



## Business for Development

Trade in Textiles and Clothing

Challenges for Asia

Will T&C trade become more  
complicated?

Presentation by

**Mr. Matthias KNAPPE**

Senior Market Development Officer

Manila, the Philippines, 21 October 2004

**ITC**

Your partner  
in trade  
development



# Structure

---





# The importance of the product sector of T&C for Developing Countries

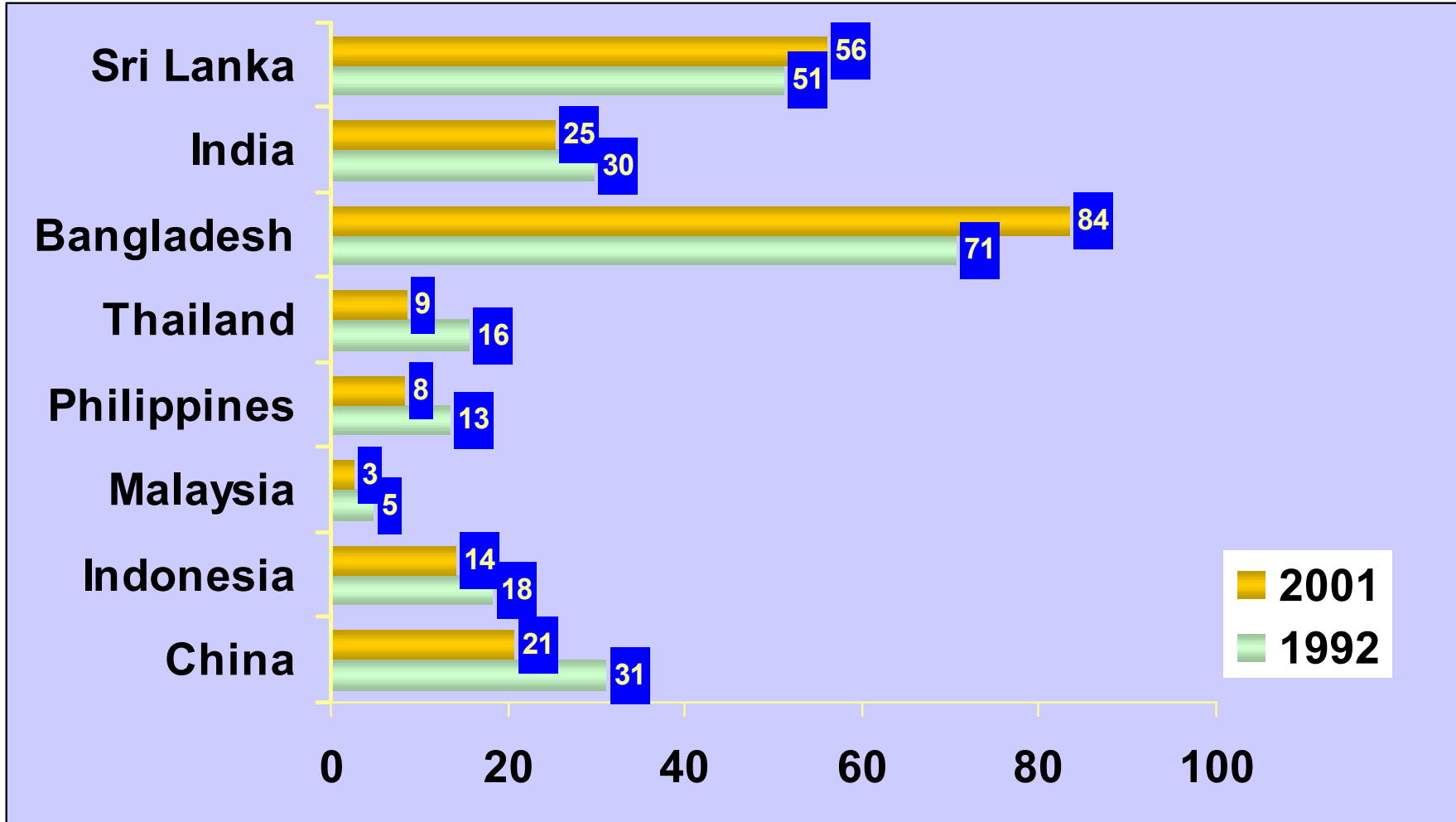
---

- World trade in T&C 353 billion US\$ (clothing 201 billion US\$)
  - Accounts For 7% of Global Merchandise Trade & 14% of Employment. Share of clothing in total merchandise trade: LA 10%, Africa 21%; Asia 9%
  - Many DCs (extremely) dependent on clothing exports
-



# Asian export concentration

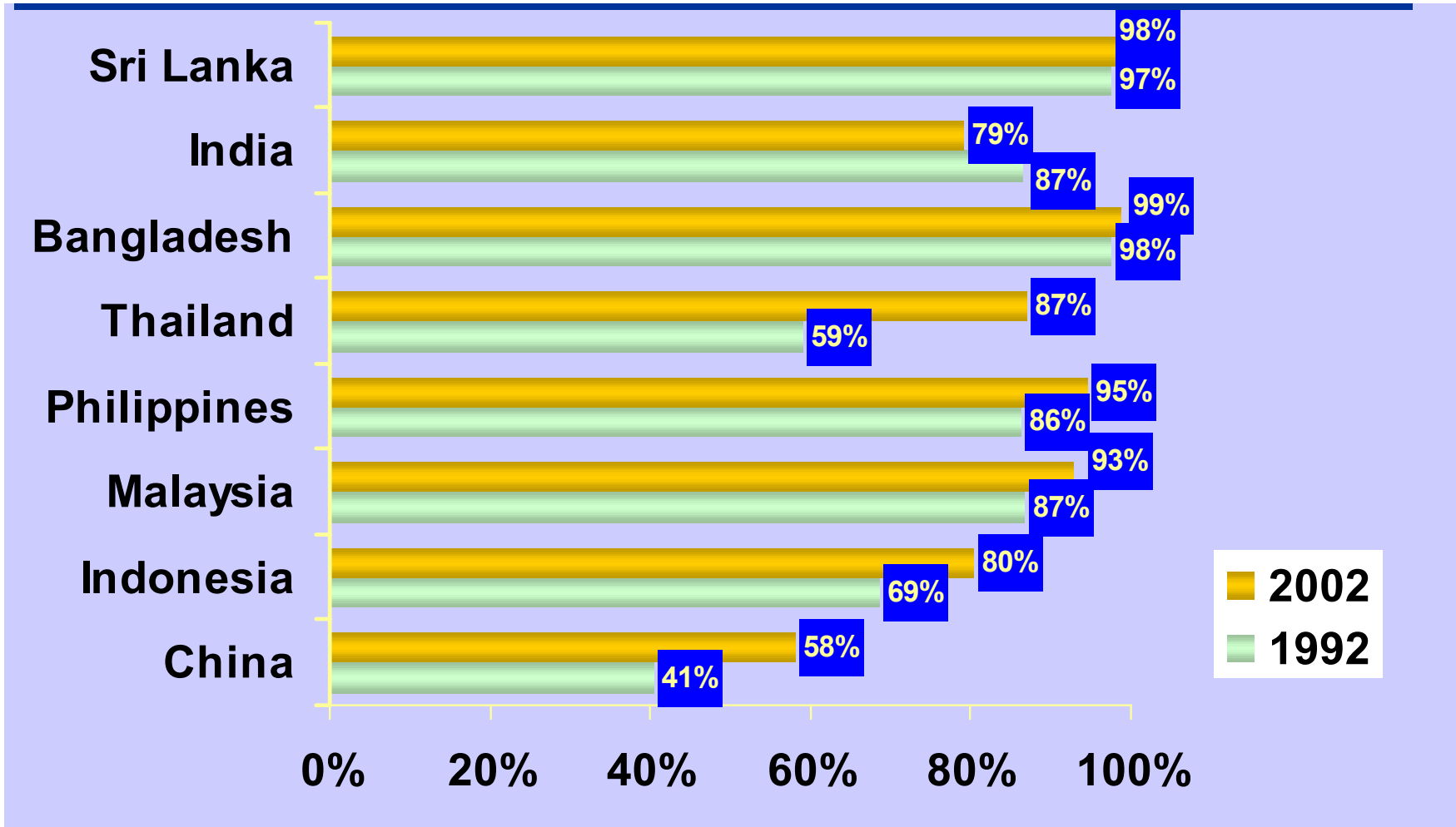
Textile and clothing exports as a share of total merchandise exports





# Dependence on Quad markets

Percent of clothing exports to Quad markets





## Summary: Asian Trade in T&C

---

- High diversity of players; large integrated industries vs. small CMT suppliers
- 50% of world textile & 54% of world clothing exports originate from Asia (2003)
- Very high dependence on QUAD markets
- Distance to markets requires additional efforts & « services »



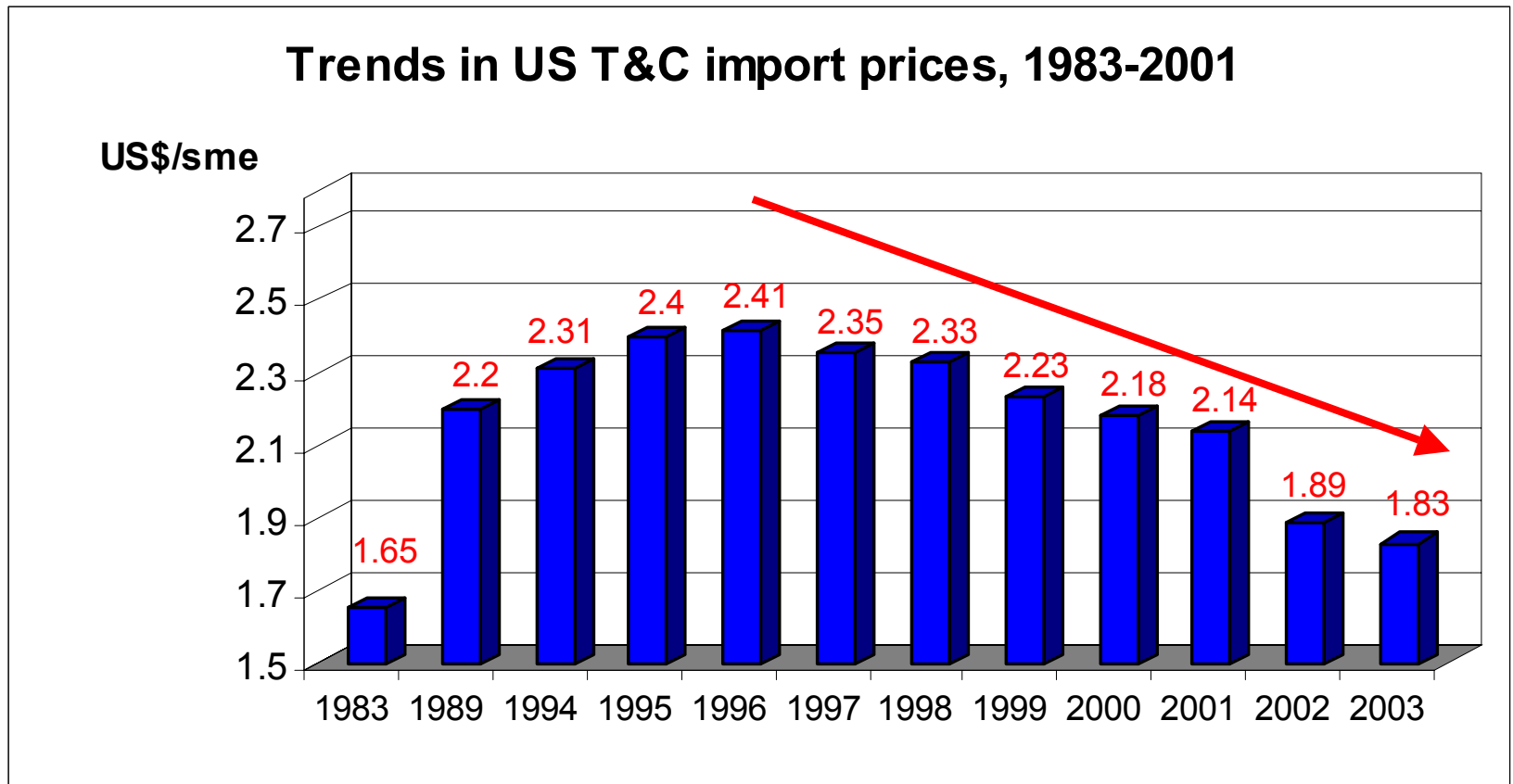
# Structure

---





# 1. Challenge: Prices will fall further More supply and quota rents disappear

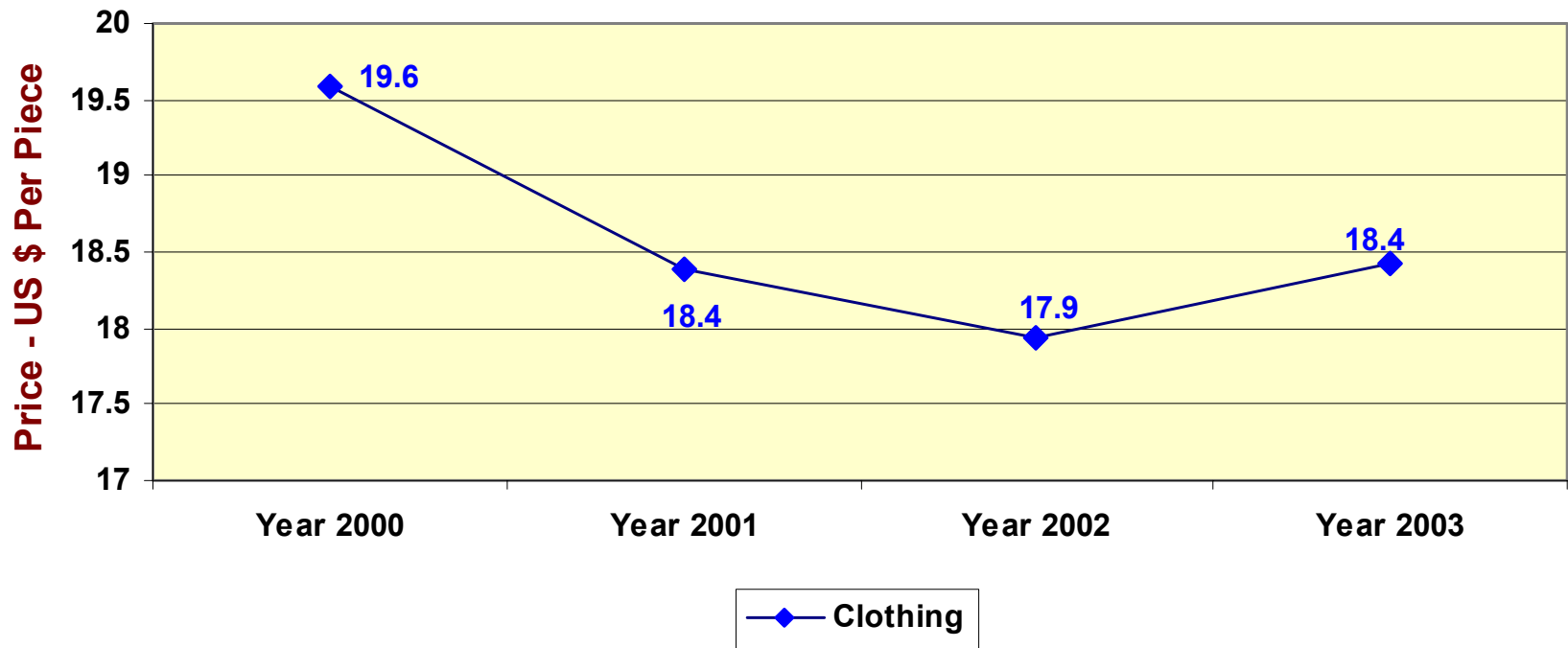






# Japan: Import Price Development for Clothing

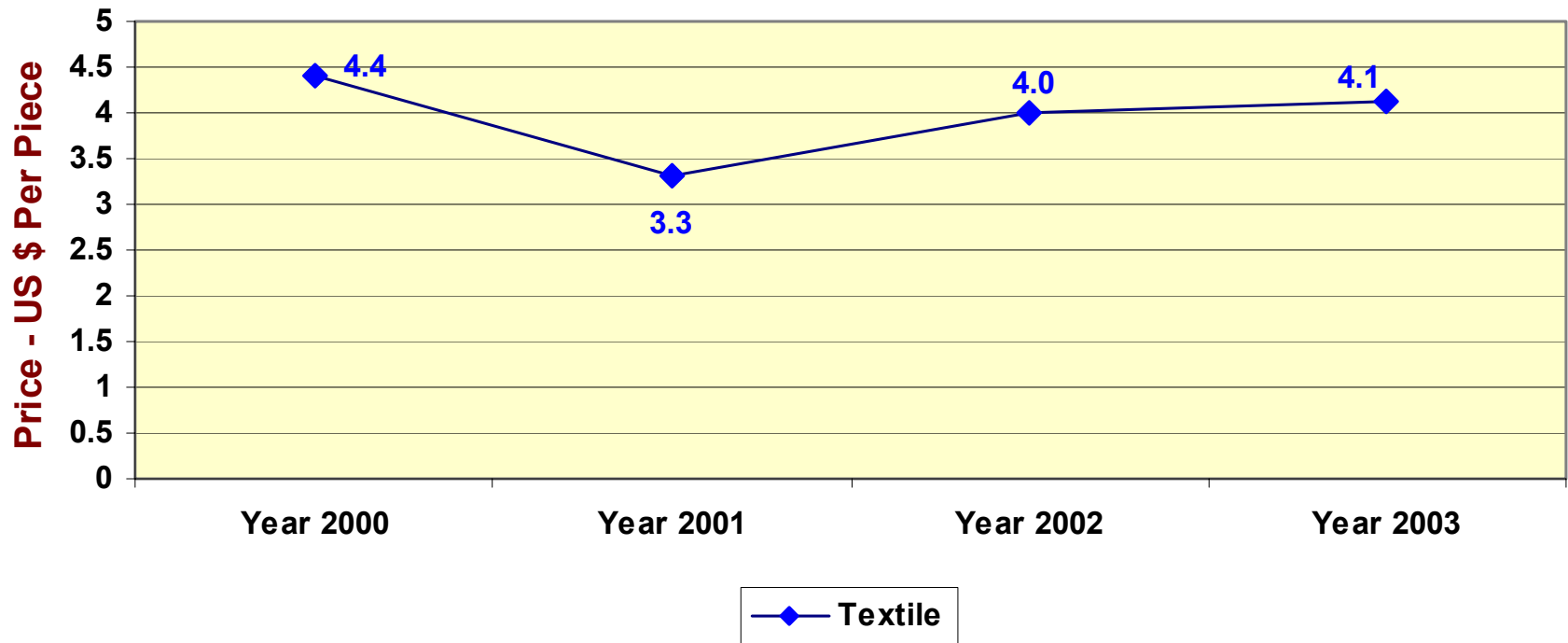
Japan: Unit Price Development - Selected Categories





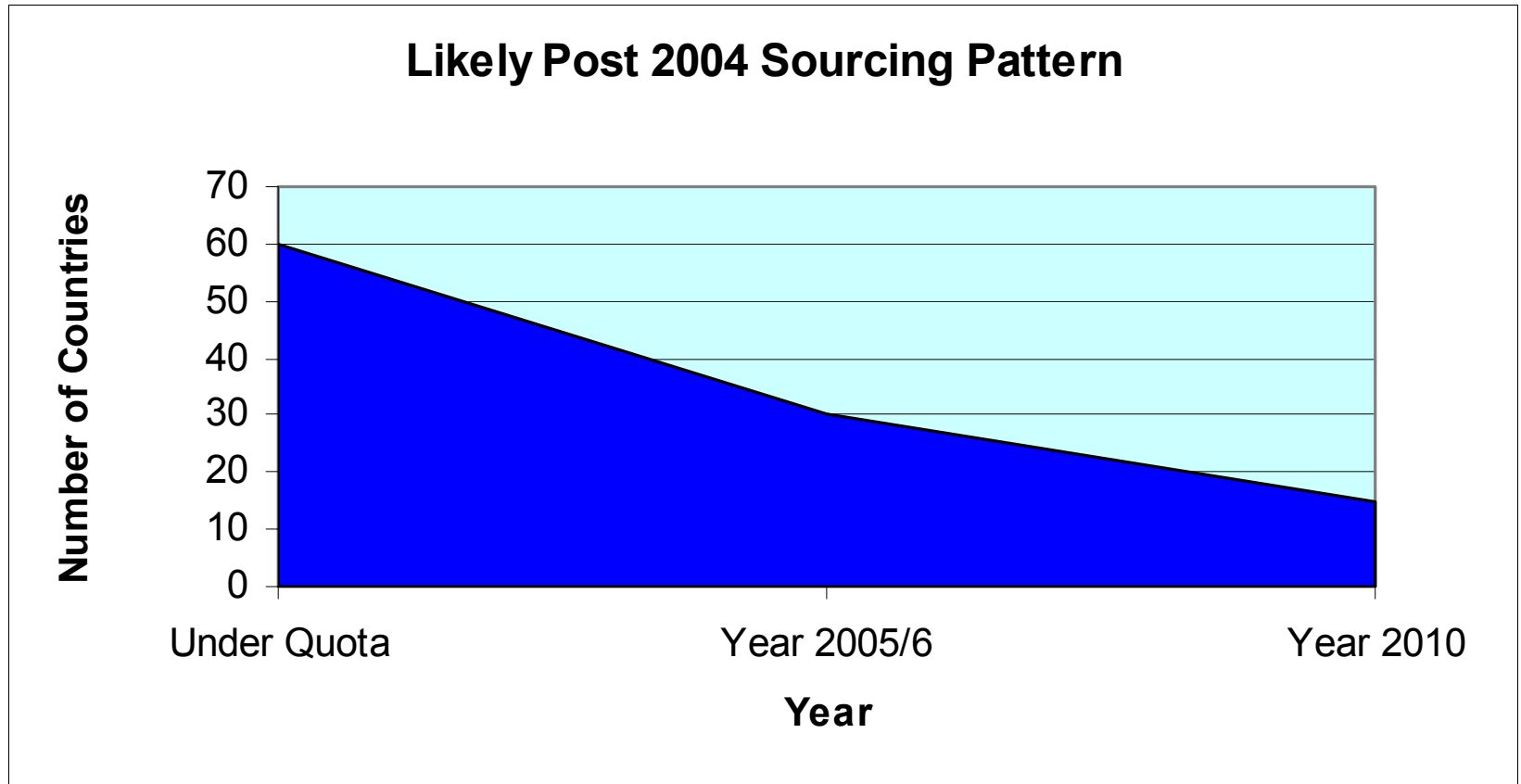
# Japan Import Price Development Textiles

Japan: Unit Price Development - Selected Categories





# Post-2004 Sourcing Pattern





## Challenge 2: Complex System of FTAs & RTAs favouring nearby countries

---

- Erosion of preferential benefits but efforts to support regional suppliers

- US: CAFTA, Andean & AGOA

CBI: \$2.1 garment imports/ \$1 yarn/fabric export

Asia:\$14.74 garment imports/\$1 yarn/fabric exports

LDCs: \$234 garment imports/\$1 yarn/fabric imports

- EU:envisages a Euro-Mediterranean Zone
- Diagonal cumulation: Use fabrics from Egypt, trims from Turkey, assemble in Morocco and export duty-free to EU



## **3. Challenge: Use of Trade Remedies**

---

- Safeguards (fairly traded imports): US Section 201
- Antidumping duties (unfairly traded imports): mainly yarns, fabrics & made ups; trade chilling effect
- Countervailing duties: Section 301: Unfair trade practices against US companies
- T&C products as targets for retaliation in dispute settlement cases.
- Possibility of new quotas against China
- 1) Special T&C Safeguards until 31/12/2008
- 2) Product Specific Safeguards until 10/12/2013 (all products, not only T&C)



## Possibility for China special T&C Safeguards

- Until 31/12/2008 for ATC products only
- Invoked by any member by asking for bilateral consultations if market disruption (threaten to impede the orderly development of T&C trade)
- Request for consultations implies immediate limitation of exports at a pre-determined level: (7.5% (6%) above the amount imported during the last 12 month)
- Does not necessarily require China's agreement
- No WTO notification; no multilateral surveillance
- Duration: max. 12 months
- Not to remain in effect beyond one year without reapplication, unless agreed

# China Textile Safeguard implementation

---

- Has been invoked by the US
  - On 23 December 2003: on categories 222 (knitted fabrics), 350-650 (cotton and man-made fiber dressing gowns and bathrobes) and 349-649 (cotton and mmf brassieres)
  - On 22 Oct 2004 treat-based on socks (332, 632) pending consultations with China
- EU industry requested quota on category 35 (synthetic woven fabrics)
- US industry made further requests to CITA



## China: the “Transitional Product-Specific” Safeguard Mechanism

---

- Available until 10 December 2013 for all products, incl. all T&C
- When imports threaten or cause market disruption
- Measure taken after consultations, except in critical circumstances when provisional measure immediate
- Safeguard measure can be a quota, but can take other forms, including withdrawal of concession
- Must be notified to the Committee on Safeguards
- Duration: "only for such period of time as may be necessary to prevent or remedy the market disruption"
- After 2 or 3 years (relative or absolute increase in imports), China has right to suspend application of substantially equivalent concessions or obligations





## **4. Challenge: Increased Political Pressure against potential winners**

- US clothing imports from China: 02: +60%; 03: +46%
- Japan: In 2003 81% of all clothing imports from China\*
- T&C Lobby Pressure: Istanbul declaration
- Adjustment-Related Issues and Challenges:  
3 August Informal Consultations by WTO DG  
CTG meeting 01/10/2004: Formal request to conduct study on adjustment related issues and costs; CTG to establish a work programme on dealing with the findings and to help LDCs & small vulnerable economies
- No conclusions on the request
- 20-10-04 request from Tanzania on behalf of LDCs: WTO to identify problems, analyse scenario & suggest measures so that LDC can maintain market share

\* Source: WTO; 91% according to Textile Outlook International No. 111, May-June 2004



## **5. Challenge: Continued ATC discussions: Market access before and after quotas**

- No carry-forward in 2004 (5-6% of trade at stake)
- EU enlargement and quota re-introduction
- All ATC-related admin arrangements will cease to exist as from 1.1.2005: No Visa/export license
- Transshipment issues (verification visits)
- Non WTO member or preferential benefits: visa, admin requirements & US Customs visits
- All 2004 shipments need a visa, regardless of date of entry in US/EU;
- US:CITA reserves the right to deny entry of goods that have been shipped in excess of 2004 limits
- EU: Until 31.03.05 Customs will check quota adherence after that free entry



# CTG: Major Review of ATC Implementation

---

TMB Chairman presented comprehensive report; 5 areas will be further discussed on 18/10/04:

- ATC Integration process
  - EU enlargement
  - Use of transitional safeguard mechanism
  - Carry-Forward
  - Administrative arrangements for quota administration and implementation
-



## 6. Challenge: DDA related issues for T&C

---

- Reduction of Tariffs under the DDA: high tariffs, tariff peaks and tariff escalations
- A key trade policy instrument, basis for GSP, preferential treatment, rules of origin
- Thereby affecting trade preferences
- Cotton: Market Distortion by Subsidies (challenged by West Africa & Brazil)

Market access under Agriculture; Prioritisation of Cotton as Sectoral Initiative

Development aspects with WB, IMF, FAO & ITC



## **7. Challenge: Imposition of New Rules (FTAs, RTAs, Security)**

---

- US Customs-Trade Partnership Against Terrorism: Manufacturer monitoring to include security compliance
- Envisaged a supply chain security covering manufacturer monitoring
- Logistics: Mandatory advanced cargo electronic information: That could add extra transit time



## 8. Challenge: Requirements Imposed by Buyers

---

- Codes of Conduct - Ethical Sourcing
- Social sourcing as a criteria for trade.
  1. No child labour
  2. Working conditions
  3. No forced labour
  4. Compensation
  5. No discrimination
  6. Working hours
  7. Minimum wages
  8. Freedom of associations
- ECO Labelling: Remain voluntary but can reduce market access





# Summary: / Challenges

---

1. Price reduction
  2. Complex patchwork of FTAs
  3. Use of trade remedies
  4. Increased political pressure on « winners »
  5. Continued ATC discussions
  6. DDA challenges
  7. Imposition of new rules
  8. Changing buyers' requirements
-



# Structure

---







## What can Asia do?

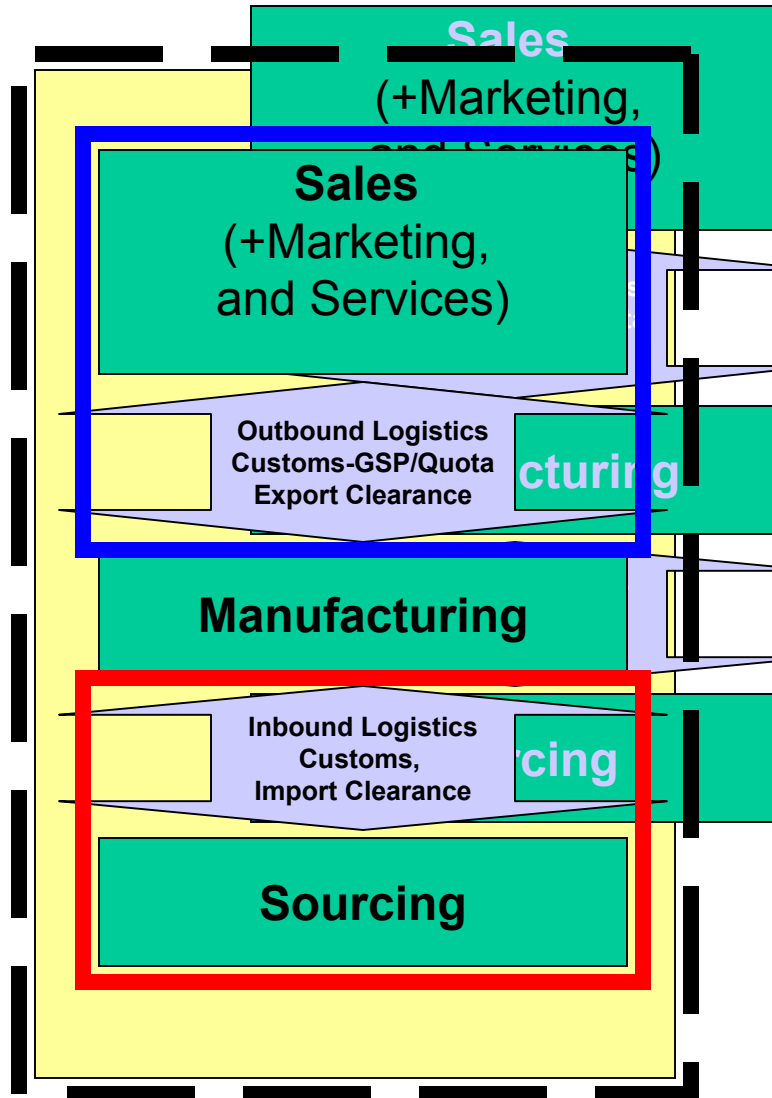
---

- Strategic response at country regional level
- Rules of Origin require regional cooperation
- Regional Partnership in ASEAN: AFTEX
- AFTEX Trade Fair Source-It
- Countries use their advantage to complement each other
- Trade development among DCs along the regional/interregional value chain
- Jointly penetrate traditional markets and exploit the growing ASEAN market



# What can ITC do for you

- 1.- Sector Strategy Development
- 2.- Understanding it's own and competitors' performance
- 3.- Developing fabric sourcing skills to become "full-package" suppliers
- 4.- Understanding changing markets
- 5.- Applying e-applications in the T&C sector
- Implementing tailor-made market penetration approaches in line with buyer requirements



- "The SHAPE"
- "The FIT"
- Sourcing Guide and database
- New ITC T&C website  
Workshops  
Tailored Product & Market Development
- Business Guide in e-commerce for T&C
- ITC Tailored Consultation



## ITC's TA to the Clothing Sector

---

- Need 1: Sector Strategy Development  
Value Chain Analysis
- Need 2: Know your competitors  
The « FiT »
- Need 3: Sourcing Information and SCM skills  
Supply information and skills building
- Need 4: Understanding changing markets  
Enhanced Garment-Maps
- Need 5: E-Applications in T&C  
A Business Guide
- Need 6: Intra-regional trade along the value chain  
South South Trade Development Approach



**THANK YOU !**