

## THE EU'S TEXTILE AND CLOTHING INDUSTRIES AND THE CHALLENGE OF CHINA

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### *Abstract*

*Textile and clothing industry in the EU is, since the beginning of 2005, facing a free competition world. In the past decades has been widely protected. However after the Marrakesh Agreement of 1994 the final stage of liberalization begun and came to an end at the end of 2004. In these years Chinese industry has grown preparing itself for competing in the free international market. The same we cannot say of the EU industry that has missed to implement major adjustments and changes. For this very reason the industry is facing increasing difficulties to face the fierce competition of China's production. In the first half of 2005 there have been strong possibilities for a trade war between EU and China. The solution has been found in the Agreement signed by the two parties on June 10, 2005.*

### **Introduction**

#### **1. Features of the clothing and textiles industries**

The clothing sector is a labour-intensive, low wage industry and a vibrant, innovative sector, depending on market segments. In the high-quality fashion market, the industry is characterized by modern technology, relatively well-paid workers and designers. The competitive advantage of firms in this market segment is related, besides to cost effectiveness, to the ability to produce designs that catch and influence tastes and preferences. The core functions of firms acting in this market segment are largely located

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in developed countries and often in limited geographical areas or clusters within these countries.

The other major market segment is mass production of lower-quality and/or standard products such as t-shirts, underwear and so on. Manufacturers for this market segment are largely found in developing countries. They employ mainly semi-skilled and unskilled, besides household production is quite diffused. The basic production technology of the apparel industry has not changed much over the past century, and is characterized by the progressive assembly system. Work is organized such that each worker is specialized in one or a few operations. One major innovation was the automatic cutting machine introduced in 1969. This machine has made it possible to cut increasingly thick layers of cloth accurately.

The textile industry is usually more capital intensive than the clothing industry and it is highly automated, particularly in developed countries. It consists of spinning, weaving and finishing, and the three functions are often undertaken in integrated plants. Traditionally, and in many markets, it is still the case that lead time in the textile sector is quite long and the capital intensity of the industry results in relatively large minimum orders. The textile industry is therefore less flexible in terms of adjusting to consumer tastes during a season than the clothing and retail sectors. The textile sector is less unskilled labour-intensive than the clothing sector.

## **2. The textile and clothing sectors in the EU**

The textile and clothing sector is an important part of European manufacturing industry with a turnover in 2002 of over €200 billion produced in roughly 177,000 enterprises employing more than 2 million people, a figure which increases to 2.7 million after EU enlargement in May 2004. Textiles and clothing account for around 4% of total manufacturing value added and 7% of manufacturing employment in the EU-15.

The EU textile and clothing sector is predominantly an SME-based industry. Enterprises of less than 50 employees account for 60% of the workforce in the EU clothing sub-sector and produce almost 50% of value added.

In the EU-15, the textile and clothing industry is concentrated in the 5 most populated countries, accounting for about three quarters of EU-15 production of textiles and clothing, i.e. Italy, the UK, France and Germany,

followed by Spain. As regards the two sub-sectors, textiles and clothing, southern countries such as Italy, Greece and Portugal and, to a lesser extent, Spain and France contribute more to total clothing production while northern countries such as the UK, Germany, Belgium, the Netherlands, Austria and Sweden contribute relatively more to textile production. On average, the textile and clothing sector plays a more important role in the economy and employment of the new Member States and candidate countries than in the EU-15.

As regards the textiles and clothing external trade performance, more than 20% (23% in the case of textiles) of EU-15 production in value is sold on the external market, despite limited access to many third markets. By comparison with manufacturing as a whole, it is worth noting that external markets are of higher importance for the textiles and clothing industry, while at the same time import penetration is also significantly higher in this sector, especially in clothing (41%).

In general, on the basis of developments in productivity, labour costs, quality of products, and international trade performance, it can be said that the European textile and clothing sector remains competitive internationally and has improved its position vis-à-vis the United States.

Many of the 10 new Member States are very dependent upon the textiles and clothing industry in terms of value added and employment, and the existence of a huge productivity gap poses major challenges to European policy makers. The Commission is monitoring carefully the impact of enlargement in order to address challenges for textiles and clothing regions in the old Member States posed by the increase of sub-contracting activities and relocation of production facilities. At the same time, the pressure for restructuring and modernisation in the textiles and clothing sector in the new Member States and candidate countries is set to rise as a result of increased access by third countries to the EU and acceding countries' markets, which will pose challenges to European policy makers.

Employment has been held up much better in the textiles sector than in the clothing sector in the EU-15 countries, but employment has declined substantially also in textiles in Germany, the United Kingdom and Italy. Only Portugal and Spain have avoided job losses in the clothing sector. These employment trends reflect a long-term decline in textiles and clothing in the major developed countries, in spite of the protective trade regime. Furthermore, it appears that a substantial adjustment has already taken place

following regional trade agreements, particularly in the United Kingdom, where employment in the clothing sector has more than halved since 1995.

### **3. Trade regime**

#### **3.1 The multilateral system from MFA to the end of the quota system.**

Protection of the textile and clothing sector has along history. In 1962 a Long Term Agreement Regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the Multi Fibre Agreement (MFA), which came into force in 1974. The MFA, as the name suggests, extended restrictions on trade to wool and man-made fibres in addition to cotton. The MFA aimed at an orderly opening of restricted markets in order to avoid market disruptions.

MFA was supposed to be a temporary measure. However it was against the principles of the multilateral system in several ways:

- It violated the most favoured nation principle;
- It applied quantitative restrictions rather than tariffs;
- It discriminated against developing countries;
- It was non-transparent.

The MFA was renegotiated four times, the last time in 1991, and it finally expired in 1994. Six developed countries applied quotas under the MFA during the final years of the agreement (the EU, Austria, Canada, Finland, Norway and the United States), and the quotas were applied almost exclusively to imports from developing countries. The expiration of the MFA did not, however, mean the end of quotas on textile and clothing exports from developing countries. Instead the MFA was followed by the Agreement on Textiles and Clothing (ATC), which came into force with the establishment of the WTO in 1995. ATC was a transitory regime between the MFA and the full integration of textiles and clothing into the multilateral trading system. Four countries carried the MFA restrictions into the ATC (Canada, the EU, Norway and the United States). The integration took place in four steps over a 10-year period. The steps can be seen as two separate processes:

- The progressive integration of products into the GATT 1994. The integrated products were no longer part of the ATC but fell under the GATT;
- The progressive increase of the quotas that remained under the ATC.

The list of products to be included in the agreement included, however, items that were not restricted under the MFA. The list therefore served to inflate the basis from which liberalization was calculated.

When the third stage was reached, the opportunity to integrate products that previously had not been restricted under the MFA had been exhausted. The Textiles Monitoring Body observed that there was a tendency to integrate products where quota utilization was particularly low. In the case of out of 37 specific constraints to be eliminated, 28 had a utilization rate of below 50 per cent. These figures confirm the statement of developing country WTO members that liberalization was not commercially meaningful to them.

### **3.2 The EU's bilateral agreements**

The EU has negotiated bilateral textile agreements with a considerable number of third countries which are, not yet, members to the WTO. Those countries are subject to quantitative restrictions and/or a surveillance regime: The so-called "double checking" system is based on the following principles:

- For a limited number of product categories, the supplier country has to issue an export licence (which is valid for exports throughout the EU customs territory).
- Upon presentation by the EU importer of a valid export licence, the competent authority of the EU Member State in question has to issue an import authorisation.
- In principle, those double-checking agreements do not provide for any quantitative restrictions. However, the EU has the right to request the opening of consultations with a view to agreeing on an appropriate quota level, if the level of imports of the product in question exceeds a certain threshold of total extra-Community imports of that product. (This is the so-called 'basket-exit' mechanism).

- Administrative co-operation is foreseen in order to take effective action against circumvention by transshipment, false declaration concerning the product's origin, falsification of documents, etc.

The EU has entered into a number of free trade areas, covering textile and clothing products, which usually provide for liberalisation over a transitional period of several years. Such agreements, Association Agreements, Euro-Mediterranean Agreements, or Free Trade Agreements, have been concluded with countries such as Egypt, Israel, Malta, Morocco, Tunisia, South Africa and Mexico.

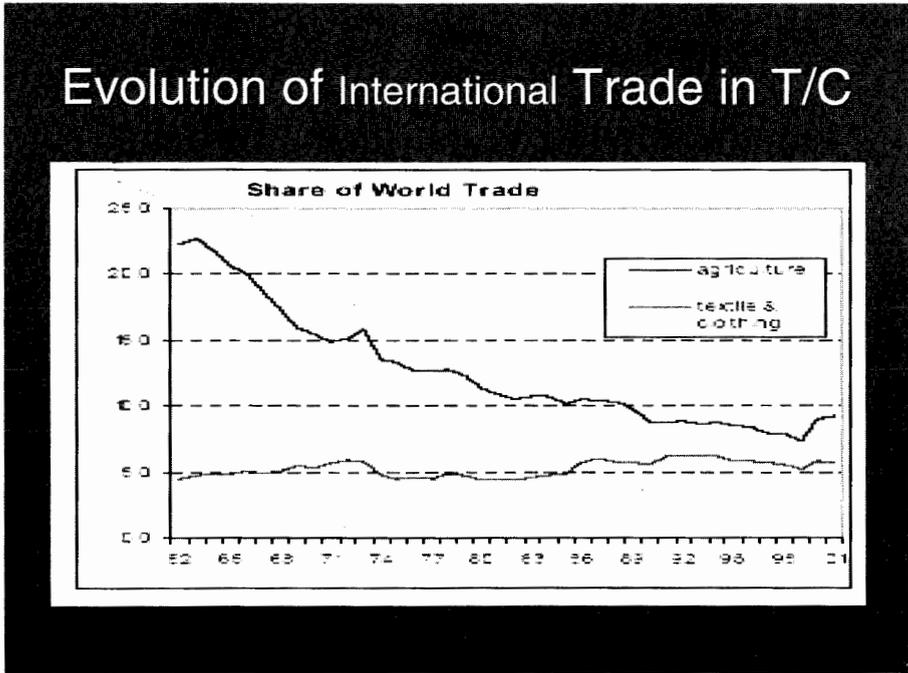
Finally, the EU introduced autonomous measures vis-à-vis a certain number of supplier countries. Autonomous quotas are currently applied against Bosnia-Herzegovina, North Korea, Serbia/Montenegro, and Taiwan.

Last but not least, the EU and Turkey entered into a customs union, whereby the two parties had to eliminate all tariff and non-tariff barriers between them. Moreover, Turkey is obliged to apply, in relation to other non-EU countries, "provisions and implementing measures which are substantially similar" to those of the Community's own trade policy.

#### **4. Trade developments**

##### **4.1 The changing international division of labour.**

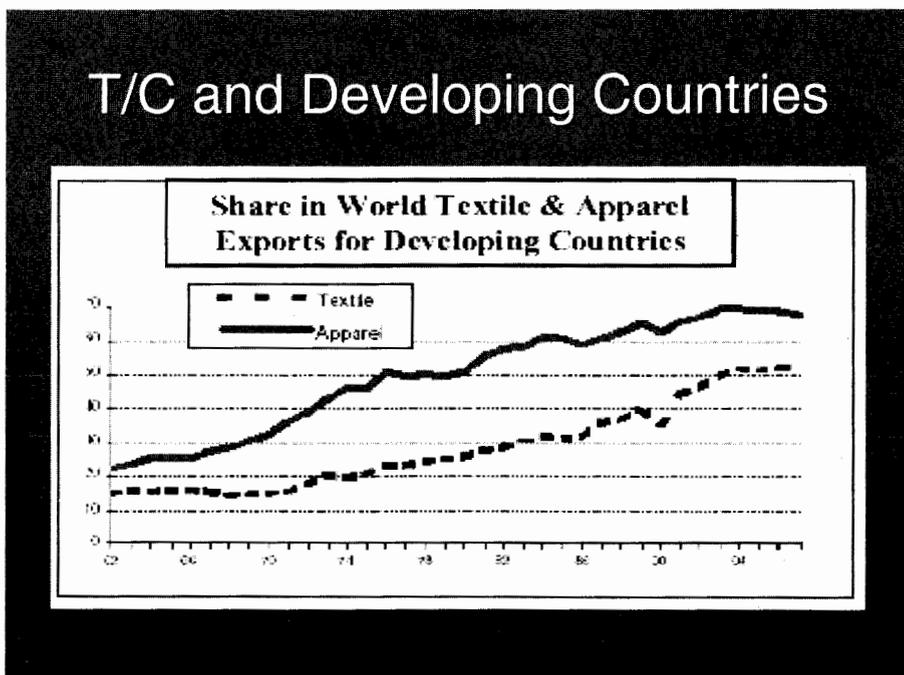
Since 1962, world textiles and clothing trade increased by more than 60 times, from less than \$6 billion to \$342 billion (in nominal terms) in 2001. In the beginning of the 1960s, however, the value of world textile trade was twice that of world clothing trade. In forty years, clothing trade has increased by 128 times while textile trade has grown 36 times; as a result clothing represent today the major share accounting in 2001 for nearly 60% of total world textile and clothing trade (i.e. \$147 billion). The growth rate of textile and clothing trade is higher than agriculture trade growth rate (nearly 20 times in 40 years), as indicated in Figure 1.

**Figure: 1**

Textile and clothing trade has grown more quickly than total trade in goods, which from 1962 increased by 48 times. The pace of growth in textile exports has always lagged behind that of manufactures. Whereas, clothing sector outpaced it through the 1970s and the 1980s, and witnessed a slowdown since the 1990s and a negative growth under ATC.

Developing country exports have risen more rapidly than world exports over the past half century. Developing countries now account for more than a third of global exports, and nearly one-fourth of global exports of manufactures, as indicated in Figure 2. In the textile and clothing industry the MFAs have been distorting for long-time the world trade with a system of restricting quotas, allowing the industrialised countries to account for the largest share of world total exports until 1990.

Figure: 2

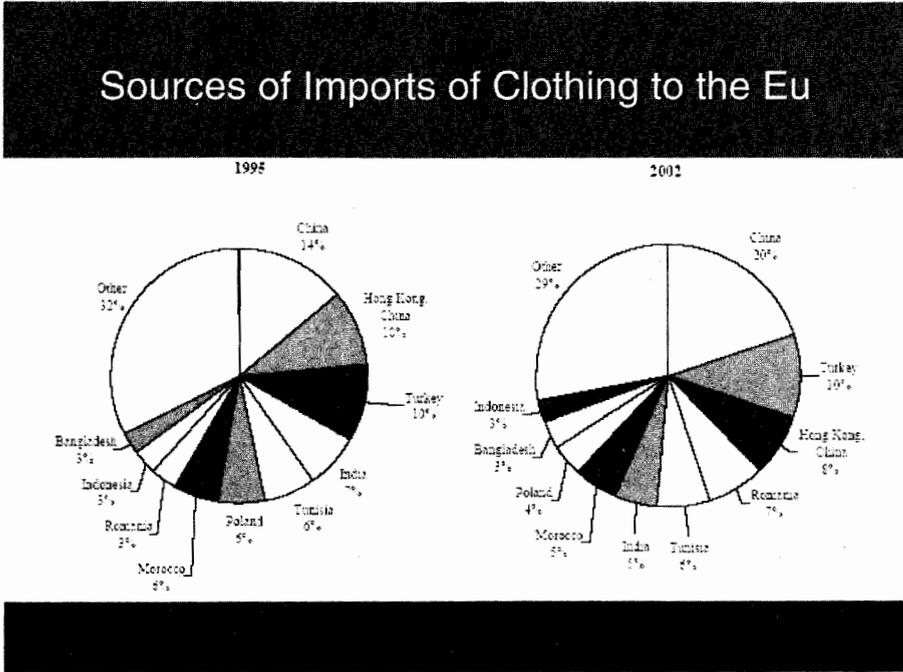


In the mid-1960s, developing countries accounted for nearly 15% of world textile exports and less than 25% of world clothing exports. In 2000, these shares are more than 50% and 70%, respectively.

Since 1995 the share of the ATC countries (Canada, the EU and the United States) in world imports of textiles has increased from about 35 per cent to 47.8 per cent in 2004 (excluding intra- EU trade).

The EU, imports (excluding intra-EU trade) of textiles grew by about 3% in nominal terms during the period 1995-2002. Behind this modest growth lies a substantial shift from intra-EU trade to imports from lower cost external suppliers. In fact, intra-EU trade declined from 61 to 50 per cent of total trade during this period. Moreover, it also declined slightly in nominal dollar value. Changes in the EU's external sources of textile imports are characterized by a sharp increase in Turkey's market share following the EU-Turkey customs union that entered into force in 1996. Switzerland, the fourth largest exporter in 1995, has fallen out of the list of the 10 largest exporters, while Bangladesh has entered the list and gained a significant market share. China has also increased its market share.

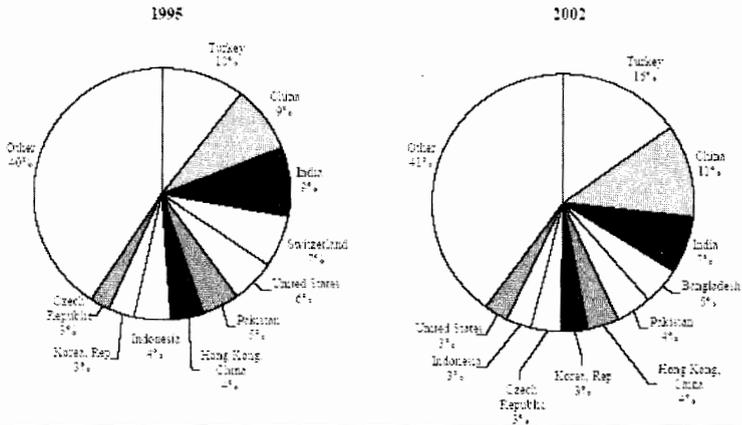
Figure: 3



Total clothing and textile imports from external suppliers grew by about 2.5 per cent annually during the period indicated in Figures 3 and 4. Also in the clothing sector this reflects a shift from intra-EU trade to lower cost external suppliers, and intra-EU trade declined from about 36 to 30 per cent of the total during the period in question. Figure 3 depicts sources of imports of clothing, and shows that China was the largest supplier in both years and that its market share has increased. Turkey has advanced to second place following the customs union between EU and Turkey, but its market share has been stable at around 10 per cent. The countries and territories on the 10 largest exporters list have not changed, but the ranking according to market share has. Notably, Romania has more than doubled its market share. Comparing EU and US sources of imports, a regional dimension is clear.

**Figure: 4**

## Sources of Imports of Textiles to the Eu



### 4.2 China's expansion

Before analyzing the consequences of the end of the quotas system since the beginning of 2005, it is useful to take a look at how China's market shares have developed in some unrestricted, relatively developed markets over the period 1995 – 2002. Japan, Australia, Switzerland and South Africa are such quota-free markets. Table 5 presents the figures.

As indicated in a study by the European Commission, a high and rapidly increasing market share is observed for China following its accession to the WTO in 2001 in Australia, Japan and South Africa, but a very modest share in Switzerland. Japan already sourced a large share of its imports of textiles and clothing from China in 1995. Australia and South Africa are relative far from all significant textile and clothing exporters and China is at a less time-to-market disadvantage in these markets than in the EU and USA. The major sources of imports to Switzerland are the European Union members, notably Germany. Major suppliers to South Africa in addition to China are the major Asian exporters as far as textiles are concerned, but Malawi is the second

largest supplier of clothing to South Africa, and Mozambique also features among the 10 largest suppliers. Again we observe the regional dimension, although China indeed dominates the markets except in Switzerland.

However, a comprehensive recent study (Institut Français de la Mode, 2004) argues that other Asian countries (India, Indonesia and Viet Nam) are catching up with China in terms of favourable unit labour costs and that the Chinese industry is still weak in design and fashion capabilities.

All studies indicate that Asia will experience the greatest changes in the distribution of production. The quota system has provided protected market shares for higher cost producers, so full elimination of the quota system in 2005 will lead to a much more market-driven system.

### **5. The consequences of the quota's elimination.**

In this section we will review the trade and trade-policy developments between Eu and China in the first half of 2005.

On January 1st, 2005, the Agreement on textiles and clothing expired, as a consequence all WTO members have since the beginning of the year unrestricted access to the EU markets, as well US and Canadian. China, and its dramatic potential to increase exports following the lifting, has become a key concern for a number of EU Member States and European textiles producers. Actually since January there have been huge increases of many categories of textiles from China. They are indicated in Table 1 where the percentage increase, for different product categories, between January and March 2005 is compared to the same period of the year 2004.

Following these trends and as a consequence of several complaints from textile industries and trade unions, the European Commission agreed at the beginning of April 2005 to publish guidelines for clarifying under what circumstances it would consider safeguard action against textile and clothing imports from China. The guidelines relate to the textiles-specific safeguard clause written into China's Protocol of Accession to the WTO in 2001 which was incorporated into EU law in 2003. The guidelines establish procedures and criteria for the objective and transparent use of safeguard proceedings.

## EVIDENCE OF MARKET DISRUPTION

T-shirts (1000 units)	2003	2004	2004 Q1	2005 Q1	Source / Methodology
Production	450,048	405,214	107,062	92,349	Euratex + Eurostat short term indicators *
Total Imports	2,258,960	2,660,266	793,944	974,770	Eurostat
Apparent Consumption	2,508,520	2,851,203	840,381	990,518	=Production - Exports + Imports
Imports PRC	176,537	192,203	57,053	172,729	Eurostat + Surveillance Taxud for 2005 Q1
Market share PRC	7.0%	6.7%	6.8%	17.4%	= imports PRC as a % of consumption

Source: European Commission

In that occasion the European Commissioner for Trade Peter Mandelson stated: “. My aim is to ensure a smooth transition to a post quota world without incurring avoidable damage to our industry and vulnerable developing countries. It is important for both China and European industry that the use of any safeguard measures is objective, transparent and based on credible data. The guidelines recognise the legitimate concerns of Member State governments and textiles sector, while allowing China to benefit from the lifting of quotas. They equip us to make a swift and effective response.”

The guidelines, like the safeguard clause itself, respond to the potential market disruption that could be caused by a sudden and sustained surge in Chinese textile exports to the EU. As well as threatening EU textile producers, such a surge could displace textile imports from highly vulnerable developing countries with an historic dependence on trade with the EU market. This problem is of particular concern for textile producers in Europe's Mediterranean partners.

The guidelines establish alert zones for each category of Chinese textiles imports allowing for increases in China's current market share. To reach these alert zones Chinese exports will need to show a rapid and sustained rise over a defined period.

If these thresholds are reached, the Commission, acting on its own initiative or at the request of a Member State, will undertake an investigation. Informal consultations with the Chinese will allow China to act to provide sufficient remedy. If no remedy is achieved, formal WTO consultations with the Chinese authorities would require them to act to limit textiles exports in the affected categories.

If this is still insufficient, safeguards can be invoked. Safeguards would take the form of quantitative import restrictions applicable for a year, but extendable on reapplication. These measures can only be used until 2008.

By mid April Mandelson met with representatives of Euratex, the Trade Association of European textile producers. He informed textile producers that the Commission was examining the request for safeguards. He added that so long as the Commission had credible import data for Chinese textiles would be in a position to make a decision on launching a safeguards investigation on April 25.

Such an investigation would last for sixty days during which the Commission would determine if serious disruption of the European textile market had occurred. If such disruption was found, the Commission would launch formal consultations with the Chinese. If the Chinese did not act to limit exports without delay, temporary safeguards in the form of import quotas could be used.

On April 22 Mandelson announced that he has decided to ask the European Commission to authorise him to launch investigations into nine categories of Chinese textile exports to the EU. This decision was made in the light of a sharp surge in imports from China during the first quarter of 2005. In all these categories, import volumes for Chinese textiles have risen above the 'alert levels' defined by the guidelines. Consequently the Commission would conduct a rapid investigation (maximum two months) to determine if market disruption has occurred and whether the EU should impose special safeguard measures. In parallel, consultations with China in an attempt to find a satisfactory solution would have been launched.

In that occasion Mandelson stated: "Member States have finally made available the import statistics for the first quarter of 2005. In several categories of textile and clothing imports they do give cause for serious concern. Based on these facts, Europe cannot stand by and watch its industry disappear. Our investigation will enable me to decide whether the EU should

introduce safeguard measures. Chinese exports should, of course, be allowed to grow at a normal speed following the removal of quotas. But we must also extend protection to European industry if it is faced with a ruinous surge of unprecedented proportions”.

The product categories to be covered by the investigation were: T-shirts, pullovers, blouses, stockings and socks, men's trousers, women's overcoats, brassieres, flax or ramie yarn and woven fabrics flax. In these nine categories import increases range from 51% to 534% since the start of the year. Under the terms of the guidelines published by the Commission, these rises are more than sufficient to warrant a wider investigation into market disruption, both in Europe and for textile producers in developing countries with an historic dependence on exports to the EU market.

We remind that the Textile Specific Safeguard Clause in China's WTO Accession Protocol (2001) allows WTO members to take temporary safeguard measures to protect domestic textile producers from a sudden surge in Chinese textile exports following the liberalisation of the global trade in textiles on 1 January 2005. This clause allows for short-term protective measures until the end of 2008.

On 29 April, the Commission opened investigations of nine categories of Chinese textiles exports to the EU. While these investigations could take up to 60 days, the procedure allows for urgent consultations with China within the WTO to be triggered for any product where import surges and the threat of immediate damage to the EU's industry are very high.

The Commission's investigation revealed that imports from China in the first months of this year have risen by 187% for T-shirts and 56% for flax yarn, compared with the same period in 2004. Furthermore, the investigation also pointed out a dramatic deterioration of production, profitability and employment European industry in these categories. For T-shirts produced in Greece, Portugal and Slovenia there has been a production drop of 12%, 30-50% and 8% respectively. For flax yarn, production across Europe has fallen by 25%, turnover by 25% and employment by 13% on the same period in 2004.

This sudden surge of imports was also damaging the textiles sectors of several vulnerable developing countries. In particular exports of T-shirts to the EU from Pakistan, Sri Lanka and Bangladesh had dropped by 37%, 25% and 9% respectively since the beginning of 2005.

China's reactions have been summarised, in a debate with the European Parliament May 12, by Mandelson. He welcomed signals from China that it intends to take further action to address levels of textile imports to the EU. "I have noted the statements by the Chinese Prime Minister Wen Jibao yesterday in Beijing. I would like to welcome the fact that China understands the concerns of the EU and that China prefers a solution based on dialogue and cooperation. I also welcome that China considers the need to resolve this issue as amongst China's primary interests in relation to the EU.

I noted with particular interest the statement by Wen Jibao that, in addition to the measures already taken to curb textiles export growth, China will take even stronger measures in the near future. I believe that the effects need to be felt quickly if they are to stay our hand in any action that we are to consider taking. It is imperative that China explains in detail the type of additional measures they intend to adopt and what consequences these may have on future trade flows."

Finally on June 10 the EU and China agreed a deal that will manage the growth of Chinese textile imports to the EU until the end of 2008. The agreement provides for reasonable growth in Chinese textile exports to the EU during 2005-2007 while giving time to adjust for the textile industry in the EU. With this wide and balanced agreement, the EU and China ensure a period of adjustment for EU producers, provide greater predictability for importers and retailers, and preserve the prize of market liberalisation and WTO membership for China.

The followings are the main features of the Agreement:

- Chinese textile exports to the EU in 10 categories of concern will be limited to agreed growth levels until the end of 2007.
- This agreement will cover 10 of the 35 categories of Chinese imports liberalised on 1 January 2005: pullovers, men's trousers, blouses, t-shirts, dresses, bras, flax yarn, cotton fabrics, bed linen, and table and kitchen linen. It covers the categories of serious concern, including most of the categories identified by the European Textile Association Euratex and the two categories for which the EU had already launched formal WTO consultations with the Chinese: t-shirts and flax yarn.
- The EU agrees to end the ongoing investigations concerning these product categories.

- The agreement limits growth in imports in the 10 categories to between 8 and 12.5% per year for 2005, 2006 and 2007. These levels will be calculated on a base that includes either two or three months of post-quota trade level. In those categories for which growth is initially set at 8%, agreed growth rates will rise over the three year period.

- Quantitative levels will apply from 11 June 2005. Both sides will at once put in place the necessary administrative arrangements for the management of agreed import levels.

- In categories not covered by the agreement, and for 2008, the European Union will undertake to exercise restraint in the application of its rights under Article 242 of China's Protocol of Accession to the WTO.

- The two sides stand ready to discuss promptly any aspect regarding the implementation of this agreement.

- This agreement takes the form of a Memorandum of Understanding between the European Commission and the Chinese Ministry of Commerce. It will now be submitted to Member States and the competent authorities in China for endorsement or approval.

Mandelson commented: "I have always called for this issue to be resolved amicably rather than through the EU taking unilateral measures, even though we are legally entitled to do so under China's WTO Accession Protocol. My preference has always been to seek an agreement with China that reflects our strategic partnership and our mutual interest in strengthening our trade relations. Today's agreement will give players on both sides clarity, certainty and predictability... Without wishing to turn back the clock on the elimination of quotas in the textiles trade I concluded that economically and politically I had to propose action to manage what was becoming a combustible situation in a number of our Member States. I am a believer in free trade. But I am equally sensitive to the need to be able to adjust and find transitional arrangements in the event of sudden developments and unexpected shocks."

I have always hoped that this issue could be resolved amicably, rather than through the EU taking unilateral measures, even if we are legally entitled to do so... I am therefore pleased that it has been possible for the European Commission and the government of China to find a mutually acceptable solution that will manage and ensure a smooth transition through

a period extending over the next three years... Today's agreement will be fair on both sides. It provides clarity, certainty and predictability and will also provide relief for developing country textile exports to Europe. It is an agreement that helps everyone's interests. It is a win-win-win agreement... Today's agreement is a significant demonstration that China is entering the global economy as a responsible and valued partner. And I say this too. China is entitled to reap the comparative advantages and its WTO accession, while managing its integration into the global economy in a way that avoids fear of China, and in a way that does not provoke a protectionist backlash by European industry and the general public".

### Conclusions

Two factors have underlined the evolution of textile and clothing industry in these last thirty years: the huge change in the international division of labour and the gradual elimination of protectionist barriers by developed countries and notably by EU's member States. However the speed at which these two factors have run has not been matched by parallel changes and adjustments in the EU's clothing and textile industry. This has been particularly true in the past ten years. Both trends have accelerated while no sufficient changes have been realised by too many of the EU's members States. As we stated in section three no real willingness of adjustments to liberalization tendencies and commitment has been shown. This sort of benign neglect is at the root of the present difficult conditions, as far as employment is concerned in the EU's member States. Surely Europe is facing a tremendous challenge by China, but also by many others Asian countries; much stronger than expected. Facing this situation vested interests in Europe have been making pressures on policy makers in order to resume protectionism. We have seen this in the previous section. When the Commission has launched investigation and threatened to call at WTO, the reaction of China had an angry reaction, accusing the EU of an inward looking attitude, not in line with its free trade statements and commitments. The risk of a trade war has been strong. We have been lucky enough not to experience such an event. This means that the negotiation system has worked. China accepted that Europe is not yet ready for full liberalization of textile and clothing industry, at the same time Europe had to commit herself to realize the needed changes in the next three years. It will be a very difficult task, but there is no other option than doing what has not been done in more than a decade. We will have to accept reductions in employment and in production and focus on more research-innovation intensive and high added value market segments. But we will have also to set up the appropriate

labour market policies to absorb the negative employment effect of trade liberalization.

These accompanying policies are of the utmost importance as, definitely, they are an indispensable ingredient for a sustainable free trade policy.

The most important conclusion however is that protectionist tendencies. Have been defeated. Protectionism is at the same time a missile and a boomerang, a very dangerous weapon.

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