Sewing Thoughts:
How to Realise Human Development Gains in the Post-Quota World

TRACKING REPORT

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AGOA	Africa Growth and Opportunity Act
ASCM	Agreement on Subsidies and Countervailing Measures
ASEAN	Association of South East Asian Nations
ATC	Agreement on Textiles and Clothing
BOI	Board of Investment
BOP	Balance of Payment
CBI	Caribbean Basin Initiative
CBW	Central Bonded Warehouse
DDA	Doha Development Agenda
DTIS	Diagnostic Trade Integration Study
EPZ	Export Processing Zones
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
IF	Integrated Framework for Trade Related Technical Assistance
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
MDGs	Millennium Development Goals
MFA	Multi Fibre Arrangement
MFN	Most Favoured Nation
NAMA	Non-Agricultural Market Access
OECD	Organisation for Economic Cooperation and Development
PDR	People's Democratic Republic
RMG	Ready Made Garment
SME	Small and Medium Enterprise
SPARTECA	South Pacific Regional Trade and Economic Co-operation Agreement
T&C	Textiles and Clothing
TUF	Technology Upgradation Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP RCC	United Nations Development Programme Regional Centre in Colombo
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
USITC	United States International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

I. Introduction

The textiles and clothing (T&C) sector hosts a substantial share of manufacturing jobs in many developing countries in Asia-Pacific. Millions of people, most of them women, now work in the sector, and many were elevated from a subsistence level as a result of employment opportunities offered there. It also is a sector that contributed to greater export performance of developing countries, thus helping them generate foreign exchange earnings.

Full implementation of the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC) on 1 January 2005 ended 40 years of quota-based trade in the sector, which had been 'managed' through non-transparent bilateral deals known as the Multi Fibre Arrangement (MFA). These deals violated the two fundamental principles of the WTO: most favoured nation (MFN),[1] and limits on the imposition of quantitative restrictions.[2] Now that the T&C sector has become part of the regular WTO discipline like other goods; no derogation shall be allowed to this sector.

Quota limits, when they existed, directly restrained the exports of large developing countries. Many Least Developed Countries (LDCs) that had been able to expand production and obtain access to major markets under the MFA now face the prospect of major structural and socio-economic dislocation. The elimination of quotas has been expected to lead to major shifts in trade and investment flows. As competition in the sector intensifies, the most competitive players are likely to further consolidate their positions at the expense of the least competitive. It is feared that this will result in significant employment loss in countries belonging to the latter category, where enhancing competitiveness has remained elusive.

In order to assess the human development impact of quota elimination, the UNDP Regional Centre in Colombo (UNDP RCC) launched a Textiles and Clothing Trade Flows Tracking System in 12 selected Asian countries (hereafter, the 'Asian 12') in May 2005. The Asian 12 consists of: Bangladesh, Cambodia, China, India, Indonesia, Lao People's Democratic Republic (PDR), Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, and Viet Nam. These countries can be grouped into four categories: (1) countries with large production capability in both textile and apparel production (China, India); (2) countries that have limited production capability in both textiles and apparel (Indonesia, Pakistan, Thailand, Viet Nam); (3) middle-income countries that mainly have apparel production capability (Philippines, Sri Lanka); and (4) LDCs (Bangladesh, Cambodia, Lao PDR, Nepal).

In cooperation with national consultants in a number of countries, UNDP RCC established the tracking system with the objectives of monitoring trade flows as well as key variables including shifts in employment patterns and international price trends. Two Reports analysing the data and highlighting major trends were published in September and December 2005, shared with experts in the region at several dissemination workshops, and distributed to

[1] Article I of General Agreement on Tariffs and Trade (GATT).
[2] Article XI of GATT.

a range of stakeholders. This initiative complements a sub-project at UNDP RCC that aims at identifying national and regional policy options to address possible negative economic and social impacts of the phasing out of quotas in the region.

This Report, which further updates the last two Reports, includes analysis of several policy questions on the basis of the most recent data and information. The Report is based on import data from two major markets – namely, the United States (US) and European Union (EU) – for one year after the phase-out of quotas, as well as on countries' available trade data. Analysis based on the countries' export data is ideal; however, disaggregated export data of many countries in the region are not available in a timely manner and the period of coverage based on the calendar/fiscal year and timing of releasing data differ country by country. For a purpose of comparison among a number of countries, the Report use the US and EU data as a primary source.

In addition to tracking of trade flow data of the Asian 12, this Report includes country-specific analysis of three additional countries that were severely hit by the expiry of the ATC; Fiji, Maldives and Mongolia. Other relevant data, such as employment and wages, are hard to obtain at the disaggregated level at the moment. Nonetheless, the Report attempts to highlight implications of the phase-out of quotas on workers where aggregate data and literature are available. RCC has recently started the initiatives of firm-based surveys in select Asian LDCs, which will not only help to generate recent data on employment and wage, but also on other elements with human development implications. Findings of these surveys will be disseminated to the stakeholders through their inclusion in the subsequent version of the Tracking Report.

Data on 2005 vis-à-vis 2004 show that China and India has been a clear winner by expanding their market shares in both United States and EU. On the other hand, landlocked countries such as Mongolia and Nepal and small island economies such as Fiji and Maldives were hit hard by the elimination of quotas: These countries' T&C exports declined significantly in 2005. Overall, other countries in the region are managing to hold on to previous gains especially after safeguards were imposed on Chinese T&C products. Increasing price competition however, casts doubts on their sustainability. Closures of factories, job losses and deterioration of worker's conditions are reported in the countries that lost export orders as well as in the countries that managed to keep their export volume. However, these countries do have an opportunity to utilise the window created by the imposition of safeguards on Chinese exports for the orderly management of their transition towards global competition.

The Report is organised as follows: Chapter II discusses the general trend in Asia's share of US and EU imports of T&C products and provides country-specific analysis for selected countries. Chapter III deals with policy concerns relating to supply-side constraints that will have long-term implications on the competitiveness of T&C enterprises, particularly in those countries of the region that have either been losing out or are expected to lose out from the phase-out of T&C quotas. The final chapter concludes the discussions and provides recommendations on the way forward.

II. Asia's Share of US and EU Imports of T&C Products: General Trend

A Growing Market

Asia's share of US and EU imports of T&C products continued to increase in the first year of the post-ATC regime. Table A-1 shows percentage shares of selected countries in Asia-Pacific and other regions that have trade agreements with the United States for imports of T&C products during 2004 and 2005. In 2004, nearly 42 percent of total US imports were from the Asian 12; now, Asia's share accounts for half of US imports of T&C products. Specifically, the comparison of import figures for the two years shows that the share of US imports from the Asian 12 rose from 41.3 percent to 49.8 percent in value terms and from 41.9 percent to 50.2 percent in volume terms. In contrast, regions that have trade agreements with the United States have lost their shares in US imports of T&C products – in spite of their preferential market access. The share of Caribbean Basin Initiative (CBI) countries plus Mexico in the US market declined from 21.6 percent to 19.2 percent in value terms and from 22.2 percent to 19.8 percent in volume terms. The share of African countries falling under the African Growth and Opportunity Act (AGOA) – which are the beneficiaries of generous preferential market access in the United States – also declined from 2.1 to 1.6 percent in value terms and from 1.7 percent to 1.3 percent in volume terms.

Percentage shares of the Asian 12 for EU T&C imports are shown in Table A-2. Notably, the share of the Asian 12 in EU imports is even larger than for US imports; in 2004, it was 47.2 percent in term of value and 56.2 percent in terms of volume. One year later, the share had increased to 53.2 percent in value and 61.4 percent in volume.

China is the leading contributor to the growth of both US and EU imports of T&C products from the Asian 12. China's share of total US imports of T&C products, already 17 percent in 2004, continued to increase. In 2005, about a quarter of all US T&C imports were from China. Similarly, EU imports of T&C products from China rose from 23.0 to 30.7 percent in terms of value and from 26.0 to 33.4 percent in terms of volume.

Among the Asian 12, Bangladesh, Cambodia, India, Indonesia and Pakistan also increased their exports to the United States, as well as their shares of US imports of T&C products. However, among these countries only India managed to increase its share of EU imports of T&C products as well. Besides China and India, all other Asian 12 countries, even those benefiting from several variants of Generalised System of Preferences (GSPs), experienced declines in T&C exports to the EU.

The next section provides more in-depth analysis of trade flows and implications on employment, where data are available, for selected countries. The US and EU import data for all Asian12 countries are provided in the Appendix.

Country Analysis

Bangladesh

96 percent of Bangladesh's T&C exports are concentrated on two markets, the United States and EU (World Bank, 2006: iii). Growth rates of Bangladesh exports of T&C to the United States and EU from 2004 to 2005 are 2.3 percent in terms of value and 4.2 percent in terms of volume (Table A-3). Europe, which has been Bangladesh's primary market for its T&C exports, slowed its imports from the country in 2005, especially in the category of woven ready made garments (RMGs) (HS 62). EU imports of woven RMGs dropped by 13 percent in both value and volume terms. On the other hand, Bangladesh succeeded in expanding its RMG exports to the United States. US imports of Bangladeshi RMGs, both knitted and woven, recorded two-digit growth rates. Figure A-1 shows that steady growth in Bangladesh's exports of RMGs and other made-up textile articles (HS 63) over the last 10 years. On the other hand, exports of yarns, fibres and textiles (HS 50-60) have been declining gradually.

In fiscal 2004, with an export earning of US$2.148 billion, knitwear sector employed 500,000 workers, while the US$3.538 billion woven apparel sector provided direct employment to 1.3 million workers (Khondker et al, 2005). 80 percent of workers are women, with the female share greater in the woven apparel sector than in knitwear sector. The production of knitwear is more capital-intensive than woven garments. As feminist economics literature notes when the production process becomes mechanised, more men tend to be hired than women as machine operators, regardless of skill-requirements.

In 2005, exports of knitted and woven apparel products to the United States and Europe increased by 9.6 and 3.0 percent respectively in terms of volume. No evidence was reported on factory closures and/or retrenchment of workers in the initial post-ATC period of 2005. A survey by Majid and Hussain (2005) (cited in Khondker et al, 2005) reveals that 19 out of 35 firms surveyed had increased the number of workers since January 2005, while the rest reported no change. However, more than half of the firms surveyed experienced increased price competition and had to accept reduced prices for their products since the expiry of ATC. The increased competitive pressure was felt more in the woven RMG sector. Given the gender-biased employment patterns among RMG sectors, a decline in the woven apparel sector can have larger negative impacts on female workers; growth of knitwear production is not likely to offset the job loss among women in woven apparel sectors.

Another survey by Ahmed et al (2005) found increasing pressure to meet the different codes of conduct and social standards set by different buyers among Bangladeshi garment producers. Achieving compliance with labour and social standards is by no means encouraged in every industry, and many attributed the improvements in labour and social standards in the post-ATC period to increased attention of buyers to such needs. The problem, however, is that extra burdens fall upon employers', and then workers', shoulders, without support from buyers or appropriate social infrastructure from Governments. For example, one buyer may require workers be provided with sandals while the other requires work shoes. Another

requires assembly spaces to be air-conditioned, while workers who live in slums without power are adversely affected by the temperature gap between workplace and home.[3] Producers who supply garments to several buyers encounter inconvenience in meeting their demands. Producers are further overburdened by audits over labour and social standards; a greater burden is found on smaller producers who face resource constraints. Compliance with ILO-led labour standards in Cambodia, as discussed in Adhikari and Yamamoto (2005), was possible since the sector is relatively new. Investors there can open up factories that meet all requirements. However, for matured enterprises in countries like Bangladesh, it is costly to change infrastructure and meet all requirements, even as there exists a misperception among employers on the costs of compliance. For example, many studies show that the costs of providing maternity leave are not high (Rahman, 2005), yet introducing such regulations are considered costly by employers, and they often discriminate against pregnant women. Finally, reducing verbal and physical abuse against workers by employers and senior staff are costless, and provides a safer work environment and improves productivity.

Ahmed et al (2005) also found a reduction in work hours due to buyer pressure to meet legal limit of 60 hours a week. While working within legal limit of hours is good for workers, negative impacts include reduced income and nutritional supplements, such as boiled eggs and banana/ bread slices, which are provided as snacks for overtime workers. As we discuss later, lack of nutrition impairs workers' productivity. Labour and social standards should be more demand-driven by workers, and buyers should help suppliers meet labour and social standards by guaranteeing longer-term contracts. Governments, with help from non-governmental organisations, should provide social programmes to improve workers' basic needs on diet, housing, transportation and public safety. The need for investing in human development will be discussed in the next chapter.

India

In the post-ATC era, India showed the strength of its exports in both textiles and clothing. US and EU imports of Indian T&C products grew 21.5 percent in value and 11.2 percent in volume from 2004 to 2005 (Table A-6). Two-digit growth rates are observed in many categories of T&C products, including knitted and woven RMGs. A significant decline occurred, however, in man-made staple fibres (HS 55) and knitted fabrics (HS 60), where the value of US and EU imports declined by 14.1 and 20.4 percent respectively in 2005. It should be noted that the US and EU markets accounts for about 70 percent of India's total T&C exports in terms of value[4]; yet India's latest trade data also support trends in the US and EU market. Table 1 shows India's exports of principal commodities in T&C sectors for the period April-November 2005 vis-à-vis the same period of 2004, as well as the share of T&C in India's merchandise exports. Three major products in this category are RMGs, cotton yarn, fabrics and made-ups, and man-made textiles made-ups. RMGs, which account for 7.8 percent of India's total exports, grew by 17.6 percent from 2004 to 2005. The value of cotton products

[3] Based on the discussions of the authors with various stakeholders in Dhaka.
[4] Authors' calculation based on January-September 2005 export data.

slightly declined. A significant drop in India's T&C exports is found in man-made textiles and made-ups; from 2004 to 2005, exports in this category declined by 12.8 percent.

Table 1. India's Exports of Principal T&C products (in US$ Million)

Commodities	April-Nov 2004	April-Nov 2005	Growth (%)	Share of India's Total Exports (%)
Textiles (including RMGs)	**7,905.48**	**8,397.58**	**6.22**	**14.32**
RMGs	3,882.04	4,566.67	17.64	7.79
Cotton, yarn, fabrics, made-ups etc.	2,173.27	2,124.69	-2.24	3.62
Man-made textiles and made-ups etc.	1,308.80	1,140.91	-12.83	1.95
Natural silk textiles	257.89	253.94	-1.53	0.43
Wool & woolen manufactures	44.63	49.99	12.02	0.09
Coir & coir manufactures	65.16	78.40	20.32	0.13
Jute manufactures	173.70	182.99	5.35	0.31
Carpets	**390.60**	**451.28**	**15.53**	**0.77**
Hand-made, excluding silk	377.85	438.99	16.18	0.75
Silk carpets	12.75	12.29	-3.63	0.02

Source: Ministry of Commerce & Industry, India, *Export of Principal Commodities: April- November 2005-06.*

The Indian T&C sector employs 35 million workers, which represents 11 percent of the total labour force (USITC, 2004: F-23). The industry has a well-integrated supply chain from the stage of cotton production to RMGs, and even beyond. Small and cottage units, with fewer than 11 workers, account for 80 percent of the industry, while medium (21-49 workers) and large units (more than 49 workers) account for 14 and 6 percent respectively (Unni and Bali, 2001). Although no job losses have been reported yet, many female workers are expected to lose their jobs when the textile industry replaces handlooms by machine looms. Handloom weaving is labour-intensive and predominately women's jobs in cottage industries. Investing in additional capitals and upgrading technology are important for the industry, but social safety nets, as well as alternative jobs for retrenched female workers, likewise are necessary. India's strength lies in the manufacture of medium-quality and relatively high-fashion RMGs for niche segments of the domestic and export markets (e.g., containing garments of considerable embroidery) (USITC, 2004). Government may wish to consider job creation strategies as well as skills development of female garment workers in the districts facing threat of job losses within T&C sector.

Indonesia

Indonesia's T&C sector, the country's major contributor of non-oil and gas exports, performed better in 2005 relative to 2004. Disaggregated data for US and EU imports, which account for about two-thirds of Indonesia's T&C exports, show that the overall value and volume increased by 5.9 and 4.3 percent respectively (Table A-7). Indonesia's exports to the United States alone grew by 19 percent, while its exports to the EU dropped by 9.6 percent in terms of value and 6.8 percent in terms of volume. Based on value, data on US and EU imports show a steady gain in RMGs over time, while textiles have been declining after peaking in 1998 (Figure A-5). From 2004 to 2005, US and EU imports of Indonesian cotton yarn and

fabric (HS 52) have declined by nearly 20 percent in terms of value and 17 percent in terms of volume. On other hand, exports of man-made filaments (HS 54) and man-made staple fibres (HS 55), as well as RMGs (HS 61-62), were holding up well in the US and EU markets.

The top five product categories of Indonesia's exports to the United States and EU at the HS 6 digit level are all RMGs. These are knitted pullovers of man-made fibres (611030) and of cotton (611020), woven men's or boy's cotton shirts (620520), brassieres (621210), and woven women's or girl's cotton trousers (620462). All but knitted pullovers of man-made fibres recorded positive growth from 2004 to 2005. The average unit prices of these products show mixed results. For example, prices of cotton products such as knitted pullovers and woven women's or girl's cotton trousers declined, while the average unit price of brassieres increased.

Disaggregated data on T&C exports from Indonesia are hard to obtain in a timely manner. At the aggregated level, one of the latest trade and investment reports shows that garment exports reached US$ 7.5 billion in the first 11 months of 2005, topping 2004's full-year record of US$ 7.3 billion (US Embassy Jakarta, 2006). According to the Central Statistics Agency (BPS), however, the growth rate of total T&C exports seems higher; it reported the value of T&C exports rose by 23.5 percent in 2005 (*The Jakarta Post*, 2006a). In the same article however, it was reported that the Ministry of Industry earlier showed that the sector had only grown by 1.1 percent in the first nine months of 2005, compared to 4.2 percent during the same period in 2004; therefore, the rapid growth reported by the BPS does not seem to be realistic, especially when 77 export-oriented textile manufactures were reported to have ceased operations. Suspicions over illegal trans-shipments of textiles from China to the United States via Indonesia may account for part of the gap between on-paper records and witnesses at the producers' level (Febrina, 2006).

About 3.5 million people are now working in the T&C sector in Indonesia, directly and indirectly (US Embassy Jakarta, 2005). According to the 2004 National Labour Force Survey, 1.1 million people were officially employed in the sector in 2004 down from 1.4 million in the previous year (Hakim, 2005). In addition to factory workers, the T&C sector, especially RMGs, hires many informal workers. In Bali, sewing – the most labour-intensive and costliest part of garment production – is contracted out to village groups. The tasks of garment production, which require economies of scale – e.g., cutting the cloth, inspection and quality control of finished garments, and packing – are done centrally (Papanek, 2006). Partly because of this decentralised production system, hourly compensation of Indonesian garment workers are the lowest in the region at US$0.27 (Table 2).

A survey conducted between April and July 2004 in Export Processing Zones (EPZs) in Jakarta and Tangerang (Banten province) found that the basic wages that female workers in the garment sector received were Indonesian Rupiah (IDR) 500,000-674,550 (US$55-74) per month, when the minimum wage was IDR671,250 (US$73.70) in Jakarta and IDR660,000 (US$72.50) in Tangerang (Sudwind and UCM Jakarta, 2004). With overtime, which exceeded the hours of legal limit, bonuses, allowances and other compensations, workers received IDR 600,000-1,200,000 (US$66-132) per month but when asked how much they need to meet

daily needs workers answered IDR850,000-2,000,000 (US$93-220) or IDR1,000,000 (US$110) as basic wages or without overtime. The survey used a very small sample and covered only five garment factories in EPZs[5], but it appears a worker's wage is definitely not enough to fulfill her daily needs.

Table 2. Hourly Compensation[a] of T&C Workers for Selected Countries in Asia, 2002 (US$)

Country		Textile Industry	Apparel Industry
East Asia	China	0.41[b], 0.69[c]	0.68, 0.88[d]
	Hong Kong SAR	6.15	n/a
	South Korea	5.73	n/a
	Taiwan	7.15	n/a
South Asia	Bangladesh	0.25	0.39
	India	0.57	0.38
	Pakistan	0.34	0.41
	Sri Lanka	0.40	0.48
ASEAN	Indonesia	0.50	0.27
	Malaysia	1.16	1.41
	Philippines	n/a	0.76
	Thailand	1.24	0.91

Source: USITC, 2004.

[a] Includes wages and fringe benefits.

[b] Represents hourly compensation for China, other than in coastal areas.

[d] Represents hourly compensation for coastal China.

[d] Reflects labour compensation for factories in China producing moderate to better appareal.

In 2005, it was already reported that several companies in Surakarat (central Java) had reduced their workforce due to the absence of orders and increasingly high production costs. The Indonesian Textile Association predicts that nearly 50 T&C companies are laying off more than 20,000 workers; job losses may reach 400,000 by June 2006 following the policy of the state power plant to impose a surcharge on companies using more than 50 percent of their installed capacity at peak time, together with wage rises effective in January 2006 (Textiles South East Asia, 2006). The minimum wage for Jakarta had increased by 15 percent reaching IDR819,000 (US$81) per month.

One report argues that Indonesia's mid- to high-end textile and garment products, including synthetics, remain competitive (US Embassy Jakarta, 2005). As observed in other countries, relatively large companies with long-term relationships with buyers will enjoy increased orders, allowing them to expand business. However, manufacturers that produce low-end products are struggling to survive the competition with China.

The Ministry of Industry argues that half of the machinery at Indonesia's textile plants is more than 15 years old, and in need of repairs and upgrades, causing inefficiency and lowering price competitiveness. In January 2006 a number of local banks agreed to provide US$100 million in the form of loans to companies in the weaving and spinning industries with good financial track records, with another US$250 million coming from the World Bank's private financing arm, the International Finance Corporation (*The Jakarta Post*, 2006b;

[5] A sixth firm produces shoes.

US Embassy Jakarta, 2006). Yet the industry still needs to fill the huge gap of estimated industry restructuring costs of US$5 billion. Some producers disagree with the Government's proposal of replacing machinery by arguing that buyers have not complained about their productivity and product quality; rather, they say, what they lack is working capital to operate during the idle capacity.

The burden of formal exactions (e.g., taxes, levies, charges, permits) is felt more acutely in countries such as Bangladesh, Pakistan, the Philippines and Viet Nam than in Indonesia (Saxena and Wiebe, 2005: 28). However, the survey, conducted in 2002 and 2003, found that respondents in all Indonesian provinces and at different firm sizes perceived substantial increases in formal taxes and charges collected by local Governments after decentralisation (Ray, 2003).

As for informal exactions (e.g., petty corruption), which are common in Asia-Pacific, small and medium enterprises (SMEs) in Indonesia identified illegal exactions as the most serious impediment within the business climate (Saxena and Wiebe, 2005: 29) (Table 3). Ray (2003) found that respondents at small Indonesian firms perceived slight improvement after decentralisation, but larger firms reported greater amounts, greater frequency and more exacting agencies/ individuals in informal exactions.

Table 3. Most Serious Impediment Faced by SMEs in Indonesia

Primary Barrier to Business Operations	Percent of Respondents
Illegal exactions	30 %
Formal taxes and charges	13 %
Infrastructure constraints	21 %
Other regulatory issues	24 %
Lack of Security	12 %
Total	100 %

Source: REDI-TAF-PEG survey, 2003 (cited in Saxena and Wiebe, 2005: 29).

Nepal

The quota system under the MFA helped Nepal to establish and expand its RMG industry. In the early 1980s Indian exporters, constrained by the lack of quotas, turned to Nepal and established export-oriented garment manufacture there. At the same time, Nepal also expanded its exports of carpets, in which the country traditionally has a competitive advantage. The T&C industry grew rapidly and became a major foreign currency earner. Exports of Nepalese carpets peaked in 1992-93 and have been declining since. The peak of RMG exports occurred in 2000. In two years, the export level fell by half; the value of US and EU T&C imports from Nepal plunged to US$180 million in 2002 from US$327 million in 2000. A key reason for this is said to be the preferential market access granted to sub-Saharan countries by the United States under AGOA in 2000. Uncertainties and apprehensions regarding the post-ATC scenario also seem to have contributed to the gradual decline in Nepalese garment exports between 2000 and 2004 (Dahal, 2006).

Nepal's T&C exports were heavily concentrated in the US and EU markets, accounting for 98 percent of total T&C exports. The United States alone accounted for more than 90 percent of T&C exports in early 1990s, but this share has been declining as Nepalese exports declined after 2000.

Nepal has been hit hard by the elimination of quotas. Table 4 shows that at the beginning of 2005, Nepal was exporting only one-third of its 2004 level. Shipments for export orders recovered in the last quarter of 2005, but not enough to make up for their loss during the rest of the year. Overall, the value and volume of Nepalese T&C exports plummeted by 22 percent and 28.5 percent respectively. US and EU import data, with a time lag of shipments, also show a 17.5 and 29.4 percent decline in Nepalese T&C products, in value and volume respectively, from 2004 to 2005 (Table A-9). Loss in the US market is more severe than in the EU; among knitted and woven RMGs from Nepal, the value of US imports dropped by a devastating 55.1 and 30.5 percent respectively.

Table 4. Monthly Changes in Nepalese T&C Exports 2005 vis-à-vis 2004

Month		Dec - Jan	Jan - Feb	Feb - Mar	Mar - Apr	Apr -May	May – Jun	Jun - Jul	Jul - Aug	Aug - Sep	Sep - Oct	Oct - Nov	Nov – Dec	**Total**
Change (%) 2004-05	Volume (Pieces)	-64.2	-50.9	-37.2	-31.8	-31.9	-13.1	-12.1	-21.1	-11.5	41.3	60.2	4.8	**-22.0**
	Value (US$)	-62.7	-46.0	-30.1	-30.8	-40.9	-29.1	-9.1	-26.0	-20.2	26.4	-17.4	-3.2	**-28.5**

Source: Trade Promotion Center, cited in Dahal (2006).

Table 5 displays the top five T&C export products to the EU and US markets, based on their value in 2004. Wool or fine animal hair carpets and other textile floor coverings (HS 570110) are the top export commodity of Nepal in both markets. In Europe, this commodity accounted for nearly 60 percent of total Nepalese T&C exports in terms of value. Two other commodities that appear in both the EU and US markets are women's or girl's woven cotton trousers (HS 620462) and men's or boy's woven cotton trousers (HS 620342). In 2004, they ranked second and fourth in the EU market and second and third in the US market. However, both the value of EU and US imports of these commodities dropped significantly in 2005 – in the EU by 75.2 and 40.8 percent respectively, and in the United States 39.4 and 33.9 percent. The two other commodities in the top five US imports from Nepal are knitted cotton jersey, pullover, cardigans, waistcoats and similar articles (HS 611020) and knitted men's or boy's cotton shirts (HS 610510). These two products also lost major shares in the US markets in 2005, by 57.5 and 59.7 percent respectively. Thus, three out of the top five commodities in the US market are those that: (1) face more competition after the eliminations of quotas; and (2) are also produced by other countries in the region. With this kind of competition, a small country like Nepal is pushed out of competition at the initial stage. Export orders came back to Nepal toward the end of 2005, partly because of safeguards on Chinese products; buyers are looking for alternative production sites again. In the medium- and long-term however, Nepal urgently needs to diversify its exportable products as well as markets.

Table 5. Nepalese Top Five Export Products to the EU and US Markets in 2004-2005

	EU (in 1,000 euro)					US (in US dollars)			
	HS	2004	2005	Change (%)		HS	2004	2005	Change (%)
1	570110	46,024,461	41,890,749	-9.0	1	570110	28,489,601	32,257,750	13.2
2	620462	5,586,541	1,386,703	-75.2	2	620342	21,200,101	12,844,170	-39.4
3	621420	5,058,894	5,597,784	10.7	3	620462	18,489,193	12,214,687	-33.9
4	620342	2,016,490	1,194,459	-40.8	4	611020	14,159,360	6,022,073	-57.5
5	621410	1,796,347	1,457,607	-18.9	5	610510	4,663,232	1,879,954	-59.7

Source: Eurostat.

Pakistan

Pakistan has established vertical integration in the industry and exports about equal amounts of textiles, RMGs and other textile made-ups. Table A-15 displays Pakistani T&C exports in fiscal 2005-6 (up to February 2006). As a total, T&C exports in the first six months of the fical year increased by 15 percent as compared to the same period of fiscal 2004-5. Primary commodities such as cotton yarn, cotton fabrics, garments and bedwear all show strong growth in the first six months of fiscal 2005-06. Despite a decline in average unit price, the value of cotton yarn exports increased by nearly 29 percent, thanks to strong volume growth. Cotton fabrics also grew by 19.3 percent in value and 17 percent in volume. Bedwear showed the biggest increase among T&C commodities. In the first six months of fiscal 2005-06 vis-à-vis fiscal 2004-05, exports of bedwear increased from US$802 million to US$1.3 billion, 65.7 percent growth. Knitwear including hosiery increased slightly, by nearly 2 percent. The commodities where exports dropped include synthetic textiles (38.17 percent); made-up textile articles, excluding towels and bedwear (14.35 percent); and knitted or crocheted fabrics (76.85 percent); and other textile products (46.65 percent).

Looking at the breakdown of Pakistan's exports to its two primary markets, the EU and United States (Table A-10), Pakistan has overall lost its exports in the former while expanding in the latter. The only exception is cotton yarn and fabrics (HS 52), which increased in Europe and decreased in the United States. As a total, Pakistan increased its volume growth in the two major markets from 2004 to 2005 but slightly lost in terms of value. The US and EU markets account for about 60 percent of Pakistan's T&C exports.

A survey by Siegmann (2006), which was conducted from September to November 2005, found that, despite the overall positive export performance, most companies exporting fabric and garments realised reduced profits because of price competition after the elimination of quotas. Increasing sales offset the reduced margins for now, but 38.5 percent of the firms surveyed, especially exporters of garment and other textile made-ups, answered that they know companies that have gone out of business. Sustainability of the sector is in question.

Overall, the T&C sector accounts for 60 percent of the country's exports and 35 percent of its industrial employment and employs the second-largest numbers of women after agriculture

(*ibid*). In 2000, 2.3 million people, including informal workers, were employed in the T&C industry (Siegmann 2005). Given the lack of accurate methods of capturing the size of informal economy, this number probably underestimates employment in the industry. 90 percent of production of cloth and 80 percent of apparel are done by the non-mill sector, i.e., cottage industry, and 90 percent of the work in the T&C sector is subcontracted to small- and medium-sized plants (*ibid*; Working Women's Organisation, nd.). The female share of T&C employment in Pakistan is low relative to other countries such as Bangladesh and Cambodia, where women account for 85-90 percent of employment. Even in the Pakistani apparel sector, where female representation is highest, only one-quarter of workers are women. The female shares of employment in yarn and fabric production are 5 and 11 percent respectively. Again, these percentage shares probably underestimate female representation due to a large share of the informal economy not being adequately covered by statistics. In addition, women's constrained mobility in the patriarchal settings in Pakistan, their responsibility for reproductive work, their low educational attainment relative to men, and lack of female role models who joined the paid work help to explain the low female participation in the paid economy and gender segregation between the formal workplace (i.e., factory) and informal workplace (home-based work) (Khattak, 2001; Siegmann, 2006).

As for impacts of the expiry of ATC on women's and men's employment, Siegmann (2006) found replacement of male by female workers in apparel and yarn production. For example, the numbers of female production workers increased by 63 percent in yarn sector while 95 percent of male production workers are dismissed, resulting in increases in female share of employment. Numbers of employees and workers' wage levels are not discussed in the study; thus, numbers of retrenched workers and impacts on wages are unknown. This "substitution" effect is assumed to have taken place based on the gender wage gap during economic hardship; with price competition cheaper female labour is more attractive to the firms. Gender gap in terms of employment and wages may narrow, but human development may worsen because of job losses among male workers and lower wages paid to women who enter the labour force.

Philippines

The Philippines' T&C exports to the United States and EU, its primary markets, declined in 2005 as compared to 2004, but most of decline occurred in the EU market (Table A-11). EU T&C imports from the Philippines dropped to two-thirds of its 2004 level in terms of value, from US$367 million to US$245 million. EU imports of RMGs, both woven and knitted products, decreased by 40.6 and 30.3 percent respectively in terms of value and by 40.5 and 38.8 percent in terms of volume. As for the US market, exports of knitted products remained strong in 2005. The value of US imports of knitted RMGs (HS 61) increased from US$674.8 million to US$834.9 million, a rise of 23.7 percent from 2004 to 2005. On the other hand, US imports of woven RMGs declined from US$1.090 billion to US$986 million, a drop of 9.6 percent from one year earlier. Overall, exports of textiles (HS 50-60) declined in the US and EU markets, while exports of other made-up textile articles have shown steady growth since

2002 (Figure A-9). The US market alone accounts for more than 70 percent of the Philippines' T&C exports in terms of value.

The country's export data show that overall, the T&C sector in the Philippines has survived the global competition after the expiry of the ATC; Philippine T&C exports increased from US$ 2.397 billion to US$ 2.531 billion from 2004 to 2005 (Table 6). In terms of volume, Philippines exports slightly gained; the growth of exports in RMGs and other textile made-ups was off-set by a 13.8 percent decline in textile products.

Table 6. T&C Exports from the Philippines, 2004-05

	Value (in US$)			Volume (in kg)		
	2004	2005	% change	2004	2005	% change
Total	**2,397,972,374**	**2,531,824,673**	**5.6**	**285,061,785**	**286,685,316**	**0.6**
Textiles (HS 50-60)	226,515,746	232,319,101	2.6	96,335,584	83,001,356	-13.8
RMGs (HS 61-62)	2,111,183,891	2,234,437,632	5.8	167,131,466	176,824,402	5.8
Others (HS 63)	60,272,737	65,067,940	8.0	21,594,735	26,859,558	24.4

Source: Authors' calculation based on Francia (2006)

Table 7. RMG Exports from the Philippines by Major Destination, 2004-05 (in US$, fob)

Textiles (HS 50-60)			RMGs (HS 61-62)			Other textile made-ups (HS 63)		
Destination	% Change, 2004-05	% Share, 2005	Destination	% Change, 2004-05	% Share, 2005	Destination	% Change, 2004-05	% Share, 2005
World	5.8	100.0	World	2.6	100.0	World	8.0	100.0
USA	9.9	77.9	USA	-38.6	17.5	USA	-4.1	43.6
UK	12.1	4.2	Japan	20.8	10.6	Japan	5.0	15.1
Japan	-5.7	2.7	HK	-8.6	8.2	Denmark	29.3	4.5
Canada	-6.7	2.5	Turkey	41.0	7.8	Singapore	91.9	5.1
Germany	-38.1	1.5	China	58.5	5.3	Belgium	123.0	3.8
France	18.3	1.8	UK	-25.1	4.3	Taiwan	63.2	4.0
ROW	-9.3	9.3	ROW	26.4	46.4	ROW	6.4	24.0

Source: Authors' calculation based on Francia (2006)

Table 7 shows the Philippine exports of textiles, RMGs and other textile made-ups for 2004-05. Philippine exports of RMGs to the United States, the United Kingdom and France increased, while exports to Japan, Canada and Germany declined. In contrast, Philippine exports of textiles dramatically dropped in the United States and the United Kingdom, by 38.9 and 25.1 percent respectively. Significantly, the Philippines successfully increased its textile exports to non-US and non-EU markets in Japan, Turkey and China; these three countries account for about one-quarter of Philippine textile exports. As for other textile made-ups, exports to the United States slightly declined[6], while exports to other destinations increased. The United States captures more than 43 percent of the Philippines' exports of other textile made-ups, and Japan, Singapore and Taiwan account for about one-quarter of the market share. The market seems more diverse in textiles and other made-up articles in the Philippines than in RMGs, where the US market dominates. Since the volume of textile

[6] Please note several weeks' time lag between country's shipment and partners' receipts.

exports declined in 2005, market diversification can be a key for survival in the Philippines, as has occurred in Thailand.[7]

Sri Lanka

Sri Lanka's T&C exports also rely on two markets, the United States and EU; these two absorb 95 percent of the country's T&C exports. Sri Lanka, which lacks the production of raw materials as well as processing facilities, relies heavily on the exports of knitted and woven RMGs (HS 61 and 62). Indeed, exports of RMGs account for more than 90 percent of the country's total T&C exports (Ceylon Chamber of Commerce, 2006).

The country's export data show that Sri Lankan T&C exports increased by 3.4 percent in terms of value. The T&C exports, which grew rapidly at the beginning of 2005, have been a slowdown from May and onwards. The exports of woven RMGs, the largest category in T&C exports that accounts for about 60 percent of total T&C exports, declined by 3.7 percent from 2004 to 2005. In contrast, the second largest category of knitted RMGs performed well in 2005 to record a growth of about 17 percent.

Table A-12 shows that the volume of Sri Lankan exports to the United States and EU declined in 2005 compared to 2004. As for the EU market, the value of exports also declined. Sri Lanka was granted GSP plus benefits from the EU in July 2005. However, the lack of strong textile processing sector does not permit Sri Lanka to benefit from the scheme. The industry is lobbying to get the value addition criteria of the rules of origin reduced to about 35 percent (*ibid*).

The top five T&C products of Sri Lanka are all RMGs, given high concentration of its exports on this category. However, share of the top five products in overall T&C exports is low relative to other Asian-Pacific countries with limited production capability in textile production. For example, the T&C export basket of Nepal with the top five export items accounts for 76 percent of total T&C exports while the top five export items of Sri Lanka only account for 33 percent of the total exports, suggesting a well-diversified export structure (Adhikari, 2006). Sri Lanka's conscious efforts to move towards exports of high value added apparel is evident from the increase in exports of brasseries (HS 621210), which grew by more than 18 percent in 2005 and accounts more than 11 percent of the Island's T&C exports.

Numbers of manufacturing units in the Sri Lankan apparel sector were reported as 891 in 1998 and 830 in 2003. Preliminary results of a 2005 survey show only 733 apparel factories in Sri Lanka. The numbers of direct employment also fell from 340,367 in 2003 to 273,600 in 2005. The share of large firms, 28 percent has not changed much over the time; rather, the number of small firms reduced by half from 282 to 140 units (Ceylon Chamber of Commerce, 2006). This indicates that there already has been some restructuring of enterprises, e.g., mergers of small firms, and the recent decline may not have caused solely by the expiry of quotas. Regardless of reasons, among 15 factories which closed between January and October

[7] See Adhikari and Yamamoto (2005).

2005: Less than four had paid some form of compensation to the workers; many of them closed abruptly without adequate notice to the worker; and some of them had not paid earned wages (Oxfam, 2005).

In the Sri Lankan RMG sector, 85 percent of workers are women, and female workers tend to concentrate in smaller firms. The consolidation of smaller firms into large enterprises may have serious negative impacts on women's employment in the near future. In addition, a slowdown in exports of woven RMGs is likely to harm women's jobs further as we discussed earlier. The industry needs to work hard to remain competitive in the global market to secure employment.

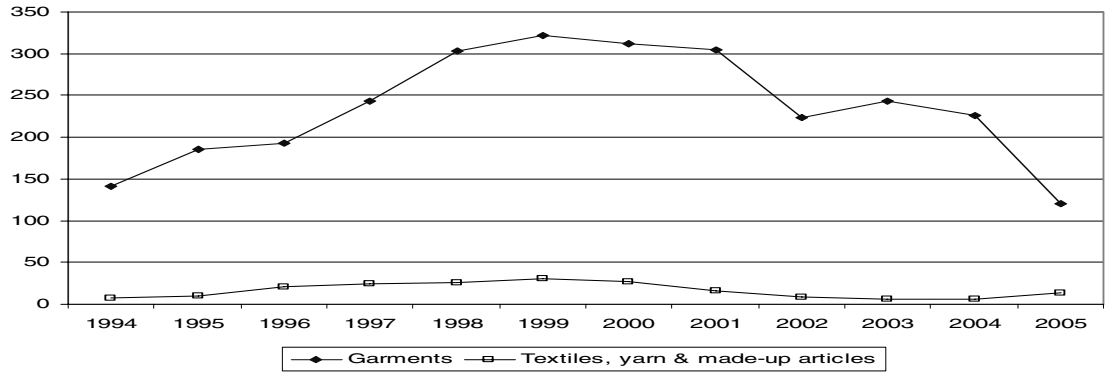
Fiji

Fiji's garment industry expanded rapidly in the late 1980s and the 1990s under several trade agreements. The South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), signed in 1981, provided garment producers in Fiji with a preferential market access to Australia and New Zealand when they use 50 percent locally manufactured fabric. The 1987 Tax Free Factories (TFF) scheme, which granted a 13-year tax holiday and other benefits to companies exporting 70 percent or more, also attracted foreign investors to open up production facilities in Fiji. Finally, the 1991 Import Credit Scheme (ICS) allows Australian fabrics to be shipped to Fiji at competitive prices for production of garments that will be re-exported to Australia. Under the MFA, Fiji enjoyed the quotas from the United States as well. The number of tax-free garment factories rose from 27 in 1988 to 88 by the end of 1991 (Harrington, 2000). In 2000, the industry employed nearly 20,000 people, more than 70 percent women. With limited manufacturing jobs in Fiji, about two-thirds of such jobs were provided by the garment sector

Exports peaked at FJ$322.1 million (US$187 million) in 1999, which accounted for more than 30 percent of total exports and 11 percent of GDP (Storey, 2004). The coup in 2000 triggered the downfall of Fiji's garment exports, as Figure 1 shows. A dozen factories closed during 2002, and up to 6,000 people lost their jobs (GEC and FPAID, 2004). Overall, T&C exports recorded negative growth of 28 percent from FJ$312 million to FJ$223 million between 2000 and 2002. In 2005, T&C exports hit their lowest in 10 years, FJ$120 million, down by 47 percent from 2004. US garment imports in 2005 alone declined by nearly 80 percent from US$85.8 million to US$19.2 million (Table 8). As a result, 6,000 workers, predominantly women, became out of work (ADB, 2006).

Experts fear that a free trade agreement negotiated between Australia and China will have a further severe effect on Fiji's garment industry (*Fiji Times*, 2006). Relaxation of the rules of origin from 50 to 25 percent local content, as well as inclusion of wool and wool blend textiles in the rules of origin, are demanded by producers in Fiji, who believe urgent help from Australia and New Zealand is needed.

Figure 1. Value of T&C Exports, Fiji, 2000-05 (FJ$ Million).



Source: Fiji Islands Bureau of Statistics, Overseas Merchandise Trade Statistics. 1994-2004: Exports by SITC (September 2005); 2005: Major Domestic Exports (March 2006).

Table 8. US Imports of Readymade Garments from Fiji, 2004-05.

HS	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50-60	14	3	--	1	0	--
61	83,657	18,188	-78.3	5,872	1,200	-79.6
62	2,032	896	-55.9	155	48	-69.2
63	82	74	-10.3	13	15	14.0
Total	85,784	19,160	-77.7	6,041	1,263	-79.1

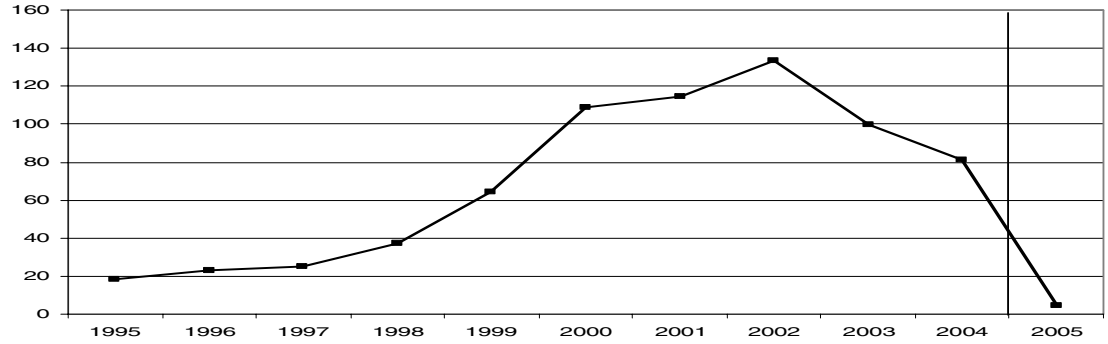
Source: USITC, Interactive Tariff and Trade Data Web.

Having "guest workers" from Asia is not unique to the garment sectors in island economies like Fiji. When foreign investors opened factories on islands, they brought managerial as well as production workers from their own nation. Those workers were first brought as skilled workers so that they pass on new skills and encourage productivity, efficiency and quality of production on the factory floor. Others argue that productivity is about the same between expatriates and locals but since expatriates cannot be absent from the work or quit their jobs, they force all workers to accept lower wages and poor working conditions (Harrington, 2000; Storey, 2004). In Fiji, at one point between 800 and 2,000 women from China and the Philippines were employed in the garment sectors (Harrington, 2000). The impacts of the eliminations of quotas on such workers have not been reported yet in Fiji, but similar situation on the island of Saipan has led to the recent closure of four garment factories, leaving thousands of guest workers unemployed. As a result, forced prostitution of these women, also brought from China and the Philippines, was reported (Rosario, 2005). In many cases, women had paid commissions to recruiters and incurred other travel expenses, with dues still to pay back. This illustrates that female garment workers, both locals and migrants, are especially vulnerable to macroeconomic crises such as global competition in T&C sector.

Maldives

The RMG industry in Maldives was established after the government announced liberal policies to attract foreign investment. Investors from Hong Kong and Sri Lanka enjoyed a corporate-tax-free business environment as well as no duty on materials for re-export in addition to quotas distributed to Maldives under the MFA regime. As with other Asia-Pacific case, the United States and EU are the primary destinations of garments from Maldives. Operations started slowing after peaking in 2002 (Figure 2). With the expiry of the ATC however, apparel exports have disappeared completely (Table 9).

Figure 2. Value of US and EU RMG Imports from Maldives 1995-2005, US$ Million



Source: USITC Interactive Tariff and Trade Data Web; Eurostat COMEXT.

Table 9. US and EU Imports of Readymade Garments from Maldives, 2004-05

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
61	74,203	4,760	-93.6	1,257	77	-93.8
62	7,144	22	-99.7	367	2	-99.6
63	22	6	-73.2	4	1	-69.4
50-63	81,369	4,788	-94.1	1,628	80	-95.1

Source: USITC; USITC Interactive Tariff and Trade Data Web; Eurostat COMEXT.

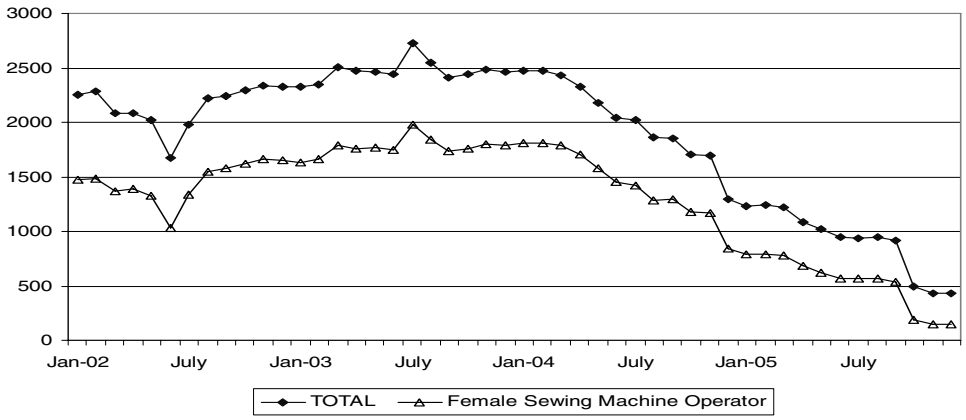
Sri Lankan firms, which no longer need to restrict their T&C exports bounded by quotas, have shifted their operations back home. Five garment factories that had exported principally to the United States closed in 2005 (US Department of State, 2006a). One analysis claims effects of the elimination of quotas on the economy of Maldives are expected to be negligible, since many garment workers had been brought from abroad; the apparel industry yielded little value-added, and all inputs were imported (US Department of State, 2006b). However, the negative impacts on the economy are not underestimated by the local people. Immediate negative impacts on them include loss of income and the fear of long-term unemployment, since alternative job opportunities are hardly available (Wajdy, 2004). At least several hundred Maldivians lost their jobs. A 4 percent loss of Government revenues derived from land rentals (US Department of State, 2006b) and loss of foreign exchange may be other

factors to consider. Apparel and clothing accounted for about one-third of total merchandise exports and half of merchandise exports by private sectors in 2003 (Ministry of Planning and National Development, 2004a).

The Government of Maldives records expatriate employment monthly; Figure 3 displays expatriate employment in the wearing apparel sector from 2002 to 2005, while Tables 10 and 11 show expatriate employment in the sector by occupation and by nationality. The number of expatriates started declining in 2004: In one year, it halved to 1,228, and by the end of 2005 it had declined to 431. In 2002 and 2003, more than 70 percent of expatriate employment in the sector was as sewing machine operators, with more than 90 percent of these women. Interestingly, in 2004 and 2005, while female sewing machine operators were sent back home with the closure of factories, more male tailors were brought into Maldives. The majority of the expatriates are Sri Lankan. Even so, female Sri Lankans, who mostly worked as sewing machine operators, also were sent home as operations slowed down.

As for local employment, detailed data are not available, but the 2000 Census data show that 2,699 men and 5,518 women were working as "craft and related trade workers" in manufacturing (Ministry of Planning and National Development, 2004a). In addition, female production workers in manufacturing received the lowest pay among industries (Ministry of Planning and National Development, 2004b). Although Maldives has already achieved many of the Millennium Development Goals (MDGs), e.g., halving the proportion of people whose income is less than $1 a day, income inequality between Malé and the atolls has increased and unemployment among women aged 15-24 has increased from 30 to 40 percent during 1997-2004. This compares to the male unemployment rate of the same age cohort of 10 to 23 percent (Ministry of Planning and National Development, 2005). Many garment factories were located in the outer atolls, including the southernmost atoll, Addu. Although Addu atoll is not one of the poorest atolls, it is illustrative of the point that alternative jobs for low-paid garment workers are hard to find.

Figure 3. Expatriate Employment in the Maldives: Wearing Apparel Sector, 2002-2005



Source: Ministry of Higher Education, Employment and Social Security, Republic of Maldives (various years).

Table 10. Expatriate Employment by Occupation in Wearing Apparel, Maldives, 2002-05

Occupation	Sex	Year				
		2002 Jan.	2003 Jan.	2004 Jan.	2005 Jan.	2005 Dec.
Cutter, Garment	F	2	2	1	3	0
Cutter, Garment	M	20	29	23	14	8
Labourer, Manufacturing	F	24	11	10	7	6
Labourer, Manufacturing	M	58	40	29	18	15
Labourer, Odd-Jobbing	F	51	19	28	14	6
Labourer, Odd-Jobbing	M	153	137	121	85	57
Machine Operator, Sewing	F	1,477	1,634	1,807	792	147
Machine Operator, Sewing	M	80	59	51	26	12
Mechanic, Industrial Machinery	F	0	2	2	0	0
Mechanic, Industrial Machinery	M	18	22	18	16	2
Quality Inspector	F	45	48	44	21	5
Quality Inspector	M	14	26	26	12	2
Supervisor, Garment/Manufacturing	F	12	15	15	10	2
Supervisor, Garment/Manufacturing	M	14	18	22	10	3
Tailor	F	7	6	7	5	9
Tailor	M	114	79	75	87	119
Others		163	179	199	108	38
TOTAL		**2,252**	**2,326**	**2,478**	**1,228**	**431**

Source: Ministry of Higher Education, Employment and Social Security, Republic of Maldives (various years).

Table 11. Expatriate Employment by Nationality in Wearing Apparel, Maldives, 2002-05

Nationality		Total	Bangladesh		China		India		Sri Lanka		Others
Sex			F	M	F	M	F	M	F	M	
Month. Year	Jan. 2002	2,252		53	362	9	44	207	1,246	329	2
	Jan. 2003	2,326		55			2	104	1,781	373	11
	Jan. 2004	2,476	1	48			3	105	1,957	355	7
	Jan. 2005	1,228		52			1	87	878	207	3
	Dec. 2005	431		78			2	89	184	75	3

Source: Ministry of Higher Education, Employment and Social Security, Republic of Maldives (various years).

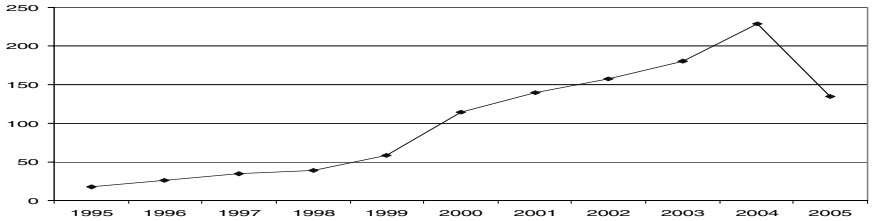
Mongolia

In the late 1990s, Mongolia's RMG sector was built on Foreign Direct Investment (FDI) from East Asia, mostly China, which filled out its quotas to the United States. Most of its products are cotton apparel made from cotton imported from China. The sector accounts for 11.3 percent of total exports in 2004 (ADB, 2006). Employment was estimated from 20,000 to 40,000, mostly women (*ibid*; Brook, 2004). With the elimination of quotas, US imports of RMGs dropped from US$229 million to US$134.7 million, a steep 41.2 percent decline, between 2004 and 2005 (Figure 4). The volume of US imports also dropped by 30.6 percent.

As discussed earlier, products that faced severe decline in 2005 to be those for quotas expired at the end of 2004 as well as the products that other countries are producing. Table 12 shows the top five US T&C imports from Mongolia, based on their value in 2004. All five are RMGs;

three out of the five experienced significant decline, including knitted jerseys and pullovers of cotton, cashmere and man-made fibres, whose export value plunged by 35.1, 91.6 and 54.8 percent. Two other products, women's and girls' woven cotton trousers and knitted cotton T-shirts, are also common RMGs produced by many other countries.

Figure 4. Value of US T&C Imports from Mongolia, 1995-2005 (US$ Million)



Source: USITC, Interactive Tariff and Trade Data Web.

Table 12 Top 5 T&C Products of US Imports from Mongolia, 2004-05

Top 5 Commodity (HS code)	2004	2005	% Change 2004-05
Knitted cotton jerseys, pullovers, cardigans waistcoats and similar articles (611020)	53,072,983	34,443,733	-35.1
Women's or girl's woven cotton trousers (620462)	38,832,389	35,084,568	-9.7
Knitted cashmere jerseys, pullovers, cardigans waistcoats and similar articles (611012)	34,369,618	2,887,544	-91.6
Knitted man-made fibres jerseys, pullovers, cardigans waistcoats and similar articles (611030)	21,323,058	9,637,070	-54.8
Knitted cotton T-shirts, singlets and other vests (610910)	5,860,528	2,580,009	-56.0

Source: USITC, Interactive Tariff and Trade Data Web.

Mongolia, which traditionally produces cashmere and wool T&C products, has not been successful in establishing vertical integration for export markets. For example, more than half of foreign exchange generated from cashmere-related trade consists of exports of raw cashmere to China. Mongolia currently lacks a cashmere processing sector; thus, it imports cashmere back from China as inputs to produce the final products. USAID (2005a) reports that if all raw cashmere produced in Mongolia were fully processed into finished knitted and woven products before export, such exports would generate about US$206 million, more than 2005 level of the country's entire T&C exports, and employment in the processing industry would more than double. Mongolia currently exports about US$6 million worth of uncombed sheep wool, while carpet exports generate only US$1 million.

Immediately after the expiry of the ATC, 10 factories closed, with an estimated 5,000 jobs lost. One report said that Chinese investors planned to restart T&C production again in Mongolia with the announcement of safeguards on Chinese products in mid-2005 (Lynch, 2005). On 21 December 2005, the EU granted Mongolia GSP plus status for 2006-08. Nonetheless, US markets accounts for more than 95 percent of Mongolia's T&C exports; therefore, the positive impact from GSP+ on Mongolia's T&C exports will be limited. Mongolia is currently negotiating a free trade agreement with the United States.

III. Overcoming Supply-Side Constraints

At a time when the survival of the T&C industry is threatened in Asia-Pacific, especially in countries like Fiji, Maldives, Mongolia and Nepal, there is no doubt that market access initiatives should be pursued at different levels and on various fronts. These issues have been covered extensively elsewhere.[8] However, focus on market access alone will not provide all intended benefits to the country, primarily for two reasons. First, even when market access opportunities are available, no country can convert them into market entry unless and until it has the necessary supply capacity to do so. Second, preferential market access opportunities, which several developing countries gain either through unilateral trade preferences such as GSPs or by virtue of entering into free trade agreements (FTAs), are likely to erode because of a general trend towards most favoured nation (MFN) tariff liberalisation. This is more so in the context of ongoing negotiations on non-agricultural market access (NAMA) taking place at the WTO.

In the long run, enhancing competitiveness by addressing supply-side constraints is the only way to survive in a global market characterised by intense competition. Competitiveness is affected by several factors, including low level of skills and productivity of the workers, absence of opportunity for technological upgradation, limited linkages to the local economy as well as the global supply chain, poor quality of infrastructure, cumbersome trade procedure and documentation requirements, lack of information on market opportunities, and lack of finance. The purpose of this chapter is to discuss policy options with a view to helping relatively less competitive countries in Asia-Pacific, particularly LDCs, overcome supply side-constraints, thereby contributing to achievement of their human development objectives.

Investments in Human Capital

Low wages, touted as the primary comparative advantage of LDCs engaged in exports of textiles and clothing products, may not necessarily provide a competitive edge to these countries. While wages in most LDCs (e.g., Bangladesh, Cambodia, Lao PDR and Nepal) are very low, their productivity also is much lower than China, Thailand and Sri Lanka where workers are skilled . Not surprisingly, many US firms therefore consider that the difference in productivity between, say, China and LDCs more than offsets the wage difference (USITC, 2004). Lack of skilled workers is a major disadvantage not only because additional workers have to be hired for a similar task, but also because overtime wages (which are higher than normal wages) must be paid to workers at times, in order to meet tight deadlines. Both of these put additional burdens on resource strapped firms, which contributes to reduced competitiveness in the export market.

While a more skilled worker can contribute to the process of manufacturing high- value products, firms or countries with only unskilled workers are locked into manufacturing least-

[8] See Adhikari and Yamamoto (2005).

skill-intensive items – precisely those in which competition tends to be highest. This can be illustrated by comparing Nepal with Sri Lanka: Sri Lanka has been able to diversify into the exports of niche, value-added products such as women's undergarments, requiring skilled human resources, whereas Nepal remains extremely vulnerable and locked into the export of a narrow range of items. This clearly underscores the need to invest in training and human resource development.

Training is necessary at two levels: First, for the workers, with a view to enhancing their skills, speeding up the production process and minimising waste, and which results in significant payoff for the enterprise as a whole. Second, training will assist mid-level managers, who can then supervise the operations, assign responsibilities to their workers and perform line balancing work effectively, communicate well with buyers or their agents, and process the orders efficiently. This agenda is even more critical for LDCs, where expatriates fill middle-level jobs because of limited national human resources. For example, skilled labour comprises only 1.1 percent of the labour force in Cambodia, so technical and supervisory staffs in the T&C sector are usually drawn from the overseas operations of the parent company (WTO, 2005a: 83). A recent survey in Cambodia indicated that 40 percent of indirect personnel positions in the factories that responded were staffed by expatriates (USAID, 2005b: 22). Because using expatriate staff in technical and supervisory positions raises costs, this can have a significant impact on the industry competitiveness.

However, most countries in Asia-Pacific have not invested adequately in training and skill development. There is, however, no need to reinvent the wheel by creating training institutes afresh. In some countries such institutions already exit, and it is necessary only to add some facilities to make them functional. For example, in Cambodia the Garment Manufacturers Association of Cambodia already owns a training centre; proposals have been floated to create a Garment Productivity Centre, which will not confine its activities to training but also provide consultancy and advisory services to RMG exporting firms (USAID, 2005b: 32-3). Should such a centre be created, it would be wise to subsume the activities of the training centre under this new institution. Similarly, in Nepal the virtually defunct Textile Training Centre, under the Department of Cottage and Small Scale Industries, can be revived.

The major question however, is where the resource requirements for establishment and operation of a training and/or productivity centre come from. While Government support is warranted by the public-good nature of investment in this area (World Bank, 2006: 16), the private sector can and should contribute to the costs of operating such institutions. This is an area where there is wide scope for public-private partnership. Indeed, the organisation of training institutes in these areas in developing countries ranges from private institutions launched by industry associations (Thailand, Mexico), to public education institutions (India, Hong Kong). Combination models of public-private partnerships include the Malaysian Textile and Apparel Centre (MATAC) in Malaysia and Sector Education and Training Authorities (SETAs) in South Africa (USAID, 2005b: 32).

Other institutions have been established as autonomous bodies with donor support. One such example is the establishment of twin institutions in Sri Lanka – the Textile Training and Services Centre and the Clothing Industry Training Institute, both with technical support from the Japan International Cooperation Agency (JICA). These institutions, which are to be merged into a single entity named the Sri Lanka Institute of Textiles and Clothing, not only provide short-term training for workers and managers, but also offer long-term certificate and diploma courses for those pursuing careers in this sector. Moreover, the institutions have full-fledged consultancy, testing and accreditation services, which provide additional income to sustain their activities and reduce dependence on donor support.[9] This type of model also is suggested for Cambodia (USAID, 2005b).

This is an area that has huge potential for South-South/regional cooperation. For example, existing training institutions in Nepal and Bangladesh could benefit by establishing partnerships with institutions in India; institutions in Cambodia and Lao PDR (existing or proposed), Indonesia, the Philippines and Viet Nam could benefit from partnerships with Thai and Malaysian institutions and so on.

Productivity of labour tends to be higher where the general level of workers' education is high. This is evident when comparing labour productivity in East Asia vis-à-vis South Asia. Most East Asian countries vigorously pursued investments in overall education, during their economic transformation. Similarly, workers' productivity is directly correlated with their health and nutrition. Frequent ill health resulting in absences could cause huge losses in productivity and adjustment problems. The issue of nutrition is equally important because of the effect it has on worker's productivity. As study by Wanjek (2005) indicated a poor diet on the job is costing countries around the world up to 20 percent in lost productivity. According to the same report, in South East Asia, iron deficiency alone accounts for a US$5 billion loss in productivity; in India, the cost of lost productivity, illness and death due to malnutrition is US$10 billion to US$28 billion, or 3 to 9 percent of gross domestic product. This underscores the need for investing in human capital, not only to enhance productivity of the T&C sector, but of the entire economy. This also will contribute positively toward achieving better human development outcomes.

Technological Upgradation

T&C in general is considered a technologically humble sector, and RMG in particular a low-tech sector. Even so, competitiveness of RMG enterprises in most LDCs and low-income countries is hampered by their inability to invest in latest technologies. For example, technologies such as computer aided designing (CAD) and computer aided manufacturing (CAM) not only help enterprises increase their efficiency but also enhance the quality of exportable products, thereby responding to buyers' requirements. These technologies are common in middle-income countries, and larger exporters in Bangladesh have installed them as well. However, in other LDCs and low-income countries, such facilities may not be feasible

[9] See http://www.lanka.net/slitac/, accessed on 20 April 2006.

because of a lack of business volume and high costs of installation. Therefore, it has been proposed[10] that such machines be installed through cooperative and/or consortium arrangements of firms, rather than individually, and/or with the help of Government.

The issue of technology upgradation also is linked to the level of preparedness on the part of the countries concerned. Three examples from Asia are particularly revealing. Between 2000 and 2003, China's import of T&C machinery increased from about US$2 billion to US$5 billion (World Bank, 2006: 6). Similarly, Pakistan's imports of textile machinery increased from US$211 million in 1999-2000 to US$532 million in 2002-03 (Din, 2005). For its part, the Government of India established a Technology Upgradation Fund (TUF) to support investment upgradation of textile machinery. Textiles firms borrowed from commercial banks at lower-than-market rates, the difference being refinanced from TUF (World Bank, 2006: 33). Having recognised and identified the growth potential of the textile industry, especially cotton textiles, the India's Government during the 2006-7 budget speech proposed to enhance the allocation for TUF from Rs.435 crore to Rs.535 crore.[11]

These examples showcase countries that are among the best performers within Asia-Pacific. However, there is limited information available in the public domain on whether countries that have lost out in the post-ATC era also made such investments. It is nonetheless necessary to understand that the use of new machines does not guarantee overall increase in productivity if maintenance is weak. This is evident from the example of Cambodia (USAID, 2005b).

If a government cannot spend resources on technological upgradation because of resource constraints, the private sector should come forward, as suggested above, by forming a consortium. Another option would be to make use of FDI – mainly in the form of joint ventures – to ensure technology transfer. In this context, South-South cooperation, which is easier to obtain, could bring immense benefits to T&C exporters.

Reduced Time for and Costs of Procuring Inputs

Most Asia-Pacific countries maintain high tariffs on T&C products, reflecting the political economy of protection. Moreover, Governments are keen to maintain high tariffs in these sectors so as to shield local industry and employment, as well as government revenue.[12] This raises the cost of production of T&C exporters, at least to the extent that they lack vertical integration. Vertical integration signifies the existence of an integrated supply chain from the stage of, cotton production, for example, to yarn production, to fabric production, to the clothing industry, to packing, to transportation and other trade support facilities. In the

[10] See Shakya, 2005: 21.

[11] See fibre2fashion.com (2006)

[12] This measure is inimical to South-South trade, not least because tariffs are very high on these products, where developing countries have comparative advantages. For example, tariffs imposed on T&C products in Bangladesh (WTO, 2005a), India, Malaysia, Pakistan and Thailand are much higher than their average industrial tariffs (Adhikari and Yamamoto, 2005).

context of T&C, the existence of vertical integration tends to confer an advantage to exporting firms.

Countries like China, India, Thailand, Indonesia, Pakistan and Viet Nam have an integrated supply chain of textiles as well as clothing and are able to source a significant portion of raw materials from within the country. This helps them not only lower the costs of production because of reduced transportation costs of raw materials, but also reduces the lead time. Reduction in lead time provides the twin advantages of being able to meet the delivery order – thereby enhancing credibility as a reliable source – and reducing the working capital requirement, which also means reduced bank interest for some.

It also is necessary to understand that not all countries have the capacity and resources to integrate their supply chain vertically. For example, most West African countries, which grow cotton in abundance, do not have a strong textile industry. Because of the textile industry is highly capital-intensive (machines), skilled-labour-intensive (to operate them) and resource-intensive (especially water and electricity), smaller Asian-Pacific countries lack these prerequisites for the establishing such an industry. Therefore, countries such as Cambodia, Lao PDR, Maldives, Mongolia, Nepal, Sri Lanka and all the small island developing countries in the Pacific do not have textile industries worth the name. This evident is not only from the profile of their exports, but also from country-level information. For example, in Sri Lanka the contribution of the clothing (apparel) sector to overall production and exports is more than 90 percent (Ceylon Chamber of Commerce, 2005). Virtually all fabrics and accessories used in Cambodia are imported because of the near-absence of upstream industries in the country (USAID, 2005b: 13). In Nepal, the use of locally made fabrics by the export-oriented garment industry is hardly 2 percent (Shakya, 2005: 28).

As the example of developing countries such as Hong Kong SAR, South Korea or Taiwan shows, the lack of domestic inputs does not necessarily translate into competitive disadvantages. In the early stage of the sector's development, these countries relied heavily on imports of raw materials and textiles (WTO, 2005a). IMF (2004) stresses that lack of domestic inputs in a sector like T&C need not always disadvantage the apparel trade, so long as inputs can be accessed at world prices with short lead times. In a market-dynamic sector such as T&C, a lesson from Pakistan and China is that states should allow garment exporters an undistorted choice between using local and imported fabrics. China, which produces both cotton and textiles, uses only 45 percent of domestic fabric for clothing exports (UNDP RCC, 2005). In 2004, while the total exports of T&C products of China were US$61.12 billion, its import of fabrics and other raw materials was close to $20 billion (ILO, 2005).

Establishment of a textile industry to promote backward linkages with the rest of the economy is not a bad idea *per se*. However, considering the investment required,[13] this is not an area in which Governments should spend scarce resources. This should instead be provided for by the market itself. However, Governments can play the role of facilitator by

[13] For example, in Bangladesh estimates show that investment for backward integration would be in the range of US$ 2.5-5 billion. See Razzaque (2005): 121.

creating conducive policy environments and providing fiscal incentives, if needed. If the local private sector alone does not find it worthwhile to invest, FDI can be invited. For example, an investment zone in Sri Lanka that is specifically targeting exports to the EU is apparently attracting Pakistani investment in textiles. Consequently, large textile mills have begun to be built in Sri Lanka by Pakistani firms.[14]

Rather than investing public resource for the creation of textiles factories and creating double distortions in the economy by protecting industry through high tariffs, Governments should utilise resources on trade facilitation measures as we discuss later. These measures not only will benefit the T&C sector, but also the entire trading activities of the economy – international as well as domestic – and will provide spillover benefits to other sectors of the economy.

In the countries where textile and other accessory manufacturing industries are absent and there is no vested interest to protect, Government ideally should eliminate tariffs on all inputs across the board. This would allow RMG exporters to stock up raw materials based on their own projected requirements. This would help them eliminate the lead time associated with imports of raw materials. However, where the elimination of tariffs might not be a desirable option because of revenue implications, other facilities need to be devised.

One model that has been tried in many countries, but is not popular, is the system of duty drawback. Under this, the duty paid on imported inputs exclusively utilised in manufacturing exportables, is refunded after proof of shipment of the final product is produced. However, this facility has two major disadvantages. First, the duty paid is blocked, thus straining the working capital position of the firm for the period until the refund is received. Second, the refund is often considerably delayed and is subject to red tape and corruption.[15]

Because of the problems associated with the duty drawback scheme, another variant has been introduced in some countries. This scheme, which does not completely block the entire duty amount until refunded, is known as a bonded warehouse facility. RMG exporters are allowed to import raw materials duty-free, but are required to provide a bank guarantee as a commitment to use these items for export purposes only. When the goods are exported and proof is provided, a bank guarantee is released. Even so, this scheme too is being criticised as being bureaucratic and cumbersome.

To remedy these problems, a seemingly superior option proposed by World Bank (2006) in the context of Bangladesh is the operation of a Central Bonded Warehouse (CBW). The CBW operates as an enterprise responsible for importing and stocking up inputs required by RMG firms, depending on expected demand. Firms are not required to pay customs duty on inputs and can sell them to RMG manufacturers duty-free, thus mimicking locally based suppliers.

[14] As per information received from All Pakistan Mills Association (APTMA), the Sri Lankan Government has launched a package to attract investment in the country. Such incentives include a 10-year tax-free period on income for investments over US$10 million. See EmergingTextiles.Com (2006).

[15] For example, in Bangladesh, it takes on an average 58 days and 6 percent in additional expenditures for exporters to obtain a refund cheque from the Duty Exemption and Drawback Office (DEDO). See WTO (2005a: 81).

In order to allay Government fears that such a facility could be misused by entrepreneurs, two conditions may be attached. First, the CBW should be located inside the EPZ and RMG exporters can purchase the raw materials only against confirmed export orders or back-to-back letters of credit. Further, it also may be necessary to impose certain restrictions on the import of items based on local availability of the products in question. The World Bank (2006) estimates that operation of the CBW can reduce the lead time for sourcing raw materials by 35-45 days, which is significant. Another advantage of this approach is the economies of scale, which not only allows the CBW to make bulk purchases and save costs, but also to negotiate better terms with suppliers of inputs as well as auxiliary services (shipping, banking and insurance). All this leads to reduced costs of sourcing. A significant portion of cost savings can be passed on the RMG exporter; thus enabling them to become more competitive globally.

While it may be easier to make such an arrangement in countries where input industries are virtually non-existent, this could encounter serious problems in countries like Bangladesh, Indonesia, Viet Nam and Pakistan, where textile industries have been clamoring for protection and Government has provided it to some extent. [16] Two additional disadvantages are associated with this system. First, it is difficult for this scheme to work effectively when buyers' or rules of origin requirements restricts inputs to be resourced from a particular location. Second, investments to stock up inputs would be huge and double trucking and clearance requirements would raise the cost of supplying inputs (World Bank, 2006: 34). However, it is assumed that these costs are more than offset by economies of scale and superior bargaining power. Further, assuming that Government cannot and should not fund this initiative, it has to look sufficiently profitable for the private sector to be attracted. One way to attract the private sector is to provide a monopoly position to the CBW (one per EPZ), which is the most likely scenario. However, the monopoly over the supply of inputs means that it may very well squeeze RMG exporters and charge higher prices than a competitive market would allow.

The above proposal, despite all its shortcomings, may be suitable for large-scale exporters like Bangladesh, Pakistan, Sri Lanka and Cambodia, but may not suit Nepal, Lao PDR, Mongolia, Maldives and Fiji, where such ventures may not be economically feasible because of the low volume of business. For the countries with lower volume, regional trade integration and removal of tariff barriers on products imported from within the region could provide the benefit of the lowest purchase price for inputs. For example, a bilateral trade agreement between Nepal and India has helped Nepal obtain raw materials from India at a cheaper price. However, the time taken for import remains a concern. With the inclusion of trade facilitation measures within the ambit of a regional economic cooperation discipline, the lead time of the import of raw materials also can be considerably reduced.

[16] For example, the effective rate of protection provided to the textile industry in Bangladesh is 47 percent. See World Bank (2006: 35).

Establishment and Operation of Export Processing Zones

As noted above, one of the major supply-side constraints faced by most least developed and low-income countries is lack of ability to enhance competitiveness, resulting, among others, from poor infrastructure, inability to obtain inputs at international prices with the shortest possible lead time, inability to meet the deadline for orders because of frequent interruptions in operation from labour unrest or political disturbances, high taxes imposed by the Government, and other regulatory barriers. Because these barriers severely constrain the ability of the private sector to earn an attractive return on investment, the private sector in turn is reluctant to invest in sectors like light manufacturing (such as T&C) and electronics, despite their export potential. Foreign investors are even more reluctant.

Therefore, in order to attract investments[17] in these sectors, most Governments in developing countries have established various Export Processing Zones (EPZs). Within EPZs, Governments provide incentives to enterprises that mimic – and goes beyond – the free trade scenario. For example, enterprises within the EPZ receive inputs such as equipment and raw materials duty-free; a certain level of regulatory relief is assured[18], foreign exchange control is not applied, profit repatriation is guaranteed, strikes and other forms of disobedience are prohibited and, in some cases, freedom of trade unions is also restricted (See Box 1). Moreover, trade services and infrastructure facilities available within an EPZ are higher than national average standards. However, certain conditions also are imposed on EPZ enterprises; they are, for example, either not allowed or severely restricted from making domestic sales.

The primary goals of EPZs are to create conducive business environments and to enhance earnings by promoting non-traditional exports, direct investment, technology transfer and knowledge spillover. EPZs' greatest contribution seems to be job creation and income generation. They also can contribute to building human capital, through their demonstration and catalyst effects on the country entrepreneur pool. Finally, an efficient, competitive zone is an industrial infrastructure that many countries lack (Madani, 1999). On the flip side, concerns exist regarding a possible race to the bottom in terms of labour and environmental standards. However, the pressure from buyers to ensure minimum compliance with core labour standards, as well as environmental standards, can counterbalance such abuses.

A substantial majority of countries studied in this Report have established some variant of EPZs. The T&C sector figures prominently in the industrial composition within such zones. A database prepared by Boyenge (2003) showed countries like Bangladesh, India, Nepal, Pakistan, Sri Lanka, Philippines and Viet Nam had either textile enterprises or clothing enterprises, or both, located within an EPZ. While countries like Cambodia and Mongolia

[17] In several countries, foreign investors are the main beneficiary of the positive environment created by EPZ, whereas Governments could provide incentives to local investors to benefit equally from the favourable setting. See WTO (2005a).
[18] For example, in Sri Lanka the Board of Investment (BOI) encourages investors to locate their factories in BOI-managed industrial processing zones to avoid land allocation problems. See USTR (2004).

also are listed as having EPZs, there is no mention of the sectors encompassed within such zones. In Fiji, the only EPZ within the country hosts garment as well as textile factories.

Box 1: Typology of Incentives – A Case of Pakistan

1. 100% ownership rights
2. 100% repatriation of capital and profits
3. No minimum or maximum limit for investment
4. Duty-free imports of machinery, equipment and material
5. No sales tax on input goods, including electricity and gas bills
6. Obsolete/old machinery can be sold in domestic market of Pakistan after payment of applicable duties and taxes
7. No excise duty, no customs duty on cement, steel and any other material used in construction of buildings
8. Freedom from national import restrictions
9. Foreign exchange control regulations of Pakistan not applicable
10. Defective goods/waste can be sold in domestic market after payment of applicable duties, up to 3 percent of total value of export
11. Duty-free vehicles allowed under certain conditions. After five years of use, vehicles can be disposed of in domestic market on payment of duty
12. Domestic market of Pakistan available on same conditions as for imports from other countries
13. Units operating in EPZs can undertake sub-contracting for units of tariff area subject to payment of duty and taxes on value addition only
14. Only EPZ Authority is authorised to collect presumptive tax at the time of export of goods at 1 percent (as revised on 1 July 2005), which would be final tax liability
15. EPZ units allowed to supply goods to customs manufacturing bonds
16. Production-oriented labour laws to be solely regulated by the EPZ Authority
17. EPZ manufacturers be treated at par with bonded manufacturers in tariff area for any future incentives to be announced for exporters
18. Relief from double taxation subject to bilateral agreement

Source: Export Processing Zones Authority, Board of Investment, Government of Pakistan
http://www.pakboi.gov.pk/Biz_guide/export_processing_zones_author.html

Although EPZs have attracted considerable attention in the empirical literature, studies focusing on efficiency of the T&C sector within an EPZ are rare. According to one analysis conducted by the WTO (2005a), which focused exclusively on LDCs, EPZs in some cases not only offered beneficial business to domestic and foreign firms, but also boosted economic development by helping countries enhance their competitiveness. However, that report cautions: "In the majority of cases, success of EPZ was limited and contributed only to a minor extent to an improvement of LDC competitiveness in the T&C sector."

One reason for this could be the disconnect between the EPZ and the local economy, as well as very limited backward or forward linkage. Because of the incentive structure, along with the quality and reliability of inputs supplied by foreign companies, most exporting firms do

not prefer to purchase inputs from local industries. This acts as a barrier for creation of a reliable backward linkage. Moreover, because firms located in the EPZ are prevented from making domestic sales, their forward linkage with the local economy is severely constrained.

Another important consideration is whether the incremental net value of the expected benefits justifies the huge investment to be made, at least initially, by the public sector,[19] as well as costs to be incurred in the form of forgone revenue. Jayanthakumaran's (2003) research on the performance of EPZs, using a benefit–cost analytical framework, finds that zones in South Korea, Malaysia, Sri Lanka, China and Indonesia are economically efficient and generate returns well above estimated opportunity costs. On the other hand, the heavy infrastructure costs involved in setting up the zone in the Philippines resulted in a negative net present value.

EPZ are clearly the second-based solution, which is useful for a limited time period. As an economy opens toward a more liberal trade regime, the value of the EPZ tends to fade. As a result of ongoing negotiations in the WTO,[20] at least the tariff part of the benefits is likely to less relevant. Moreover, it has to be noted that the some incentives provided to export-oriented enterprises could be considered export subsidies, which are prohibited by the WTO Agreement on Subsidies and Countervailing Measures (ASCM). While LDCs and developing countries with less than US$1,000 per capita Gross National Product (GNP) are exempted from this Agreement, other countries may have to examine the nature of incentives carefully and check their compatibility with the ASCM before making policy decisions.

Improved Trade Facilitation

Trade facilitation may be defined as the simplification and harmonisation of international trade procedures, with such procedures encompassing the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. This definition relates to a wide range of activities such as import and export procedures (e.g., customs or licensing procedures), transport formalities, and payments, insurance and other financial requirements (Federal Trust, 2003).

It is being increasingly realised, both by developed and developing countries, that trade facilitation could be instrumental in saving traders a great deal of difficulties and wastage of resources, collectively known as trade transaction costs. The objective of trade facilitation is to reduce the cost of doing business for all parties by eliminating unnecessary administrative burdens associated with bringing goods and services across borders. The means of achieving this objective are the modernisation and automation of import procedures to match established international standards (Staples, 2002). Because trade facilitation is instrumental

[19] The assumption is that the private sector also will be made to participate in the EPZ both by contributing financial as well as managerial inputs.
[20] A decision made at the WTO Hong Kong Ministerial Conference envisages use of a "Swiss Formula," with a view to securing deeper cuts in higher tariffs. See WTO (2005b): Paragraph 14.

in removing bottlenecks in import and export, it also has been referred to as the "plumbing" of international trade.

Box 2: Some Real-Life Examples of Improved Trade Facilitation

Chilean Customs estimated that the introduction of their Electronic Data Interchange system, which decreased processing time, resulted in business savings of more than US$1 million per month, for a system cost of only US$5 million.

Meanwhile, after the five-year reform of the Peruvian Customs, the cargo release time has been reduced from an average of 30 days to a maximum of one day for green channel cargo (one or two days for goods chosen for inspection), while at the same time quadrupling the revenue collection. At 12 percent interest, and considering the value of Peruvian imports in 2000, this constituted a maximum gain to the involved companies of some US$71,997,000.

Source: Swedish Trade Procedure Council and National Board of Trade (2002): 19.

Several studies have highlighted the importance of trade facilitation in the context of the multilateral trade regime, where industrial tariff barriers are becoming less and less important because they are already low, and are being reduced under NAMA in the WTO, as noted above. For example, Wilson et al. (2003) assert that the overall gains to trade from investment in trade facilitation would exceed those in tariff cuts on manufactured goods.

Improved trade facilitation is even more critical for the survival of the Asia-Pacific T&C sector in the post-ATC era, not least because this is one industry that involves both imports of inputs as well as exports of finished products.[21] Given the move toward vertical specialisation and slicing up the value chain, each day saved could provide enormous benefits in terms of enhancing the industry's competitiveness. This is more so in the case of time-sensitive products like RMG, where fashion changes rapidly and delayed consignment could lead to cancellation of orders. An empirical study by Hummels (2001) estimates that each day saved in shipping time is worth 0.8 percent *ad valorem* duty for manufactured goods.

OECD (2004) cites a study by Verma (2002) that estimates that Indian companies suffer a 37 percent cost disadvantage in shipping containers of clothing products from Mumbai/Chennai to the east coast of the United States, relative to similar container shipments originating from Shanghai. This cost disadvantage arises from delays and inefficiencies in Indian ports. The work highlights the importance of efficient port infrastructure, reliable and competitive modes of transport and efficient customs procedures for maintaining an edge in the competitive, time-sensitive and fashion-oriented textile and clothing markets. Similarly, an Asian Development Bank technical assistance study in 2003 found that clothing producers in Bangladesh might earn 30 percent more if inefficiencies were removed at Chittagong port (ADB, 2006).

[21] Except for India, where a substantial portion of the value addition of T&C takes place within the country. See UNDP RCC (2005).

Trade facilitation also improves Government revenue as well as promotes good governance, through transparency, reduction in corruption, better regulation, due process and public-private sector cooperation. A study by Engman (2005), which uses 12 countries case studies to evaluate the impact of customs reform on government revenue, concludes that customs modernisation programmes can have a marked positive effect on the collection of trade taxes, if effectively implemented. The study further mentions that several countries have more than doubled their customs revenue after the introduction of comprehensive reform programmes and that country experiences also indicate that even relatively modest modernisation programmes have brought quantifiable increases in customs revenue. This finding is consistent with those of DTI (2003), which concludes that rationalised and efficient customs procedures boost customs duty collection. Since the majority of developing countries depend substantially on customs duties for financing public expenditure, improved trade facilitation would enhance their ability to augment their revenue.

Another compelling reason for developing countries to adopt measures to improve trade facilitation is that because inefficient procedures represent a "fixed overhead," the burden is likely to fall disproportionately heavily on developing countries in general and small and medium enterprises (SMEs) of these countries in particular. SMEs are often unable to employ dedicated personnel in charge of logistics because of resource constraints. Since most of the RMG industries in Asia–Pacific developing countries are SMEs, they will suffer most if inadequate attention is paid to trade facilitation measures.

The convincing benefits of improved trade facilitation measures notwithstanding, developing countries are reluctant to undertake binding obligations at the multilateral level, mainly because of the dearth of public funds to make hugely demanding investments. It is certainly not advisable for resource-strapped governments to divert resources from social sectors such as health and education to invest in improved trade facilitation measures. This is part of the reason for the opposition of these countries to agree to any binding negotiations on trade facilitation at the WTO. However, after they were assured of technical assistance to overcome this problem, they agreed to multilateral negotiations on this issue and finalised the text for initiating such negotiations in the July Package.[22] Negotiations are advancing in this area, as can be seen from the report of the Negotiating Group on Trade Facilitation (NGTF), set up on 12 October 2004, which was submitted to the Hong Kong Ministerial Conference (WTO, 2005b). While the text on technical assistance is still binding and valid, the modalities for the delivery of the same are far from clear. It is likely that this issue would be linked to the issue of aid for trade, to which we turn now.

[22] July Package was agreed by WTO member countries on 1 August 2004 with the objective of reviving global trade talks in the aftermath of the failure of the Cancun Ministerial Conference. July Package mandates, "Negotiations shall aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994, with a view to further expediting the movement, release and clearance of goods, including goods in transit." Moreover, the trade facilitation text contains relatively strongly worded technical assistance language that provides leeway to developing countries not to implement their part of the commitments in the absence of technical assistance. See WTO (2004).

Optimising Benefits of Aid for Trade

Current discussions on aid for trade focus both on the demand as well as the supply side of the trade integration process. Though there are differences of opinion, the aid for trade debate is gaining prominence largely because of the inadequacy of measures put in place to help developing countries (particularly low-income and least developed) to benefit from the international trading system. As per these discussions, existing proposals for aid for trade can be divided into two categories: a) adjustment-oriented and b) trade-enhancing.

Adjustment-oriented assistance is needed for those countries that have encountered problems with their balance of payments (BOPs) or suffered revenue losses due to trade liberalisation. One example of the former is the Trade Integration Mechanism introduced by International Monetary Fund (IMF) in 2004, which is meant to provide financial assistance to members facing BOP pressures resulting from multilateral trade reforms. Another form of adjustment-oriented aid can be to provide assistance to countries that have suffered terms of trade losses due to trade liberalisation (IMF and World Bank, 2005).

Yet another category of adjustment-related assistance is to address the issue of preference erosion, which is likely to occur as a result of the ongoing WTO negotiations. Adjustment assistance also may be required to help developing countries implement commitments they have undertaken during multilateral trade negotiations. The costs of implementing multilateral trade agreements such as those on customs valuation, technical and health-related standards and intellectual property – all of which require hard investments – represent an example of this.

Trade-enhancing aid for trade can be divided into two categories – demand side and supply side. Demand-side assistance includes investment in enhancing the negotiating capacity of developing countries' trade officials to enable them obtain better market access through trade negotiations at multilateral, regional or bilateral level. This may involve training officials and providing necessary technical backstopping, such as rigorous studies to examine the impacts of trade liberalisation scenarios and their implications for growth, poverty and human development.

Supply-side assistance, which is the most critical element in the entire debate on aid for trade, relates to investments needed to build *physical infrastructural capacity* that includes creation of better road and communications networks as well as information technology facilities, enhanced and uninterrupted power supply, better storage facilities, and transformation of ports and customs so as to meet standards needed for facilitating trade. Similarly, investments in creating and sustaining *institutional infrastructural capacity* and *human capacity* involve establishing institutions for testing of qualities, as well as technical training institutes.[23]

[23] See also Johnson (2006).

The conventional thinking of aid not trade embraces the notion that if developing countries' trade barriers were removed, they would be able to export their way out of poverty – and their reliance on development assistance would accordingly decline. However, four decades of GSP, which allows developed countries to provide unilateral and non-reciprocal trade preferences to LDCs, have shown that converting "market access" into "market entry" can be an elusive goal without investment to overcome supply-side constraints and enhance competitiveness.

Although some existing mechanisms aim at putting into practice the idea of aid for trade, they are clearly not sufficient. For example, Trade Integrated Mechanism of IMF is limited to countries suffering from Balance of Payment crises. World Bank too is currently engaged in the following areas that may fall under the broad rubric of aid for trade: a) technical assistance; b) capacity building; c) institutional reform; d) investment in trade-related infrastructure; e) assistance to offset adjustment costs. Although World Bank resources in these five areas have been significantly increased (IMF and World Bank, 2005), the fact that most of this assistance is in the form of loans makes them unattractive to recipient countries.

A potentially useful mechanisms that can be considered as a variant of aid for trade, at least from the perspective of LDCs, is the Integrated Framework for Trade Related Technical Assistance (IF) launched in 1997. Six international agencies – IMF, International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), UNDP, World Bank and WTO – participate in this initiative. The objectives of IF are: 1) to integrate or mainstream trade into national development plans of the LDCs; and 2) to assist in coordinated delivery of the needs identified by LDCs. Country ownership and partnership are the twin pillars of the IF programme.

The implementation of the IF comprises three broad stages. First are preparatory activities, which would typically include an official request from the country to participate, a technical review of the request, the establishment of a national IF steering committee and, to the extent possible, the identification of a lead donor. Second, once the request has been approved, the process moves on to its diagnostic phase, resulting in the elaboration of a Diagnostic Trade Integration Study (DTIS). Finally, follow-up activities start with the translation of the diagnostic phase's findings into the elaboration and validation of an action plan, which serves as the basis for trade-related technical assistance delivery (Adhikari and Dahal, 2004). However, because of the lack of inter-agency coordination, paucity of resources and failure to address the disconnect between WTO obligations and national development priorities of LDCs, this scheme has not been able to deliver what was originally expected (Hoekman and Kostecki, 2001: 399).

These criticisms notwithstanding, during the Doha Ministerial Conference trade Ministers endorsed the IF as a viable model for LDCs' trade development (WTO, 2001: Paragraph 43). Following this, on 15 July 2003, the heads of the six IF agencies and their representatives issued a joint communiqué underscoring the commitment of the agencies to the IF model.

Support for the IF also is reflected in the form of increased contributions to the IF Trust Fund, which stood at US$19.3 million as of 3 July 2003 (Puri, 2005).

Because lack of funding was identified as the single major problem, debates on upscaling the initiative gathered momentum in the run-up to the WTO Hong Kong Ministerial Conference held in December 2005. The Development Committee of the World Bank and IMF endorsed an "enhanced IF" at its autumn 2005 meeting. This paved the way for the Ministerial Conference to adopt a decision to make enhanced IF operational by 31 December 2006 (WTO, 2005b: Paragraph 49).

Since the IF is a rather general programme to facilitate trade integration, with limited funding, it has had a very limited role in helping LDCs enhance their competitiveness in a distinct sector like T&C. Nevertheless, some DTIS have highlighted the T&C sector as one in which investments need to be made.

Analytical work represents a great deal of Trade Related Technical Assistance/Capacity Building related to T&C. In particular, sectoral studies constitute a valuable and necessary step toward sound, coherent sectoral development strategy and, ultimately, enhancement of competitiveness (WTO 2005a, 24). As per the Doha Development Agenda (DDA) Trade Capacity Building Database, jointly managed by the Organisation for Economic Cooperation and Development (OECD) and the WTO, Asian-Pacific LDCs were among the significant recipients of such support, with Bangladesh alone receiving more than half the support provided to all LDCs.

However, two major problems are associated with such analytical work. First, follow-up activities, leading to policy changes are very rare. Second, funding support for the so-called "hardware" – such as infrastructure building, installation of testing laboratories – is never guaranteed. Developing countries are obliged to wait until funds are tied up, which may take any form, including loans with severe conditionalities attached.

The discussion on aid for trade gained heightened prominence during the WTO Hong Kong Ministerial Conference, with major economic powers including the EU, Japan and United States announcing concrete figures of what they wanted to deliver. This shows a growing realisation among developed-country Governments and multilateral/inter-governmental agencies of the need to scale up resources in the form of aid for trade. This also is reflected in the Hong Kong Ministerial Declaration, which decided to "invite the Director-General to create a task force that shall provide recommendations on how to operationalise "aid for trade." It was decided that the "Task Force would provide recommendations to the General Council by July 2006 on how Aid for Trade might contribute most effectively to the development dimension of the DDA (WTO, 2005b: Paragraph 57)." In line with this mandate, the WTO Director General already has constituted the Task Force on 8 February 2006 (ICTSD, 2006).

What is clear from the above analysis is that aid for trade, though a necessary condition for enabling developing countries to integrate into the global economy, is rife with controversy. Therefore, a need exist for developing countries to follow a cautious approach lest they be taken for a ride. In order to make aid for trade meaningful, there is a clear need to address the following concerns, some of which are highlighted in Puri (2005: 40-1).

First, aid for trade should be genuinely additional and complementary resources and should not merely be the repositioning of existing technical assistance.

Second, aid for trade should only be used to support various trade-related components of nationally owned economic development and/or poverty reduction strategies agreed by Governments.

Third, the initial amount of aid for trade should be substantial and credible, and the mechanism should assure the recipient country of a predictable stream of assistance so that it can plan and execute eligible projects efficiently and sustainably

Fourth, the form of funding should preferably be grants and concessional loans; easy accessibility, user-friendliness and non-debt-creating aspects are vital for success.

Fifth, the target areas of intervention by an aid for trade fund should be clearly defined, with a well-defined ratio between "software" (studies, seminars, training, exposure visits) and "hardware" (trade facilitation and infrastructural support).

Sixth, there should be a legally binding mechanism, preferably forming a part of the "single undertaking" under the DDA, to operationalise the idea of aid for trade. There also should be an institutional mechanism with clear mandate as well as milestones prepared to monitor the implementation of agreed commitments.

Enhanced Access to Finance

Equity financing and reinvested earnings are important sources of financing business enterprises, including those belonging to the T&C sector, but support from financial institutions is indispensable to finance their growth and expansion. As noted above, due to the high capital intensity, loan component in overall financing is more important in the case of the textile industry than the clothing industry. The clothing industry also needs easy access to medium- to long-term loans (to invest in land, buildings and machinery); short-term financing (for financing working capital requirements); and other banking facilities (letter of credit, remittances).

Banking systems in most of Asia-Pacific developing countries, particularly LDCs are rudimentary and tend to charge unreasonably high interest. To further complicate matters, the majority of banks ask for a high level of collateral or personal guarantees, especially for

financing term loans. Both factors limit the access of small and medium enterprises to credit. Such responses by banks and financial institutions reflect their risk perception, may be coloured by their inability to analyse creditworthiness as much as by the country's overall business environment. More importantly, the legal system is often too weak to guarantee a credible enforcement mechanism to recover money in case of defaults.[24]

Limited access to credit impedes the ability of the T&C industry to expand its operations or start new ventures. Even for short-term loans, often the preferred form of bank financing in most LDCs and low-income countries, access to credit is extremely limited. For example, in Cambodia the local commercial banks provide only 1 percent of working capital (WTO, 2005a: 84). In Bangladesh, despite the introduction of micro-credit and several other successful schemes, small entrepreneurs' access to credit remains highly restricted. A study conducted for Bangladeshi Ministry of Commerce (2003: 19) showed a large number of knitwear garment exporters having capital of Taka (Tk.) 10 million to Tk.20 million, with a workforce of 150-300, forced to borrow from local moneylenders at a monthly interest of Tk.10,000 plus brokerage of Tk.1,000 on a loan of Tk.100,000.[25] Exporters are compelled to take such loans when they fail to get urgent bank financing. Sometimes they also borrow from the traders-cum-moneylenders who sell yarn and other on credit at market price and charge interest of 4 to 5 percent per month (International Business and Technical Consultants, 2003) – which translates into 48 to 60 percent annual interest. Even in Indonesia obtaining working capital loan is considered as a major problem, as noted earlier.

In the case of Nepal, the story is slightly different. While the access of small entrepreneurs to credit as well as other banking facilities is severely restricted by discriminatory interest rates and the need for collateral, exporters are facing new problems after the phase-out of quotas. Notes Shakya (2005: 25), "Nepalese commercial banks are increasingly becoming reluctant to make new investment in this sector and initiating stricter actions against debtors."[26] Contrast this with the period when RMG used to be one of the most lucrative businesses in Nepal. During the heyday of quotas, banks provided financing to garment exporters simply on the basis of export letter of credit, without requiring any collateral.

In high- and middle-income countries with highly developed capital markets, financing is not a major constraint. However, in low-income countries, where the capital market is not well developed, entrepreneurs are not able to exercise this option.

FDI may be another option worth pursuing by developing countries in general and low-income countries and LDCs in particular, because such investment can provide necessary resources to enterprises reeling under financial constraints. Foreign investment also can become a catalyst for technological upgradation; first, because enterprises have the resources

[24] See WTO (2005).

[25] The exchange rate is US$1=Tk.67.

[26] Garment entrepreneurs and their associations are in part to be blamed for this state of affairs. They have blown the problems out of proportion in order to pressure the Governments to take concrete remedial measures. Financial institutions, conservative as they are, have overreacted and virtually stopped providing financial support to RMG firms.

to invest in the latest technology, and second, because FDI is considered a window for the transfer of technology to the developing countries. Moreover, because of superior managerial skills and a tendency to investment in human resource development, FDI can be an instrument to increase total factor productivity at the enterprise level. For example, a survey of RMG in Bangladesh (World Bank, 2006) showed those with foreign equity to have productivity levels averaging 20 percent higher than those without. In addition, the survey showed positive and significant productivity spillovers. For every 10 percent increase in the productivity level of FDI in the industry, the productivity of domestic firms increased by 1.4 percent.

While the analysis of all factors affecting FDI is beyond the scope of this report, it is well known that some basic elements could help provide much-needed triggers to boost the flow of FDI. These include overall stability of the business environment, a well-functioning property rights regime, guarantee of profit repatriation and a well-developed legal system that guarantees enforcement of contracts. Enterprises in low-income and least developed countries tend to focus only on the possibility of attracting foreign investment from developed countries. This has a clear advantage not only because developed countries are more likely to exploit the opportunities available in their respective markets but also because they bring with them much-needed skills and technology. However, developing countries do not seem to have explored the option for South-South investment flow, despite the fact that the latter can have several beneficial effects. Besides helping the local enterprises fill the resource gap, South-South FDI would create limited adjustment problems given the cultural similarities.

T&C is one such sector in which South-South investment flows are already quite sizeable. Examples include Indian investment in Nepal, investment from Hong Kong and mainland China in Cambodia, Sri Lankan investment in Maldives, and Chinese investment in Mongolia. Similarly, there are signs that Pakistani enterprises are moving their investments to Bangladesh and Sri Lanka (EmergingTextiles.com, 2006). Likewise, Malaysian companies are planning to invest in Bangladeshi EPZs (The Financial Express, 2006).

However, one of the major disadvantages of FDI in garment manufacturing is that such investments are often footloose in nature, and there is a risk that foreign investors may rapidly pull out should a negative trend become visible. For example, Sri Lankan investors pulled out of Maldives, India investors left Nepal and Chinese investors abandoned Mongolia by the end of 2004, when they realised that the garment industries in these countries had a limited possibility of surviving in the post-ATC era.

IV. Conclusion and the Way Forward

The impressive growth in T&C exports that Asia-Pacific has been able to achieve during the first year of the post-ATC era is testimony to the huge potential the region holds in this sector. However, the benefits of the phasing out of T&C quotas are unevenly distributed, with the most competitive countries, like China and India, pushing smaller players to the brink of collapse. Although the "China factor" had entered the global trade lexicon ever since China joined the WTO in 2001, the sheer market power of this country has become visible only in the post-ATC era. The survival of the weak and marginal players in the region – Fiji, Maldives, Mongolia and Nepal – is threatened. Those countries that have been able to hold onto past gains despite their apparent lack of competitiveness like Bangladesh, Cambodia, Lao PDR, Sri Lanka and are not too sure about their prospects post-2008, when the safeguards imposed on Chinese exports of T&C products will be lifted.

Among the several perverse incentives created by the MFA regime, an important one involved the considerable South-South movement of capital to "jump" the quota restrictions imposed on the most competitive countries. Not only bigger countries like China and India invested heavily in smaller countries less restricted by quotas but even a relatively smaller economy like Sri Lanka invested on RMG manufacturing in neighbouring Maldives.

However, when quotas were about to be lifted, and opportunities for increased market access in the developed countries were assured, foreign investors moved their resources back to their own countries – little realising the devastating impact their decisions could have on employment, poverty and human development in the host countries. Because of limited capital and technology intensity of the sector as well as limited linkages with the host economy, investments in RMG are considered "footloose," signifying their opportunistic tendency. There may be no better testimony to this harsh reality than the Chinese investors, who had virtually uprooted their investments in Mongolia after the quota phase out only to return after one year because of the imposition of safeguards by major importers on Chinese apparels. It is hoped that these investments will now create lasting impact on the Mongolian economy and the Chinese government too provides a policy framework to ease the flow of private investments to the neighbouring countries on a sustained basis.

Loss of employment is the most conspicuous dimension of the quota phase-out. However, lack of alternate employment opportunities is a serious problem, not only for the small and marginal economies, but also for countries like India where some segments of the industry are losing out because of intense competition. A similar, interrelated factor is responsible for the plight of thousands of workers who are going to lose jobs in a country like Indonesia, where layoffs are imminent even in the face of the overall increase in the country's exports of T&C products. It is necessary to move beyond averages, because disaggregated data available even from relatively competitive countries like India, Indonesia and Pakistan suggest that people have either lost or are likely to lose their jobs in some sub-sectors within T&C and are in dire need of alternate sources of employment. Disaggregated analysis also provides evidence of the

burden of adjustment falling disproportionately on unskilled and female workers, rather than skilled and male workers.

Asia-Pacific countries that have been worst hit by the phasing out of the quota system are either landlocked countries (Mongolia, Nepal), or LDCs (Maldives and Nepal) or small island vulnerable countries (Fiji, Maldives). Five factors that are common to the loss of their exports are: 1) lack of strong linkages with other economic activities in the country; 2) low level of human capital; 3) high transportation and transaction costs; 4) high level of concentration, in the same product categories as well as export destinations where competition is intense; and 5) discrimination within the global trading system. This is not to suggest that all is well with another set of countries unsure of their prospects post-2008, as noted above. These countries too suffer from some of the problems mentioned above, even though they are relatively better positioned to face global competition.

Out of the problems identified above, the last is related to the issue of seeking and obtaining incremental market access in a predictable manner. While this is important for all Asia-Pacific countries, it is particularly important for LDCs. However, as noted above, the focus of this report has been on addressing behind-the-border, supply-side problems, which are not only related to discussions or negotiations at the international level, but also are part of the domestic reform agenda.

One critical strategy to avoid vulnerability associated with overdependence on a limited market or product categories, as highlighted in Adhikari and Yamamoto (2006), is the diversification of markets as well as products. The report highlighted a case study of Thailand as an impressive success worth emulating. Further review of literature, media reports and other sources of information suggests that countries like Indonesia, Philippines and Vietnam too seem to be following a similar strategy of market diversification, mainly to other developing countries. Although their success has not been as striking as that of Thailand, they seem to be doing their best. Nonetheless, efforts have been limited on the part of those countries that should have done most.

Human development gains can be achieved not only by improving the social indicators of the people at large, but also by increasing and sustaining employment opportunities, particularly for the poor and vulnerable. Employment is not only the means for sustaining livelihoods of the people, but also a means of empowering them. T&C is undoubtedly a sector with high employment potential. Within this the highly labour-intensive RMG sub-sector is a priority area requiring additional support and protection. Efforts by some governments, private sector and donor community are steps in the right direction, they are clearly not sufficient. Given the fact that long term survival depends on enhancing competitiveness by overcoming supply side constraints, the following seven policy pointers, including two cross-cutting ones are worth taking note of:

1. Investment in human capital

Increased productivity is a major tool to improve competitiveness at the enterprise level. However, in order to enhance the productivity of the country as a whole investments in health and nutrition are as important as investments in education and skills development. Concerns have been raised about the resource-intensive nature of such investments, but a combination of public-private partnership and mobilisation of donor support could be an effective way to create better human capital critical for survival in the post-quota world.

2. *Improved trade facilitation*

While the problem of high transportation costs may not be something that can be addressed immediately, transaction costs can certainly be reduced by investing in improved trade facilitation measures. Such effort not only will help improve competitiveness of the T&C sector, but also will provide economy wide effects. Despite the convincing benefits, developing countries in general – and those of the Asia Pacific region in particular – find it difficult to generate resources to achieve this objective. However, they can and should be able to make use of enhanced IF or the anticipated global package on aid for trade, provided these are made available to support country-specific priorities and are provided on a lasting basis without conditions attached.

3. Adopting innovative sourcing strategies

For countries lacking a vertically integrated industrial structure, high costs and time taken for sourcing of inputs remain a major problem. The first best option is to dismantle tariff barriers so as to make inputs available to T&C manufacturers at world prices. However, this may not be a feasible option to pursue in many countries, which are chiefly dependent on trade taxes for the major portion of their revenue. Therefore, various mechanisms have been followed in the past, with different degrees of success. One innovative approach proposed in the case of Bangladesh is to establish a CBW, which can stock up the inputs imported duty-free and sell them to T&C exporters against confirmed export orders or letter of credits. Although this approach is worth exploring by other countries having mass production potential, smaller countries may have to rely on regional or bilateral trading arrangements and trade facilitation to reduce costs and time.

4. Strategic management of EPZ

Many countries in the region have used EPZ to enhance efficiency of their exporting ventures as well as to create incentives for attracting FDI. Based on the mixed evidence from the success of EPZs and the gradual reduction in tariff barriers taking place globally, these can be considered a short-to medium-term policy instrument to help provide breathing space for the T&C industry. However, if policy makers are careful in designing the incentives and ensuring the participation of the private sector in establishing EPZs and removing bureaucratic red tape, EPZs can produce several benefits not only to the T&C sector, but also to the entire economy.

5. Enhancing access to credit

Because of the virtual absence of capital markets in many small and marginal Asia-Pacific countries, enterprises are reliant on banks and other financial institutions to meet their financial requirements. However, given the tendency of the banks to charge high interest and/or ask for excessive collateral reflecting their risk perceptions, small and medium textiles and/or RMG exporters find their access to credit highly restricted. Some are even forced to borrow from the informal market paying higher interest, which in turn reduces their global competitiveness. Reforms aimed at infusing more competition, including encouraging FDI and joint ventures, can help unlock the potential of the financial sector. Moreover, legal reform to improve the loan recovery system could go a long way towards building the confidence of the banking system and providing it incentives to treat SMEs more or less at par with other borrowers. There might even be a need for the Central Banks to make selective intervention in the market to provide subsidised credit and/or resort to directed lending practice on the ground of the holy trinity – employment opportunity, export potential and gender balance – the T&C sector promotes.

6. Harnessing the potential of public-private partnership

The first cross-cutting issue relates to public-private partnership, a relatively under-appreciated issue in the context of Asia-Pacific. With a severe resource crunch in countries devastated by the phasing out of quotas, neither the public nor private sector alone can make investments for example, for the creation of a training institute or productivity centre, for the establishment of EPZ and CBW, or for the installation of new and costly technology. Emulating the successful model of public-private partnership in other countries, these initiatives can and should be undertaken jointly by both actors.

7. Extended use of South-South cooperation

The second issue relates to harnessing the potential of South-South cooperation beyond trade. Areas of South-South cooperation for the development of the T&C sector may include the flow of investment not only in the rather "footloose" RMG sector, but also in helping create vertically integrated facilities by making investments in textiles or accessories industries and the south-south transfer of technology. Countries like China and India should take lead in these initiatives. Another possible area of cooperation could be to encourage training institutions in relatively better-off developing countries to partner with such institutions in countries with limited capacities.

Despite several challenges, small and marginal players from the region have the potential to use T&C sector to make significant gains in terms of achieving human development objectives. Imposition of China safeguards has provided them much needed breathing space for a second time to build their supply capacity so as to face global competition post-2008. Countries that have paid the price of their apathy in the past should take this clarion call with a sense of urgency, or else they should be prepared to see their T&C sector wiped off the global industrial map.

APPENDIX

Notes on Data:

US trade data are from the United States International Trade Commission (USITC) Interactive Tariff and Trade DataWeb. EU trade data are from Eurostat external trade database (COMEXT). This Report uses 2004-2005 COMTEXT data, which were revised on 22 March 2006. As a result, 2004 EU data shown in the Report are slightly different from the data that appeared in December 2005 Report. EU 25 countries are Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

Tables except Table A-4 are calculated based on the Harmonised Commodity Description and Coding System (HS) at six-digit and 10-digit levels. Agricultural raw materials such as silk, cotton, wool and vegetable fibres are excluded from HS 50-53. EU data from HS 54 to 63 include trade data broken down at chapter level only, corrections due to erroneous codes, and confidential trade at chapter level.

Euro/ US dollar exchange rate is from Eurostat New Cronos.

Descriptions of the HS code in Section XI "Textiles and Textile Articles" are as follows:

SECTION XI - TEXTILES AND TEXTILE ARTICLES	
HS	**CHAPTER DESCRIPTION**
50	Silk
51	Wool, Fine or Coarse Animal Hair; Horsehair Yarn and Woven Fabric
52	Cotton
53	Other Vegetable Textile Fibres; Paper Yarn and Woven Fabrics of Paper Yarn
54	Man-Made Filaments
55	Man-Made Staple Fibres
56	Wadding, Felt and Non-Wovens; Special Yarns; Twine, Cordage, Ropes and Cables and Articles Thereof
57	Carpets and Other Textile Floor Coverings
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery
59	Impregnated, Coated, Covered or Laminated Textile Fabrics; Textile Articles of A Kind Suitable for Industrial Use
60	Knitted or Crocheted Fabrics
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted
62	Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted
63	Other Made-Up Textile Articles; Sets; Worn Clothing and Worn Textile Articles; Rags

Source: RAMON, Eurostat.

Table A-1. Share in US Imports of Textiles and Clothing Products

COUNTRY	Value (in US Dollars)				Volume (in Kg)			
	2004	Share (%)	2005	Share (%)	2004	Share (%)	2005	Share (%)
World	86,703,574,513	100.0	92,595,008,829	100.0	8,379,096,655	100.0	9,020,184,005	100.0
Asian 12	35,842,500,378	41.3	46,076,508,473	49.8	3,507,528,123	41.9	4,531,754,252	50.2
Bangladesh	1,986,278,092	2.3	2,380,338,481	2.6	207,592,977	2.5	246,341,074	2.7
Cambodia	1,430,845,435	1.7	1,716,164,278	1.9	100,643,769	1.2	121,394,196	1.3
China	14,948,475,902	17.2	22,445,457,572	24.2	1,481,598,519	17.7	2,261,262,627	25.1
India	3,946,295,462	4.6	4,973,698,565	5.4	445,821,124	5.3	534,071,477	5.9
Indonesia	2,601,591,795	3.0	3,092,156,615	3.3	203,916,936	2.4	242,768,172	2.7
Lao PDR	2,111,546	0.0	2,835,538	0.0	108,097	0.0	104,796	0.0
Nepal	132,562,616	0.2	98,419,930	0.1	11,308,304	0.1	6,636,181	0.1
Pakistan	2,550,600,899	2.9	2,887,926,037	3.1	454,074,560	5.4	529,550,166	5.9
Philippines	1,862,742,400	2.1	1,881,837,179	2.0	117,464,365	1.4	114,803,261	1.3
Sri Lanka	1,600,621,722	1.8	1,694,485,494	1.8	110,042,781	1.3	106,099,394	1.2
Thailand	2,207,135,414	2.5	2,178,466,918	2.4	189,208,133	2.3	183,625,112	2.0
Vietnam	2,573,239,095	3.0	2,724,721,866	2.9	185,748,558	2.2	185,097,796	2.1
CBI+Mexico	18,685,973,634	21.6	17,775,857,225	19.2	1,860,695,925	22.2	1,788,384,461	19.8
CBI	10,159,533,783	11.7	9,807,669,616	10.6	905,846,336	10.8	917,791,328	10.2
Mexico	8,526,439,851	9.8	7,968,187,609	8.6	954,849,589	11.4	870,593,133	9.7
AGOA[1]	1,792,857,822	2.1	1,497,104,080	1.6	141,172,614	1.7	119,707,942	1.3
ROW	30,382,242,679	35.0	27,245,539,051	29.4	2,869,699,993	34.2	2,580,337,350	28.6
Fiji	85,784,377	0.1	19,160,233	0.0	6,040,927	0.1	1,263,323	0.0
Maldives	81,052,067	0.1	4,719,927	0.0	1,602,790	0.0	73,336	0.0
Mongolia	229,045,134	0.3	134,785,069	0.1	14,567,065	0.2	10,112,154	0.1

Source: USITC Interactive Tariff and Trade DataWeb.

Note: [1]37 African countries that are eligible for AGOA benefits.

Table A-2 Share in EU Imports of Textiles and Clothing Products

	Value		Volume	
	2004	2005	2004	2005
Asian 12	**47.2**	**53.2**	**56.2**	**61.4**
Bangladesh	5.6	5.0	6.6	6.1
Cambodia	0.7	0.6	0.5	0.4
China	23.0	30.7	26.0	33.4
India	6.8	7.5	9.0	8.8
Indonesia	2.6	2.2	3.4	3.0
Lao PDR	n/a	n/a	n/a	n/a
Nepal	0.1	0.1	0.1	0.1
Pakistan	3.6	3.0	6.0	5.3
Philippines	0.5	0.3	0.4	0.3
Sri Lanka	1.3	1.1	0.9	0.8
Thailand	1.9	1.6	2.2	2.2
Viet Nam	1.1	1.1	1.1	1.0
ROW	**52.8**	**46.8**	**43.8**	**38.6**
World	**100.0**	**100.0**	**100.0**	**100.0**

Source: ADB (2006).

Table A-3. US and EU Imports of Textiles and Clothing from BANGLADESH

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	4	14	307.7	0	0	126.8	19	16	-15.8	1	0	-87.5
51	--	--	--	--	--	--	--	1	--	--	0	--
52	2,988	907	-69.6	1,214	318	-73.8	5,353	4,199	-21.6	1,713	1,457	-15.0
53	12,360	12,210	-1.2	20,649	18,975	-8.1	37,124	38,864	4.7	64,632	58,555	-9.4
54	--	--	--	--	--	--	388	926	138.6	355	604	70.4
55	259	177	-31.5	78	54	-31.2	131	108	-17.7	47	111	135.7
56	179	54	-69.8	118	87	-26.7	488	717	47.1	464	674	45.4
57	1,065	1,118	4.9	372	406	9.1	259	294	13.5	39	302	667.5
58	186	157	-15.5	196	142	-27.5	284	197	-30.8	120	104	-12.9
59	--	--	--	--	--	--	111	3	-97.7	7	0	-98.6
60	5	8	44.8	1	15	2,077.8	27	24	-12.3	4	7	70.7
61	499,240	587,402	17.7	48,464	60,035	23.9	2,185,919	2,190,995	0.2	285,315	305,628	7.1
62	1,372,876	1,680,624	22.4	106,073	136,974	29.1	1,533,348	1,333,510	-13.0	170,749	148,270	-13.2
63	97,115	97,667	0.6	30,427	29,334	-3.6	131,758	132,448	0.5	41,360	43,021	4.0
50-63	1,986,278	2,380,338	19.8	207,593	246,341	18.7	3,895,209	3,702,301	-5.0	564,805	558,733	-1.1

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	27	34	26.2	1	0	-73.5
51	--	1	--	--	0	--
52	9,647	6,132	-36.4	2,927	1,775	-39.4
53	58,539	60,560	3.5	85,281	77,531	-9.1
54	483	1,153	138.6	355	604	70.4
55	422	312	-26.2	125	164	31.6
56	785	946	20.5	582	761	30.8
57	1,388	1,484	6.9	412	709	72.1
58	540	402	-25.5	315	246	-22.0
59	137	3	-97.7	7	0	-98.6
60	40	38	-4.6	5	22	367.3
61	3,218,304	3,313,218	2.9	333,779	365,663	9.6
62	3,280,208	3,339,644	1.8	276,823	285,244	3.0
63	261,009	262,446	0.6	71,787	72,355	0.8
50-63	6,831,529	6,986,371	2.3	772,398	805,074	4.2

Figure A-1. Value of US and EU Import (1995-2005, US$ million): Bangladesh

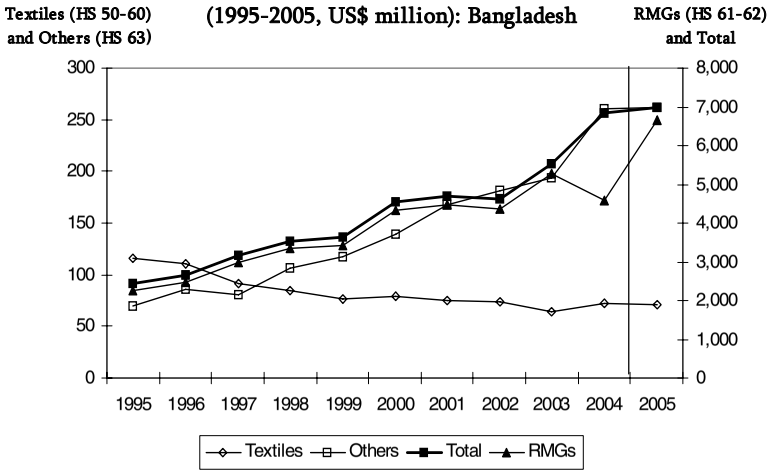


Table A-4. US and EU Imports of Textiles and Clothing from CAMBODIA

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	30	13	-57.7	1	0	-56.0	4	2	-41.2	0	0	--
51	--	--	--	--	--	--				--	--	--
52	163	644	294.4	120	199	65.2	0		-100.0	0	--	--
53	--	--	--	--	--	--				--	--	--
54	4	1	-87.0	2	0	-98.6	72	711	883.0	16	91	462.7
55	2,297	1,233	-46.3	1,228	423	-65.5	65	0	-99.5	10	0	--
56	--	2	--	--	1	--	0		-100.0	0	--	--
57	8	23	184.5	0	0	-18.6		8		--	0	--
58	--	2	--	--	0	--				--	--	--
59	--	1	--	--	0	--	53		-100.0	2	--	-100.0
60	61	8	-87.4	2	1	-51.1	251	112	-55.3	69	39	-43.7
61	641,735	874,792	36.3	44,874	61,852	37.8	383,537	376,008	-2.0	28,560	26,335	-7.8
62	776,348	827,630	6.6	51,661	56,585	9.5	135,528	98,960	-27.0	10,260	9,344	-8.9
63	10,199	11,817	15.9	2,755	2,332	-15.3	179	958	434.5	22	133	520.5
50-63	1,430,845	1,716,164	19.9	100,644	121,394	20.6	519,690	476,760	-8.3	38,939	35,943	-7.7

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	34	15	-55.5	1	0	-56.0
51	--	--	--	--	--	--
52	163	644	294.2	120	199	65.2
53	--	--	--	--	--	--
54	94	885	840.5	18	91	396.7
55	2,377	1,234	-48.1	1,238	423	-65.8
56	0	2	--	0	1	--
57	8	32	307.9	0	0	--
58	--	2	--	--	0	--
59	66	1	-98.5	2	0	-96.8
60	374	148	-60.5	72	40	-43.9
61	1,118,817	1,342,584	20.0	73,434	88,188	20.1
62	944,931	950,746	0.6	61,921	65,929	6.5
63	10,422	13,009	24.8	2,776	2,466	-11.2
50-63	2,077,287	2,309,302	11.2	139,582	157,337	12.7

Figure A-2. Value of US and EU Import (1995-2005, US$ Million): Cambodia

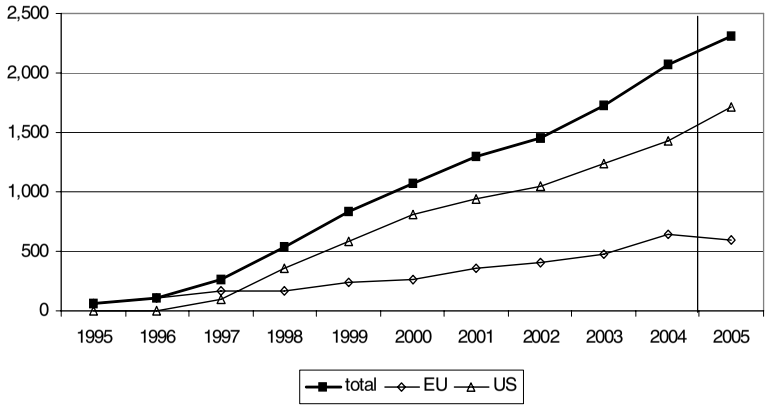


Table A-5. US and EU Imports of Textiles and Clothing from CHINA

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	62,661	68,668	9.6	1,170	1,280	9.4	127,422	160,884	26.3	4,174	4,921	17.9
51	5,850	15,502	165.0	287	871	203.5	93,112	113,871	22.3	8,527	10,975	28.7
52	170,522	196,230	15.1	38,114	48,236	26.6	194,421	267,307	37.5	37,899	58,416	54.1
53	57,131	46,321	-18.9	11,682	9,787	-16.2	43,040	116,059	169.7	7,769	19,508	151.1
54	72,774	167,944	130.8	13,878	44,248	218.8	586,786	453,119	-22.8	179,915	168,063	-6.6
55	105,882	208,358	96.8	49,359	118,221	139.5	204,913	294,151	43.5	96,059	116,493	21.3
56	107,205	173,438	61.8	30,701	49,957	62.7	69,518	106,503	53.2	25,408	37,933	49.3
57	287,252	304,509	6.0	58,386	60,175	3.1	127,451	148,360	16.4	35,580	42,398	19.2
58	150,617	232,950	54.7	14,088	27,783	97.2	219,977	354,298	61.1	38,809	58,690	51.2
59	90,666	121,727	34.3	20,582	27,146	31.9	58,123	97,883	68.4	21,224	34,987	64.9
60	56,296	132,058	134.6	12,822	31,222	143.5	66,301	104,137	57.1	17,867	32,338	81.0
61	4,102,976	6,576,959	60.3	267,976	452,549	68.9	4,285,157	6,647,715	55.1	447,998	685,922	53.1
62	6,617,924	10,230,961	54.6	388,175	673,144	73.4	7,197,899	10,188,799	41.6	662,117	916,845	38.5
63	3,060,720	3,969,833	29.7	574,378	716,646	24.8	1,385,990	1,751,658	26.4	350,902	454,162	29.4
50-63	14,948,476	22,445,458	50.2	1,481,599	2,261,263	52.6	14,660,111	20,804,744	41.9	1,934,248	2,641,651	36.6

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	221,161	268,823	21.6	5,344	6,201	16.0
51	121,673	157,169	29.2	8,814	11,846	34.4
52	412,362	528,787	28.2	76,013	106,652	40.3
53	110,668	190,710	72.3	19,451	29,295	50.6
54	802,677	731,669	-8.8	193,793	212,311	9.6
55	360,773	574,312	59.2	145,418	234,713	61.4
56	193,679	305,938	58.0	56,109	87,890	56.6
57	445,788	489,084	9.7	93,966	102,573	9.2
58	424,246	673,733	58.8	52,898	86,473	63.5
59	162,965	243,504	49.4	41,805	62,133	48.6
60	138,768	261,614	88.5	30,689	63,560	107.1
61	9,433,283	14,847,381	57.4	715,974	1,138,471	59.0
62	15,571,391	22,906,846	47.1	1,050,292	1,589,989	51.4
63	4,784,753	6,149,071	28.5	925,280	1,170,807	26.5
50-63	33,184,188	48,328,640	45.6	3,415,846	4,902,913	43.5

Figure A-3. Value of US and EU Imports (1995-2005, US$ Million): China

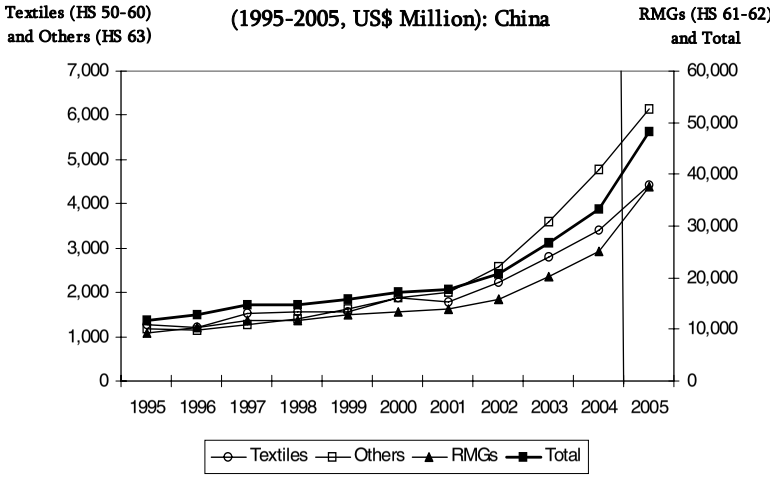


Table A-6. US and EU Imports of Textiles and Clothing from INDIA

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	104,194	104,255	0.1	1,791	1,763	-1.6	93,272	99,730	6.9	1,763	1,886	7.0
51	4,378	5,155	17.7	486	653	34.4	37,594	37,416	-0.5	5,460	5,457	-0.1
52	79,000	75,510	-4.4	23,066	22,077	-4.3	367,766	364,951	-0.8	102,988	114,073	10.8
53	18,624	25,246	35.6	23,859	29,804	24.9	47,779	50,366	5.4	71,804	75,135	4.6
54	13,179	37,677	185.9	3,259	15,351	371.0	92,059	88,331	-4.0	37,191	33,926	-8.8
55	26,194	33,977	29.7	11,514	18,844	63.7	181,790	146,879	-19.2	79,990	63,363	-20.8
56	12,877	16,532	28.4	5,094	5,577	9.5	9,415	11,107	18.0	3,701	3,693	-0.2
57	505,283	539,316	6.7	112,158	111,509	-0.6	360,320	379,808	5.4	105,250	112,344	6.7
58	43,403	48,929	12.7	3,615	4,204	16.3	60,052	85,895	43.0	2,588	3,573	38.1
59	7,594	12,707	67.3	1,973	3,492	77.0	14,703	17,977	22.3	4,922	5,445	10.6
60	4,519	11,154	146.8	1,227	3,683	200.2	26,088	14,700	-43.7	8,575	5,171	-39.7
61	679,507	937,204	37.9	48,498	68,323	40.9	1,233,927	1,510,253	22.4	110,132	129,438	17.5
62	1,597,515	2,121,031	32.8	74,767	91,201	22.0	1,244,326	1,721,111	38.3	67,922	82,713	21.8
63	850,029	1,005,007	18.2	134,513	157,590	17.2	664,840	716,242	7.7	153,550	166,357	8.3
50-63	3,946,295	4,973,699	26.0	445,821	534,071	19.8	4,433,931	5,244,765	18.3	755,836	802,574	6.2

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	220,214	228,329	3.7	3,555	3,649	2.7
51	51,142	51,704	1.1	5,946	6,110	2.8
52	536,463	529,545	-1.3	126,055	136,150	8.0
53	78,056	87,907	12.6	95,663	104,939	9.7
54	127,691	147,569	15.6	40,450	49,277	21.8
55	252,323	216,709	-14.1	91,505	82,206	-10.2
56	24,588	30,350	23.4	8,795	9,270	5.4
57	953,485	1,011,835	6.1	217,408	223,854	3.0
58	118,101	155,791	31.9	6,203	7,778	25.4
59	25,883	35,071	35.5	6,894	8,937	29.6
60	36,970	29,443	-20.4	9,802	8,854	-9.7
61	2,214,389	2,816,110	27.2	158,631	197,762	24.7
62	3,145,333	4,262,265	35.5	142,689	173,913	21.9
63	1,677,023	1,896,083	13.1	288,064	323,947	12.5
50-63	9,461,662	11,498,711	21.5	1,201,657	1,336,645	11.2

Figure A-4. Value of US and EU Imports (1995-2005, US$ Million): India

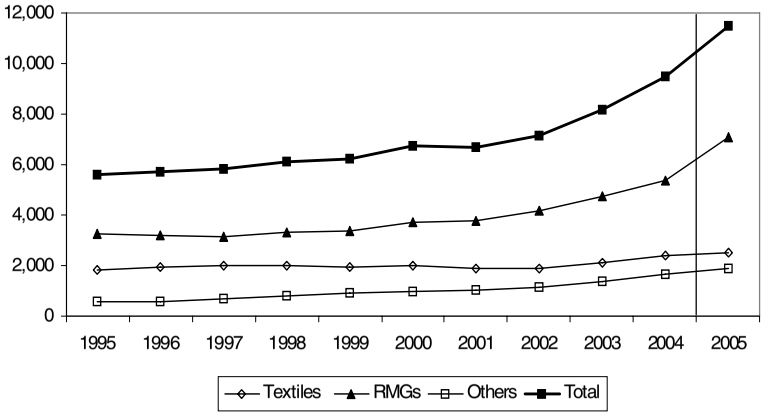


Table A-7. US and EU Imports of Textiles and Clothing from INDONESIA

	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	39	38	-3.1	0	1	33.6	23	43	84.5	1	2	71.4
51	--	--	--	--	--	--	364	204	-43.9	40	20	-50.3
52	61,234	43,095	-29.6	15,054	10,929	-27.4	101,991	86,735	-15.0	32,919	28,904	-12.2
53	6	53	810.9	1	81	9,556.6	563	316	-43.9	1,004	258	-74.3
54	18,682	27,460	47.0	7,177	10,674	48.7	89,359	83,496	-6.6	42,446	44,158	4.0
55	48,501	71,102	46.6	24,601	37,197	51.2	162,701	148,977	-8.4	80,572	73,051	-9.3
56	5,580	6,673	19.6	2,052	2,325	13.3	6,646	5,430	-18.3	2,533	1,736	-31.5
57	4,243	5,276	24.3	1,665	2,690	61.5	1,635	1,714	4.9	537	604	12.5
58	4,224	4,172	-1.2	521	499	-4.2	4,082	3,675	-10.0	569	497	-12.7
59	4,223	5,814	37.7	1,136	1,280	12.7	4,157	4,313	3.8	1,866	1,698	-9.0
60	3,727	5,057	35.7	920	1,085	17.9	5,055	4,038	-20.1	1,931	1,986	2.9
61	631,308	859,596	36.2	41,551	58,451	40.7	694,342	610,746	-12.0	54,966	50,065	-8.9
62	1,770,238	2,022,399	14.2	91,154	103,934	14.0	641,432	589,447	-8.1	40,742	37,190	-8.7
63	49,586	41,422	-16.5	18,085	13,623	-24.7	39,275	44,133	12.4	11,866	13,425	13.1
50-63	2,601,592	3,092,157	18.9	203,917	242,768	19.1	1,751,624	1,583,267	-9.6	271,992	253,594	-6.8

	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change
50	68	91	34.4	2	3	62.2
51	452	254	-43.8	40	20	-50.3
52	188,101	151,002	-19.7	47,973	39,833	-17.0
53	706	446	-36.9	1,005	338	-66.3
54	129,835	131,337	1.2	49,623	54,832	10.5
55	250,886	256,445	2.2	105,173	110,248	4.8
56	13,847	13,429	-3.0	4,585	4,062	-11.4
57	6,277	7,409	18.0	2,202	3,293	49.6
58	9,302	8,744	-6.0	1,090	996	-8.6
59	9,393	11,180	19.0	3,003	2,978	-0.8
60	10,014	10,081	0.7	2,851	3,071	7.7
61	1,495,000	1,619,425	8.3	96,517	108,516	12.4
62	2,568,116	2,755,730	7.3	131,896	141,124	7.0
63	98,440	96,328	-2.1	29,951	27,048	-9.7
50-63	4,780,437	5,061,899	5.9	475,909	496,362	4.3

Figure A-5. Value of US and EU Imports (1995-2005, US$ Million): Indonesia

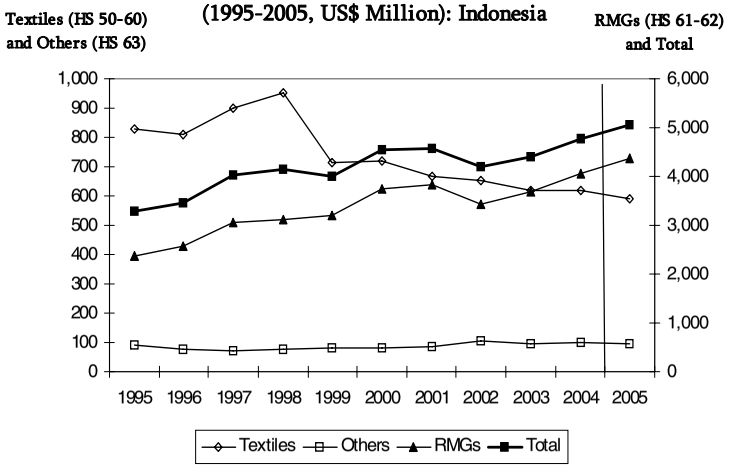


Table A-8. US and EU Imports of Textiles and Clothing from LAO P.D.R

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	2	3	49.4	0	0	14.5	5		-100.0	0		-100.0
51	--	--	--	--	--	--	--	--	--	--	--	--
52	--	--	--	--	--	--	--	1	--	--	0	--
53	--	--	--	--	--	--	--	--	--	--	--	--
54	--	--	--	--	--	--	--	0	--	--	0	--
55	--	--	--	--	--	--	--	--	--	--	--	--
56	--	--	--	--	--	--	--	--	--	--	--	--
57	5	--	-100.0	0	--	-100.0	--	--	--	--	--	--
58	--	1	--	--	0	--	--	6	--	--	1	--
59	--	--	--	--	--	--	--	--	--	--	--	--
60	--	--	--	--	--	--	0		-100.0	0		-100.0
61	1,863	2,415	29.6	94	95	1.0	57,021	64,805	13.6	5,174	6,340	22.5
62	234	397	69.8	13	9	-34.0	61,104	54,201	-11.3	4,859	3,884	-20.1
63	8	21	149.0	0	0	268.5	66	15	-77.2	4	1	-69.2
50-63	2,112	2,836	34.3	108	105	-3.4	118,195	119,028	0.7	10,037	10,225	1.9

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	8	3	-60.8	0	0	14.5
51	--	--	--	--	--	--
52	--	1	--	--	0	--
53	--	--	--	--	--	--
54	--	0	--	--	0	--
55	--	--	--	--	--	--
56	--	--	--	--	--	--
57	5		-100.0	0	--	-100.0
58	--	8	--	--	1	--
59	--	--	--	--	--	--
60	0	--	-100.0	0	--	-100.0
61	72,792	83,038	14.1	5,269	6,435	22.1
62	76,241	67,829	-11.0	4,872	3,892	-20.1
63	90	39	-56.2	4	2	-60.1
50-63	149,135	150,918	1.2	10,145	10,330	1.8

Figure A-6. Value of US and EU Imports (1995-2005, US$ Million): Lao PDR

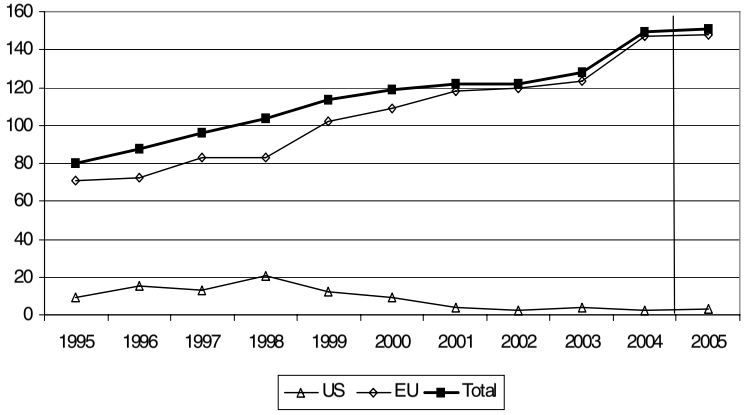


Table A-9. US and EU Imports of Textiles and Clothing from NEPAL

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	73	179	144.7	8	22	184.7	26	47	84.1	1	2	70.0
51	7	8	13.3	0	0	5.0	33	86	159.0	7	19	180.3
52	7	8	9.3	1	1	-11.4	5	17	239.1	1	2	360.0
53	1	11	904.3	0	1	997.8	2	5	133.7	0	0	--
54	--	49	--	--	4	--	--	0	--	--	0	--
55	3	5	66.4	0	0	-18.9	1	2	91.6	0	0	--
56	1	51	4,283.6	0	3	4,680.4	14	276	1,913.0	1	29	2,130.8
57	30,504	34,841	14.2	1,437	1,561	8.6	47,201	42,982	-8.9	5,616	4,773	-15.0
58	7	10	50.1	0	1	127.1	6	33	461.9	1	1	140.0
59	14	9	-35.0	0	0	4.7	28	28	0.4	4	1	-71.8
60	--	3	--	--	0	--	3	0	-94.8	0	0	--
61	28,981	13,010	-55.1	2,756	1,202	-56.4	7,090	8,311	17.2	486	522	7.5
62	69,221	48,097	-30.5	5,929	3,382	-43.0	22,435	19,665	-12.3	1,349	1,137	-15.7
63	3,744	2,139	-42.9	1,176	458	-61.0	944	1,594	68.8	148	236	60.0
50-63	132,563	98,420	-25.8	11,308	6,636	-41.3	77,787	73,046	-6.1	7,613	6,722	-11.7

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	105	237	126.4	9	24	171.8
51	48	114	138.7	7	19	170.3
52	13	29	116.1	1	3	118.9
53	4	18	353.0	0	1	1108.9
54	0	49			4	
55	4	7	74.7	0	0	9.7
56	18	394	2,066.2	1	32	2,236.1
57	89,217	88,315	-1.0	7,054	6,334	-10.2
58	14	51	262.8	1	2	134.8
59	48	44	-9.5	4	2	-64.3
60	4	3	-6.4	0	0	
61	37,800	23,350	-38.2	3,241	1,725	-46.8
62	97,128	72,563	-25.3	7,278	4,519	-37.9
63	4,918	4,122	-16.2	1,323	694	-47.5
50-63	229,322	189,297	-17.5	18,921	13,358	-29.4

Figure A-7. Value of US and EU Imports (1995-2005, US$ Million): Nepal

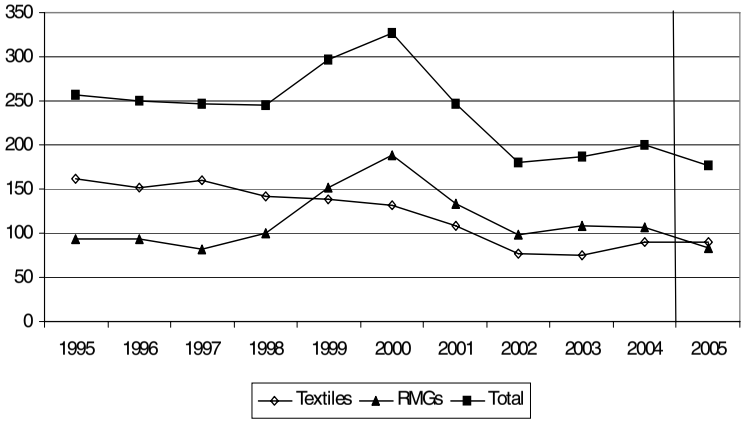


Table A-10. US and EU Imports of Textiles and Clothing from PAKISTAN

	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	26	11	-55.7	1	1	118.1	742	769	3.6	38	48	26.2
51	--	21	--	--	1	--	105	8	-92.4	24	0	-99.2
52	451,909	361,648	-20.0	115,474	105,396	-8.7	253,663	277,029	9.2	81,259	98,084	20.7
53	50	66	33.6	16	22	41.0	37	216	486.6	41	151	269.7
54	12,091	12,067	-0.2	3,356	3,268	-2.6	33,045	25,721	-22.2	11,699	9,349	-20.1
55	32,244	26,751	-17.0	10,637	9,426	-11.4	263,075	210,339	-20.0	110,084	89,900	-18.3
56	1,574	1,035	-34.3	638	519	-18.6	1,990	1,832	-7.9	1,343	1,367	1.8
57	110,639	124,729	12.7	4,772	5,141	7.7	91,864	88,735	-3.4	5,314	4,952	-6.8
58	9,118	8,861	-2.8	2,622	3,020	15.2	5,437	10,461	92.4	1,175	2,643	124.9
59	3,606	2,684	-25.6	504	377	-25.2	2,126	2,445	15.0	523	562	7.5
60	2,846	1,897	-33.3	806	605	-25.0	1,160	1,108	-4.5	379	411	8.6
61	857,462	928,069	8.2	96,426	110,386	14.5	445,066	326,770	-26.6	58,524	48,049	-17.9
62	289,754	345,152	19.1	36,747	43,893	19.4	471,735	451,237	-4.3	57,774	57,557	-0.4
63	779,282	1,074,934	37.9	182,078	247,496	35.9	751,287	617,515	-17.8	165,069	158,237	-4.1
50-63	2,550,601	2,887,926	13.2	454,075	529,550	16.6	2,321,332	2,014,185	-13.2	493,245	471,310	-4.4

	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change
50	949	968	2.0	39	49	27.5
51	131	31	-76.2	24	1	-94.8
52	767,440	706,300	-8.0	196,733	203,479	3.4
53	96	335	251.0	56	173	206.7
54	53,195	44,067	-17.2	15,055	12,617	-16.2
55	359,483	288,435	-19.8	120,720	99,325	-17.7
56	4,050	3,314	-18.2	1,980	1,885	-4.8
57	224,909	235,124	4.5	10,086	10,093	0.1
58	15,881	21,876	37.7	3,797	5,663	49.1
59	6,251	5,727	-8.4	1,027	939	-8.5
60	4,289	3,275	-23.6	1,185	1,016	-14.2
61	1,411,080	1,334,603	-5.4	154,950	158,435	2.2
62	876,545	906,536	3.4	94,521	101,449	7.3
63	1,713,808	1,843,185	7.5	347,147	405,734	16.9
50-63	5,438,106	5,393,774	-0.8	947,320	1,000,860	5.7

Figure A-8. Value of US and EU Imports (1995-2005; US$ Million): Pakistan

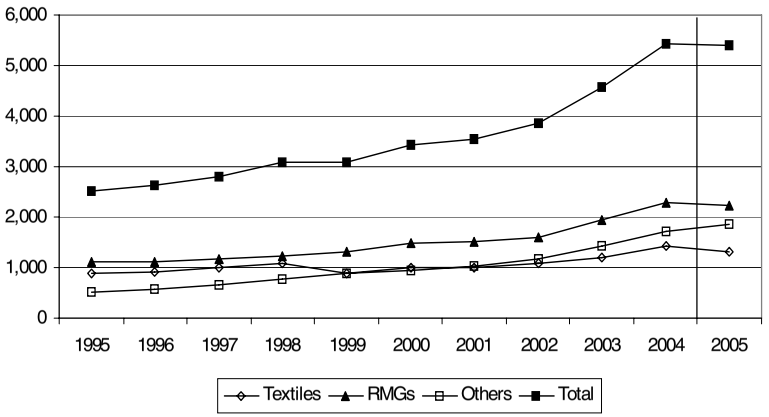


Table A-11. US and EU Imports of Textiles and Clothing from PHILIPPINES

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	166	124	-25.1	2	1	-33.2	198	223	13.1	2	3	73.3
51	0	2	469.6	0	0	-54.5	1	84	10116.4	0	8	7800.0
52	11,701	4,489	-61.6	2,817	995	-64.7	9,154	4,838	-47.2	1,957	1,188	-39.3
53	706	521	-26.2	416	377	-9.4	10,888	8,058	-26.0	10,445	7,034	-32.7
54	14,989	1,342	-91.0	4,743	439	-90.7	1,211	661	-45.5	282	170	-39.8
55	25,684	8,491	-66.9	9,306	3,709	-60.1	6,117	5,620	-8.1	2,441	3,039	24.5
56	7,281	9,778	34.3	5,600	6,672	19.1	3,398	3,791	11.6	1,706	1,621	-5.0
57	2,569	2,706	5.3	94	132	41.2	211	273	29.3	30	19	-34.8
58	384	208	-45.9	69	18	-73.6	2,350	830	-64.7	423	119	-71.9
59	248	242	-2.4	12	16	28.7	580	2,964	410.9	117	223	90.2
60	3,243	1,342	-58.6	668	177	-73.6	662	132	-80.1	112	8	-93.2
61	674,862	834,966	23.7	40,598	52,426	29.1	172,371	102,381	-40.6	16,085	9,573	-40.5
62	1,090,347	986,113	-9.6	48,062	43,983	-8.5	153,155	106,761	-30.3	9,036	5,533	-38.8
63	30,563	31,515	3.1	5,079	5,859	15.4	6,903	8,954	29.7	2,265	2,589	14.3
50-63	1,862,742	1,881,837	1.0	117,464	114,803	-2.3	367,200	245,570	-33.1	44,900	31,127	-30.7

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	412	402	-2.3	3	4	19.4
51	1	106	7,833.8	0	8	7,021.6
52	23,088	10,508	-54.5	4,774	2,183	-54.3
53	14,250	10,545	-26.0	10,861	7,410	-31.8
54	16,496	2,164	-86.9	5,025	609	-87.9
55	33,293	15,483	-53.5	11,746	6,748	-42.6
56	11,507	14,495	26.0	7,306	8,293	13.5
57	2,831	3,045	7.6	123	151	23.0
58	3,307	1,240	-62.5	491	137	-72.1
59	969	3,929	305.3	129	239	84.4
60	4,067	1,506	-63.0	780	184	-76.4
61	889,274	962,338	8.2	56,683	61,999	9.4
62	1,280,857	1,118,935	-12.6	57,098	49,516	-13.3
63	39,150	42,655	9.0	7,344	8,448	15.0
50-63	2,319,502	2,187,351	-5.7	162,364	145,930	-10.1

Figure A-9. Value of US and EU Imports (1995-2005, US$ Million): Philippines

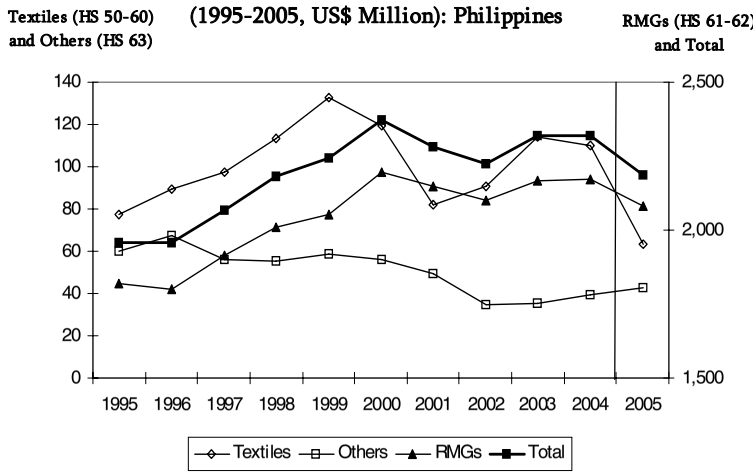


Table A-12. US and EU Imports of Textiles and Clothing from SRI LANKA

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	--	--	--	--	--	--	6	5	-18.7	0	0	-50.0
51	--	--	--	--	--	--	34	9	-73.0	1	0	-63.6
52	338	405	19.8	105	139	31.9	584	1,779	204.6	228	616	170.8
53	4,169	3,816	-8.5	14,682	11,807	-19.6	11,961	13,753	15.0	38,053	41,573	9.3
54	2,545	205	-91.9	663	100	-85.0	315	212	-32.6	137	38	-72.4
55	8,230	6,368	-22.6	2,979	2,142	-28.1	2,126	2,508	18.0	818	1,107	35.3
56	3,942	2,651	-32.7	2,454	2,217	-9.6	2,891	3,882	34.3	754	769	2.0
57	253	419	65.5	123	194	57.6	876	1,504	71.6	562	1,054	87.4
58	41	55	34.5	5	6	23.3	899	1,883	109.4	198	325	64.3
59	--	--	--	--	--	--	38	48	24.6	9	6	-36.7
60	24	27	13.4	3	10	290.5	863	695	-19.5	179	153	-14.6
61	451,405	589,950	30.7	23,074	26,906	16.6	422,830	412,544	-2.4	32,267	28,352	-12.1
62	1,101,959	1,063,481	-3.5	59,429	56,421	-5.1	391,007	381,811	-2.4	26,596	23,191	-12.8
63	27,716	27,109	-2.2	6,527	6,157	-5.7	6,750	9,457	40.1	2,453	3,313	35.1
50-63	1,600,622	1,694,485	5.9	110,043	106,099	-3.6	841,181	830,090	-1.3	102,254	100,497	-1.7

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	7	6	-18.7	0	0	-50.0
51	43	11	-73.0	1	0	-63.6
52	1,064	2,618	146.0	333	755	126.9
53	19,047	20,926	9.9	52,734	53,380	1.2
54	2,937	469	-84.0	799	137	-82.8
55	10,875	9,489	-12.7	3,796	3,248	-14.4
56	7,538	7,480	-0.8	3,208	2,987	-6.9
57	1,344	2,291	70.5	686	1,248	82.0
58	1,159	2,397	106.8	203	331	63.3
59	48	60	24.6	9	6	-36.7
60	1,097	892	-18.7	182	163	-10.3
61	977,363	1,103,195	12.9	55,341	55,258	-0.1
62	1,588,333	1,538,492	-3.1	86,026	79,613	-7.5
63	36,113	38,874	7.6	8,980	9,470	5.5
50-63	2,646,967	2,727,200	3.0	212,297	206,596	-2.7

Figure A-10. Value of US and EU Imports (1995-2005, US$ Million): Sri Lanka

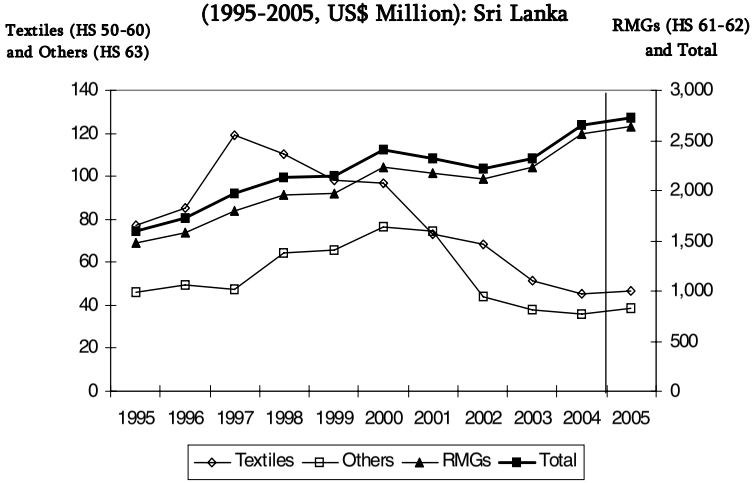


Table A-13. US and EU Imports of Textiles and Clothing from THAILAND

HS	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	6,007	6,337	5.5	60	80	32.0	5,933	5,970	0.6	126	132	5.4
51	225	1,521	575.8	20	174	749.3	19,892	18,284	-8.1	1,806	1,744	-3.4
52	44,518	47,207	6.0	13,103	13,861	5.8	76,643	87,680	14.4	20,529	22,154	7.9
53	413	610	47.8	314	373	18.6	403	1,336	231.6	256	355	38.5
54	18,473	24,152	30.7	5,724	7,437	29.9	68,054	65,214	-4.2	28,106	40,069	42.6
55	71,171	65,561	-7.9	40,099	35,866	-10.6	49,606	52,545	5.9	18,837	18,243	-3.2
56	10,898	6,875	-36.9	3,327	1,952	-41.3	14,476	17,296	19.5	2,746	4,025	46.6
57	12,323	16,849	36.7	961	1,282	33.4	2,703	4,370	61.7	359	491	37.1
58	8,684	8,264	-4.8	556	515	-7.3	8,431	9,979	18.4	668	898	34.5
59	7,808	10,655	36.5	1,914	2,958	54.5	2,272	2,345	3.3	452	468	3.4
60	7,554	5,248	-30.5	2,117	1,373	-35.1	3,841	3,908	1.8	1,021	810	-20.7
61	938,389	951,884	1.4	56,379	58,667	4.1	564,332	485,509	-14.0	39,928	36,463	-8.7
62	883,817	881,352	-0.3	36,141	34,169	-5.5	328,825	297,554	-9.5	19,146	16,693	-12.8
63	196,856	151,950	-22.8	28,491	24,917	-12.5	26,910	26,082	-3.1	6,900	6,548	-5.1
50-63	2,207,135	2,178,467	-1.3	189,208	183,625	-3.0	1,172,320	1,078,073	-8.0	140,878	149,092	5.8

HS	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
	2004	2005	% change	2004	2005	% change
50	13,387	13,765	2.8	186	212	14.1
51	24,969	24,269	-2.8	1,827	1,918	5.0
52	139,854	156,290	11.8	33,632	36,015	7.1
53	914	2,272	148.5	571	728	27.5
54	103,125	105,285	2.1	33,830	47,506	40.4
55	132,876	130,932	-1.5	58,935	54,110	-8.2
56	28,905	28,393	-1.8	6,073	5,976	-1.6
57	15,686	22,285	42.1	1,319	1,773	34.4
58	19,171	20,679	7.9	1,224	1,413	15.5
59	10,634	13,573	27.6	2,366	3,425	44.8
60	12,331	10,110	-18.0	3,138	2,183	-30.4
61	1,640,361	1,555,905	-5.1	96,307	95,130	-1.2
62	1,292,842	1,251,539	-3.2	55,288	50,862	-8.0
63	230,329	184,398	-19.9	35,391	31,466	-11.1
50-63	3,665,385	3,519,697	-4.0	330,086	332,717	0.8

Figure A-11. Value of US and EU Imports (1995-2005, US$ Million): Thailand

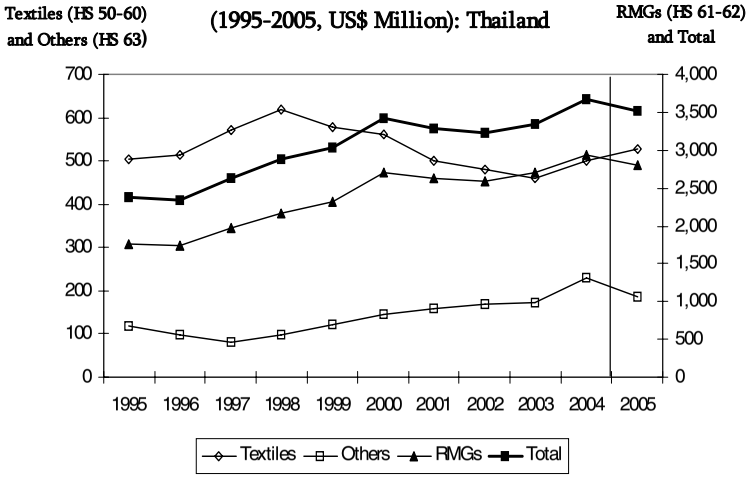


Table A-14. US and EU Imports of Textiles and Clothing from VIET NAM

	US Imports						EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)			Value (1,000 Euro)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change	2004	2005	% change	2004	2005	% change
50	811	690	-14.9	14	12	-11.7	1,355	3,178	134.5	57	146	157.7
51	1	--	-100.0	0	--	-100.0	43	184	331.3	7	18	150.7
52	3,114	1,013	-67.5	1,057	258	-75.6	1,324	1,140	-13.9	520	401	-22.8
53	77	137	77.6	216	392	81.4	617	814	31.9	936	946	1.0
54	10,553	6,550	-37.9	3,943	2,512	-36.3	4,840	3,579	-26.1	3,158	2,056	-34.9
55	486	3,628	646.8	323	1,719	431.9	2,019	2,568	27.2	1,257	718	-42.9
56	2,065	3,046	47.5	827	1,225	48.2	2,045	2,938	43.7	549	771	40.5
57	334	330	-1.0	155	260	67.6	610	694	13.9	312	269	-13.6
58	460	426	-7.4	150	65	-56.8	3,391	3,402	0.3	1,078	939	-12.8
59	92	205	123.4	59	97	65.2	31	473	1,439.5	7	201	2,691.7
60	873	2,245	157.2	398	1,237	210.5	381	639	67.9	91	129	41.1
61	1,084,029	1,123,811	3.7	74,264	70,944	-4.5	140,754	167,219	18.8	20,491	23,658	15.5
62	1,421,889	1,541,470	8.4	95,673	97,691	2.1	489,470	514,774	5.2	32,621	36,544	12.0
63	48,456	41,171	-15.0	8,670	8,687	0.2	81,274	71,915	-11.5	26,761	23,007	-14.0
50-63	2,573,239	2,724,722	5.9	185,749	185,098	-0.4	728,154	773,517	6.2	87,844	89,804	2.2

	US + EU Imports					
	Value (1,000 Dollars)			Volume (1,000kg)		
HS	2004	2005	% change	2004	2005	% change
50	2,497	4,644	86.0	70	158	125.2
51	54	229	325.2	7	18	150.7
52	4,761	2,432	-48.9	1,577	660	-58.2
53	845	1,150	36.1	1,152	1,338	16.1
54	16,573	11,002	-33.6	7,101	4,567	-35.7
55	2,998	6,822	127.6	1,580	2,437	54.2
56	4,609	6,701	45.4	1,376	1,996	45.1
57	1,092	1,194	9.4	467	529	13.4
58	4,678	4,658	-0.4	1,227	1,004	-18.2
59	130	793	510.1	66	298	352.1
60	1,346	3,040	125.8	490	1,365	178.9
61	1,259,113	1,331,848	5.8	94,755	94,602	-0.2
62	2,030,741	2,181,900	7.4	128,294	134,235	4.6
63	149,553	130,640	-12.6	35,431	31,695	-10.5
50-63	3,478,990	3,687,055	6.0	273,593	274,902	0.5

Figure A-12. Value of US and EU Imports (1995-2005, US$ Million): Viet Nam

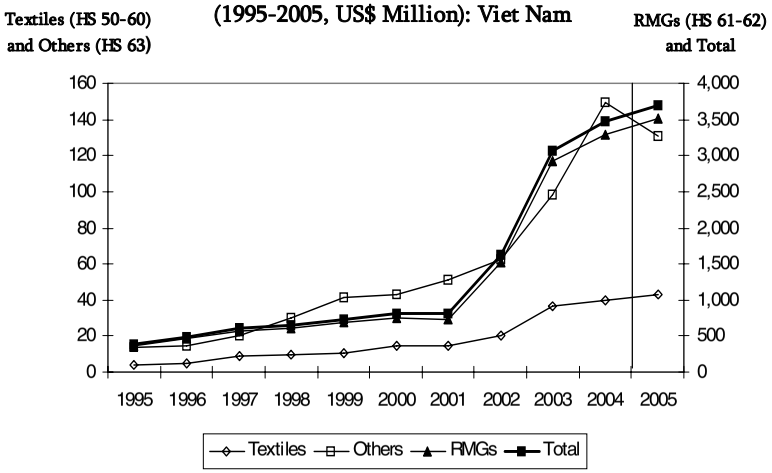


Table A-15. Export from Pakistan with Average Unit Prices in 2004-2006

(Value in 1,000 dollars)

Commodities		July-Feb. 2004-05	July-Feb. 2005-06	% Change
TEXTILE & GARMENTS CATEGORY		**5,635,708**	**6,490,791**	**15.17**
YARN		**672,506**	**868,378**	**29.13**
COTTON YARN	Qty.000 K.G.	309,820	414,637	33.83
	Value	654,781	844,370	28.95
	A.U.P. per K.G.	2.11	2.04	-3.64
YARN OTHER THAN COTTON YARN (Value)		17,725	24,008	35.45
FABRICS		**1,307,153**	**1,409,965**	**7.87**
COTTON FABRICS	Qty. 000 Sq.M	1,462,795	1,711,203	16.98
	Value	1,151,689	1,373,973	19.30
	A.U.P. per Sq.M.	0.79	0.80	1.98
KNITTED CROCHETED FABRICS (Value)		155,464	35,992	-76.85
GARMENTS		**1,754,267**	**1,992,820**	**13.60**
READY MADE GARMENTS (Value)		655,125	872,276	33.15
KNITWEAR (HOSIERY) (value)		1,099,142	1,120,544	1.95
MADE-UPS		**1,123,349**	**1,604,800**	**42.86**
MADE-UPS (excl. towels and bed ware) (Value)		320,758	274,742	-14.35
BEDWEAR (Value)		802,591	1,330,058	65.72
TOWELS	Qty. 000 K.G.	86,959	99,562	14.49
	Value	324,743	365,938	12.69
	A.U.P. per K.G.	3.73	3.68	-1.58
ART. SILK & SYNTH TEX.	Qty. 000 Sq.M	280,648	184,010	-34.43
	Value	207,479	128,294	-38.17
	A.U.P. per Sq.M.	0.74	0.70	-5.69
OTHERS TEXTILE PRODUCTS (Value)		111,713	59,598	-46.65
CARPETS & RUGS (WOOLEN)	Qty.000 Sq.M	2,903	2,898	-0.17
	Value	171,930	176,938	2.91
	A.U.P. per Sq.M.	59.22	61.06	3.09

Source: "Export from Pakistan with Average Unit Price During July-February 2005-06," Export Statistics and Trends, Export Promotion Bureau Pakistan, http://www.epb.gov.pk/epb/jsp/epbdocs2006/pdfapril/average_unit_price_041506.htm

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