Payment plan

Payment Plan Payment Plan Multi Fibre Agreements (MFA) is a set of guidelines drawn up to govern the trade, in textiles and garments in the world. It was designed to help countries cope with cheap textile imports by imposing quotas on exports. It helped developing countries deal with the competition posed by textile imports from developed countries. This plan aims to highlight the functioning of MFA and its economic consequences.
Multi Fibre Agreements were set up approximately 30 years ago, and in the last decade there had been attempts to do away with it and the culmination of this was on 1st January 2005 when it was finally abolished. MFA worked by creating quotas that restricted the competition posed by imports irrespective of the benefits of price considerations (Isenheim, 2007 p6). Quotas helped remove some part of the incentives offered to foreign suppliers unlike quantitative restrictions that totally eliminate prices and costs from the transaction. In essence, the MFA set up quotas that restricted the amount of textile products that each country could export to another per year; when this threshold was reached, they had to wait for another calendar year to resume exporting to those countries under the MFA (Isenheim, 2007 p7). The MFA agreement covered specific products, not only those made from cotton, but also from wool and chemical fibre (Isenheim, 2007 p7).
The quotas were provided or created through bilateral trade agreements and their implementation through unilateral measures in the event of " severe market disruptions or proof of an existing threat thereof" (Isenheim, 2007 p7). Poor developing countries were put in an advantageous position by the MFA since it allowed their products to compete on a level ground with cheap imports from developed countries. Developing countries like Bangladesh, which had readily available cheap labour, were as able to expand its textile

industry to a stage where even after the abolishment of MFA, they were hardly affected, and it saw their revenues from the textile industry increase. This was because even after the MFA was done away with, they still had the largest pool of cheap labour compared to developed countries. This applies to all developing countries because they are characterised by the same conditions present in Bangladesh.

The economic impact of MFA on developing countries was greater than its effect, in developed countries. The MFA helped developing countries attract substantial foreign investors, in the textile industry, and create millions of job opportunities, which worked towards alleviating poverty and improving the living standards in those countries. It also enabled countries to enter the garment market of which they could not have been able to if it were not for the MFA. The agreement was, however, in contravention of earlier set laws that prevented favouritism or discrimination of trade partners that were set as the basic rules in the General Agreements on Tariffs and Trade (GATT) (Isenheim, 2007 p8). The MFA was set up to protect the interest of US and European Union countries' textile industries, but it ended up benefitting developing countries more.

Multi Fibre Agreement (MFA) was drawn up to regulate the amount of exports a country could export in a given year which gave both developing and developed countries a level ground to trade their wares. The quotas helped developing countries to create favourable conditions for foreign investors especially in the textile industry; it helped create a lot of job opportunities and opened up markets for developing countries' products. The setting up of MFA was meant to be a short term solution, but it was extended several times because of its benefits economically, and it worked towards alleviating poverty and improving living standards.

Bibliography

Isenheim M. Quotas on Textiles and Clothing - a Review. GRIN Verlag, 2007.