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Assuring Development Gains from the International Trading System and Trade Negotiations:

Implications of ATC Termination on 31 December 2004

Note by the UNCTAD secretariat

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Introduction

The importance of textiles and clothing trade for development

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

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

A historical perspective: restrictions on developing-country exports

3. Exports of textiles and clothing from developing countries have been the target of special discriminatory and restrictive measures involving quotas that, although initially intended as temporary relief measures in favour of developed-country industries, have been in force for over 40 years. In 1962 a Long-Term Agreement Regarding International Trade in Cotton Textiles (LTA) was signed, replacing the one-year Short-Term Agreement that existed at the time. The LTA was renewed several times until 1974, when it was replaced by the Multi-Fibre Arrangement (MFA), which expanded its coverage to synthetic fibres and wool, thus affecting practically all fibres. While competitive developing countries gained an important share in world trade of textiles and clothing, the full scope of opportunities for growth of their exports of these products was seriously constrained. The regime governed by the MFA lasted until 1994, when the Uruguay Round of Multilateral Trade Negotiations negotiated the Agreement on Textiles and Clothing (ATC). A time line summarizing the historical development of trade regimes governing world textiles and clothing trade is outlined in Table 1 of the Annex.

4. The ATC replaced the MFA and established an integration programme to phase out all quota restrictions over a 10-year transition period. It set minimum thresholds for “integration” of textile and clothing products in three successive steps: an initial 16 per cent of these products were integrated by 1 January 1995, a further 17 per cent by 1 January 1998, a further 18 per cent by 1 January 2002, and the remaining 49 per cent by 1 January 2005, thereby completing the ATC integration programme.

5. Up to the present, 51 per cent of the products covered under the ATC have been integrated. However, products of real interest to developing countries are still largely restricted, and therefore, the commercial significance of the integration for these countries has until now been very limited. The integration programme included unrestricted textiles and clothing products as well as restricted ones, and, in the process of negotiation, the selection of products for integration was left to the discretion of the restricting countries. Restraining countries opted to defer integration of the majority of restrained products until the last moment, back-loading integration of about 80 per cent of their restrained textiles and clothing goods until the final phase of the integration programme. The restricted products account for about half of the total textiles and clothing imports in the European Union and the United States.[1] Earlier in 2004, restraining countries formally notified the WTO of their intention to meet commitments to eliminate all remaining quota restrictions as scheduled under the ATC.

Recent developments

6. Concerned by the possible negative impact on their economies of the removal of quotas that have given them a guaranteed share of major markets and likely higher prices in those markets, a developing WTO member State (Mauritius), supported by two LDC-status WTO members (Bangladesh and Nepal), requested the WTO to convene an "emergency" meeting of the Council on Trade in Goods (CTG) to consider "unintended negative consequences for vulnerable economies" from the impending phase-out of the textiles and clothing quotas on 1 January 2005. On 3 August 2004, the Director-General of the WTO convened a consultation meeting to discuss whether such a meeting would be necessary and concluded that there was no consensus regarding the need for the meeting. However, it was agreed that the meeting of the CTG on 1 October 2004, where the final review of the ATC would be on the agenda, [2] could provide an opportunity to address this issue under the agenda "Post-ATC Adjustment-Related Issues".

7. The private sector has also been active in the recent ATC debate. Concerned over the negative impacts of ATC termination, in March 2004 several industry associations in the United States, Turkey and Mexico met in Istanbul and adopted the Istanbul Declaration Regarding Fair Trade for Textiles and Clothing, which called for extension of the quota restrictions until 31 December 2007. In June 2004, a follow-up meeting held in Brussels resulted in the Brussels Communiqué by the Istanbul Declaration Partners in the Global Alliance for Fair Trade in Textiles and Clothing, which was signed by about 40 industry associations in some 20 countries. While the latter indicated that these associations would continue to seek an extension of the quota system, it emphasized their request for the use of the safeguard mechanism to "prevent disruptive surges of textiles and clothing from a few countries, as well as to demand remedies to all types of unfair trading practices employed by certain major supplying countries, including currency manipulation, state-sponsored subsidies and state provided non-performing loans".[3]

8. Not all private-sector groups favor an extension of the ATC regime. Eighteen associations representing retailing and importing companies, collectively called the Group of 18, as well as consumer groups in the restricting countries support the scheduled elimination of quotas on textile and apparel products and have tried to counteract the protectionist lobbying campaign. They denounce the

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[1] WTO document "Second Major Review of the Implementation of the Agreement of Textiles and Clothing by the Council for Trade in Goods", G/C/W/325, 22 October 2001, p. 5.

[2] The final review of the ATC will be based on the Comprehensive Report of the implementation of the ATC that has been prepared by the Textiles Monitoring Body, which was established to monitor the implementation of the ATC.

[3] "Textile Makers Shift Focus from Quota Extension to China Safeguard", China Trade Extra.Com, Inside U.S. Trade's sister news service, June 25, 2004.

protectionist lobbying, arguing that “industries that have failed to use the 10-year phase-out to prepare for the end of quotas are now claiming they ‘need more time’ ”.

Systemic implications of ATC expiry

9. Textiles and clothing trade governed by the MFA and its predecessor arrangements derogated from the basic principles of the multilateral trading system. It represented a carve-out for developed countries at the expense of developing countries whose comparative advantage was superior in many of these manufactured products. The textiles and clothing trade regime set out under the ATC also constituted a reverse form of special and more favourable treatment for developed countries, providing their textiles industries long-standing protection. Developing countries had borne the brunt of a restrictive, managed, discriminatory, discretionary and non-equitable trading system. The end of the ATC would thus contribute to the “upholding and safeguarding of an open, non-discriminatory, predictable, rule-based, and equitable multilateral trading system,” an objective of the international community recently affirmed in the São Paulo Consensus adopted at UNCTAD XI in June 2004. It would also contribute to the realization of the United Nations Millennium Development Goals.

11. As is noted above, some textiles industry trade associations that have been protected under the quota system are pressing their governments for extension of the system. The ATC forms part of the Single Undertaking embodied in the Results of the Uruguay Round of Multilateral Trade Negotiations, which established the WTO. Developing countries accepted the ATC Agreement in exchange for developed countries’ acceptance of other agreements in this Uruguay Round. There is a potential danger that changing the ATC may require a reopening and unravelling of the Uruguay Round Agreements, with potentially serious implications for the multilateral trading system, including the Doha negotiations. It is therefore vital to implement fully the commitments of the restraining countries to eliminate all remaining quota restrictions, as scheduled under the ATC.

I. Textiles and clothing trade patterns under the MFA and the ATC

Trade patterns of textiles and clothing

12. During the last two decades, trade in textiles and clothing grew significantly, and developing countries made a considerable contribution to this growth. In this period, clothing exports from developing countries increased by a factor of 7 and textile exports by 5, while the corresponding figures for developed countries were factors of 3 and 2 respectively.[4] Textiles and clothing was the second most dynamic product in world trade, with an annual export growth rate of 13 per cent, surpassed only by electronic and electrical goods, whose exports increased by 16 per cent annually.[5] In 2000, developing countries accounted for 60 per cent of total world clothing exports and 46 per cent of world textiles exports, while 20 years ago the corresponding figures were only 8 and 9 per cent.

13. The leading exporters of textiles and clothing in 2002 are indicated in Tables 2 and 3 of the Annex. China, India, Pakistan, Indonesia and Thailand were the developing countries among the top 20 world textile exporters, whereas for clothing exports, China, India, Bangladesh, Thailand and Pakistan were among the top 20 countries. Many developing countries experienced very high rates of growth, particularly in clothing exports. The dynamism of developing-country exports of textiles and clothing in an era of ATC restraint masks the opportunities forgone. Also, contrary to the belief that

[4] UNCTAD WITS-TRAINS database.
[5] *Making Global Trade Work for People*, UNDP, 2003, p. 174.

textile trade is dominated by developing countries, Tables 2 and 3 show a quite different picture. The United States and a number of EU countries led by Italy, Germany, France, Belgium, and others continue to play leading roles in both textiles and clothing trade.

14. Securing the availability of quotas was a major concern of importers in the restricting countries under the MFA and ATC regimes. This factor led to the evolving structure of the exporting countries group, which is not necessarily or fully based on comparative advantage. Importers in the restricting countries did "quota hopping" to overcome quota limitations, moving from one country to another searching for suppliers who could assemble garments cheaply – sometimes with minimal operations and relabelling – and export them to their countries without being restricted by quotas. The product range was also modified to move into sectors with unused quotas – for example, T-shirts were lengthened and exported as tunics under a different tariff line. Major retailers of textiles products and intermediary contractors made investments in such countries to build factories. Eventually, helped by quotas, exports of textiles and clothing grew. As Table 4 in the Annex shows, in some developing countries, especially LDCs, they became a major source of foreign exchange earnings. The case of Bangladesh is an example of spectacular growth. Its clothing exports grew from $1 million[6] in 1978 to $4.5 billion in 2001 despite quotas and MFN tariffs in the US market. This growth was accompanied by a remarkable increase in female manufacturing employment.[7]

15. The phase-out period of the ATC leading to 2005 saw the emergence of regional trade agreements, including bilateral ones, between the two major trade partners on one hand and their respective partner countries. The Euro-Mediterranean Association Agreements, the North America Free Trade Agreement, the Caribbean Basin Trade Partnership Act, the Andean Trade Preferences Act and the United States–Jordan Free Trade Agreement are examples of regional trade agreements. Observers have noted that regional trade agreements diminish the shares of major non-preferred suppliers. For example, in 1995, 64 per cent and 22 per cent of total imports of clothing to the United States came from Asia and Latin America, respectively; however, in 2000, the corresponding figures were 55 per cent and 30 per cent.

Emerging trends in the 1990s

16. Two new trends in the 1990s, the emergence of transnational intermediaries and the concentration of retailers, had a significant impact on international production of and trade in textiles and clothing. East Asian manufacturers moved up from assembly of cut fabric into more complex operations entailing coordination, supply of machinery and finance, and management of subcontractors. They are now full-package suppliers for international buyers and are operating as transnational intermediaries receiving orders from large retailers and subcontracting to their networks of producers, which are located in Asia, Latin America and Africa.

17. The market has become more concentrated in the major importing countries.[8] In addition, high-volume discount chains in these countries have developed their own brands and outsource their clothing from suppliers. Major retailers have large distribution networks and considerable buying

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[6] All references here to dollars ($) are to US dollars, unless another currency is specified.

[7] *Making Global Trade Work for People*, op.cit., p. 171, and UBINIG, "Options for Women in the Textiles and Handloom Sector in Bangladesh", in *Trade, Globalisation and Gender: Evidence from South Asia*, edited by Veena Jha, UNIFEM and the United Nations, 2003, p. 231.

[8] Apparel retailing in the major importing countries is dominated by large firms, which control major distribution channels. In the United States the 29 biggest retailers account for 98 per cent of apparel sales, and in the European Union retailing has been marked by substantial concentration in the last decade. Gary Gereffi and Olga Memedovic, *The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries?*, Vienna, UNIDO, 2003, p. 6.

power, and they exert a great deal of control over prices and other conditions imposed on suppliers. These retailers and international intermediaries are developing close business relationships, and it is expected that the close ties between these two actors will be a prominent feature of the international garment business in the post-ATC era. Another important trend that emerged in the 1990s is "lean retailing", a business practice made possible by advances in information technology that allow retailers to hold small inventories and respond rapidly to fluctuations in consumer demand.[9] This practice is applied particularly to seasonal apparel products, which are "rapid replenishment" goods, or items for which fashion changes rapidly, so that timeliness of shipment is crucial. Studies found that for "rapid replenishment" goods, proximity to suppliers is important for retailers, and nearby producers are increasingly specialized in such goods.[10]

II. Factors influencing post-ATC effects

18. Determining countries' performance in the textiles and clothing sector after ATC expiry cannot be reduced to a single calculation of who will win or lose, but rather involves the question of how countries will take advantage of the opportunities, and overcome the challenges, that ATC expiration brings about. In this context, a number of central issues will be important, including gains, costs and adjustment, competitiveness, the role of tariffs in shaping sectoral trade, and likely near-term changes in trade and investment patterns.

Welfare and trade gains

19. Large welfare gains for both developed and developing nations are predicted to emerge from the integration of textiles and clothing into the normal WTO rules. The welfare gains from elimination of quotas are estimated to account for 42 per cent of the total gains of Uruguay Round liberalization in the static model and 65 per cent in the dynamic model.[11] The efficiency and welfare gains accruing to the importing developed countries themselves could be as high, for example, as $18 billion a year in the United States[12] and ECU 25 billion a year in the European Union.[13] Another study estimated that freeing textile trade in 2005 could generate income gains for developing countries of $24 billion a year, export revenue gains of $40 billion and employment of about 27 million jobs.[14] Moreover, a study on protection in the textiles and clothing sector of the United States found that, although textiles and apparel account for less than 2 per cent of total employment in the US economy, protecting them against import competition accounts for 83 per cent of the net cost to the US economy of all import restrictions.[15] The high administration costs of the complex customs systems under the ATC regime

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[9] Carolyn L. Evans and James Harrigan, "Distance, Time, and Specialization", Working Paper 9729, National Bureau of Economic Research, Cambridge, Massachusetts, May 2003, p. 1.

[10] For example, the sourcing of US apparel from Mexico and the Caribbean is disproportionately concentrated in "rapid replenishment". See Evans and Harrigan.

[11] Hildegunn Kyvik Nordas, "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing", WTO Discussion Papers, No.5, 2004, p.25.

[12] World Bank, *World Development Report 1987*, 1987, p. 150.

[13] Joseph F. Francois, Hans H. Glismann and Dean Spinanger, "The Cost of EU Trade Protection in Textiles and Clothing", Working Paper 997, Kiel Institute of World Economics, 2000, p. 67.

[14] International Monetary Fund and World Bank, "Market Access for Developing Country Exports: Selected Issues", 26 September 2002, pp. 42–43.

[15] Michael J. Finger and Anne Harrison, "Import Protection for US Textiles and Apparel Viewed from the Domestic Perspective: The Political Economy of Trade Protection", National Bureau of Economic Research Project Report Series, University of Chicago Press, 1996, pp. 43–49.

will also be eliminated when the quotas are phased out, thus producing considerable savings given the size of the sector.

20. A number of studies have been conducted to estimate the impact of post-ATC textiles and clothing trade on developing-country exporters using the Global Trade Analysis Project model (GTAP). Most model simulations conducted to date share the finding that some Asian countries are most likely to benefit from the ATC expiry, while many other countries that have gained their market shares under regional trade agreement preferential schemes could be negatively affected.[16] Results also suggest that countries specializing in assembly and export of low-value-added garments are likely to face particularly strong competition in the post-ATC period.

21. It is important to temper expectations of either large trade gains for some major developing-country exporters or large trade losses for other developing-country exporters based on GTAP modelling results. While recent modelling studies are valuable for evaluating the likely outcomes of alternative scenarios, they must be regarded cautiously owing to model limitations. For instance, the aggregate global benefits of trade liberalization in the sector vary enormously among these studies, from a low of approximately $10 billion to a high of over $300 billion, depending on underlying assumptions. Moreover, models that estimate the effects of ATC quota elimination provide projections of static trade gains only and not of the significant dynamic gains that may overshadow initial static effects over time. Finally, in addition to quotas, there are a range of other determining variables of future trade patterns, such as supply capacity, competitiveness, market access, and market share of developing countries in exports to world markets, and each of these needs to be considered when estimating dynamic gains from trade in textiles and clothing.

The challenge of adjustment

22. Because of the distorting effects of quota restrictions on international trade and production of textiles and clothing, industrial experts and scholars predict that significant adjustments will take place in the industry during the first few years after the ATC expiry. One of the important features of the ATC was to provide a 10-year phase-out period for quota elimination to ease the impact of quota lifting. However, the restricting countries chose not to use this transition period and backloaded liberalization of the restrained products until the last moment. The opportunity for a soft landing was missed. Moreover, during the transition period itself, and with full knowledge of the impending complete elimination of the quota regime, new exporting countries emerged, mostly among the LDC group, to fill the supply gap produced by quota limitations on the established suppliers; in fact, their increasing participation in the garment export trade was actually based on the quota regime itself.

23. While some developing countries are expected to increase their exports of textiles and clothing significantly after the ATC expiry, LDCs and small economies that enjoyed quota- and duty-free treatment of their exports to the United States and the European Union (through the AGOA, EBA and GSP initiatives), and that rely heavily on exports of assembled garments, are particularly vulnerable to the expected increase in competition in the sector following ATC expiry. For many of them, textiles and clothing are extremely important sources of foreign exchange earnings; for example, in Asian LDCs like Bangladesh, Cambodia, the Lao People's Democratic Republic and Nepal, the sector earns 50 to 90 per cent of the countries' international trade revenues. Exports in this sector are also important for many African countries, especially for cotton-producing countries in West Africa (Benin, Burkina Faso and Mali), while clothing exports are significant for Kenya, Lesotho, Madagascar and Mauritius. Studies indicate that these preference-receiving countries would

[16] See, for example, D. Spinanger, "Beyond Eternity: What Will Happen When Textile and Clothing Quotas Are Eliminated as of 31/12/2004", UNCTAD Research Paper, September 2003.

be adversely impacted by the elimination of quotas. They also have limited capabilities to adjust to the impacts of preference erosion that will accompany ATC expiry. The international community should be sensitive to their needs and stand ready to extend appropriate assistance.

Determinants of competitiveness

24. Competition in trade in textiles and clothing will be intensified when quota restrictions disappear. To prepare for the competition, action needs to be taken by the industries whose trade has been sheltered by the quota regime to improve their competitiveness. Factors such as "quick-and-flexible response" systems, cost reduction, quality, investments in modern technologies, and product innovation are regarded as key ingredients for creating dynamic textiles and clothing industries. Also, when quotas disappear, importers of textiles and clothing in the major importing countries will continue to be influenced by such factors as speed, quality, compliance with legal requirements, logistics and production costs when selecting particular suppliers and countries.[17] One study predicts that, among developing countries, there will be a relocation of low-end operations to lower-cost countries, and that the apparel value chain will relocate to countries with the lowest wages.[18] A number of other studies have identified areas where national policy measures will be necessary to improve the competitiveness of the textiles and clothing industries in developing countries.[19] These include consolidation of fragmented producers, revamping of national policies restricting competitiveness (e.g. policies to reserve handlooms production), development of niche-based exports, support for technology upgrades, and streamlining of transport, shipping and customs clearance, including the aspect of trade facilitation.

Costs for non-preferred developing countries

25. The issue of emerging regional trade agreements mentioned above leads to the question of preferred countries' gains versus non-preferred countries' costs. Often referred to is the notion of "discriminatory trade liberalization" or "discriminatory free trade", terms that describe preferential trade arrangements within which countries permit duty-free and quota-free imports from subsets of countries, while maintaining barriers to imports from others. Lifting of quotas would restore parity of quota-free treatment for non-preferred suppliers. At the same time, non-preferred suppliers would continue to be discriminated against by way of tariff treatment. Owing to tariff peaks on textile products discussed in the following section "the role of tariffs", tariff preference margins will probably remain quite significant even though quota preferences will be eliminated. As a result of persisting high tariffs in the sector, currently preferred suppliers will continue to enjoy a preferential edge over non-preferred suppliers. This should cushion the impact of ATC expiry on preference-receiving countries while reducing the potential benefits for non-preferred suppliers.

26. Substantial inter-trade of textiles and clothing takes place between the United States and the European Union on the one hand and their respective preferred-country suppliers on the other hand, an indication of closed production chains. The high degree of inter-trade is attributable partly to business relations established in the past and partly to the increasing trend of "lean retailing". Also, rules of origin for regional trade agreements are likely to be an important factor influencing this trend,

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[17] Dan Ikenson, "Threadbare Excuses: the Textile Industry's Campaign to Preserve Import Restraints", Cato Institute, Washington, D.C., Oct. 2003, pp. 14–15.

[18] Gary Gereffi and Olga Memedovic, *The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries?*, op.cit., p. 9.

[19] For example, Indian, Bangladeshi and Philippine studies (Sanjay Kathuria, Will Martin and Anjali Bhardwaj, "Implications for South Asian Countries of Abolishing the Multifibre Arrangement", World Bank, November 2001; and Satinder Bhatia, "Indian Garments Industry in the Post-MFA Period", Indian Institute of Foreign Trade, February 1997).

as they have been designed to encourage the use of preference-giving countries' inputs. Intermediate inputs like cut fabric, thread, and buttons are exported to offshore suppliers located in low-cost countries, often neighbouring ones, with reciprocal trade agreements that allow goods assembled offshore to be re-imported duty-free or with a tariff charged only on the value added by foreign labour.[20] In other words, the beneficial incidence of regional trade agreements is on textiles producers of the importing countries, a development that has permitted them to regain a competitive edge in the textiles sector, which is generally capital and technology intensive. In the process, the non-preferred countries have seen their shares in markets decline or stagnate, and the removal of quota restrictions will only partly restore the balance. For instance, data from the International Textiles and Clothing Bureau (ITCB) shows that non-preference-receiving countries' share of total US textile and clothing imports decreased from 79 to 69 per cent between 1990 and 2003, while an analysis of EU imports indicates market share stagnation for non-preference-receiving countries at a level of 41 per cent over the same period. Some other factors, such as competition from China, seem to be superseding the advantage of preferences.

27. Closed investment and trade loops between the two major trading partners and their preferred countries are indicated in Table 5 and Table 6 in the ANNEX. The figures in these Tables are import and export ratios of the US and the EU with their preferred suppliers and non-preferred ones. As shown in the Tables, there is a very high share of US and EU trade in textiles and clothing with their respective preferred suppliers as compared to non-preferred ones.

Changes in investment and sources of supply

28. Concerns have been expressed about possible investment diversion as the result of quota lifting. However, as is discussed, in addition to quota availability, factors such as proximity to markets, availability of preferential access, and preferential rules of origin are very important for determining locations of foreign investments. Also, an industrial survey indicated that the five highly important factors in private-sector decisions on foreign investment locations include labour costs; policies affecting investment and international trade; politics and stability; policies affecting labour, health and environment; and quality of transportation infrastructure.[21] The textiles and clothing industries, especially in full-package production, involve considerable capital investments, and it would not be a rational choice for them to be footloose. Moreover, surrounding hubs of textile exporters in some developing countries have become important spokes exporting clothing and thus promoting South-South trade. Industry experts predict that large retailers will rationalize and consolidate their suppliers after the ATC expiry, while under the quota system suppliers had to be dispersed across different countries. Given the distorting effect of the quota system, some adjustments are likely in this aspect, but again, other counter-balancing factors such as increasing demand for flexible production and shipment, as well as the search for preferential tariff access, which will continue in post-ATC for LDCs and other preferred countries, should not be discounted.

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[20] Gary Gereffi and Olga Memedovic, *The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries?*, op.cit, p. 8. This international subcontracting system exists worldwide. In the United States, it is called the 807/9802 programme or "production sharing", with sourcing networks predominantly located in Mexico, Central America and the Caribbean. In Europe it is known as outward-processing trade, and the principal suppliers are in North Africa and Eastern Europe. In Asia, manufactures from relatively high-wage economies like Hong Kong (China) have outward processing arrangements with China and other low-wage countries.

[21] See, for example, D. Spinanger, "Beyond Eternity: What Will Happen When Textile and Clothing Quotas Are Eliminated as of 31/12/2004", UNCTAD Research Paper, September 2003.

The impact of China's entry into the WTO

29. China's entry into the WTO has been seen as another major factor increasing competition in trade in textiles and clothing, and its impact has been debated. China acceded to the WTO on 11 December 2001. A surge of textiles and clothing exports from China is often predicted after the ATC expiry, but these exports could be restricted by several conditions agreed to in China's WTO accession negotiations. First, Chinese textiles and clothing will be subject to the special textiles safeguard provision until 31 December 2008, and the United States has already invoked this mechanism. Second, from 2009 to 2013, WTO members can apply a standard WTO safeguard mechanism selectively targeting only China. Third, application of the market economy principle to China in determining anti-dumping and countervailing measures is deferred for 15 years after the date of accession (until December 2016). However, China may also experience restraining effects on its exports from other factors such as diversification of supply sources in importing countries, reevaluation of the Chinese national currency and increased costs of production reflecting improved living standards.

The role of tariffs

30. Tariffs on textiles and clothing remain the highest among industrial products in developed countries. The average post–Uruguay Round tariffs on textiles and clothing for the three major industrial country markets are 14.6 per cent for the United States, 9.1 per cent for the European Union and 7.6 per cent for Japan, while their average industrial tariffs are 3.5 percent, 3.6 percent and 1.7 percent, respectively. Furthermore, as Table 7 in the Annex indicates, disaggregated data reveal that remarkably high tariffs are imposed on textile products. For the post–Uruguay Round rates, 52 per cent of textiles and clothing imports in the United States have tariff rates of 15.7 per cent to 35 percent, 54 per cent of EU imports have duties of 10.1 per cent to 15.0 per cent, and 55 per cent of Japanese imports have duties of 5.1 per cent to 10.0 per cent. Consequently, preferred countries as well as those benefiting from duty-free access under non-reciprocal preferential arrangements will continue to have significant tariff preference margins after the ATC expiry.

Implications of non-preferential rules of origin

31. Non-preferential rules of origin have a direct impact on trade in textiles and clothing. However, the WTO Dispute Settlement Case "United States – Rules of Origin for Textiles and Apparel Products" showed that it is difficult for affected countries to prove that they are affected by such rules.[22] In July 1996, under Section 334 of the Uruguay Round Agreements Act, the United States modified its non-preferential rules of origin for textiles and clothing. The EU countries and India were affected and considered the above changes inconsistent with the Agreement on Rules of Origin (ARO), which prohibits the use of non-preferential rules of origin for trade policy purposes, and they initiated dispute settlement proceedings against the United States.[23] The dispute between the European Union and the United States was settled through a *procès-verbal*, and the United States introduced legislation modifying the Section 334 to accommodate the European Union's particular export interests. However, India's problem remained, and the dispute settlement panel was established. The panel ruled in favour of the United States, arguing that India had failed to show how the purported US measures undermined Indian textile exports and that the US rules of origin did not violate the core principles of the ARO. This ruling may have serious systemic implications from the point of view of developing countries exporting textiles and clothing, which do not have preferential

[22] WTO, "United States – Rules of Origin for Textiles and Apparel Products",WT/DS243/R, 20 June 2003.
[23] The relevant WTO documents are (for the European Union) WT/DS85/1, WT/DS151/1 and WT/DS151/10, and (for India) WT/DS243/1 and WT/DS243/R.

trade agreements with the major importing countries and hence not covered by preferential rules of origin, because it permits the non-preferential rules of origin related goalpost to be shifted at will and act as entry barriers.

GSP schemes of major importing countries

32. In July 2004, the European Commission made a proposal for a new GSP system covering the period 2006–2015.[24] A new GSP Regulation to apply for three years, from 1 January 2006, will be presented to the Council in autumn 2004. One of the objectives of the new GSP programme is to give benefits to countries that most need it, particularly LDCs and the most vulnerable developing countries, such as "small economies, land-locked, small islands and low-income countries". This objective is to be achieved by making the threshold of competitiveness determining graduation criteria lower. Also, the proposal recognized the need to ease the rules of origin in order to increase the utilization rate of the GSP and South-South cooperation, and it suggested simplifying the administrative rules and procedures as well as amending the origin criteria and cumulation rules.

33. The GSP programme of the United States excludes textiles and clothing, except under the AGOA benefits given to sub-Saharan African countries. For the US GSP scheme to be highly effective, any future improvements of the programme will have to extend preferential treatment to textiles and clothing products.[25]

Salience of duty- and quota-free access for LDCs

34. Although initiatives to provide duty-and-quota free access to LDCs' products have contributed to the notable growth of garment exports from LDCs, preferential rules of origin and complex administrative requirements have been identified as obstacles to making such initiatives fully effective.[26] In this regard, the recent developments in the European Union and the United States on rules of origin are welcome. The former is contemplating modifications in the rules of origin for LDCs.[27] The latter has extended the special "third-country" fabric rule under the African Growth Opportunity Act (AGOA) until 30 September 2007. Flexible preferential rules of origin are an important factor in the development of local industries in beneficiary countries. They are also essential for promoting South-South trade and investment, as well as regional cooperation.

35. The importance of flexible preferential rules of origin for development is indisputable. However, experiences so far suggest the necessity of other measures for development of local industries. For example, many AGOA beneficiaries benefit from flexible rules of origin, which allow preferential access to garments made from domestic, regional and "third-country" inputs. The flexible rules of origin are supposed to encourage the development of local and regional cotton-based textile industries, but up to now local and regional content in the relevant countries' garment exports has remained very low. While preference-receiving countries benefit from exports of low-value-added

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[24] Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, "Developing Countries, International Trade and Sustainable Development: The Function of the Community's Generalised System of Preferences (GSP) for the Ten-Year Period from 2006–2015", Commission of the European Communities. COM(2004)461 final, Brussels, 7 July 2004.

[25] "Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements", UNCTAD/ITCD/TSB/2003/8, UNCTAD, 2003, pp. 11–15.

[26] For example, see *Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements,* UNCTAD/ITCD/TSB/2003/8, UNCTAD, 2003.

[27] See the Commission of the European Communities, "Green Paper on the Future of Rules of Origin in Preferential Trade Arrangements", COM(2003)787 final, Brussels, 2003.

garments, without measures to enhance supply capacity, they could be stuck in the low end of the production chain, which is vulnerable to international competition.

36. The United States does not provide preferential access for textiles and clothing from Asian LDCs, exports from these countries being subject to MFN rates. Given the tariff peaks on textiles and clothing and the high proportion of textile products in these countries' export basket, this leads to a perverse situation in which these countries are taxed disproportionately. For example, Cambodia's exports to the United States face a total of $152 million in tariff duties, while Norway's face just $24 million, even through the total value of Norway's exports is five times higher than that of Cambodia's.[28] Similarly, duties of $314 million were imposed on Bangladesh's $2 billion worth of textiles and clothing exports to the United States in 2001, while in the same year duties of only $330 million were imposed on France's entire exports to the same country, which amounted to $30 billion. The removal of such tariff discrimination against Asian LDCs would considerably assist poverty alleviation through textiles-related production and trade revenues.

Contingency protection measures

37. Contingency protection measures have crucial importance for developing-country exporters of textiles and clothing. The restraining countries have initiated numerous cases since the ATC took effect. For example, the European Union alone initiated 53 anti-dumping cases in the textiles and clothing sector between 1994 and 2001.[29] The United States invoked 28 special safeguard measures under the ATC by October 2001.[30] The contingency measures were used for imports under quota restrictions and were targeted towards individual enterprises, often small and medium-sized ones, which do not have adequate resources for defending their actions.

38. The damaging effects of anti-dumping actions are of particular concern. Many of the anti-dumping filings could be termed "process filers" that significantly hindered foreign exports during the investigation itself. A study found that anti-dumping duties on average have caused the value of imports to contract by 30 to 50 percent.[31] Moreover, a potential threat of an anti-dumping action could force a firm to sell the product in question at a much higher price than it would have under normal circumstances. An exporting firm's pricing behaviour to avoid an anti-dumping duty could result in suboptimal use of its competitive advantage.[32] Against this background, the ITCB member countries have proposed to the WTO that developed Members implement a grace period of two years after the ATC expiry during which they do not initiate investigations into imports of textile and clothing products from developing countries.[33] This proposal was based on the Doha Ministerial Declaration and the Decision on Implementation-Related Issues and Concerns.[34] Given the distortions caused by the long-standing managed trade in this sector and the failure to use the transition period provided by

[28] "Stitched Up: How Rich-Country Protectionism in Textiles and Clothing Trade Prevents Poverty Alleviation", Oxfam Briefing Paper 60, April 2004, p. 12.
[29] WTO, "Anti-Dumping Actions in the Area of Textiles and Clothing: Developing Members' Experiences and Concerns", TN/RL/W/48/Rev.1, 5 February 2003, p. 2.
[30] WTO document G/C/W/325, op. cit., p. 14.
[31] T. J. Prusa, "On the Spread and Impact of Antidumping", Working Paper 7404, NBER Working Paper Series, 1999.
[32] B. A. Blonigen and T. J. Prusa, "Cost of Antidumping: Devil Is in the Details", NBER Working Paper Series, 2002.
[33] WTO document, WT/GC/W/502.
[34] The former agreed to improve disciplines under the Agreements on Implementation of Article VI of the GATT 1994, and the latter calls for the examination of Article 15 of the Anti-Dumping Agreement relating to special and differential treatment of developing countries with a view to operationalizing it as a mandatory provision.

the ATC to cushion the impact on protected industries, the restricting countries have a strong moral case in supporting the ITCB proposal and also refraining from using other contingency protection measures motivated by protectionist purposes. Most recently, concerns have been also expressed regarding a possible revival of voluntary export restraints (VERs), which are clearly prohibited by the WTO rules and disciplines.

Market entry and non-tariff barriers

39. While tariffs do not block market entry – although they can make it prohibitive when duties are relatively high – non-tariff and market entry barriers can effectively block market entry for exporters that are unable to comply with often complex and stringent internal regulations and standards. Compliance with the latter is often difficult and costly for exporters. These barriers will remain significant constraints for developing-country exporters, and they need to be addressed adequately in order to reap the gains of the ATC termination.

40. Regulatory measures comprise the major form of non-tariff and market entry barriers for textiles and clothing exports. They may include customs and other documentation formalities, non-uniform classification practices with respect to the same products, rules of origin (including stricter rules for eligibility for preferences), health and other sanitary and phytosanitary (SPS) prescriptions, technical barriers to trade (TBT) requirements, competition and social-condition-related requirements.[35] Importing countries often unilaterally impose these measures without consulting exporters that will be affected by them.

41. As just one example of an elaborate and complex trade-restrictive TBT/SPS non-tariff barrier, a new system called REACH (Registration, Evaluation and Authorization of Chemicals) has been proposed in the European Union. If adopted, the REACH legislation could make EU textiles and clothing firms subject to a procedure of registration, evaluation, authorization and restriction for a large number of chemical substances. A report from the US Department of Commerce noted that some 30,000 chemical substances would be subject to this measure and that the US textile industry would be widely affected, as technical requirements and testing procedures would be complex, time consuming and costly.[36] Given that even the world's most industrialized country would encounter significant costs and difficulties in complying with REACH, the extent of the impact on developing-country industries could be severe. In addition to technical market entry barriers, anti-competitive practices of dominant firms in the sector also give rise to significant market entry barriers. For example, developing-country clothing producers often experience great difficulties in entering developed-country markets unless they are accepted as suppliers by firms controlling major distribution networks.[37]

43. While apparel retailers in the major importing countries face intense competition in their domestic markets and seek low-cost producers globally, these actions are criticized by labour unions and NGOs which claim that labour conditions in supplying developing countries are poor. Apparel retailers are thus pressured to impose tough labour conditions on their suppliers through private codes of conduct in order to avoid damaging publicity in their home countries. In fact, studies report cases of extremely poor working conditions in textiles and clothing factories in developing countries, and

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[35] ITCB, "New Non-Tariff Requirements", CR/37/EGY/7, 7 April 2003.

[36] U.S. Department of Commerce, "Second Report to the Congressional Textile Caucus on the Administration's Efforts on Textile Issues", October 2003, p. 6.

[37] UNCTAD, "Report of the Expert Meeting on Market Entry Conditions Affecting Competitiveness and Exports of Goods and Services of Developing Countries: Large Distribution Networks, Taking into Account the Special Needs of LDCs", TD/B/COM.1/66, 19 January 2004.

there is a danger that working conditions will deteriorate after the quota elimination as competition intensifies and pressures to cut prices increase.[38] Ensuring adequate labour conditions is a legitimate concern, and it is essential that governments enforce the labour laws so as to gradually meet the norms of the ILO conventions.[39]

44. In the post-ATC era, the problems that developing-country exporters of textiles and clothing face regarding private codes of conduct can be aggravated. After the ATC expiry, competition between domestic and foreign firms in the restricting countries will intensify, and industry analysts predict that international contractors will increase pressure on business partners in developing countries with respect to social conditions such as labour and environment. The challenge for developing countries is how to counter the problems of private codes of conduct. Individual exporters in developing countries have practically no bargaining power vis-à-vis the powerful large retailers, which may act at the behest of protectionist-minded labour unions interested in price equalization by imposing conditions going beyond the ILO norms. Also, there is no mechanism in the international organizations for addressing the systemic aspects and implications of such codes.

III. Ensuring and maximizing development gains

45. Significant challenges lie ahead for textiles and clothing exporters in developing countries, and to ensure and maximize development gains after the ATC expiry, the following issues need to be addressed.

The need for adequate support measures

46. Support measures are necessary, especially for LDCs and small economies, to offset the impact of increased competition in the global market as quotas are removed. Intensified competition in the post-ATC period is expected to cause significant adjustments in the sector, and thus providing adequate assistance to enable affected workers to adjust, retrain and find alternative jobs will be a post-ATC priority issue. Sensitivity to the needs of women will be particularly important, as the textiles and clothing sector is traditionally an important employer of women, and studies find that they are likely to be the first affected.[40] The social and economic impact could be considerable, as women often provide vital financial support for their families, while their opportunities for alternative employment are limited.

47. Government measures are required to strengthen supply capacity in affected countries, as well as financial and technical assistance from industrialized countries and the international community. Other support measures recommended are building reserves through cooperation between retailers and suppliers and temporarily providing LDC-equivalent preferences for some small economies that

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[38] UBINIG, "Options for Women in the Textiles and Handloom Sector in Bangladesh", in *Trade, Globalisation and Gender: Evidence from South Asia*, edited by Veena Jha, UNIFEM and the United Nations, 2003, pp. 244 and 248, and "Impact of the WTO on Women Workers in Sri Lanka" in *Trade, Globalisation and Gender: Evidence from South Asia*, p. 352.

[39] The ILO Declaration on Fundamental Principles and Rights at Work adopted in June 1998 defines basic labour rights as (a) freedom of association and the effective recognition of the right to collective bargaining; (b) elimination of all forms of forced or compulsory labour; (c) effective abolition of child labour; and (d) elimination of discrimination in respect of employment and occupation. However, the conditions noted above are outside the scope of this declaration.

[40] For example, Bhattacharya Debapriya, "The Post-MFA Challenges to the Bangladesh Textile and Clothing Sector", in *UNCRAD: Trade, Sustainable Development and Gender,* United Nations, 1999, and Veena Jha, edited, *Trade, Globalization and Gender: Evidence from South Asia,* UNIFEM and the United Nations, 2003.

are highly vulnerable owing to their greater dependency on textile products for their exports and GDP.[41] The Trade Integration Mechanism (TIM) introduced by the IMF in April 2004 is designed to assist member countries in meeting balance-of-payments shortfalls that might result from multilateral trade liberalization, including the ATC expiry. Other donor-supported mechanisms, preferably non-debt-creating ones, could also be considered as forms of sectoral adjustment aid to affected developing countries.

Market access negotiations under the Doha Work Programme

48. In the context of new tariff negotiations taking place in the Negotiating Group on Market Access for non-agricultural products (NAMA), governments meeting in Doha in 2001 decided "by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination if tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without *a-priori* exclusions" (para. 16 of the Doha Declaration). Full account is to be taken of the special needs and interests of developing and least developed countries, "including through less than full reciprocity in commitments, in accordance with the relevant provisions of Article XXXVIII bis of GATT 1994". While modalities are yet to be fully determined, one of the key proposals in the General Council Decision of 1 August 2004, Annex B, that is to serve as the basis for further work in this area, is that the textiles and clothing sector be included in sectoral negotiations. Such negotiations aim at rapid full liberalization of the sectors concerned, and countries participating in the negotiations would have to agree to eliminate all tariffs and non-tariff barriers in the sector according to a specific negotiated timetable. Developing countries are insisting that their participation in the sectoral negotiations should be voluntary, since drastic liberalization of the textiles and clothing sector in these countries could cause serious adjustment problems and would be counterproductive to poverty alleviation.

Improvement of non-reciprocal preferential access and preferential rules of origin

49. Provision of non-reciprocal preferential access to textiles and clothing from developing countries and LDCs could make an important contribution to the development of these countries in the post-ATC phase. For the current non-reciprocal preferential schemes to work effectively, they must be sensitive to the special needs of developing countries and LDCs and provided in an impartial and non-discriminatory manner. Inclusion of textiles and clothing in the GSP, inclusion of Asian LDCs in the preferential schemes, and reducing stringent conditionalities attached to preferences while increasing preference margins would not only cushion the shock of quota lifting but also provide trade solutions to the problems associated with the removal of quotas.

50. One of the elements for improving the non-reciprocal preferential agreements concerns rules of origin. For example, highly flexible rules of origin for the Canadian preferential scheme for LDCs, as well as the "third-country" fabric rule applied under AGOA (although ideally the rule should be made permanent), are crucial for promoting regional development and South-South cooperation. The European Union's recognition that allowing cross-regional cumulation among different regional groups (e.g. ASEAN, the Andean Community, SAARC) will be necessary in its new GSP scheme is also encouraging.[42]

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[41] "Stitched Up: How Rich-Country Protectionism in Textiles and Clothing Trade Prevents Poverty Alleviation", Oxfam Briefing Paper 60, April 2004, p. 12.
[42] "Developing Countries, International Trade and Sustainable Development: The Function of the Community's Generalised System of Preferences (GSP) for the Ten-Year Period from 2006–2015", Commission of the European Communities. COM(2004)461 final, Brussels, 7 July 2004.

Using regional trade agreements to sustain textile and clothing exports of developing countries

51. Regional trade agreements (RTAs), including those involving the major importing countries, will continue to expand in the post-ATC phase. Examples of ongoing or recently concluded negotiations for such agreements are the US–Central American Free Trade Agreement, the Free Trade Area of the Americas, the United States Middle East Free Trade Area Initiative, the Euro-Mediterranean Association Agreements, and the EU-Mercosur agreement. Textiles and clothing will be important components for these agreements. For the major importing countries, promotion of using their inputs is an important objective of the rules of origin, while for preferred countries it can diminish the competitiveness of their garment exports and hinder their movement up the value chain. Also, it hinders South-South trade and investments. As noted in the preceding section "costs for non-preferred developing countries", RTAs could significantly increase exports of textile products from preferred countries and contribute to their economies. At the same time, such agreements should also contribute to promotion of South-South cooperation to mitigate the discriminatory effects of North-North and North-South RTAs. For this to happen, rules of origin are an essential ingredient. Moreover, they should have minimum criteria ensuring that the exporting LDCs or developing countries themselves contribute to a transformation process, while making allowance for these countries' limitations and their need to benefit from investment to modern technology.

Conclusions

52. Both developed and developing countries stand to gain substantially from the removal of tariff quotas affecting products in the sector and the full integration of trade in textiles and clothing into normal WTO rules. Developing countries with a comparative advantage in the sector should see their production and exports increase in a post-ATC world, and in developed countries, lower prices for clothing will mean that consumers should be big gainers. Such predictions are, of course, based on the premise that major developed countries will avoid filling the ATC void with a barrage of new barriers. Should they refrain from such trade distortions, developing-country firms that respond to market demands, move up the value chain, and capture niche markets are poised to reap substantial gains in a post-ATC world.

53. Certain countries and certain segments of the industry are likely to experience some dislocation and therefore to require assistance with post-ATC adjustment. However, the post-ATC picture needs to be seen in its proper perspective, as there are several factors and assumptions that come into play in determining the extent, type and scope of the post-ATC impact. LDCs and small economies might feel the impact of ATC expiry most, and providing support measures to them would be a priority. There are outstanding issues that could affect development gains to be reaped from the ATC expiry, and these issues must be addressed properly. Giving in to protectionist demands to extend the ATC or to replace it by a plethora of protectionist non-tariff barriers, including contingency measures, would amount to taking away with one hand what ATC expiration gives with the other.

54. The dynamics of textiles and clothing trade will be influenced by the factors discussed above, while the international market for textile and clothing products continues to grow as the world's population, incomes and standards of living increase. Also, the economies of some populous developing countries are growing fast, and markets in the South will thus become increasingly important for Southern exporters. The sector also provides tremendous opportunities and prospects for developing countries given their leverage with respect to labour costs, as well as the possibility for

positive spillover effects into other sectors, particularly upstream commodities sectors and downstream industries.

ANNEX

Table 1
The History of International Trade in Textiles and Clothing

Date	Action taken
1957: January	Five-year agreement reached with Japan on limiting overall textile exports to United States.
1958: November	United Kingdom signs “voluntary” limitation on cotton T&C products with Hong Kong after threatening imposition at lower than prevailing volume levels.
1959: September	United Kingdom signs similar restraint agreements with India and Pakistan.
1960: November	GATT Contracting Parties recognize the problem of “market disruption”, even if it is just threatened; serves as “excuse” for establishing future NTBs.
1961: July	The Short Term Arrangement (STA) is agreed upon.
1962: February	The Long Term Arrangement (LTA) is agreed upon to commence on October 1, 1962, and last for five years.
1966: June	The United Kingdom implements a global quota scheme in violation of the LTA. (The LTA provides only for product-specific restraints.)
1967: April	Agreement is reached to extend the LTA for three years.
1969–71	The United States negotiates VERs with Asian suppliers on wool and man-made fibers.
1970: October	Agreement is reached to extend the LTA for three years. (It was later extended an additional three months to fill the gap until the MFA came into effect.)
1973: December	It is agreed that the MFA will begin on January 1, 1974, and last for four years.
1977: July–December	The European Economic Community and the United States negotiate bilateral agreements with developing countries prior to agreeing to extension of the MFA.
1977: December	The MFA is extended for four years.
1981: December	The MFA is renewed for five years. The United States, under pressure from increased imports resulting from dollar appreciation, negotiates tough quotas.
1986: July	The MFA is extended for five years, to conclude with Uruguay Round.
1991: July	The MFA is extended pending the outcome of the Uruguay Round negotiations.
1993: December	The Uruguay Round (UR) draft final act provides for a 10-year phase-out of all MFA and other quotas on textiles in ATC. MFA extended until UR comes into force.
1995: January 1	1st ATC tranche liberalized by importing countries – 16% of 1990 import volume.
1998: January 1	2nd ATC tranche liberalized by importing countries – 17% of 1990 import volume.
2002: January 1	3rd ATC tranche liberalized by importing countries – 18% of 1990 import volume.
2005: January 1	4th ATC tranche liberalized by importing countries – 49% of 1990 import volume.

Source: Based on D. Spinanger, “Faking Liberalization and Finagling Protectionism: The ATC at Its Best”, Table 1. Background Paper for the WTO 2000 Negotiations: Mediterranean Interests and Perspectives, Cairo, 14-15.

Table 2
Top 20 Textile Exporters
and EU Intra-Trade of Textiles in 2002
(thousands of US dollars)

China	16,889,397
United States	12,427,649
Italy	11,688,510
Germany	11,268,321
Republic of Korea	11,163,501
Taiwan Province of China	9,990,460
Japan	6,628,136
France	6,148,326
Belgium	6,072,467
India	4,826,626
United Kingdom	3,632,443
Spain	3,130,731
Turkey	3,095,113
Hong Kong (China)	3,022,065
Pakistan	2,910,073
Australia	2,889,337
Indonesia	2,874,512
Netherlands	2,353,412
Canada	2,016,594
Thailand	1,618,330
EU Intra-Trade	25,746,980

Source: COMTRADE database.

Table 3
Top 20 Clothing Exporters
and EU Intra-Trade of Clothing in 2002
(thousands of US dollars)

China	40,961,010
Italy	14,108,507
Turkey	8,908,527
Mexico	8,507,993
Germany	8,450,169
Hong Kong (China)	8,328,357
India	6,975,140
France	6,146,173
United States	5,994,679
Bangladesh	5,177,596
Belgium	4,915,133
Republic of Korea	4,156,573
Indonesia	4,014,045
United Kingdom	3,881,941
Thailand	3,635,185
Portugal	3,571,880
Romania	3,307,028
Pakistan	3,261,230
Spain	2,987,856
Netherlands	2,912,483
EU Intra-Trade	26,308,600

Source: COMTRADE database.

Table 4
Countries Where Textiles and Clothing Account for Significant Part of Exports of Goods Earnings (2002)

Country	Percentage
Lesotho	99
Cambodia	88
Bangladesh	87
Macao	82
Haiti	82
Northern Mariana Islands	81
Lao People's Democratic Republic	77
Pakistan	76
Chad	75
Maldives	72
Honduras	63
El Salvador	60
Sri Lanka	60
Mali	59
Mauritius	57
Palau	56
Uzbekistan	52
Tunisia	50
Nepal	50
Micronesia	49
Dominican Republic	48
Benin	48
Mongolia	46
Nicaragua	41

Source: COMTRADE database.

Table 5

Ratio of US Imports to Exports in Textiles and Clothing
with Selected Trading Partners (2001)
(thousands of US dollars)

	US Imports	US Exports	Imports/Exports
Canada	3,865,572	3,133,651	1.23
Mexico	10,601,367	5,567,750	1.90
ATPA	871262	231,959	3.76
CBI	10,063,704	4,769,507	2.11
China	11,667,141	286,807	40.68
India	3,141,049	228,664	13.74
Pakistan	2,104,410	72,361	29.08
Indonesia	2,768,455	237,314	11.67

Source: COMTRADE database.

Table 6

Ratio of EU Imports to Exports in Textiles and Clothing
with Selected Trading Partners in 2001
(thousands of US Dollars)

	EU Imports	EU Exports	Imports/Exports
EU Acceding Countries*	18,316,865	11,152,423	1.64
Euro-Med Countries	6,209,859	4,421,649	1.40
China	11899407	486,170	24.48
India	3,906,081	175,250	22.29
Pakistan	1,527,048	29,441	51.87
Indonesia	2,305,443	133,542	17.26

*Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, Slovenia, Bulgaria, Romania and Turkey.

Source: COMTRADE database.

Table 7
Bound Tariff Treatment of Textiles and Clothing Imports and Average Tariffs of Industrial Products in the Three Major Industrial Country Market (percentages)

	Distribution of imports													
	Average tariff		Duty-free		0.1%-5.0%		5.1%-10.0%		10.1%-15.0%		15.1%-35.0%		Over 35%	
United States														
All industrial products	5.4	3.5	10.4	39.5	59.6	42.9	20.4	10.2	2.4	1.3	7.0	6.0	0.2	0.1
Textiles and clothing	16.7	14.6	0.7	4.9	9.2	27.9	27.9	25.9	6.6	8.0	57.7	52.0	0.5	0.0
European Union														
All industrial products	5.7	3.6	23.6	37.7	26.3	34.2	35.5	19.0	13.2	8.2	1.4	0.9	0.0	0.0
Textiles and clothing	11.0	9.1	1.3	5.3	5.3	19.1	29.7	25.5	64.3	54.1	0.1	0.0	0.0	0.0
Japan														
All industrial products	3.9	1.7	34.8	71.0	40.5	16.6	16.7	9.7	5.5	2.0	2.5	0.7	0.0	0.0
Textiles and clothing	11.3	7.6	3.0	4.5	3.3	19.1	33.7	54.7	44.4	21.5	15.6	0.2	0.0	0.0

Source: World Bank, "The Uruguay Round and Market Access: Opportunities and Challenges for Developing Countries", in *The Uruguay Round and the Developing Economies*, edited by Will Martin, L. Alan Winters, World Bank Discussion Papers 307, November 1995.