitoring Body ("TMB") is hereby established. The TMB shall consist of a Chairman and 10 members. Its membership shall be balanced and broadly representative of the Members and shall provide for rotation of its members at appropriate intervals. The members shall be appointed by Members designated by the Council for Trade in Goods to serve on the TMB, discharging their function on an *ad personam* basis.

2. The TMB shall develop its own working procedures. It is understood, however, that consensus within the TMB does not require the assent or concurrence of members appointed by Members involved in an unresolved issue under review by the TMB.

3. The TMB shall be considered as a standing body and shall meet as necessary to carry out the functions required of it under this Agreement. It shall rely on notifications and information supplied by the Members under the relevant Articles of this Agreement, supplemented by any additional information or necessary details they may submit or it may decide to seek from them. It may also rely on notifications to and reports from other WTO bodies and from such other sources as it may deem appropriate.

4. Members shall afford to each other adequate opportunity for consultations with respect to any matters affecting the operation of this Agreement.

5. In the absence of any mutually agreed solution in the bilateral consultations provided for in this Agreement, the TMB shall, at the request of either Member, and following a thorough and prompt consideration of the matter, make recommendations to the Members concerned.

6. At the request of any Member, the TMB shall review promptly any particular matter which that Member considers to be detrimental to its interests under this Agreement and where consultations between it and the Member or Members concerned have failed to produce a mutually satisfactory solution. On such matters, the TMB may make such observations as it deems appropriate to the Members concerned and for the purposes of the review provided for in paragraph 11.

7. Before formulating its recommendations or observations, the TMB shall invite participation of such Members as may be directly affected by the matter in question.

8. Whenever the TMB is called upon to make recommendations or findings, it shall do so, preferably within a period of 30 days, unless a different time period is specified in this Agreement. All such recommendations or findings shall be communicated to the Members directly concerned. All such recommendations or findings shall also be communicated to the Council for Trade in Goods for its information.

9. The Members shall endeavour to accept in full the recommendations of the TMB, which shall exercise proper surveillance of the implementation of such recommendations.

10. If a Member considers itself unable to conform with the recommendations of the TMB, it shall provide the TMB with the reasons therefor not later than one month after receipt of such recommendations. Following thorough consideration of the reasons given, the TMB shall issue any further recommendations it considers appropriate forthwith. If, after such further recommendations, the matter remains unresolved, either Member may bring the matter before the Dispute Settlement Body and invoke paragraph 2 of Article XXIII of GATT 1994 and the relevant provisions of the Dispute Settlement Understanding.

11. In order to oversee the implementation of this Agreement, the Council for Trade in Goods shall conduct a major review before the end of each stage of the integration process. To assist in this review, the TMB shall, at least five months before the end of each stage, transmit to the Council for Trade in Goods a comprehensive report on the implementation of this Agreement during the stage under review, in particular in matters with regard to the integration process, the application of the transitional safeguard mechanism, and relating to the application of GATT 1994 rules and disciplines as defined in Articles 2, 3, 6 and 7 respectively. The TMB's comprehensive report may include any recommendation as deemed appropriate by the TMB to the Council for Trade in Goods.

12. In the light of its review the Council for Trade in Goods shall by consensus take such decisions as it deems appropriate to ensure that the balance of rights and obligations embodied in this Agreement is not being impaired. For the resolution of any disputes that may arise with respect to matters referred to in Article 7, the Dispute Settlement Body may authorize, without prejudice to the final date set out under Article 9, an adjustment to paragraph 14 of Article 2, for the stage subsequent to the review, with respect to any Member found not to be complying with its obligations under this Agreement.

Article 9

This Agreement and all restrictions thereunder shall stand terminated on the first day of the 121st month that the WTO Agreement is in effect, on which date the textiles and clothing sector shall be fully integrated into GATT 1994. There shall be no extension of this Agreement.

ANNEX

LIST OF PRODUCTS COVERED BY THIS AGREEMENT

1. This Annex lists textile and clothing products defined by Harmonized Commodity Description and Coding System (HS) codes at the six-digit level.

2. Actions under the safeguard provisions in Article 6 will be taken with respect to particular textile and clothing products and not on the basis of the HS lines *per se*.

3. Actions under the safeguard provisions in Article 6 of this Agreement shall not apply to:

(a) developing country Members' exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or traditional folklore handicraft textile and clothing products, provided that such products are properly certified under arrangements established between the Members concerned;

(b) historically traded textile products which were internationally traded in commercially significant quantities prior to 1982, such as bags, sacks, carpetbacking, cordage, luggage, mats, mattings and carpets typically made from fibres such as jute, coir, sisal, abaca, maguey and henequen;

(c) products made of pure silk.

For such products, the provisions of Article XIX of GATT 1994, as interpreted by the Agreement on Safeguards, shall be applicable.

Products within Section XI (Textiles and Textile Articles) of the Harmonized Commodity Description and Coding System (HS) Nomenclature

HS No.	Product Description
Ch. 50	**Silk:**
5004.00	Silk yarn (other than yarn spun from silk waste) not put up for retail sale
5005.00	Yarn spun from silk waste, not put up for retail sale
5006.00	Silk yarn&yarn spun from silk waste, put up f retail sale; silk-worm gut
5007.10	Woven fabrics of noil silk
5007.20	Woven fabrics of silk/silk waste, other than noil silk, 85%/more of such fibres
5007.90	Woven fabrics of silk, nes
Ch. 51	**Wool, fine/coarse animal hair, horsehair yarn & fabric**
5105.10	Carded wool
5105.21	Combed wool in fragments
5105.29	Wool tops and other combed wool, other than combed wool in fragments
5105.30	Fine animal hair, carded or combed
5106.10	Yarn of carded wool,>/=85% by weight of wool, nt put up for retail sale
5106.20	Yarn of carded, wool,<85% by weight of wool, not put up for retail sale
5107.10	Yarn of combed wool,>/=85% by weight of wool, not put up for retail sale
5107.20	Yarn of combed wool,<85% by weight of wool, not put up for retail sale
5108.10	Yarn of carded fine animal hair, not put up for retail sale
5108.20	Yarn of combed fine animal hair, not put up for retail sale
5109.10	Yarn of wool/of fine animal hair,>/=85% by weight of such fibres, put up
5109.90	Yarn of wool/of fine animal hair,<85% by weight of such fibres, put up
5110.00	Yarn of coarse animal hair or of horsehair
5111.11	Woven fabrics of carded wool/fine animal hair,>/=85% by weight,</=300 g/m2
5111.19	Woven fabrics of carded wool/fine animal hair,>/=85% by weight,>300 g/m2
5111.20	Woven fabric of carded wool/fine animal hair,>/=85% by wt, mixd w m-m fi
5111.30	Woven fabric of carded wool/fine animal hair,>/=85% by wt, mixd w m-m fib
5111.90	Woven fabrics of carded wool/fine animal hair,>/= 85% by weight, nes
5112.11	Woven fabric of combed wool/fine animal hair,>/=85% by weight,</=200 g/m2
5112.19	Woven fabrics of combed wool/fine animal hair,>/=85% by weight,>200 g/m2
5112.20	Woven fabrics of combed wool/fine animal hair,<85% by wt, mixd w m-m fil
5112.30	Woven fabrics of combed wool/fine animal hair,<85% by wt, mixd w m-m fib
5112.90	Woven fabrics of combed wool/fine animal hair, <85% by weight, nes
5113.00	Woven fabrics of coarse animal hair or of horsehair
Ch. 52	**Cotton**
5204.11	Cotton sewing thread >/=85% by weight of cotton, not put up for retail sale
5204.19	Cotton sewing thread,<85% by weight of cotton, not put up for retail sale
5204.20	Cotton sewing thread, put up for retail sale
5205.11	Cotton yarn,>/=85%,single, uncombed,>/=714.29 dtex, nt put up
5205.12	Cotton yarn,>/=85%,single, uncombed, 714.29 >dtex>/=232.56, not put up
5205.13	Cotton yarn,>/=85%,single, uncombed, 232.56>dtex>/=192.31, not put up
5205.14	Cotton yarn,>/=85%,single, uncombed, 192.31 >dtex>/=125, not put up
5205.15	Cotton yarn,>/=85%,single, uncombed,<125 dtex, nt put up f retail sale
5205.21	Cotton yarn,>/=85%, single, combed,>/=714.29, not put up
5205.22	Cotton yarn,>/=85%,single, combed, 714.29 >dtex>/=232.56, not put up
5205.23	Cotton yarn,>/=85%, single, combed, 232.56 >dtex>/=192.31, not put up
5205.24	Cotton yarn,>/=85%, single, combed, 192.31 >dtex>/=125, not put up

HS No.	Product Description
5205.25	Cotton yarn,>/=85%,single, combed,<125 dtex, not put up for retail sale
5205.31	Cotton yarn,>/=85%, multi, uncombed,>/=714.29 dtex, not put up, nes
5205.32	Cotton yarn,>/=85%,multi, uncombed, 714.29 >dtex>/=232.56, not put up, nes
5205.33	Cotton yarn,>/=85%,multi, uncombed, 232.56 >dtex>/=192.31, not put up, nes
5205.34	Cotton yarn,>/=85%,multi, uncombed, 192.31 >dtex>/=125, nt put up, nes
5205.35	Cotton yarn,>/=85%,multi, uncombed, <125 dtex, not put up, nes
5205.41	Cotton yarn,>/=85%, multiple, combed,>/=714.29 dtex, not put up, nes
5205.42	Cotton yarn,>/=85%,multi, combed, 714.29 >dtex>/=232.56, nt put up, nes
5205.43	Cotton yarn,>/=85%,multi, combed, 232.56 >dtex>/=192.31, nt put up, nes
5205.44	Cotton yarn,>/=85%,multiple, combed, 192.31 >dtex>/=125, not put up, nes
5205.45	Cotton yarn,>/=85%, multiple, combed, <125 dtex, not put up, nes
5206.11	Cotton yarn, <85%, single, uncombed,>/=714.29, not put up
5206.12	Cotton yarn, <85%, single, uncombed, 714.29 >dtex>/=232.56, nt put up
5206.13	Cotton yarn, <85%, single, uncombed, 232.56 >dtex>/=192.31, not put up
5206.14	Cotton yarn, <85%, single, uncombed, 192.31 >dtex>/=125, nt put up
5206.15	Cotton yarn,<85%,single, uncombed,<125 dtex, not put up for retail sale
5206.21	Cotton yarn, <85%, single, combed,>/=714.29 dtex, nt put up
5206.22	Cotton yarn, <85%, single, combed, 714.29 >dtex>/=232.56, not put up
5206.23	Cotton yarn, <85%, single, combed, 232.56 >dtex>/=192.31, not put up
5206.24	Cotton yarn, <85%, single, combed, 192.31 >dtex>/=125, not put up
5206.25	Cotton yarn,<85%,single, combed,<125 dtex, not put up for retail sale
5206.31	Cotton yarn, <85%, multiple, uncombed,>/=714.29, not put up, nes
5206.32	Cotton yarn,<85%,multiple, uncombed, 714.29 >dtex>/=232.56, nt put up, nes
5206.33	Cotton yarn,<85%,multiple, uncombed, 232.56 >dex>/=192.31, nt put up, nes
5206.34	Cotton yarn,<85%,multiple, uncombed, 192.31 >dtex>/=125, nt put up, nes
5206.35	Cotton yarn, <85%, multiple, uncombed, <125 dtex, not put up, nes
5206.41	Cotton yarn, <85%, multiple, combed,>/=714.29, nt put up, nes
5206.42	Cotton yarn,<85%,multiple, combed, 714.29 >dtex>/=232.56, nt put up, nes
5206.43	Cotton yarn,<85%,multiple, combed, 232.56 >dtex>/=192.31, nt put up, nes
5206.44	Cotton yarn,<85%,multiple, combed, 192.31 >dtex>/=125, nt put up, nes
5206.45	Cotton yarn, <85%, multiple, combed, <125 dtex, not put up, nes
5207.10	Cotton yarn (other than sewing thread)>/=85% by weight of cotton, put up
5207.90	Cotton yarn (other than sewg thread) <85% by wt of cotton, put up f retl sale
5208.11	Plain weave cotton fabric,>/=85%, not more than 100 g/m2, unbleached
5208.12	Plain weave cotton fabric,>/=85%, >100 g/m2 to 200 g/m2, unbleached
5208.13	Twill weave cotton fabric,>/=85%, not more than 200 g/m2, unbleached
5208.19	Woven fabrics of cotton,>/=85%, not more than 200 g/m2, unbleached, nes
5208.21	Plain weave cotton fabrics,>/=85%, not more than 100 g/m2, bleached
5208.22	Plain weave cotton fabric,>/=85%, >100 g/m2 to 200 g/m2, bleached
5208.23	Twill weave cotton fabric,>/=85%, not more than 200 g/m2, bleached
5208.29	Woven fabrics of cotton,>/=85%, nt more than 200 g/m2, bleached, nes
5208.31	Plain weave cotton fabric,>/=85%, not more than 100 g/m2, dyed
5208.32	Plain weave cotton fabric,>/=85%,>100g/m= to 200g/m=, dyed
5208.33	Twill weave cotton fabrics,>/=85%, not more than 200 g/m2, dyed
5208.39	Woven fabrics of cotton,>/=85%, not more than 200 g/m2, dyed, nes
5208.41	Plain weave cotton fabric,>/=85%, not more than 100 g/m2, yarn dyed
5208.42	Plain weave cotton fabrics,>/=85%, >100 g/m2 to 200 g/m2, yarn dyed
5208.43	Twill weave cotton fabric,>/=85%, not more than 200 g/m2, yarn dyed
5208.49	Woven fabrics of cotton,>/=85%,nt more than 200 g/m2, yarn dyed, nes
5208.51	Plain weave cotton fabrics,>/=85%, not more than 100 g/m2, printed
5208.52	Plain weave cotton fabric,>/=85%, >100 g/m2 to 200 g/m2, printed

HS No.	Product Description
5208.53	Twill weave cotton fabric,>/=85%, not more than 200 g/m2, printed
5208.59	Woven fabrics of cotton,>/=85%, not more than 200 g/m2, printed, nes
5209.11	Plain weave cotton fabric,>/=85%, more than 200 g/m2, unbleached
5209.12	Twill weave cotton fabric,>/=85%, more than 200 g/m2, unbleached
5209.19	Woven fabrics of cotton,>/=85%,more than 200 g/m2, unbleached, nes
5209.21	Plain weave cotton fabric,>/=85%, more than 200 g/m2, bleached
5209.22	Twill weave cotton fabrics,>/=85%, more than 200 g/m2, bleached
5209.29	Woven fabrics of cotton,>/=85%, more than 200 g/m2, bleached, nes
5209.31	Plain weave cotton fabrics,>/=85%, more than 200 g/m2, dyed
5209.32	Twill weave cotton fabrics,>/=85%, more than 200 g/m2, dyed
5209.39	Woven fabrics of cotton,>/=85%, more than 200 g/m2, dyed, nes
5209.41	Plain weave cotton fabrics,>/=85%, more than 200 g/m2, yarn dyed
5209.42	Denim fabrics of cotton,>/=85%, more than 200 g/m2
5209.43	Twill weave cotton fab, other than denim,>/=85%,more than 200 g/m2, yarn dyed
5209.49	Woven fabrics of cotton,>/=85%, more than 200 g/m2, yarn dyed, nes
5209.51	Plain weave cotton fabrics,>/=85%, more than 200 g/m2, printed
5209.52	Twill weave cotton fabrics,>/=85%, more than 200 g/m2, printed
5209.59	Woven fabrics of cotton,>/=85%, more than 200 g/m2, printed, nes
5210.11	Plain weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, unbl
5210.12	Twill weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, unbl
5210.19	Woven fab of cotton,<85% mixd with m-m fib,</=200 g/m2, unbl, nes
5210.21	Plain weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, bl
5210.22	Twill weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, bl
5210.29	Woven fabrics of cotton,<85% mixd with m-m fib,</=200 g/m2, bl, nes
5210.31	Plain weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, dyd
5210.32	Twill weave cotton fab,<85% mixd w m-m fib, not more than 200 g/m2, dyd
5210.39	Woven fabrics of cotton,<85% mixd with m-m fib,</=200 g/m2, dyed, nes
5210.41	Plain weave cotton fab,<85% mixd w m-m fib, nt mor thn 200g/m2, yarn dyd
5210.42	Twill weave cotton fab,<85% mixd w m-m fib, nt mor thn 200g/m2, yarn dyd
5210.49	Woven fabrics of cotton,<85% mixed w m-m fib,</=200g/m2, yarn dyed, nes
5210.51	Plain weave cotton fab,<85% mixd w m-m fib, nt more thn 200 g/m2, printd
5210.52	Twill weave cotton fab,<85% mixd w m-m fib, nt more thn 200g/m2, printd
5210.59	Woven fabrics of cotton,<85% mixed with m-m fib,</=200g/m2, printed, nes
5211.11	Plain weave cotton fab,<85% mixd w m-m fib, more thn 200 g/m2, unbleachd
5211.12	Twill weave cotton fab,<85% mixed with m-m fib, more than 200 g/m2, unbl
5211.19	Woven fabrics of cotton,<85% mixd w m-m fib, more thn 200g/m2, unbl, nes
5211.21	Plain weave cotton fab,<85% mixd w m-m fib, more than 200 g/m2, bleachd
5211.22	Twill weave cotton fab,<85% mixd w m-m fib, more than 200 g/m2, bleachd
5211.29	Woven fabrics of cotton,<85% mixd w m-m fib, more than 200 g/m2, bl, nes
5211.31	Plain weave cotton fab,<85% mixed with m-m fib, more than 200 g/m2, dyed
5211.32	Twill weave cotton fab,<85% mixed with m-m fib, more than 200 g/m2, dyed
5211.39	Woven fabrics of cotton,<85% mixd w m-m fib, more than 200 g/m2, dyd, nes
5211.41	Plain weave cotton fab,<85% mixd w m-m fib, more than 200 g/m2, yarn dyd
5211.42	Denim fabrics of cotton, <85% mixed with m-m fib, more than 200 g/m2
5211.43	Twill weave cotton fab, other than denim,<85% mixd w m-m fib,>200g/m2, yarn dyd
5211.49	Woven fabrics of cotton,<85% mixd with m-m fib,>200 g/m2, yarn dyed, nes
5211.51	Plain weave cotton fab,<85% mixd w m-m fib, more than 200 g/m2, printd
5211.52	Twill weave cotton fab,<85% mixd w m-m fib, more than 200 g/m2, printd
5211.59	Woven fabrics of cotton,<85% mixd w m-m fib, mor thn 200g/m2, printd, nes
5212.11	Woven fabrics of cotton, weighing not more than 200 g/m2, unbleached, nes
5212.12	Woven fabrics of cotton, weighing not more than 200 g/m2, bleached, nes

HS No.	Product Description
5212.13	Woven fabrics of cotton, weighing not more than 200 g/m2, dyed, nes
5212.14	Woven fabrics of cotton,</=200g/m2, of yarns of different colours, nes
5212.15	Woven fabrics of cotton, weighing not more than 200 g/m2, printed, nes
5212.21	Woven fabrics of cotton, weighing more than 200 g/m2, unbleached, nes
5212.22	Woven fabrics of cotton, weighing more than 200 g/m2, bleached, nes
5212.23	Woven fabrics of cotton, weighing more than 200 g/m2, dyed, nes
5212.24	Woven fabrics of cotton, >200 g/m2, of yarns of different colours, nes
5212.25	Woven fabrics of cotton, weighing more than 200 g/m2, printed, nes
Ch. 53	**Other vegetable textile fibres; paper yarn & woven fab**
5306.10	Flax yarn, single
5306.20	Flax yarn, multile (folded) or cabled
5307.10	Yarn of jute or of other textile bast fibres, single
5307.20	Yarn of jute or of oth textile bast fibres, multiple (folded) or cabled
5308.20	True hemp yarn
5308.90	Yarn of other vegetable textile fibres
5309.11	Woven fabrics, containg 85% or more by weight of flax, unbleached or bl
5309.19	Woven fabrics, containing 85% or more by weight of flax, other than unbl or bl
5309.21	Woven fabrics of flax, containg <85% by weight of flax, unbleached or bl
5309.29	Woven fabrics of flax, containing <85% by weight of flax, other than unbl or bl
5310.10	Woven fabrics of jute or of other textile bast fibres, unbleached
5310.90	Woven fabrics of jute or of other textile bast fibres, other than unbleached
5311.00	Woven fabrics of oth vegetable textile fibres; woven fab of paper yarn
Ch. 54	**Man-made filaments**
5401.10	Sewing thread of synthetic filaments
5401.20	Sewing thread of artificial filaments
5402.10	High tenacity yarn (other than sewg thread),nylon/oth polyamides fi, nt put up
5402.20	High tenacity yarn (other than sewg thread),of polyester filaments, not put up
5402.31	Textured yarn nes, of nylon/oth polyamides fi,</=50tex/s.y.,not put up
5402.32	Textured yarn nes, of nylon/oth polyamides fi,>50 tex/s.y.,not put up
5402.33	Textured yarn nes, of polyester filaments, not put up for retail sale
5402.39	Textured yarn of synthetic filaments, nes, not put up
5402.41	Yarn of nylon or other polyamides fi, single, untwisted, nes, not put up
5402.42	Yarn of polyester filaments, partially oriented, single, nes, not put up
5402.43	Yarn of polyester filaments, single, untwisted, nes, not put up
5402.49	Yarn of synthetic filaments, single, untwisted, nes, not put up
5402.51	Yarn of nylon or other polyamides fi, single, >50 turns/m, not put up
5402.52	Yarn of polyester filaments, single, >50 turns per metre, not put up
5402.59	Yarn of synthetic filaments, single,>50 turns per metre, nes, not put up
5402.61	Yarn of nylon or other polyamides fi, multiple, nes, not put up
5402.62	Yarn of polyester filaments, multiple, nes, not put up
5402.69	Yarn of synthetic filaments, multiple, nes, not put up
5403.10	High tenacity yarn (other than sewg thread),of viscose rayon filamt, nt put up
5403.20	Textured yarn nes, of artificial filaments, not put up for retail sale
5403.31	Yarn of viscose rayon filaments, single, untwisted, nes, not put up
5403.32	Yarn of viscose rayon filaments, single,>120 turns per m, nes, nt put up
5403.33	Yarn of cellulose acetate filaments, single, nes, not put up
5403.39	Yarn of artificial filaments, single, nes, not put up
5403.41	Yarn of viscose rayon filaments, multiple, nes, not put up
5403.42	Yarn of cellulose acetate filaments, multiple, nes, not put up

HS No.	Product Description
5403.49	Yarn of artificial filaments, multiple, nes, not put up
5404.10	Synthetic mono,>/=67dtex, no cross sectional dimension exceeds 1 mm
5404.90	Strip&the like of syn tex material of an apparent width nt exceedg 5mm
5405.00	Artificial mono, 67 dtex, cross-sect >1mm; strip of arti tex mat w </=5mm
5406.10	Yarn of synthetic filament (other than sewing thread), put up for retail sale
5406.20	Yarn of artificial filament (other than sewing thread),put up for retail sale
5407.10	Woven fab of high tenacity fi yarns of nylon oth polyamides/polyesters
5407.20	Woven fab obtaind from strip/the like of synthetic textile materials
5407.30	Fabrics specif in Note 9 Section XI (layers of parallel syn tex yarn)
5407.41	Woven fab,>/=85% of nylon/other polyamides filaments, unbl or bl, nes
5407.42	Woven fabrics,>/=85% of nylon/other polyamides filaments, dyed, nes
5407.43	Woven fab,>/=85% of nylon/other polyamides filaments, yarn dyed, nes
5407.44	Woven fabrics,>/=85% of nylon/other polyamides filaments, printed, nes
5407.51	Woven fabrics,>/=85% of textured polyester filaments, unbl or bl, nes
5407.52	Woven fabrics,>/=85% of textured polyester filaments, dyed, nes
5407.53	Woven fabrics,>/=85% of textured polyester filaments, yarn dyed, nes
5407.54	Woven fabrics,>/=85% of textured polyester filaments, printed, nes
5407.60	Woven fabrics,>/=85% of non-textured polyester filaments, nes
5407.71	Woven fab,>/=85% of synthetic filaments, unbleached or bleached, nes
5407.72	Woven fabrics,>/=85% of synthetic filaments, dyed, nes
5407.73	Woven fabrics,>/=85% of synthetic filaments, yarn dyed, nes
5407.74	Woven fabrics,>/=85% of synthetic filaments, printed, nes
5407.81	Woven fabrics of synthetic filaments,<85% mixd w cotton, unbl o bl, nes
5407.82	Woven fabrics of synthetic filaments,<85% mixed with cotton, dyed, nes
5407.83	Woven fabrics of synthetic filaments,<85% mixd w cotton, yarn dyd, nes
5407.84	Woven fabrics of synthetic filaments,<85% mixd with cotton, printed, nes
5407.91	Woven fabrics of synthetic filaments, unbleached or bleached, nes
5407.92	Woven fabrics of synthetic filaments, dyed, nes
5407.93	Woven fabrics of synthetic filaments, yarn dyed, nes
5407.94	Woven fabrics of synthetic filaments, printed, nes
5408.10	Woven fabrics of high tenacity filament yarns of viscose rayon
5408.21	Woven fab,>/=85% of artificial fi o strip of art tex mat, unbl/bl, nes
5408.22	Woven fab,>/=85% of artificial fi or strip of art tex mat, dyed, nes
5408.23	Woven fab,>/=85% of artificial fi or strip of art tex mat, y dyed, nes
5408.24	Woven fab,>/=85% of artificial fi or strip of art tex mat, printd, nes
5408.31	Woven fabrics of artificial filaments, unbleached or bleached, nes
5408.32	Woven fabrics of artificial filaments, dyed, nes
5408.33	Woven fabrics of artificial filaments, yarn dyed, nes
5408.34	Woven fabrics of artificial filaments, printed, nes
Ch. 55	**Man-made staple fibres**
5501.10	Filament tow of nylon or other polyamides
5501.20	Filament tow of polyesters
5501.30	Filament tow of acrylic or modacrylic
5501.90	Synthetic filament tow, nes
5502.00	Artificial filament tow
5503.10	Staple fibres of nylon or other polyamides, not carded or combed
5503.20	Staple fibres of polyesters, not carded or combed
5503.30	Staple fibres of acrylic or modacrylic, not carded or combed
5503.40	Staple fibres of polypropylene, not carded or combed
5503.90	Synthetic staple fibres, not carded or combed, nes

HS No.	Product Description
5504.10	Staple fibres of viscose, not carded or combed
5504.90	Artificial staple fibres, other than viscose, not carded or combed
5505.10	Waste of synthetic fibres
5505.20	Waste of artificial fibres
5506.10	Staple fibres of nylon or other polyamides, carded or combed
5506.20	Staple fibres of polyesters, carded or combed
5506.30	Staple fibres of acrylic or modacrylic, carded or combed
5506.90	Synthetic staple fibres, carded or combed, nes
5507.00	Artificial staple fibres, carded or combed
5508.10	Sewing thread of synthetic staple fibres
5508.20	Sewing thread of artificial staple fibres
5509.11	Yarn,>/=85% nylon or other polyamides staple fibres, single, not put up
5509.12	Yarn,>/=85% nylon o oth polyamides staple fibres, multi, not put up, nes
5509.21	Yarn,>/=85% of polyester staple fibres, single, not put up
5509.22	Yarn,>/=85% of polyester staple fibres, multiple, not put up, nes
5509.31	Yarn,>/=85% of acrylic or modacrylic staple fibres, single, not put up
5509.32	Yarn,>/=85% acrylic/modacrylic staple fibres, multiple, not put up, nes
5509.41	Yarn,>/=85% of other synthetic staple fibres, single, not put up
5509.42	Yarn,>/=85% of other synthetic staple fibres, multiple, not put up, nes
5509.51	Yarn of polyester staple fibres mixd w/ arti staple fib, not put up, nes
5509.52	Yarn of polyester staple fib mixd w wool/fine animal hair, nt put up, nes
5509.53	Yarn of polyester staple fibres mixed with cotton, not put up, nes
5509.59	Yarn of polyester staple fibres, not put up, nes
5509.61	Yarn of acrylic staple fib mixd w wool/fine animal hair, not put up, nes
5509.62	Yarn of acrylic staple fibres mixed with cotton, not put up, nes
5509.69	Yarn of acrylic staple fibres, not put up, nes
5509.91	Yarn of oth synthetic staple fibres mixed w/wool/fine animal hair, nes
5509.92	Yarn of other synthetic staple fibres mixed with cotton, not put up, nes
5509.99	Yarn of other synthetic staple fibres, not put up, nes
5510.11	Yarn,>/=85% of artificial staple fibres, single, not put up
5510.12	Yarn,>/=85% of artificial staple fibres, multiple, not put up, nes
5510.20	Yarn of artificl staple fib mixd w wool/fine animal hair, not put up, nes
5510.30	Yarn of artificial staple fibres mixed with cotton, not put up, nes
5510.90	Yarn of artificial staple fibres, not put up, nes
5511.10	Yarn,>/=85% of synthetic staple fibres, other than sewing thread, put up
5511.20	Yarn, <85% of synthetic staple fibres, put up for retail sale, nes
5511.30	Yarn of artificial fibres (other than sewing thread), put up for retail sale
5512.11	Woven fabrics, containing>/=85% of polyester staple fibres, unbl or bl
5512.19	Woven fabrics, containg>/=85% of polyester staple fibres, other than unbl or bl
5512.21	Woven fabrics, containg>/=85% of acrylic staple fibres, unbleached or bl
5512.29	Woven fabrics, containing>/=85% of acrylic staple fibres, other than unbl or bl
5512.91	Woven fabrics, containing>/=85% of oth synthetic staple fibres, unbl/bl
5512.99	Woven fabrics, containg>/=85% of other synthetic staple fib, other than unbl/bl
5513.11	Plain weave polyest stapl fib fab,<85%,mixd w/cottn,</=170g/m2, unbl/bl
5513.12	Twill weave polyest stapl fib fab,<85%,mixd w/cottn,</=170g/m2, unbl/bl
5513.13	Woven fab of polyest staple fib,<85% mixd w/cot,</=170g/m2, unbl/bl, nes
5513.19	Woven fabrics of oth syn staple fib,<85%,mixd w/cot,</=170g/m2, unbl/bl
5513.21	Plain weave polyester staple fib fab,<85%,mixd w/cotton,</=170g/m2, dyd
5513.22	Twill weave polyest staple fib fab,<85%,mixd w/cotton,</=170g/m2, dyd
5513.23	Woven fab of polyester staple fib,<85%,mixd w/cot,</=170 g/m2, dyd, nes
5513.29	Woven fabrics of oth syn staple fib,<85% mixd w/cotton,</=170g/m2, dyed

HS No.	Product Description
5513.31	Plain weave polyest stapl fib fab,<85% mixd w/cot,</=170g/m2, yarn dyd
5513.32	Twill weave polyest stapl fib fab,<85% mixd w/cot,</=170g/m2, yarn dyd
5513.33	Woven fab of polyest staple fib,<85% mixd w/cot,</=170 g/m2, dyd nes
5513.39	Woven fab of oth syn staple fib,<85% mixd w/cot,</=170g/m2, yarn dyd
5513.41	Plain weave polyester stapl fib fab,<85%,mixd w/cot,</=170g/m2, printd
5513.42	Twill weave polyest staple fib fab,<85%,mixd w/cot,<=/170g/m2, printd
5513.43	Woven fab of polyester staple fib,<85%,mixd w/cot,</=170g/m2, ptd, nes
5513.49	Woven fab of oth syn staple fib,<85%,mixed w/cot,</=170g/m2, printed
5514.11	Plain weave polyest staple fib fab,<85%,mixd w/cotton,>170g/m2, unbl/bl
5514.12	Twill weave polyest stapl fib fab,<85%,mixd w/cotton,>170g/m2, unbl/bl
5514.13	Woven fab of polyester staple fib,<85% mixd w/cot,>170g/m2, unbl/bl, nes
5514.19	Woven fabrics of oth syn staple fib,<85%,mixed w/cot,>170 g/m2, unbl/bl
5514.21	Plain weave polyester staple fibre fab,<85%,mixd w/cotton,>170g/m2, dyd
5514.22	Twill weave polyester staple fibre fab,<85%,mixd w/cotton,>170g/m2, dyd
5514.23	Woven fabrics of polyester staple fib,<85%,mixed w/cot,>170 g/m2, dyed
5514.29	Woven fabrics of oth synthetic staple fib,<85%,mixd w/cot,>170g/m2, dyd
5514.31	Plain weave polyester staple fib fab,<85% mixd w/cot,>170g/m2, yarn dyd
5514.32	Twill weave polyester staple fib fab,<85% mixd w/cot,>170g/m2, yarn dyd
5514.33	Woven fab of polyester stapl fib,<85% mixd w/cot,>170g/m2, yarn dyd nes
5514.39	Woven fabrics of oth syn staple fib,<85% mixd w/cot,>170 g/m2, yarn dyd
5514.41	Plain weave polyester staple fibre fab,<85%,mixd w/cot,>170g/m2, printd
5514.42	Twill weave polyester staple fibre fab,<85%,mixd w/cot,>170g/m2, printd
5514.43	Woven fab of polyester staple fibres <85%,mixd w/cot,>170g/m2, ptd, nes
5514.49	Woven fabrics of oth syn staple fib,<85%,mixed w/cot,>170 g/m2, printed
5515.11	Woven fab of polyester staple fib mixd w viscose rayon staple fib, nes
5515.12	Woven fabrics of polyester staple fibres mixd w man-made filaments, nes
5515.13	Woven fab of polyester staple fibres mixd w/wool/fine animal hair, nes
5515.19	Woven fabrics of polyester staple fibres, nes
5515.21	Woven fabrics of acrylic staple fibres, mixd w man-made filaments, nes
5515.22	Woven fab of acrylic staple fibres, mixd w/wool/fine animal hair, nes
5515.29	Woven fabrics of acrylic or modacrylic staple fibres, nes
5515.91	Woven fabrics of oth syn staple fib, mixed with man-made filaments, nes
5515.92	Woven fabrics of oth syn staple fib, mixd w/wool o fine animal hair, nes
5515.99	Woven fabrics of synthetic staple fibres, nes
5516.11	Woven fabrics, containg>/=85% of artificial staple fibres, unbleached/bl
5516.12	Woven fabrics, containing>/=85% of artificial staple fibres, dyed
5516.13	Woven fabrics, containing>/=85% of artificial staple fib, yarn dyed
5516.14	Woven fabrics, containing>/=85% of artificial staple fibres, printed
5516.21	Woven fabrics of artificial staple fib,<85%,mixd w man-made fi, unbl/bl
5516.22	Woven fabrics of artificial staple fib,<85%,mixd with man-made fi, dyd
5516.23	Woven fabrics of artificial staple fib,<85%,mixd with m-m fi, yarn dyd
5516.24	Woven fabrics of artificial staple fib,<85%,mixd w man-made fi, printd
5516.31	Woven fab of arti staple fib,<85% mixd w/wool/fine animal hair, unbl/bl
5516.32	Woven fabrics of arti staple fib,<85% mixd w/wool/fine animal hair, dyd
5516.33	Woven fab of arti staple fib,<85% mixd w/wool/fine animal hair, yarn dyd
5516.34	Woven fab of arti staple fib,<85% mixd w/wool/fine animal hair, printd
5516.41	Woven fabrics of artificial staple fib,<85% mixd with cotton, unbl o bl
5516.42	Woven fabrics of artificial staple fib, <85% mixed with cotton, dyed
5516.43	Woven fabrics of artificial staple fib,<85% mixd with cotton, yarn dyd
5516.44	Woven fabrics of artificial staple fib,<85% mixed with cotton, printed
5516.91	Woven fabrics of artificial staple fibres, unbleached or bleached, nes

HS No.	Product Description
5516.92	Woven fabrics of artificial staple fibres, dyed, nes
5516.93	Woven fabrics of artificial staple fibres, yarn dyed, nes
5516.94	Woven fabrics of artificial staple fibres, printed, nes
Ch. 56	**Wadding, felt & nonwoven; yarns; twine, cordage, etc.**
5601.10	Sanitary articles of waddg of textile mat i.e. sanitary towels, tampons
5601.21	Wadding of cotton and articles thereof, other than sanitary articles
5601.22	Wadding of man-made fibres and articles thereof, other than sanitary articles
5601.29	Waddg of oth textile materials&articles thereof, other than sanitary articles
5601.30	Textile flock and dust and mill neps
5602.10	Needleloom felt and stitch-bonded fibre fabrics
5602.21	Felt other than needleloom, of wool or fine animal hair, not impreg, ctd, cov etc
5602.29	Felt other than needleloom, of other textile materials, not impreg, ctd, cov etc
5602.90	Felt of textile materials, nes
5603.00	Nonwovens, whether or not impregnated, coated, covered or laminated
5604.10	Rubber thread and cord, textile covered
5604.20	High tenacity yarn of polyest, nylon oth polyamid, viscose rayon, ctd etc
5604.90	Textile yarn, strips&the like, impreg ctd/cov with rubber o plastics, nes
5605.00	Metallisd yarn, beg textile yarn combind w metal thread, strip/powder
5606.00	Gimped yarn nes; chenille yarn; loop wale-yarn
5607.10	Twine, cordage, ropes and cables, of jute or other textile bast fibres
5607.21	Binder o baler twine, of sisal o oth textile fibres of the genus Agave
5607.29	Twine nes, cordage, ropes and cables, of sisal textile fibres
5607.30	Twine, cordage, ropes and cables, of abaca or other hard (leaf) fibres
5607.41	Binder or baler twine, of polyethylene or polypropylene
5607.49	Twine nes, cordage, ropes and cables, of polyethylene or polypropylene
5607.50	Twine, cordage, ropes and cables, of other synthetic fibres
5607.90	Twine, cordage, ropes and cables, of other materials
5608.11	Made up fishing nets, of man-made textile materials
5608.19	Knottd nettg of twine/cordage/rope, and oth made up nets of m-m tex mat
5608.90	Knottd nettg of twine/cordage/rope, nes, and made up nets of oth tex mat
5609.00	Articles of yarn, strip, twine, cordage, rope and cables, nes
Ch. 57	**Carpets and other textile floor coverings**
5701.10	Carpets of wool or fine animal hair, knotted
5701.90	Carpets of other textile materials, knotted
5702.10	Kelem, Schumacks, Karamanie and similar textile hand-woven rugs
5702.20	Floor coverings of coconut fibres (coir)
5702.31	Carpets of wool/fine animl hair, of wovn pile constructn, nt made up nes
5702.32	Carpets of man-made textile mat, of wovn pile construct, nt made up, nes
5702.39	Carpets of oth textile mat, of woven pile constructn, nt made up, nes
5702.41	Carpets of wool/fine animal hair, of wovn pile construction, made up, nes
5702.42	Carpets of man-made textile mat, of woven pile construction, made up, nes
5702.49	Carpets of oth textile materials, of wovn pile construction, made up, nes
5702.51	Carpets of wool or fine animal hair, woven, not made up, nes
5702.52	Carpets of man-made textile materials, woven, not made up, nes
5702.59	Carpets of other textile materials, woven, not made up, nes
5702.91	Carpets of wool or fine animal hair, woven, made up, nes
5702.92	Carpets of man-made textile materials, woven, made up, nes
5702.99	Carpets of other textile materials, woven, made up, nes
5703.10	Carpets of wool or fine animal hair, tufted

HS No.	Product Description
5703.20	Carpets of nylon or other polyamides, tufted
5703.30	Carpets of other man-made textile materials, tufted
5703.90	Carpets of other textile materials, tufted
5704.10	Tiles of felt of textile materials, havg a max surface area of 0.3 m2
5704.90	Carpets of felt of textile materials, nes
5705.00	Carpets and other textile floor coverings, nes
Ch. 58	**Special woven fab; tufted tex fab; lace; tapestries etc.**
5801.10	Woven pile fabrics of wool/fine animal hair, other than terry&narrow fabrics
5801.21	Woven uncut weft pile fabrics of cotton, other than terry and narrow fabrics
5801.22	Cut corduroy fabrics of cotton, other than narrow fabrics
5801.23	Woven weft pile fabrics of cotton, nes
5801.24	Woven warp pile fab of cotton, pingl (uncut),other than terry&narrow fab
5801.25	Woven warp pile fabrics of cotton, cut, other than terry and narrow fabrics
5801.26	Chenille fabrics of cotton, other than narrow fabrics
5801.31	Woven uncut weft pile fabrics of manmade fibres, other than terry&narrow fab.
5801.32	Cut corduroy fabrics of man-made fibres, other than narrow fabrics
5801.33	Woven weft pile fabrics of man-made fibres, nes
5801.34	Woven warp pile fab of man-made fib, pingl (uncut),other than terry&nar fab
5801.35	Woven warp pile fabrics of man-made fib, cut, other than terry & narrow fabrics
5801.36	Chenille fabrics of man-made fibres, other than narrow fabrics
5801.90	Woven pile fab&chenille fab of other tex mat, other than terry&narrow fabrics
5802.11	Terry towellg & similar woven terry fab of cotton, other than narrow fab, unbl
5802.19	Terry towellg&similar woven terry fab of cotton, other than unbl&other than nar fab
5802.20	Terry towellg&sim woven terry fab of oth tex mat, other than narrow fabrics
5802.30	Tufted textile fabrics, other than products of heading No 57.03
5803.10	Gauze of cotton, other than narrow fabrics
5803.90	Gauze of other textile material, other than narrow fabrics
5804.10	Tulles & other net fabrics, not incl woven, knitted or crocheted fabrics
5804.21	Mechanically made lace of man-made fib, in the piece, in strips/motifs
5804.29	Mechanically made lace of oth tex mat, in the piece, in strips/in motifs
5804.30	Hand-made lace, in the piece, in strips or in motifs
5805.00	Hand-woven tapestries&needle-worked tapestries, whether or not made up
5806.10	Narrow woven pile fabrics and narrow chenille fabrics
5806.20	Narrow woven fab, cntg by wt>/=5% elastomeric yarn/rubber thread nes
5806.31	Narrow woven fabrics of cotton, nes
5806.32	Narrow woven fabrics of man-made fibres, nes
5806.39	Narrow woven fabrics of other textile materials, nes
5806.40	Fabrics consisting of warp w/o weft assembled by means of an adhesive
5807.10	Labels, badges and similar woven articles of textile materials
5807.90	Labels, badges and similar articles, not woven, of textile materials, nes
5808.10	Braids in the piece
5808.90	Ornamental trimmings in the piece, other than knit; tassels, pompons&similar art
5809.00	Woven fabrics of metal thread/of metallisd yarn, for apparel, etc, nes
5810.10	Embroidery without visible ground, in the piece, in strips or in motifs
5810.91	Embroidery of cotton, in the piece, in strips or in motifs, nes
5810.92	Embroidery of man-made fibres, in the piece, in strips or in motifs, nes
5810.99	Embroidery of oth textile materials, in the piece, in strips/motifs, nes
5811.00	Quilted textile products in the piece

HS No.	Product Description
Ch. 59	**Impregnated, coated, cover/laminated textile fabric etc.**
5901.10	Textile fabrics coatd with gum, of a kind usd for outer covers of books
5901.90	Tracg cloth; prepared paintg canvas; stiffened textile fab; for hats etc
5902.10	Tire cord fabric made of nylon or other polyamides high tenacity yarns
5902.20	Tire cord fabric made of polyester high tenacity yarns
5902.90	Tire cord fabric made of viscose rayon high tenacity yarns
5903.10	Textile fab impregnatd, ctd, cov, or laminatd w polyvinyl chloride, nes
5903.20	Textile fabrics impregnated, ctd, cov, or laminated with polyurethane, nes
5903.90	Textile fabrics impregnated, ctd, cov, or laminated with plastics, nes
5904.10	Lineoleum, whether or not cut to shape
5904.91	Floor coverings, other than linoleum, with a base of needleloom felt/nonwovens
5904.92	Floor coverings, other than linoleum, with other textile base
5905.00	Textile wall coverings
5906.10	Rubberised textile adhesive tape of a width not exceeding 20 cm
5906.91	Rubberised textile knitted or crocheted fabrics, nes
5906.99	Rubberised textile fabrics, nes
5907.00	Textile fab impreg, ctd, cov nes; paintd canvas (e.g.threatrical scenery)
5908.00	Textile wicks f lamps, stoves, etc; gas mantles&knittd gas mantle fabric
5909.00	Textile hosepiping and similar textile tubing
5910.00	Transmission or conveyor belts or belting of textile material
5911.10	Textile fabrics usd f card clothing, and sim fabric f technical uses
5911.20	Textile bolting cloth, whether or not made up
5911.31	Textile fabrics used in paper-making or similar machines, <650 g/m2
5911.32	Textile fabrics usd in paper-makg or similar mach, weighg >/=650 g/m2
5911.40	Textile straing cloth usd in oil presses o the like, incl of human hair
5911.90	Textile products and articles for technical uses, nes
Ch. 60	**Knitted or crocheted fabrics**
6001.10	Long pile knitted or crocheted textile fabrics
6001.21	Looped pile knitted or crocheted fabrics, of cotton
6001.22	Looped pile knitted or crocheted fabrics, of man-made fibres
6001.29	Looped pile knitted or crocheted fabrics, of other textile materials
6001.91	Pile knitted or crocheted fabrics, of cotton, nes
6001.92	Pile knitted or crocheted fabrics, of man-made fibres, nes
6001.99	Pile knitted or crocheted fabrics, of other textile materials, nes
6002.10	Knittd or crochetd tex fab, w</=30 cm,>/=5% of elastomeric/rubber, nes
6002.20	Knitted or crocheted textile fabrics, of a width not exceedg 30 cm, nes
6002.30	Knittd/crochetd tex fab, width > 30 cm,>/=5% of elastomeric/rubber, nes
6002.41	Warp knitted fabrics, of wool or fine animal hair, nes
6002.42	Warp knitted fabrics, of cotton, nes
6002.43	Warp knitted fabrics, of man-made fibres, nes
6002.49	Warp knitted fabrics, of other materials, nes
6002.91	Knitted or crocheted fabrics, of wool or of fine animal hair, nes
6002.92	Knitted or crocheted fabrics, of cotton, nes
6002.93	Knitted or crocheted fabrics, of manmade fibres, nes
6002.99	Knitted or crocheted fabrics, of other materials, nes
Ch. 61	**Art of apparel & clothing access, knitted or crocheted**
6101.10	Mens/boys overcoats, anoraks etc, of wool or fine animal hair, knitted
6101.20	Mens/boys overcoats, anoraks etc, of cotton, knitted
6101.30	Mens/boys overcoats, anoraks etc, of man-made fibres, knitted

HS No.	Product Description
6101.90	Mens/boys overcoats, anoraks etc, of other textile materials, knitted
6102.10	Womens/girls overcoats, anoraks etc, of wool or fine animal hair, knitted
6102.20	Womens/girls overcoats, anoraks etc, of cotton, knitted
6102.30	Womens/girls overcoats, anoraks etc, of man-made fibres, knitted
6102.90	Womens/girls overcoats, anoraks etc, of other textile materials, knitted
6103.11	Mens/boys suits, of wool or fine animal hair, knitted
6103.12	Mens/boys suits, of synthetic fibres, knitted
6103.19	Mens/boys suits, of other textile materials, knitted
6103.21	Mens/boys ensembles, of wool or fine animal hair, knitted
6103.22	Mens/boys ensembles, of cotton, knitted
6103.23	Mens/boys ensembles, of synthetic fibres, knitted
6103.29	Mens/boys ensembles, of other textile materials, knitted
6103.31	Mens/boys jackets and blazers, of wool or fine animal hair, knitted
6103.32	Mens/boys jackets and blazers, of cotton, knitted
6103.33	Mens/boys jackets and blazers, of synthetic fibres, knitted
6103.39	Mens/boys jackets and blazers, of other textile materials, knitted
6103.41	Mens/boys trousers and shorts, of wool or fine animal hair, knitted
6103.42	Mens/boys trousers and shorts, of cotton, knitted
6103.43	Mens/boys trousers and shorts, of synthetic fibres, knitted
6103.49	Mens/boys trousers and shorts, of other textile materials, knitted
6104.11	Womens/girls suits, of wool or fine animal hair, knitted
6104.12	Womens/girls suits, of cotton, knitted
6104.13	Womens/girls suits, of synthetic fibres, knitted
6104.19	Womens/girls suits, of other textile materials, knitted
6104.21	Womens/girls ensembles, of wool or fine animal hair, knitted
6104.22	Womens/girls ensembles, of cotton, knitted
6104.23	Womens/girls ensembles, of synthetic fibres, knitted
6104.29	Womens/girls ensembles, of other textile materials, knitted
6104.31	Womens/girls jackets, of wool or fine animal hair, knitted
6104.32	Womens/girls jackets, of cotton, knitted
6104.33	Womens/girls jackets, of synthetic fibres, knitted
6104.39	Womens/girls jackets, of other textile materials, knitted
6104.41	Womens/girls dresses, of wool or fine animal hair, knitted
6104.42	Womens/girls dresses, of cotton, knitted
6104.43	Womens/girls dresses, of synthetic fibres, knitted
6104.44	Womens/girls dresses, of artificial fibres, knitted
6104.49	Womens/girls dresses, of other textile materials, knitted
6104.51	Womens/girls skirts, of wool or fine animal hair, knitted
6104.52	Womens/girls skirts, of cotton, knitted
6104.53	Womens/girls skirts, of synthetic fibres, knitted
6104.59	Womens/girls skirts, of other textile materials, knitted
6104.61	Womens/girls trousers and shorts, of wool or fine animal hair, knitted
6104.62	Womens/girls trousers and shorts, of cotton, knitted
6104.63	Womens/girls trousers and shorts, of synthetic fibres, knitted
6104.69	Womens/girls trousers and shorts, of other textile materials, knitted
6105.10	Mens/boys shirts, of cotton, knitted
6105.20	Mens/boys shirts, of man-made fibres, knitted
6105.90	Mens/boys shirts, of other textile materials, knitted
6106.10	Womens/girls blouses and shirts, of cotton, knitted
6106.20	Womens/girls blouses and shirts, of man-made fibres, knitted
6106.90	Womens/girls blouses and shirts, of other materials, knitted

HS No.	Product Description
6107.11	Mens/boys underpants and briefs, of cotton, knitted
6107.12	Mens/boys underpants and briefs, of man-made fibres, knitted
6107.19	Mens/boys underpants and briefs, of other textile materials, knitted
6107.21	Mens/boys nightshirts and pyjamas, of cotton, knitted
6107.22	Mens/boys nightshirts and pyjamas, of man-made fibres, knitted
6107.29	Mens/boys nightshirts and pyjamas, of other textile materials, knitted
6107.91	Mens/boys bathrobes, dressing gowns etc of cotton, knitted
6107.92	Mens/boys bathrobes, dressing gowns, etc of man-made fibres, knitted
6107.99	Mens/boys bathrobes, dressg gowns, etc of oth textile materials, knitted
6108.11	Womens/girls slips and petticoats, of man-made fibres, knitted
6108.19	Womens/girls slips and petticoats, of other textile materials, knitted
6108.21	Womens/girls briefs and panties, of cotton, knitted
6108.22	Womens/girls briefs and panties, of man-made fibres, knitted
6108.29	Womens/girls briefs and panties, of other textile materials, knitted
6108.31	Womens/girls nightdresses and pyjamas, of cotton, knitted
6108.32	Womens/girls nightdresses and pyjamas, of man-made fibres, knitted
6108.39	Womens/girls nightdresses & pyjamas, of other textile materials, knitted
6108.91	Womens/girls bathrobes, dressing gowns, etc, of cotton, knitted
6108.92	Womens/girls bathrobes, dressing gowns, etc, of man-made fibres, knitted
6108.99	Women/girls bathrobes, dressg gowns, etc, of oth textile materials, knittd
6109.10	T-shirts, singlets and other vests, of cotton, knitted
6109.90	T-shirts, singlets and other vests, of other textile materials, knitted
6110.10	Pullovers, cardigans&similar article of wool or fine animal hair, knittd
6110.20	Pullovers, cardigans and similar articles of cotton, knitted
6110.30	Pullovers, cardigans and similar articles of man-made fibres, knitted
6110.90	Pullovers, cardigans&similar articles of oth textile materials, knittd
6111.10	Babies garments&clothg accessories of wool or fine animal hair, knitted
6111.20	Babies garments and clothing accessories of cotton, knitted
6111.30	Babies garments and clothing accessories of synthetic fibres, knitted
6111.90	Babies garments&clothg accessories of other textile materials, knitted
6112.11	Track suits, of cotton, knitted
6112.12	Track suits, of synthetic fibres, knitted
6112.19	Track suits, of other textile materials, knitted
6112.20	Ski suits, of textile materials, knitted
6112.31	Mens/boys swimwear, of synthetic fibres, knitted
6112.39	Mens/boys swimwear, of other textile materials, knitted
6112.41	Womens/girls swimwear, of synthetic fibres, knitted
6112.49	Womens/girls swimwear, of other textile materials, knitted
6113.00	Garments made up of impreg, coatd, coverd or laminatd textile knittd fab
6114.10	Garments nes, of wool or fine animal hair, knitted
6114.20	Garments nes, of cotton, knitted
6114.30	Garments nes, of man-made fibres, knitted
6114.90	Garments nes, of other textile materials, knitted
6115.11	Panty hose&tights, of synthetic fibre yarns <67 dtex/single yarn knittd
6115.12	Panty hose&tights, of synthetic fib yarns >/=67 dtex/single yarn knittd
6115.19	Panty hose and tights, of other textile materials, knitted
6115.20	Women full-l/knee-l hosiery, of textile yarn<67 dtex/single yarn knittd
6115.91	Hosiery nes, of wool or fine animal hair, knitted
6115.92	Hosiery nes, of cotton, knitted
6115.93	Hosiery nes, of synthetic fibres, knitted
6115.99	Hosiery nes, of other textile materials, knitted

HS No.	Product Description
6116.10	Gloves impregnated, coated or covered with plastics or rubber, knitted
6116.91	Gloves, mittens and mitts, nes, of wool or fine animal hair, knitted
6116.92	Gloves, mittens and mitts, nes, of cotton, knitted
6116.93	Gloves, mittens and mitts, nes, of synthetic fibres, knitted
6116.99	Gloves, mittens and mitts, nes, of other textile materials, knitted
6117.10	Shawls, scarves, veils and the like, of textile materials, knitted
6117.20	Ties, bow ties and cravats, of textile materials, knitted
6117.80	Clothing accessories nes, of textile materials, knitted
6117.90	Parts of garments/of clothg accessories, of textile materials, knittd
Ch. 62	**Art of apparel & clothing access, not knitted/crocheted**
6201.11	Mens/boys overcoats&similar articles of wool/fine animal hair, not knit
6201.12	Mens/boys overcoats and similar articles of cotton, not knitted
6201.13	Mens/boys overcoats & similar articles of man-made fibres, not knitted
6201.19	Mens/boys overcoats&sim articles of oth textile materials, not knittd
6201.91	Mens/boys anoraks&similar articles, of wool/fine animal hair, not knittd
6201.92	Mens/boys anoraks and similar articles, of cotton, not knitted
6201.93	Mens/boys anoraks and similar articles, of man-made fibres, not knitted
6201.99	Mens/boys anoraks&similar articles, of oth textile materials, not knittd
6202.11	Womens/girls overcoats&sim articles of wool/fine animal hair nt knit
6202.12	Womens/girls overcoats and similar articles of cotton, not knitted
6202.13	Womens/girls overcoats&sim articles of man-made fibres, not knittd
6202.19	Womens/girls overcoats&similar articles of other textile mat, not knit
6202.91	Womens/girls anoraks&similar article of wool/fine animal hair, not knit
6202.92	Womens/girls anoraks and similar article of cotton, not knitted
6202.93	Womens/girls anoraks & similar article of man-made fibres, not knitted
6202.99	Womens/girls anoraks&similar article of oth textile materials, not knit
6203.11	Mens/boys suits, of wool or fine animal hair, not knitted
6203.12	Mens/boys suits, of synthetic fibres, not knitted
6203.19	Mens/boys suits, of other textile materials, not knitted
6203.21	Mens/boys ensembles, of wool or fine animal hair, not knitted
6203.22	Mens/boys ensembles, of cotton, not knitted
6203.23	Mens/boys ensembles, of synthetic fibres, not knitted
6203.29	Mens/boys ensembles, of other textile materials, not knitted
6203.31	Mens/boys jackets and blazers, of wool or fine animal hair, not knitted
6203.32	Mens/boys jackets and blazers, of cotton, not knitted
6203.33	Mens/boys jackets and blazers, of synthetic fibres, not knitted
6203.39	Mens/boys jackets and blazers, of other textile materials, not knitted
6203.41	Mens/boys trousers and shorts, of wool or fine animal hair, not knitted
6203.42	Mens/boys trousers and shorts, of cotton, not knitted
6203.43	Mens/boys trousers and shorts, of synthetic fibres, not knitted
6203.49	Mens/boys trousers and shorts, of other textile materials, not knitted
6204.11	Womens/girls suits, of wool or fine animal hair, not knitted
6204.12	Womens/girls suits, of cotton, not knitted
6204.13	Womens/girls suits, of synthetic fibres, not knitted
6204.19	Womens/girls suits, of other textile materials, not knitted
6204.21	Womens/girls ensembles, of wool or fine animal hair, not knitted
6204.22	Womens/girls ensembles, of cotton, not knitted
6204.23	Womens/girls ensembles, of synthetic fibres, not knitted
6204.29	Womens/girls ensembles, of other textile materials, not knitted
6204.31	Womens/girls jackets, of wool or fine animal hair, not knitted

HS No.	Product Description
6204.32	Womens/girls jackets, of cotton, not knitted
6204.33	Womens/girls jackets, of synthetic fibres, not knitted
6204.39	Womens/girls jackets, of other textile materials, not knitted
6204.41	Womens/girls dresses, of wool or fine animal hair, not knitted
6204.42	Womens/girls dresses, of cotton, not knitted
6204.43	Womens/girls dresses, of synthetic fibres, not knitted
6204.44	Womens/girls dresses, of artificial fibres, not knitted
6204.49	Womens/girls dresses, of other textile materials, not knitted
6204.51	Womens/girls skirts, of wool or fine animal hair, not knitted
6204.52	Womens/girls skirts, of cotton, not knitted
6204.53	Womens/girls skirts, of synthetic fibres, not knitted
6204.59	Womens/girls skirts, of other textile materials, not knitted
6204.61	Womens/girls trousers & shorts, of wool or fine animal hair, not knitted
6204.62	Womens/girls trousers and shorts, of cotton, not knitted
6204.63	Womens/girls trousers and shorts, of synthetic fibres, not knitted
6204.69	Womens/girls trousers & shorts, of other textile materials, not knitted
6205.10	Mens/boys shirts, of wool or fine animal hair, not knitted
6205.20	Mens/boys shirts, of cotton, not knitted
6205.30	Mens/boys shirts, of man-made fibres, not knitted
6205.90	Mens/boys shirts, of other textile materials, not knitted
6206.10	Womens/girls blouses and shirts, of silk or silk waste, not knitted
6206.20	Womens/girls blouses & shirts, of wool or fine animal hair, not knitted
6206.30	Womens/girls blouses and shirts, of cotton, not knitted
6206.40	Womens/girls blouses and shirts, of man-made fibres, not knitted
6206.90	Womens/girls blouses and shirts, of other textile materials, not knitted
6207.11	Mens/boys underpants and briefs, of cotton, not knitted
6207.19	Mens/boys underpants and briefs, of other textile materials, not knitted
6207.21	Mens/boys nightshirts and pyjamas, of cotton, not knitted
6207.22	Mens/boys nightshirts and pyjamas, of man-made fibres, not knitted
6207.29	Mens/boys nightshirts & pyjamas, of other textile materials, not knitted
6207.91	Mens/boys bathrobes, dressing gowns, etc of cotton, not knitted
6207.92	Mens/boys bathrobes, dressing gowns, etc of man-made fibres, not knitted
6207.99	Mens/boys bathrobes, dressg gowns, etc of oth textile materials, not knit
6208.11	Womens/girls slips and petticoats, of man-made fibres, not knitted
6208.19	Womens/girls slips & petticoats, of other textile materials, not knitted
6208.21	Womens/girls nightdresses and pyjamas, of cotton, not knitted
6208.22	Womens/girls nightdresses and pyjamas, of man-made fibres, not knitted
6208.29	Womens/girls nightdresses&pyjamas, of oth textile materials, not knitted
6208.91	Womens/girls panties, bathrobes, etc, of cotton, not knitted
6208.92	Womens/girls panties, bathrobes, etc, of man-made fibres, not knitted
6208.99	Womens/girls panties, bathrobes, etc, of oth textile materials, not knittd
6209.10	Babies garments&clothg accessories of wool o fine animal hair, not knit
6209.20	Babies garments and clothing accessories of cotton, not knitted
6209.30	Babies garments & clothing accessories of synthetic fibres, not knitted
6209.90	Babies garments&clothg accessories of oth textile materials, not knittd
6210.10	Garments made up of textile felts and of nonwoven textile fabrics
6210.20	Mens/boys overcoats&similar articles of impreg, ctd, cov etc, tex wov fab
6210.30	Womens/girls overcoats&sim articles, of impreg, ctd, etc, tex wov fab
6210.40	Mens/boys garments nes, made up of impreg, ctd, cov, etc, textile woven fab
6210.50	Womens/girls garments nes, of impregnatd, ctd, cov, etc, textile woven fab
6211.11	Mens/boys swimwear, of textile materials not knitted

HS No.	Product Description
6211.12	Womens/girls swimwear, of textile materials, not knitted
6211.20	Ski suits, of textile materials, not knitted
6211.31	Mens/boys garments nes, of wool or fine animal hair, not knitted
6211.32	Mens/boys garments nes, of cotton, not knitted
6211.33	Mens/boys garments nes, of man-made fibres, not knitted
6211.39	Mens/boys garments nes, of other textile materials, not knitted
6211.41	Womens/girls garments nes, of wool or fine animal hair, not knitted
6211.42	Womens/girls garments nes, of cotton, not knitted
6211.43	Womens/girls garments nes, of man-made fibres, not knitted
6211.49	Womens/girls garments nes, of other textile materials, not knitted
6212.10	Brassieres and parts thereof, of textile materials
6212.20	Girdles, panty girdles and parts thereof, of textile materials
6212.30	Corselettes and parts thereof, of textile materials
6212.90	Corsets, braces & similar articles & parts thereof, of textile materials
6213.10	Handkerchiefs, of silk or silk waste, not knitted
6213.20	Handkerchiefs, of cotton, not knitted
6213.90	Handkerchiefs, of other textile materials, not knitted
6214.10	Shawls, scarves, veils and the like, of silk or silk waste, not knitted
6214.20	Shawls, scarves, veils&the like, of wool or fine animal hair, not knitted
6214.30	Shawls, scarves, veils and the like, of synthetic fibres, not knitted
6214.40	Shawls, scarves, veils and the like, of artificial fibres, not knitted
6214.90	Shawls, scarves, veils & the like, of other textile materials, not knitted
6215.10	Ties, bow ties and cravats, of silk or silk waste, not knitted
6215.20	Ties, bow ties and cravats, of man-made fibres, not knitted
6215.90	Ties, bow ties and cravats, of other textile materials, not knitted
6216.00	Gloves, mittens and mitts, of textile materials, not knitted
6217.10	Clothing accessories nes, of textile materials, not knitted
6217.90	Parts of garments or of clothg accessories nes, of tex mat, not knittd.
Ch. 63	**Other made up textile articles; sets; worn clothing etc.**
6301.10	Electric blankets, of textile materials
6301.20	Blankets (other than electric) & travelling rugs, of wool or fine animal hair
6301.30	Blankets (other than electric) and travelling rugs, of cotton
6301.40	Blankets (other than electric) and travelling rugs, of synthetic fibres
6301.90	Blankets (other than electric) and travelling rugs, of other textile materials
6302.10	Bed linen, of textile knitted or crocheted materials
6302.21	Bed linen, of cotton, printed, not knitted
6302.22	Bed linen, of man-made fibres, printed, not knitted
6302.29	Bed linen, of other textile materials, printed, not knitted
6302.31	Bed linen, of cotton, nes
6302.32	Bed linen, of man-made fibres, nes
6302.39	Bed linen, of other textile materials, nes
6302.40	Table linen, of textile knitted or crocheted materials
6302.51	Table linen, of cotton, not knitted
6302.52	Table linen, of flax, not knitted
6302.53	Table linen, of man-made fibres, not knitted
6302.59	Table linen, of other textile materials, not knitted
6302.60	Toilet&kitchen linen, of terry towellg or similar terry fab, of cotton
6302.91	Toilet and kitchen linen, of cotton, nes
6302.92	Toilet and kitchen linen, of flax
6302.93	Toilet and kitchen linen, of man-made fibres

HS No.	Product Description
6302.99	Toilet and kitchen linen, of other textile materials
6303.11	Curtains, drapes, interior blinds&curtain or bed valances, of cotton, knit
6303.12	Curtains, drapes, interior blinds&curtain/bd valances, of syn fib, knittd
6303.19	Curtains, drapes, interior blinds&curtain/bd valances, oth tex mat, knit
6303.91	Curtains/drapes/interior blinds&curtain/bd valances, of cotton, not knit
6303.92	Curtains/drapes/interior blinds curtain/bd valances, of syn fib, nt knit
6303.99	Curtain/drape/interior blind curtain/bd valance, of oth tex mat, nt knit
6304.11	Bedspreads of textile materials, nes, knitted or crocheted
6304.19	Bedspreads of textile materials, nes, not knitted or crocheted
6304.91	Furnishing articles nes, of textile materials, knitted or crocheted
6304.92	Furnishing articles nes, of cotton, not knitted or crocheted
6304.93	Furnishing articles nes, of synthetic fibres, not knitted or crocheted
6304.99	Furnishg articles nes, of oth textile materials, not knittd o crochetd
6305.10	Sacks&bags, for packg of goods, of jute or of other textile bast fibres
6305.20	Sacks and bags, for packing of goods, of cotton
6305.31	Sacks&bags, for packg of goods, of polyethylene or polypropylene strips
6305.39	Sacks & bags, for packing of goods, of other man-made textile materials
6305.90	Sacks and bags, for packing of goods, of other textile materials
6306.11	Tarpaulins, awnings and sunblinds, of cotton
6306.12	Tarpaulins, awnings and sunblinds, of synthetic fibres
6306.19	Tarpaulins, awnings and sunblinds, of other textile materials
6306.21	Tents, of cotton
6306.22	Tents, of synthetic fibres
6306.29	Tents, of other textile materials
6306.31	Sails, of synthetic fibres
6306.39	Sails, of other textile materials
6306.41	Pneumatic mattresses, of cotton
6306.49	Pneumatic mattresses, of other textile materials
6306.91	Camping goods nes, of cotton
6306.99	Camping goods nes, of other textile materials
6307.10	Floor-cloths, dish-cloths, dusters & similar cleaning cloths, of tex mat
6307.20	Life jackets and life belts, of textile materials
6307.90	Made up articles, of textile materials, nes, including dress patterns
6308.00	Sets consistg of woven fab & yarn, for makg up into rugs, tapestries etc
6309.00	Worn clothing and other worn articles

Textile and clothing products in Chapters 30-49, 64-96

HS No.	Product Description
3005.90	Wadding, gauze, bandages and the like
ex 3921.12}	{
ex 3921.13}	{ Woven, knitted or non-woven fabrics coated, covered or laminated with plastics
ex 3921.90}	{

HS No.	Product Description
ex 4202.12}	{
ex 4202.22}	{Luggage, handbags and flatgoods with an outer surface predominantly of textile
ex 4202.32}	{materials
ex 4202.92}	{
ex 6405.20	Footwear with soles and uppers of wool felt
ex 6406.10	Footwear uppers of which 50% or more of the external surface area is textile material
ex 6406.99	Leg warmers and gaiters of textile material
6501.00	Hat-forms, hat bodies and hoods of felt; plateaux and manchons of felt
6502.00	Hat-shapes, plaited or made by assembling strips of any material
6503.00	Felt hats and other felt headgear
6504.00	Hats & other headgear, plaited or made by assembling strips of any material
6505.90	Hats & other headgear, knitted or made up from lace, or other textile material
6601.10	Umbrellas and sun umbrellas, garden type
6601.91	Other umbrella types, telescopic shaft
6601.99	Other umbrellas
ex 7019.10	Yarns of fibre glass
ex 7019.20	Woven fabrics of fibre glass
8708.21	Safety seat belts for motor vehicles
8804.00	Parachutes; their parts and accessories
9113.90	Watch straps, bands and bracelets of textile materials
ex 9404.90	Pillow and cushions of cotton; quilts; eiderdowns; comforters and similar articles of textile materials
9502.91	Garments for dolls
ex 9612.10	Woven ribbons, of man-made fibres, other than those measuring less than 30 mm in width and permanently put up in cartridges

IX. Declaration of Originality

Ich versichere, dass ich die vorliegende Arbeit ohne fremde Hilfe selbständig verfasst und nur die angegebenen Quellen und Hilfsmittel benutzt habe. Wörtlich oder dem Sinn nach aus anderen Werken entnommene Stellen sind unter Angabe der Quelle kenntlich gemacht.

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Hamburg, den 06.07.2016