Research Papers

Textiles and Clothing in South Asia: Current Status and Future Potential

Ratnakar Adhikari
Chatrini Weeratunge

Phasing out of the Agreement on Textiles and Clothing (ATC) have had different degrees of impact on the South Asian countries depending on their level of competitiveness, factor endowment and marketing calibre. Based on the data available for the first two years after the phasing out of quotas, it can be inferred that temporary safeguards imposed on China have provided some breathing space for the relatively less competitive countries in the region. However, the entire landscape of the Textiles and Clothing (T&C) sector in the region will change after the elimination of these safeguards in 2008. This article argues that despite several constraints, the South Asia region has a potential to develop itself as a global T&C hub. Therefore, concerted efforts need to be made at three levels to realize this potential. First, to form a common position at the international negotiations forum to overcome protectionist market access barriers. This should be done in tandem with the use of the regional cooperation platform to remove barriers to trade, investment and technology transfer within the region. Second, to make investments in addressing supply side constraints in order to enhance the competitiveness of the South Asian T&C sector in a phased manner. Third, to adopt strategies used successfully by countries within and outside the region to ward off competitive pressures, which are likely to ensue when the T&C trade becomes free from all restrictions.

Acknowledgements: The authors would like to thank Maya Karunaratne for research assistance, and comments from an anonymous reviewer are gratefully acknowledged. The opinions expressed in this article are those of the authors and do not necessarily reflect the official position of their organizations.

Ratnakar Adhikari is the Executive Chairman at the South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu, Nepal. Email: ratnakar.adhikari@sawtee.org (corresponding author) **Chatrini Weeratunge** is a Research Associate at the UNDP Asia Pacific Regional Centre, Colombo, Sri Lanka. Email: weeratunge@undp.org

South Asia Economic Journal, 8:2 (2007): 171–203
SAGE Publications Los Angeles ■ London ■ New Delhi ■ Singapore
DOI: 10.1177/139156140700800201

(JEL: F10, F14, L67, F13) **Keywords:** Textiles and Clothing Trade, Agreement on Textiles and Clothing, International Trade, Trade Policy, South Asia.

1. Introduction

The global Textiles and Clothing (T&C) trade, worth US$ 479 billion in 2005 and with a 4.6 per cent share in global merchandise trade, has been growing at an average rate of 9 per cent per year over the past two decades (WTO 2006). During this period, T&C has been the second fastest growing segment of world trade despite the presence of the quota system (ADB 2006). T&C products constitute a major export of a number of developing countries and least developed countries (LDCs) in Asia in general, and South Asia in particular. This sector has been making an increasingly significant contribution to foreign exchange receipts, the gross domestic product (GDP), employment generation and human development in the majority of South Asian countries. After the phasing out of the Agreement on Textiles and Clothing (ATC) on 1 January 2005, South Asia's overall exports to the two major markets of the world, namely, the European Union (EU) and the United States (US) have increased both in value and volume terms.

Although the data for the two-year period after the phasing out of T&C quotas suggest that most South Asian countries, namely, Bangladesh, India, Pakistan and Sri Lanka have benefited from the elimination of quotas, it is clear that not all these countries will be in a position to sustain these gains in the long run. The imposition of temporary safeguards on China by the EU and the US has been a boon for countries such as Sri Lanka and Bangladesh, which would have otherwise suffered a tremendous setback in the post-ATC era. Pakistan too does not seem to have a very strong position in the global market, which is demonstrated by its dwindling exports to the European market; particularly during the first few months of the phasing out of quotas, and gradual recovery after the imposition of safeguards on China.

The temporary safeguards imposed on select T&C products exported by China since the middle of 2005 have completely changed the landscape of the T&C trade in the world. However, the situation is likely to be entirely different for the South Asian exporters after the complete phase out of these restrictions in 2008. Moreover, competitive pressures on these countries are likely to increase due to the full-fledged entry of Vietnam into the global T&C market. Before 2006, Vietnamese T&C exporters were restricted by quotas in both major markets since it was not a member of the World Trade Organization (WTO). Following its accession to the WTO, it has the potential to emerge as a major threat to the South Asian countries.

The only South Asian country that could sustain its exports in the long term without making any drastic changes in the policy regime, despite the continued threat from China, is India. Countries such as the Maldives and Nepal, which

were unable to revive their T&C exports even after the imposition of safeguards on China, have little chance of surviving in the post-ATC era unless radical reforms are initiated at the domestic level to enhance the competitiveness of their exports. However, it should also be understood that neither the government nor the private sector in the Maldives seem interested in the revival of the T&C sector given the limited contribution of this sector to the national economy in general, and local employment generation, in particular (Adhikari and Yamamoto 2006).

Against this backdrop, this article analyses the competitiveness of the South Asian countries in the post-ATC era. It highlights the challenges confronting the South Asian T&C exporters and examines the future potential of the T&C industry in the region as well as the strategies that can be adopted by these countries to sustain their position in this dynamic sector. The article is structured as follows: Section 2 discusses the trade patterns in the post-ATC era, focusing mainly on the two important markets of the world—the EU and the US. Section 3 provides an account of challenges being faced by South Asian countries in the post-ATC era, both on the demand and supply sides. Section 4 analyses the future potential of the sector while outlining possible initiatives that can be taken to strengthen the T&C industry. Section 5 concludes the discussion with policy recommendations.

2. Post Quota Trends in South Asia

2.1 The Structure of the T&C Sector

India has emerged as the largest gainer among the South Asian countries in the post-quota era. The T&C sector comprises 11 per cent of the labour force, providing employment to 35 million people. Its share in India's overall export earnings is approximately 16 per cent and the industry accounts for 4 per cent of the GDP (Adhikari and Weeratunge 2007). In the T&C sector, India's main focus is medium quality and relatively high fashion ready-made garment production for both export and domestic niche markets (Adhikari and Yamamoto 2006).

Like India, Pakistan too has a competitive textile and garment sector with a capacity to integrate its supply chain vertically, from cotton to yarn and fabric production to finally manufacturing the final garment (Adhikari and Yamamoto 2005). This is a key factor that provides an added advantage over a majority of the other South Asian countries. Pakistan's T&C sector plays a significant role in its economy; 60 per cent of the country's export earnings are derived from this industry which provides employment to 2.3 million workers (Adhikari and Weeratunge 2007). Although the level of employment of women is much lower compared to countries such as Bangladesh, this sector has the second largest number of female workers (Adhikari and Yamamoto 2006).

Bangladesh has been successful in building a competitive ready-made garment (RMG) sector within a short span of time and surviving in the post quota period. Eighty per cent of approximately two million workers employed in this labour intensive industry are women (Razzaque 2005). RMG factories and associated businesses (spinning, dyeing, finishing, etc.) are estimated to provide employment for a total of 10 to 12 million people (IMF 2007). In terms of the structure of the T&C industry, Bangladesh has a well established supply chain in the knit segment and sources 80 per cent of knit fabrics from domestic manufacturers. However, the textile industry is not as well developed in other segments. For example, it is unable to source more than 15 per cent of the required raw materials for the woven segment and therefore, the balance has to be imported from countries such as India, Pakistan, Hong Kong and Taiwan (Rahman 2005).

Sri Lanka is considered to be among the group of developing countries that first entered the T&C export industry in the early eighties (Adhikari and Yamamoto 2005). Since then, Sri Lanka has come a long way to be one of the leading exporters of high value niche garments. As the country has a more educated and skilled labour force compared to other South Asian countries, it has a competitive edge in producing for niche markets. While Sri Lanka specializes in women's intimate apparel to the EU and US markets, it has continued to diversify its product range and is only second to India within the region in terms of the diversification of T&C exports.[1] The T&C industry is one of the three leading sectors in the economy, employing 6 per cent of the labour force and contributing 6 per cent to GDP (Ceylon Chamber of Commerce 2006).

In the Maldives, the RMG sector was developed as a result of the availability of quotas distributed during the Multi-fibre Arrangement (MFA) period and the liberal policies introduced by the government to attract foreign investors (Adhikari and Yamamoto 2006). However, the RMG sector's success was short-lived, as the investors who were mostly from Sri Lanka shifted their operations back to their own country after the expiry of quotas. In 2003, the RMG sector accounted for one-third of total merchandise exports and 50 per cent of merchandise exports by the private sector (Ministry of Planning and National Development, Republic of Maldives 2004). When the industry was at its peak in 2002, the expatriate workforce was 2,478 and by December 2005 it had declined to 431 (Adhikari and Yamamoto 2007).

[1] This assertion is based on the analysis of the top five T&C products exported to the EU and the US markets by the five South Asian countries in 2005 at the six digit level. Nepal has the worst level of export concentration within the region with the top five T&C products accounting for 76 per cent of the country's overall T&C exports. Meanwhile, India's top five T&C products account only for 26 per cent of overall T&C exports. The figure for Sri Lanka was 32.8 per cent reflecting a low level of export concentration. See Adhikari (2006a).

The impact of the abolition of quotas on the Maldivian economy is considered to be minimal due to the large expatriate workforce, imported raw materials and the low levels of value addition (United States Department of State 2006). Nevertheless, the loss of employment for several hundred Maldivian workers, the loss of foreign exchange earnings and the 4 per cent decline in government revenue derived from land rentals cannot be overlooked (Adhikari and Yamamoto 2007).

The RMG sector in Nepal which at its peak in 2000 employed more than 50,000 workers and accounted for a large share of manufactured exports, suffered a severe decline during the post-ATC period. The negative impact on the RMG industry is illustrated by the loss of employment. During its peak years, this sector accounted for 12 per cent of employment in the manufacturing industry; however, by July 2006 the labour force in the RMG sector decreased to less than 5,000 workers (Bhatt et al. 2006).

2.2 Trade Flows between South Asia and the EU and the US Markets

The past two-and-a-half years have had varying impacts on the T&C exporting nations in South Asia. Bangladesh, India, Pakistan and Sri Lanka, as noted earlier, are among the global players that have been able to withstand the transitional phase and sustain their exports to the key T&C markets in the world.

A common predicament faced by these South Asian countries is coping with the fierce competition from China in the future. In 2005, China dominated the T&C sector accounting for 30.7 per cent and 24.2 per cent (in value terms) of the EU and the US markets respectively (Adhikari and Yamamoto 2006). According to a World Bank study, China's global market share of RMGs is predicted to increase to 50 per cent by 2010 (Kelegama 2006: 5). To protect the domestic industry from the runaway growth of imports of T&C products from China, particularly in the EU and the US markets, several measures have been taken in relation to China. In particular, the 'China Safeguard', which was incorporated into the protocol of Accession of China to the WTO, permits any WTO member to restrict T&C imports from China up to 7.5 per cent of the previous 12 months imports through safeguard actions against China until 2008 (Adhikari 2006a).

The US and the EU have continued to be the key export markets for the T&C sector in South Asia and Tables 1a and 1b provide an overview of these countries' performance from 2004 to 2006. South Asia's share of the US market as well as the overall exports to the US has shown a steady growth over this period. In 2006, the six South Asian T&C producing countries together accounted for 13.9 per cent in value terms and 16.9 per cent in volume terms of the US market (Table 1a). This is an increase of 2 per cent in value terms and 2.2 per cent in volume terms from the market share held in 2004. In 2006, the South Asian countries captured a greater share of the EU market in comparison

to the US market. This share is equivalent in value and volume to 17.8 and 22.6 respectively (Table 1b). The region has also achieved a significant growth in exports to the EU of 19.1 per cent in terms of value during the period 2005–06. Moreover, the growth in volume has greatly improved from 1 per cent during 2004–05 to 11.6 per cent in the period 2005–06 (Table 1b). From the patterns observed in the two markets, it is clear that while safeguards on China have enabled South Asian countries to increase their exports to both the EU and the US markets, the gains have been substantially higher in the EU market. However, the increase in exports to the EU market could be partly attributed to the Generalized System of Preferences (GSP) facility provided by the EU to the South Asian countries.

Examining the performance of each country in the region, it is evident that the region's gains have not been spread evenly. The countries which have done well have either been competitive from the start or have pursued strategies to gain a competitive advantage. India, the South Asian champion of the post quota world, increased its exports (in value terms) to the US by 26 per cent and to the EU by 18.4 per cent in 2005. This growth has continued, albeit at a slower pace in 2006 with growth rates of 8.1 in the US market and 14.1 in the EU market (Tables 1a and 1b). The market share captured by India rose in 2006 to 5.6 per cent and 7.5 per cent in the US and the EU respectively. The country's strength lies in its vertically integrated supply chain which enables 98.5 per cent of value addition to be generated within the country (UNDP, Regional Centre in Colombo [RCC] 2005). Furthermore, the support provided to the T&C sector by the government as well as the product and market diversification of T&C exports have been instrumental in increasing India's exports.

However, three major factors have hindered India's growth to a certain extent. First, due to the large number of small- and medium-sized units operating in the industry there is a lack of economies of scale, which has contributed to the cost of production being higher in India as compared to China. Second, the appreciation of the Indian Rupee makes it more difficult for India to compete on price. Third, power costs as well as operating and transaction costs are higher in comparison to India's competitors (Adhikari and Yamamoto 2006; EmergingTextiles.com 2007a, 2007b).

Pakistan has managed to increase its market share in the US over the period 2004–06. However, the growth rate of US exports in value terms has declined marginally from 13.2 per cent in 2005 to 11.7 per cent in 2006. A similar trend can be observed in the exported volume where the growth rate of 10.9 in 2006 was lower in comparison to the growth rate in 2005 (Table 1a).

Taking advantage of the duty free access as well as the quotas imposed on China, Bangladesh has been able to increase its exports to the EU. In 2006, Bangladesh's share of the EU market in value terms was more than double of that held by Pakistan. Moreover, Bangladesh's growth in exports (in value) to the EU in 2006

TABLE 1a
US Imports from Six South Asian Countries

	Value (in 1,000 US$)							
Country	*2004*	*Market Share %*	*2005*	*Market Share %*	*2006*	*Market Share %*	*% Change 2004-05*	*% Change 2005-06*
Bangladesh	1,986,278	2.3	2,380,338	2.6	2,919,631	3.0	19.8	22.7
India	3,946,295	4.6	4,973,699	5.4	5,377,695	5.6	26.0	8.1
Maldives	81,052	0.1	4,720	0.0	1	0.0	–94.2	–100.0
Nepal	132,563	0.2	98,420	0.1	88,724	0.1	–25.8	–9.9
Pakistan	2,550,601	2.9	2,887,926	3.1	3,226,865	3.4	13.2	11.7
Sri Lanka	1,600,622	1.8	1,694,485	1.8	1,725,249	1.8	5.9	1.8
Total	**10,297,411**	**11.9**	**12,039,588**	**13.0**	**13,338,165**	**13.9**	**16.9**	**10.8**
	Volume (1,000kg)							
Bangladesh	207,593	2.5	246,341	2.7	292,644	3.1	18.7	18.8
India	445,821	5.3	534,071	5.9	585,930	6.3	19.8	9.7
Maldives	1,603	0.0	73	0.0	0	0.0	–95.4	–100.0
Nepal	11,308	0.1	6,636	0.1	5,497	0.1	–41.3	–17.2
Pakistan	454,075	5.4	529,550	5.9	587,534	6.3	16.6	10.9
Sri Lanka	110,043	1.3	106,099	1.2	104,489	1.1	–3.6	–1.5
Total	**1,230,443**	**14.7**	**1,422,770**	**15.8**	**1,576,094**	**16.9**	**15.6**	**10.8**

Source: Yamamoto and Adhikari (forthcoming) based on USITC Interactive Tariff and Trade Data Web.

TABLE 1b
EU Imports from Six South Asian Countries

	Value (in 1,000 Euro)							
Country	*2004*	*Market Share %*	*2005*	*Market Share %*	*2006*	*Market Share %*	*% Change 2004–05*	*% Change 2005–06*
Bangladesh	3,895,402	5.8	3,710,534	5.2	4,807,093	6.0	–4.7	29.6
India	4,434,101	6.6	5,251,549	7.3	5,991,169	7.5	18.4	14.1
Maldives	255	0.0	55	0.0	2.7	0.0	–78.5	–95.1
Nepal	77,787	0.1	73,088	0.1	68,503	0.1	–6.0	–6.3
Pakistan	2,321,356	3.4	2,016,465	2.8	2,281,633	2.9	–13.1	13.2
Sri Lanka	841,187	1.2	832,880	1.2	1,007,845	1.3	–1.0	21.0
Total	**11,570,088**	**17.1**	**11,884,571**	**16.6**	**14,156,246**	**17.8**	**2.7**	**19.1**
	Volume (1,000kg)							
Bangladesh	564,813	6.7	559,383	6.3	654,438	6.8	–1.0	17.0
India	755,877	8.9	803,479	9.0	872,929	9.1	6.3	8.6
Maldives	25	0.0	6.7	0.0	n/a	n/a	–73.3	n/a
Nepal	7,613	0.1	6,722	0.1	6,211	0.1	–11.7	–7.6
Pakistan	493,254	5.8	472,107	5.3	520,125	5.4	–4.3	10.2
Sri Lanka	102,255	1.2	100,614	1.1	114,715	1.2	–1.6	14.0
Total	**1,923,837**	**22.7**	**1,942,312**	**21.8**	**2,168,418**	**22.6**	**1.0**	**11.6**

Source: Yamamoto and Adhikari (forthcoming) based on Eurostat.

has been remarkable. The growth rate of 29.6 per cent is the highest in the region, far exceeding the growth rates of India and Pakistan (Table 1b). Bangladesh has done equally well in the US market. There has been a sustained growth both in terms of value and volume during the period 2004–06 (Table 1a).

In 2005–06, Bangladesh's exports in HS Code 61 (knitwear) and HS Code 62 (woven wear) to the EU increased from 2.18 to 2.85 billion Euros and from 1.33 to 1.67 billion Euros respectively. The country's two strongest export products, T-shirts and pullovers (HS Code 61) have continued to be the highest in value terms and their EU market share has increased from 14 to 16 per cent and 13 to 16 per cent respectively. The quotas on China have also enabled Bangladesh exports, especially T-shirts to enter the EU market at a higher price. However, in the case of HS Code 6205 (men's and boys' woven cotton shirts), for which quota restrictions were removed, Bangladesh found it difficult to maintain its competitiveness with the market share falling in terms of volume from 24 per cent in 2005 to 20 per cent in 2006, and in terms of value from 13 to 11 per cent in the same period (EmergingTextiles.com 2007c).

Bangladesh's achievements can be attributed mainly to its increased competitiveness in the manufacture of low-cost high-volume RMG items. Access to cheap labour has enabled Bangladesh to compete effectively with countries such as China and Vietnam. Bangladesh has taken full advantage of the re-imposition of quotas on China and has been successful in capturing a part of the Chinese market share in the EU, which declined to 29.92 per cent in 2006 (EmergingTextiles.com 2007d). The support mechanisms provided by the government to the RMG sector have also contributed to Bangladesh's success. Moreover, the depreciation of the Bangladeshi currency (Taka) by more than 18 per cent, which coincided with the post-ATC period, has either enhanced or at least protected the competitiveness of Bangladeshi T&C exporters (Unnayan Shamannay 2006).

While knitwear exporters in Bangladesh were able to utilize the duty-free access to the European market due to the improvements in yarn capacities, this has proved to be more difficult for woven wear exporters owing to the limitations of the textile industry. However, the forthcoming change in the EU rules of origin, the two-stage processing requirement for duty free access being replaced by requirements for value addition in the country of a minimum 50 per cent for knitwear and 35 per cent for woven wear is likely to have a positive impact on these exports to the EU market (EmergingTextiles.com 2007c). The lack of proper infrastructure and trade facilitation measures, as well as the unskilled labour force could have an adverse effect on T&C when the competition is likely to intensify in 2008 once the quota restrictions on China have been removed.

Sri Lanka's exports to the US market have increased marginally in value terms in 2006. However, the growth of exports to the US market of 1.8 per cent in value and a negative growth of –1.5 per cent in volume in 2006 reveals that Sri Lanka is

moving away from the bottom end of the market (Table 1a). This is also reflected to a certain degree in Sri Lanka's export performance in the European market. From a negative growth in 2005 of exports to the EU of –1 per cent in value and –1.6 in volume, Sri Lanka's growth rate in 2006 saw a dramatic surge of 21 per cent and 14 per cent in value and volume respectively (Table 1b). While this impressive growth is clearly an effect of the re-imposition of quotas on China, it could also be attributed to the utilization of the GSP plus provisions granted by the EU.

The T&C sector in the Maldives has faced the worst repercussions of the abolition of quotas and its exports to the EU and the US in 2006 were negligible (Table 1b). As a result of a cutback in operations by foreign investors, the Maldives' overall exports to the US declined from US$ 81 million in 2004 to 4.7 million in 2005 and to a mere US$ 1,000 in 2006. Similarly, its exports to the EU decreased from 255,000 Euros in 2004 to 2,700 Euros in 2006.

It would be misleading to attribute Nepal's dwindling exports entirely to the phasing out of the ATC. The decline of Nepal's T&C sector could be partly attributed to the preferential access provided by the US to the Sub-Saharan African countries through the African Growth and Opportunity Act (AGOA). Although its exports to the EU and the US markets declined in terms of value by 6.3 per cent and 9.9 per cent respectively in 2006, the decline in the US market was not as sharp compared to 2005 and the decline in the European market was only marginally worse than the previous year. As per the recent reports, in the first six months of 2007, Nepalese garment exports to the US declined by almost 50 per cent. While Nepalese garment exports to the US in January–June 2006 were US$ 31.2 million, they declined to 15.7 million in the corresponding period in 2007. In June 2007 alone, garment exports to the US declined by 42 per cent (*Kantipur* 2007).

Nepal's structural and institutional barriers impede its competitiveness in the international market. These include the lack of a vertically integrated supply chain, difficulty of accessing sea ports, low labour productivity, high transaction costs, high cost of compliance with customs procedures and a lack of streamlined administrative processes at ports (Dahal 2006). Besides the supply side bottlenecks discussed earlier, the T&C industry was marred by the Maoist insurgency until April 2006, and labour unrest as well as frequent strikes in the more recent past. Moreover, the appreciation of the Nepalese currency against the US dollar by 12 per cent between July 2006 and June 2007 has also contributed to the reduced competitiveness of Nepalese exports in the US market.[2]

[2] This contrasts with the depreciation of the Bangladeshi currency in the corresponding period. See *New Business Age* (2007), 'Should NPR be Devalued', in *New Business Age*, July 2007, for an analysis on the sharp appreciation of the Nepalese currency.

3. Problems Facing the T&C Sector in South Asia

Despite being one of the most competitive regions in T&C exports, South Asian countries face several problems in harnessing their potential. While the magnitude may differ from country to country, the nature of the problems remains the same for all the countries in the region. These are broadly divided into demand side and supply side problems.

3.1 Demand Side Problems

Demand side problems which are synonymous with market access barriers can be divided into two types—tariff barriers and non-tariff barriers (NTBs). While some of these barriers serve the genuine and legitimate interests of the importing countries, most of them are blatantly protectionist, as discussed next.

3.1.1 Tariff Barriers

The low industrial tariffs in the developed countries—particularly in the EU, Japan and the US—mask a questionable and often indefensible protectionist under-current prevalent in the T&C sector. On average, the tariffs imposed on T&C products are four times higher than the average industrial tariffs imposed by the developed countries. The average post-Uruguay Round tariffs on T&C products in the three major industrial countries are 14.6 per cent in the US; 9.1 per cent in the EU; and 7.6 per cent in Japan, while their average industrial tariffs are 3.5, 3.6 and 1.7 per cent respectively (Hayashi 2005). Moreover, discriminatory tariffs applied to various countries through a spate of trade preferences and free trade agreements put South Asian countries, in general, and LDCs within the region, in double jeopardy.

Table 2 provides a snapshot of discriminatory tariffs charged by the US customs on imports of woven RMGs from South Asian countries in contrast to other countries which are the beneficiaries of either a free trade agreement or other preferential arrangements with the US. The table indicates that Bangladesh, an LDC, is subjected to a tariff of 17.12 per cent (calculated as a percentage of customs value) in the US market which is 107 times higher than the duty imposed on imports from Canada, a developed country. Similarly, other countries which are beneficiaries of various trade agreements with the US or trade preference schemes offered by the US, pay much lower tariffs than any country in South Asia. This results in South Asian countries in general, and LDCs in particular, being comparatively disadvantaged.

In order to overcome such discrimination in the US market and to create a level playing field for the LDCs in the US and other markets, LDCs have been campaigning for duty free and quota free access to the developed countries' markets since 1992 (Adhikari and Yamamoto 2005). These efforts culminated

TABLE 2
Discriminatory Tariffs Charged by the USA on Imports of Woven RMGs

Countries/groups	*2005* Calculated Duties as % of Customs Value	*Jan–May 06* Calculated Duties as % of Customs Value	*2005* Customs Value Share*	*Jan–May 06* Customs Value Share*
South Asian countries				
India	14.37%	13.38%	5.67%	7.34%
Bangladesh	16.00%	17.12%	4.48%	5.38%
Sri Lanka	16.39%	16.54%	2.84%	2.90%
Pakistan	14.30%	14.53%	0.93%	0.95%
NAFTA beneficiaries				
Canada	0.85%	0.16%	1.81%	1.94%
Mexico	0.49%	0.24%	10.25%	8.62%
CBTPA beneficiary				
Honduras	1.25%	1.90%	1.78%	1.58%
AGOA beneficiary				
Kenya	0.13%	0.68%	0.52%	0.52%
Lesotho	0.05%	0.07%	0.41%	0.38%
Madagascar	0.32%	0.38%	0.38%	0.33%
Bilateral FTA beneficiary				
Jordan	0.31%	0.41%	0.97%	1.27%

Source: Adhikari and Weeratunge (2007)
Note: * Supplier share of the total customs value.

in the adoption of a decision at the WTO Hong Kong Ministerial Conference which proposes to provide duty free and quota free access to 97 per cent of the tariff lines. However, the remaining 3 per cent of tariff lines which can be excluded from the 'covered list' means that T&C exports of South Asian LDCs will continue to face higher tariffs in the US market (Adhikari 2006b).

3.1.2 Non-tariff Barriers

Of the several non-tariff barriers only three, namely, trade remedy measures, rules of origin and regulatory/standard related barriers, which are of prime concern to South Asian countries, are discussed in this sub-section.

Trade remedy measures
Trade remedy measures, in theory, are meant to be imposed to remedy unfair competition in order to create a level playing field for domestic enterprises. These measures provide a swift remedy for the importing countries and are relatively easy to apply. However, in practice, these measures have been abused for protectionist purposes. Out of the three WTO sanctioned trade remedy measures, anti-dumping measures which involve imposing an additional duty at the border for imported goods that have been allegedly 'dumped' into the domestic market,

is the most pernicious. Anti-dumping measures can be applied to selected firms in targeted countries with almost absolute impunity (Adhikari and Yamamoto 2005). Price competitive T&C products from developing countries such as China, India, Pakistan and Turkey have been traditionally a major target of anti-dumping investigations, even during the MFA period. For example, bed linen, imported from India and Pakistan has been one of the most targeted products by the EU (Adhikari and Weeratunge 2007).

Based on a survey of anti-dumping actions initiated between 1994 and 2001, it was found that one major WTO member initiated 53 investigations into allegations of dumping, placing the T&C industry in the third position after iron and steel and chemicals (WTO 2003). In several instances, investigations into the same products were revived back-to-back, extending over a long period (ibid.). Commenting on the unfair nature of anti-dumping investigations, Oxfam International (2004) asserts, '[T]hey take a long time to resolve, impose heavy costs of arbitration, and can be prolonged by small changes to the case.'

Examining the history of anti-dumping measures, it can be inferred that competitiveness can be regarded as a curse, as far as the application of such measures is concerned. Countries such as Sri Lanka and Bangladesh, which are emerging as competitive exporters of T&C products, should remain alert to these threats as they could very well become targets of future investigations in the US and the EU markets.

Rules of origin

Although South Asian countries in theory, receive preferential market access to some of the developed country markets—notably the EU—the effectiveness of such arrangements is limited due to the imposition of onerous rules of origin (ROO) requirements by the importing countries. While the US has not included T&C products under its GSP scheme extended to South Asian countries, the EU has included these products in its scheme. For example, under the Everything But Arms (EBA) initiative of the EU, all the LDCs including the South Asian LDCs are eligible to export their T&C products to the EU market duty free. However, the South Asian LDCs that lack textile and other raw material producing capacities are handicapped because they cannot meet the minimum ROO threshold.

Among the existing ROO requirements imposed for preferential trading arrangements, the ROO under the EBA is extremely stringent, requiring double transformation for which at least two finishing operations must take place within the exporting country to qualify for duty free access (Adhikari and Yamamoto 2005). Therefore, despite the EBA initiative, LDCs that are not able to meet this requirement continue to have a low level of preference utilization. For example, the utilization rates for clothing preferences of the Asian LDCs under the EBA in 2004 were 33.8 per cent for Bangladesh and 65.8 per cent for Nepal (WTO 2005).

This partly explains Bangladesh's ability to achieve impressive export growth in knitted garments in which domestic value addition is very high as compared to woven garments where domestic value addition is extremely limited due to the lack of vertical integration.[3]

Although there is provision for 'regional cumulation' which allows South Asian countries to use raw materials from within the region and still qualify for the EU ROO requirement, due to limited availability of low cost inputs from the region, most LDCs continue to source inputs from low costs suppliers outside the region. This disqualifies them from taking advantage of the EBA initiatives. Therefore, LDCs continue to pay Most Favoured Nation (MFN) tariffs on their T&C exports to the EU market.[4]

Regulatory barriers

Government regulations or industry standards may be necessary to facilitate exchange of goods by clearly defining products and improving compatibility and usability. These may also be necessary to achieve certain policy objectives, such as protecting consumers from fraud and deception, as well as safeguarding the environment and plant, animal and human health. However, these could also be used for protectionist purposes. Since governments are ingenious in devising ways to inhibit imports to protect domestic producers in sensitive industries where domestic pressure for protection persists, the list of possible regulatory barriers could be infinite. The risk is that traditional barriers such as tariffs, quotas and voluntary export restraints (VERs) may be replaced by a new form of a regulatory barrier (Maskus and Wilson 2000).

As far as T&C exports of South Asian countries are concerned, there have been instances of imposition of regulatory and standards-related barriers on T&C products. Examples of such barriers imposed on Indian T&C as compiled by Gupta (1997) include the following: a) Recall of Indian-made *ghagras* (skirts) on grounds of non-conformity to flammability standards; b) Targeting of Indian rayon scarves on the grounds of non-conformity to flammability standards; c) Ban on import of goods (textiles and leather) treated with azo-dyes and pentachlorophenol. In the first half of the nineties, Nepalese woollen carpets were banned by Germany on similar grounds.[5]

Regulatory barriers imposed by governments, despite their protectionist intent, provide some element of predictability in terms of market access. However, the emergence of private standards, mainly relating to consumer safety, environment

[3] Razzaue and Raihan (2007), cited in Adhikari and Weeratunge (2007: 125)

[4] Inama (2002) asserts that at least one-third of all LDC exports are charged MFN tariffs due to restrictive ROO.

[5] Cited in Adhikari and Weeratunge (2007: 127).

and labour standards which differ from firm to firm, can impose a heavy burden on T&C exporters in the region. South Asian T&C exporters can comply with such standards either by meeting the custom tailored requirement of each buyer or by adopting the most stringent standards. However, both these measures can significantly erode the competitiveness of the exporters.

3.2 Supply Side Constraints

In addition to the market access barriers mentioned earlier, South Asian countries also have to contend with severe supply side constraints which hamper their prospects for enhancing exports, including those of T&C products. Some of the major supply side constraints facing the South Asian countries are discussed below.

3.2.1 Human Capital

South Asian countries, unlike the Southeast Asian countries, have made limited investments in human capital, particularly in education and skills development. Therefore, most of these countries are locked into the production of basic items with low value addition in which competition tends to be the most intense. Although compensation for South Asian garment workers is lower than Chinese workers, the latter are far ahead in terms of productivity. According to United States International Trade Commission (USITC 2004), as cited in Adhikari and Weeratunge (2007: 128):

> The average hourly compensation for Chinese garment workers in 2002 was US$ 0.68, whereas the figures for Bangladesh, India, Indonesia, Pakistan, and Sri Lanka were US$ 0.39, 0.38, 0.27, 0.41 and 0.48, respectively. However, the report points out that the productivity levels of T&C workers in these Asian countries are significantly lower than their Chinese counterparts.

The problem of skills deficit can be overcome by investing in increasing the general level of education and by providing training opportunities. Again, China offers an example for other developing countries; even a decade ago, a Chinese firm, on average, provided about 70 hours of training per year to its workers and managers compared to only 10 hours in India (Chandra 1998, cited in Tewari 2006). Investment by the private sector in skills development of workers is extremely limited in South Asia. A recent report on the Bangladesh economy produced by the IMF (2007) cites the inadequate standard of training of workers in the garment industry as a major constraint on the country's potential to diversify into higher value-added T&C products or to move up the value chain ladder.

3.2.2 Infrastructure

In South Asia, the quality of infrastructure including roads, communication technologies, power supply, port services, etc., is far below global standards, and hence contributes to reducing the competitiveness of the T&C exporters in the region. The constraints on landlocked countries such as Nepal, Bhutan and Afghanistan are severe, but even countries with port facilities such as Bangladesh and India have been unable to make progress in reducing their import and export costs due to the low quality of services. As illustrated by the Organisation for Economic Cooperation and Development (OECD 2005: 4): 'Indian companies suffer a 37 per cent cost disadvantage in shipping clothing from Mumbai to the United States compared with Shanghai purely as a result of the delays and inefficiencies of Indian ports'.

Labour disputes, poor management and lack of equipment are persistent problems in Bangladesh. Chittagong, the main seaport, is able to handle approximately 100–05 lifts per berth a day, which is well below the average of 230 lifts per berth a day as recommended by the United Nations Conference on Trade and Development (UNCTAD). According to a firm-level investment climate survey carried out by the World Bank and Bangladesh Enterprise Institute (World Bank and BEI 2003), the ship turnaround time of five to six days in the Chittagong port as opposed to one day in efficient ports has led to severe congestion. This is also confirmed by IMF (2007), which asserts the inadequate infrastructure in general, and the poorly functioning Chittagong port in particular, are the major reasons contributing to the higher lead time for garment exports.

3.2.3 Trade Facilitation

Trade facilitation relates to easing of formalities or simplification of procedures associated with trade transactions with the aim of reducing the costs of trading across borders. The cost of inefficient trade procedures can be very high. For example, it is estimated that for manufactured goods, each day saved in shipping time is equivalent to 0.8 per cent of *ad valorem* duty (Hummels 2001). Table 3 provides information on the procedural hurdles faced by importers and exporters, including the number of days taken to import and export consignments, in South Asian countries. The figures for South Asian countries could be considered to be better than those of Sub-Saharan Africa. However, a depressing picture emerges in the comparisons with OECD countries, particularly Denmark and another efficient economy, Hong Kong, both of which have highly efficient trade facilitation measures. The time taken for export of a consignment is almost seven times higher in South Asia compared to Denmark and the time taken for an import is more than eight times higher in comparison to Denmark as well as Hong Kong.

TABLE 3
Procedural Hurdles Faced by Traders in Select Regions/Countries

Region /Economy	*Documents for Export(number)*	*Time for Export (days)*	*Cost to Export (US$ per Container)*	*Documents for Import (number)*	*Time for Import (days)*	*Cost to Import (US$ per Container)*
East Asia & Pacific	6.9	23.9	884.8	9.3	25.9	1037.1
Europe & Central Asia	7.4	29.2	1450.2	10.0	37.1	1589.3
Latin America & Caribbean	7.3	22.2	1067.5	9.5	27.9	1225.5
Middle East & North Africa	7.1	27.1	923.9	10.3	35.4	1182.8
OECD	4.8	10.5	811.0	5.9	12.2	882.6
South Asia	8.1	34.4	1236.0	12.5	41.5	1494.9
Sub-Saharan Africa	8.2	40.0	1561.1	12.2	51.5	1946.9
Denmark	**3**	**5**	**540**	**3**	**5**	**540**
Hong Kong, China	**2**	**6**	**425**	**2**	**5**	**425**
Bangladesh	7	35	902	16	57	1287
Bhutan	10	39	1230	14	42	1950
India	10	27	864	15	41	1244
Maldives	8	15	1000	9	21	1784
Nepal	7	44	1599	10	37	1800
Pakistan	8	24	996	12	19	1005
Sri Lanka	8	25	797	13	27	789

Sources: World Bank Group (2007a), World Bank and IFC (2006).

There is a significant inter-country variation even within South Asia. The time taken to import a consignment is 57 days in the case of Bangladesh, whereas the corresponding figure for Sri Lanka is just 27 days. While these delays are not necessarily proportionately correlated to export costs, they do have an implication on the final costs. For example, among the T&C exporting South Asian countries, costs incurred by Nepalese exporters for imports are 2.28 times higher than their Sri Lankan counterparts (Table 3).

Highlighting the significance of improved trade facilitation measures in the post quota era, Adhikari and Weeratunge argue:

> [It] is even more critical for the survival of the South Asian T&C sector, as this is one industry that involves both imports of inputs as well as exports of finished products. Given the move towards 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 important as some RMG products are time-sensitive and delayed consignments could lead to cancellation of orders. (Adhikari and Weeratunge 2007: 131)

3.2.4 Cost of Inputs

Among the South Asian countries, India, as noted earlier, is the only country which is almost complete in its T&C value chain. However, other countries in the region are largely dependent on imported inputs due to the lack of vertical integration in this sector. The IMF (2004) emphasizes the fact that the lack of domestic inputs in a sector like T&C need not always disadvantage the apparel trade provided 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 per cent 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 US$ 20 billion (International Labour Organization [ILO] 2005a).

In the T&C sector, three elements contribute to increased costs of imported inputs, namely, high tariffs, infrastructure bottlenecks as well as inefficient trade procedures, which have already been discussed earlier. Realizing the contribution of this sector to the national economy including generation of employment and foreign exchange, many governments have made provision for duty free imports of raw materials to be used for export processing. Most countries in the region have made use of bonded warehouse facilities to contribute to a smooth flow of goods and help exporters save costs. However, due to inefficient trade procedures it is almost impossible for T&C exporters to access imported raw materials at short notice. In this context, an option for countries such as Bangladesh, Sri Lanka and Nepal, with extremely limited raw material

production capabilities is to gradually increase the use of raw materials imported from countries like India and Pakistan (also discussed in Section 4.1).

3.2.5 Access to Credit

Banking systems in most South Asian countries, particularly LDCs, are rudimentary and tend to charge unreasonably high interest. To further complicate matters, the majority of banks require 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, which reflect their risk perception, may be coloured by their inability to analyze 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 cases of default (WTO 2005).

According to 'Doing Business in South Asia 2007', produced by the World Bank Group:

> Businesses get better access to loans and more favorable terms of credit when creditors and borrowers have stronger legal rights and information on credit histories is available. But in most poor countries, credit registries and effective collateral laws are lacking. Banks make fewer loans. (World Bank Group 2007b: 8)

The Survey ranks South Asia as the region with one of the lowest access to credit, second worst in the world behind Africa. The Survey further mentions that the average performance on the index of credit information is only 2 out of a 0–6 scale. Credit registries (both public and private) cover only 1 per cent of the adult population on average, the lowest in the world, compared with an average of 69 per cent and 35 per cent in OECD countries and Latin America, respectively (ibid.).

Limited access to credit impedes the ability of the T&C industry to expand its operations or establish new ventures. Even for short-term loans, often the preferred form of bank financing, access to credit is extremely limited in most South Asian countries. As documented by International Business and Technical Consultants, Inc. (2003) for the Ministry of Commerce, in Bangladesh small-scale garment exporters are forced to pay as much as an 11 per cent per month interest rate to obtain short-term credit.

4. Future Potentials, Options and Strategies

In order to sustain their exports to the key T&C markets in the world, South Asian countries compete amongst themselves whilst competing with leading

suppliers from other regions and countries that receive preferential treatment. Moreover, these countries must now prepare for the next phase in the T&C industry, post-2008. While competing on price and quality are of utmost importance, cost competitiveness alone will not help exporters capture a greater market share in the future. Several additional, non-price and institutional factors are key to the competitiveness of textile and apparel producers (Tewari 2006). In an environment of volatility and intensified competition, competing on the basis of low wages and large volumes can lock producers at the lowest end of the value chain where price competition is most intense and where opportunities to cultivate the skills needed to sustain competitiveness are limited (ibid.). Furthermore, the focus on cheap labour to maintain cost competitiveness is likely to perpetuate a 'race to the bottom' phenomenon, which is not sustainable in the long run as this allows investors to switch from one location to another based on availability of cheap labour (Adhikari and Yamamoto 2005). Therefore, the South Asian countries must seek new avenues to retain their position in this dynamic sector.

4.1 Regional Cooperation

In this scenario, South-South trade and cooperation can be an important mechanism through which these countries can enhance their competitiveness. There is considerable potential for the South Asian region to be developed as a global T&C hub through regional cooperation in trade, investment, skills development and technology transfer (Adhikari and Weeratunge 2007). Although there are several hurdles to overcome, the following factors highlight the importance of developing a strategy based on increasing trade links amongst the South Asian countries' T&C sectors. With the exception of India and Pakistan, there is an absence of vertically integrated production structures in the rest of the region. Building regionally integrated value chains will enable the South Asian countries to enhance the efficiency of sourcing inputs by reducing input costs as well as lead time. It would help strengthen the firms engaged in the production of raw materials, thereby creating more employment, increased revenues and access to more secure markets. Fostering regional trade in raw materials and building vertical integration within the region will also increase the competitiveness of firms to engage more effectively in global T&C supply chains. Furthermore, sourcing raw materials from the region will allow the South Asian countries to obtain reduced or zero duty under the regional cumulation rules as per the EU GSP/EBA scheme (ibid.).

The trading patterns among the South Asian countries signify the prospects for further developing an intra-regional value chain in T&C. For instance, Pakistan's exports to the neighbouring countries which have T&C sectors

increased by 65 per cent over a two year (2004–06) period.[6] The top three categories of T&C products exported to the region in 2006 were Cotton (HS code 52), Man-made staple fibers (HS code 55) and Man-made filaments (HS code 54). Similarly, for India, the spread of exports to the region in 2005 indicates the heavy concentration in raw material exports. Furthermore, in 2005 Sri Lanka's trade with its South Asian partners also consisted of intermediary products.

However, whilst other regions, such as the Association of Southeast Asian Nations (ASEAN) are utilizing their regional trading arrangements (RTAs) to reduce trade barriers in the T&C sector, in the South Asian region most T&C products have been placed in the 'sensitive list' of each country under the Agreement on South Asian Free Trade Area (SAFTA) (Table 4).

According to the Agreement, the products included in the 'sensitive list' are exempted from tariff reduction commitments, while tariffs on all the other products will be reduced to between 0 and 5 per cent by 2016. It is important to note that the option of maintaining the present level of tariff on the exempted products is available to the member countries (Adhikari and Weeratunge 2007). However, rational decisions need to be taken on which products need protection and the products for which tariff liberalization will be more beneficial.

TABLE 4
T&C Products Included in the Sensitive List under SAFTA

HS Code	*Bangladesh*	*India*	*Maldives*	*Nepal*	*Pakistan*	*Sri Lanka*
50	•	•				
51						
52	•	•	•	•		
53	•			•	•	•
54	•	•	•	•	•	
55	•	•		•	•	
56	•		•	•	•	•
57	•	•		•	•	
58	•	•	•		•	•
59	•	•		•	•	•
60	•	•		•	•	
61	•	•	•	•	•	
62	•	•	•	•	•	
63	•	•	•	•	•	

Source: Adhikari and Weeratunge (2007)
Note: India's Sensitive List for LDCs include only items under HS Code 50, 61, 62.

[6] Pakistan's exports of T&C products to the South Asian countries that have T&C sectors (Bangladesh, India, Maldives, Nepal and Sri Lanka) was US$ 259,910, 000 in 2004 and the overall earnings increased to US$ 429,133,000 in 2006 (based on the data from the UN COMTRADE Database).

As proposed in Adhikari and Weeratunge (2007), SAFTA members should aim to remove all tariffs on T&C items from South Asia or at least remove the tariffs on products that are not produced locally and allow these products to be imported from within the region. The access to a wider range of raw materials in the domestic market as a result of the elimination of tariffs would also help diversify the T&C products manufactured for the domestic market as well as develop low volume, high priced export items from small-scale producers in the region.

Building intra-regional investments, improving cross border cooperation and trade facilitation as well as providing access for the transfer of technology and skills are important elements of developing the region as a competitive trading block in T&C. Foreign direct investments (FDI) will be an effective means of channelling the required resources to further develop the vertical production structures in the region and will enable a greater degree of specialization within these countries. FDI could also provide the means for countries which lack GSP provisions to establish backward linkages in countries that have these provisions.[7] While foreign investments can also play a role in the transfer of technologies, the governments and private sector in the region should explore means of building partnerships to provide skills development and training to the T&C sector employees in the region.[8] To ensure the credibility and sustainability of such reforms, SAFTA members should develop a proposal to liberalize intra-regional investment and technology transfers within the economic cooperation framework (Adhikari and Weeratunge 2007).

4.2 Focus on Niche Products

Realization that the post-ATC era will be characterized by the domination of a few countries, particularly in lower value addition items, some countries have successfully diversified into higher value-added niche products where competition is not likely to be as intense. Sri Lanka is the only South Asian country, which has benefited and managed to partly offset the export losses in the post-ATC period by focusing on niche products. Taking advantage of the relatively high level of education of its workers,[9] coupled with their fast learning aptitude,

[7] For example, Sri Lanka, which has GSP facilities, has attracted investments from Pakistan to build large textiles mills (EmergingTextiles.com, 2006).

[8] For example, training institutions in Bangladesh and Nepal could establish partnerships with institutions in countries such as India and Sri Lanka, which have more advanced training facilities.

[9] The literacy level as well as education level of Sri Lanka is considered 'one of the best' in South Asia. In 2004, the literary rate (ages 15 and above) was 90.7 per cent, compared to 61 per cent in India, 48.6 per cent in Nepal and 49.9 per cent in Pakistan. The only South Asian country to have a higher literacy rate compared with Sri Lanka is the Maldives (96.3 per cent). See UNDP (2006).

Sri Lanka started focusing on a distinct segment of apparel, which is women's undergarments. Another distinct advantage for Sri Lanka is that some manufacturers in the country have been concentrating on this segment for a relatively long period and have established a favourable reputation in the export market. Table 5 provides growth rates for this sector since 2004.

According to the figures (Table 5), between 2004 and 2006, Sri Lankan exporters were able to achieve the fastest export growth in the US market in the cotton briefs and panties category. After registering a strong growth of 910 per cent in the first nine months of 2005 compared to the corresponding period in 2004, this category attained an export growth of 58.7 per cent in the same period of 2006. In the case of the EU market, imports of brassieres showed a steady growth. While it increased by 18.6 per cent in the first eight months of 2005, it registered a growth of 52.2 in the same period of 2006 (Adhikari and Yamamoto 2007).

TABLE 5
Sri Lankan Exports of Women's Undergarments

	Imports into US Market (in million US$)					
HS	*Product Description*	*Jan-Sep 2004*	*Jan-Sep 2005*	*Jan-Sep 2006*	*Change (%) 2004–05*	*Change (%) 2005–06*
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	5	53	84	909.9	58.7
610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted	18	22	35	22.1	60.7
621210	Brassieres of all types of textile materials	64	89	79	38.9	–11.5
	Imports into EU Market (in million Euro)					
HS	*Product Description*	*Jan-Aug 2004*	*Jan-Aug 2005*	*Jan-Aug 2006*	*Change (%) 2004–05*	*Change (%) 2005–06*
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	17	13	20	–22.4	53.4
610822	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted	11	9	22	–19.5	143.3
621210	Brassieres of all types of textile materials	28	33	51	18.6	52.2

Source: Adhikari and Yamamoto (2007)

These figures lend credence to the ability of Sri Lankan exporters to capture a growing share of the two major markets of the world in these niche products. As documented by Adhikari and Yamamoto (2007: 214):

> With combined exports of US$240 million to the US and EU markets, these items represented 11 per cent of the total Sri Lankan export of T&C products in 2005. In 2006, these exports, which have increased to US$321 million, represent 15 per cent of all T&C exports of the island to these two major markets.

The Sri Lankan private sector's continuous search for niche products was also demonstrated by the recent success of a single firm in carving a global niche by penetrating an even more lucrative market: body armour, flak jackets and bullet-proof vests for troops in Saudi Arabia as well as for the United Nations (Daily Mirror 2006).

It may not be possible for other countries in the region to replicate the same model, but they should try to identify select high value-added T&C products as niche products and attempt to diversify into such products to overcome the problems associated with cut-throat competition.

4.3 Ethical Clothing

Capitalizing on the campaign for ethical clothing initiated by consumer, environmental and labour groups in the developed countries, a few Asian countries have adopted ethical clothing as a corporate strategy, with varied degrees of success. These are discussed below.

4.3.1 Improved Labour Standards: Cambodia Case Study

Cambodia's access to the US market from 1999 to 2004 was contingent on its record of compliance with labour standards, with quota rates increased every year based on successful compliance (Adhikari and Yamamoto 2005). In order to help Cambodia meet this requirement, the ILO provided support to Cambodia to establish a corporate social responsibility programme which is currently known as Better Factories Cambodia. This initiative aims to improve working conditions in Cambodia's export garment factories. It combines independent monitoring with finding solutions, through suggestions to management, training, advice and information,[10] with a view to helping Cambodian garment factories constantly improve the conditions of labour by strictly adhering to national labour legislation, as well as international conventions that Cambodia has signed as a member of the ILO. The programme sets minimum standards as agreed by

[10] Further details can be found at http://www.betterfactories.org/ (accessed on 12 July 2007).

the decision of a tripartite body comprising of the government, private sector and the trade union (ILO 2005a, 2005b).

Better Factories Cambodia monitors nearly 500 separate items from a checklist that has been endorsed by the tripartite body (ILO 2007: 5). According to a recently published report titled *Eighteenth Synthesis Report on Working Conditions in Cambodia's Garment Sector*, which covers monitoring of 287 factories where a total of 337,238 workers are employed, compliance with minimum wage requirements for regular workers is considered high (96 per cent). The report further points out that although most of the factories monitored do not comply with limits on the frequency and duration of overtime, 60 per cent of factories now ensure that overtime is voluntary (an increase from 49 per cent in the previous synthesis report). The report admits limitations in detecting underaged workers and incidence of sexual harassment as well as in monitoring the freedom of association and anti-union discrimination (ibid.).

The programme is being used by Cambodian garment exporters as a unique selling proposition, and buyers' response has been encouraging. As per a buyers' survey conducted by the Foreign Investment Advisory Services (2004) of the World Bank Group, more than 60 per cent of buyers interviewed said that compliance with labour standards was equal or more important than considerations of price, quality and lead times. The survey also found that Cambodia's labour standards were seen as higher than other Asian countries (Bangladesh, China, Thailand and Vietnam). It also revealed that 60 per cent of the buyers planned to increase their garment purchases from Cambodia, while none said they would cut back.[11]

Cambodia's ability to achieve an overall export of US$ 2.2 billion in 2005, an increase of 11.7 per cent over 2004,[12] lends credence to the findings of the study. Based on the import figures of the EU and the US for 2006, Cambodia has done extremely well in both markets; annual imports to these two markets have increased by 15.8 per cent and 25.1 per cent respectively.[13]

Although Cambodia's bilateral agreement with the US has expired and securing increased quotas is no more an incentive for Cambodia, the Cambodian government seems committed to providing continuity to this programme.[14]

Since compliance with internationally agreed labour standards is likely to become a precondition for accepting imports from developing countries, it is advisable for South Asian countries to make investments in achieving and continuously improving labour standards. While Sri Lanka has already earned

[11] Cited in Adhikari and Yamamoto (2007).

[12] See Chan and Sok (2006).

[13] Calculated from Eurostat and USITC Interactive Tariff and Trade Data Web respectively.

[14] See also Chan and Sok (2006), the case study is adapted from Adhikari and Yamamoto (2007: 30–31).

the reputation of achieving these standards, Bangladesh too appears to be making efforts in this direction. According to the IMF (2007), producers and buyers state that the garment industry in Bangladesh is improving compliance with labour and safety standards.

4.3.2 Improved Social and Environmental Standards: Sri Lanka Case Study

Several initiatives have been taken by the T&C sector to promote Sri Lanka as an ethical manufacturing destination. Sri Lanka has commenced producing organic cotton clothing designed by Katherine Hamnett (a designer known to promote and produce under ethical manufacturing and agricultural practices) for UK retailer Tesco. Sri Lanka is also manufacturing Fairtrade clothing for Marks and Spencer, a leading brand in the UK. Fairtrade fabric and clothing items are produced in Sri Lanka by certified manufacturers using Fairtrade cotton imported from India and Africa. Its strict labour standards and the efforts made in relation to green production have given Sri Lanka a competitive advantage in this high value niche market. Due to the growth of the Fairtrade campaign in the UK, retailers such as Marks and Spencer are expanding their Fairtrade clothing products. Aiming to base its entire range of t-shirts on Fairtrade standards, it plans to purchase 20 million clothing items made from Fairtrade cotton during the 2007–08 period (Samaraweera 2007a).

Due to the growing concern regarding negative environmental impacts from industries and the pressure on buyers' purchasing patterns to adhere to environmentally friendly standards, two of the largest garment manufacturers in the country have planned to build a 'green factory'. One manufacturer is also converting several factories to be more environmental friendly. The same manufacturer is planning to have the 'green factory' LEED (Leadership in Energy and Environmental Design) certified by the US Green Building Council. The factory will be designed to ensure that environmental impacts are minimized, especially through the reduction of energy and water consumption. Using measures such as sky lighting and evaporation cooling systems, the company aims to reduce its energy costs by approximately 40 per cent (Samaraweera 2007b).

Other initiatives include the 'Garments without Guilt' campaign, which is an image building programme co-funded by the government and the private sector. This programme is aimed at promoting Sri Lanka as an ethical T&C manufacturer. Sri Lanka, being the only country in Asia which is a signatory to 39 ILO conventions, is at an advantage in terms of carving out a niche as a T&C producer that can cater to the buyers' need to meet the ethical expectations of international consumers by adhering to stringent labour standards, prohibiting child labour and ensuring better working conditions (Samaraweera 2006, Sri Lanka Apparels 2007). Furthermore, the larger manufacturing firms have also established their own corporate social responsibility programmes such as

women's empowerment programmes, professional, technical and vocational training programmes for employees, as well as tsunami disaster relief and rehabilitation projects to enhance the well-being of their own employees and promote community development (Tait 2007).

At the forefront of this movement is MAS Holdings, one of the largest garment exporters in Sri Lanka which has been championing, among others, women's empowerment in the apparel sector through its 'Go Beyond' Programme. MAS Holdings has also partnered with its strategic customers—Victoria's Secret and GAP Inc.—to co-sponsor this initiative. Its vision is to create a sustained corporate social responsibility programme along the entire value chain, from the vendors to the buyers (The Global Compact 2007).

4.4 Market Diversification

In the context of intensified competition in the two major markets of the world, some countries have attempted to diversify their markets. The efforts made by Thailand in this direction are particularly noteworthy.

While Thailand was able to increase its exports of garment products to the United States, its exports to the EU market declined in 2005. This may be partially due to competition from more efficient players like China and India after the elimination of quotas. However, Thailand, as a member of the ASEAN Free Trade Agreement, was able to export to its immediate neighbours to make up for the losses it incurred in other large markets. It has become a major supplier of fabrics to all other ASEAN countries, as seen by the profile of its fabric exports. Except for Singapore and Brunei, which do not have strong T&C sectors, all other member countries of ASEAN have increased their imports from Thailand (Adhikari and Yamamoto 2005).

The EU's policy of allowing for ASEAN cumulation to achieve ROO requirements under the EBA appears to have indirectly helped Thailand. Since its immediate LDC neighbours such as Cambodia and Lao PDR do not have well developed textile and accessory manufacturing capabilities, the EU's requirement to use fabrics from ASEAN to qualify for ROO requirements provides a captive market for Thai textiles.[15]

Although there are lessons to be learned for South Asian countries, the major constraints identified in sub-section 4.1 of this article need to be addressed with utmost urgency. Despite these constraints, Nepal seems to have made some headway in this direction, of late. Failure to revive T&C exports to the US market has led Nepalese exporters to diversify their exports to the Indian market,

[15] See Adhikari and Yamamoto (2005) and Adhikari and Yamamoto (2007) for a detailed account of Thailand's success story.

albeit in limited quantities. For example, Nepalese exports of RMG to India has increased from Nepalese Rupee (NPR) 365.9 million in fiscal year (FY) 2004–05 to NPR 1,137.3 million in FY 2005–06 (Nepal Rastra Bank 2006).

4.5 Value Chain Networks[16]

The emergence of value chain networks since the late eighties is changing the way supply solutions are provided in the T&C sector. Large retail chains such as Wal-Mart and 'branded marketers' such as Nike and Reebok, whilst outsourcing their production to low-wage countries, have retained control over the major portion of the value chain. By keeping control over the design and marketing functions, they also maintain close control over the global T&C value chain through standard-setting, often sourcing raw materials, distributing them globally and then importing the made-up garments.[17] However, it is difficult for these large-scale buyers to coordinate all these activities due to language and custom barriers, communication hurdles, and the sheer number of producers scattered across the world (Abernathy et al. 2004). Therefore, some large retailers have established their own buying offices overseas to coordinate the outsourcing of their label production. Others work with large and sophisticated independent sourcing agents to handle this intricate task (ibid.).

Buyers' preference for the second option mentioned earlier has led to the emergence of intermediaries, who are essentially 'sub-contracted' by large buyers to perform critical tasks in the value chain. Drawing on tacit knowledge gained from years of immersion in the garment industry, their ability to master the process of fulfilling large orders to the buyers' specifications whilst adhering to exacting delivery schedules, as well as their specific knowledge of production management has resulted in many companies from East Asia (mainly Hong Kong, Korea and Taiwan) acting as intermediaries for global buyers since the eighties and the nineties (Tewari 2006). Their capacity to mobilize and coordinate full-package manufacturing in the global T&C value chains has led to what is termed by Gereffi (1999) as 'triangular production networks'. This implies that production is done in one country (usually less developed), organized and co-ordinated by firms in another country (usually middle-income) and sold to a buyer in yet another country (usually developed).[18]

Hong Kong–based companies such as Li & Fung Ltd are emerging as successful intermediaries of such triangular networks. This company which has established backward links with more than 2,000 Asian suppliers and forward links with manufacturers and retailers has managed to take advantage of its

[16] This section draws heavily from Adhikari and Yamamoto (2007).
[17] See Morris (2006), Adhikari and Yamamoto (2007).
[18] See Morris (2006).

network of Asian suppliers and its growing familiarity with logistics management to offer US retailers an efficient means of sourcing products in Asian nations (Adhikari and Yamamoto 2007). Perhaps indicative of the next step of evolution, the company entered into a licensing agreement with Levi Strauss & Co. in which it will design, manufacture and market men's tops for the US market under various Levi's® labels, including Levi Strauss Signature™ branded jeans sold to US mass marketers (Abernathy et al. 2004).

Entrepreneurs in South Asian countries with a vertically integrated structure (India and Pakistan), or a fast and relatively efficient trade facilitation infrastructure (such as Sri Lanka), can establish 'triangular production networks' and act as the complete service provider for global buyers and engage all the major actors in the value chain network to deliver timely and efficient services to the buyers. Such regional networks should be more competitive for the sourcing of T&C products from the South Asia region than the networks operating out of East Asia or Southeast Asia.

5. Conclusions

The post-ATC era is characterized by the growth of T&C exports of South Asia as a whole, despite the fact that there are wide ranging variations among the countries in the region. It is difficult to discern a particular trend, but it appears that countries with a vertically integrated production structure have a distinct comparative advantage in this sector, as is clear from the example of India. However, countries such as Bangladesh and Sri Lanka have survived the first two years after the phasing out of quotas due to the imposition of temporary safeguards on China. Smaller LDCs like Maldives and Nepal have lost tremendously in the post-ATC era despite the imposition of safeguards on China, which exposes the vulnerability of excessive reliance on quotas.

As competitive pressure intensifies after the phasing out of the temporary safeguards on China and the emergence of Vietnam as a major global player in the T&C sector, relatively less competitive South Asian countries may find themselves in a precarious position. Although South Asia has an enormous potential to develop itself as a global T&C hub, various demand side and supply side hurdles would have to be overcome to achieve this feat. Therefore, a multi-pronged strategy has to be adopted by these countries to survive the relatively freer world of T&C trade.

In order to overcome demand side problems, it is necessary for South Asian countries to have a common position on removing non-tariff barriers. In respect of tariff barriers, a different approach could be adopted. For example, the issue of duty free and quota free market access to LDCs might become contentious. However, once the tariff barriers within the region are removed, duty-free and

quota-free access to LDCs would result in more exports of raw materials from countries such as Pakistan and India. Therefore, all the countries in the region have an incentive to support this objective (Adhikari and Weeratunge 2007).

In order to overcome supply side problems, a relatively freer regime for T&C clothing trade as well as flow of foreign direct investment within the region could be extremely helpful. The SAFTA framework should move from a narrow 'mercantile mindset' to achieve this objective. Furthermore, investment in training workers, upgrading technology, removing infrastructural bottlenecks and improving trade facilitation measures are necessary to enhance the competitiveness of the T&C sector. As some reforms proposed earlier in the article require mobilization of resources, South Asian countries need to prioritize these reforms in terms of resource allocation. For example, improvements in trade facilitation measures by reducing procedural requirements do not need large investments; it could be achieved through administrative decisions of the respective governments. However, improvements in roads or communication infrastructure can only be achieved with external assistance. One window of opportunity is to utilize the resources to be made available to the developing countries through the aid for trade initiative, which is currently being discussed at the WTO.

In order to sustain the growth of the T&C industry in the long term, South Asian countries should also learn from successful examples of market as well as export diversification strategies. Since it is neither feasible nor desirable to only focus on exports of low cost T&C products with limited value addition, identification of niche products is crucial. Similarly, investing in improved labour and environmental standards, and image building as ethical or green clothing manufactures, could have a greater payoff in the long run. Finally, exporters in countries which are already in an advanced stage of the value chain or have better trade facilitation infrastructure, should try to create and utilize value chain networks for the shared benefit of the T&C industry in the region.

References

Abernathy, F.H., A. Volpe and D. Weil (2004), *The Apparel and Textile Industries After 2005: Prospects and Choices*. Draft, Harvard Center for Textile and Apparel Research, December.

Adhikari, Ratnakar (2006a), 'One Year After Phasing Out of T&C Quotas: Where does South Asia Stand?',*Trade Insight*, 2(1):. Kathmandu: South Asia Watch on Trade, Economics and Environment (SAWTEE).

——— (2006b), 'LDCs Should Stay the Course', *The Kathmandu Post*, 20 and 21 January.

Adhikari, R. and C. Weeratunge (2007), 'Textiles & Clothing Sector in South Asia: Coping with Post-quota Challenges', in B.S. Chimni, B.L. Das, S. Kelegama and M. Rahman (eds), *Multilateralism at Cross-roads: Reaffirming Development Priorities,* South Asian Yearbook of Trade and Development 2006, pp. 109–45. Delhi: Centre for Trade and Development and Wiley India.

Adhikari, R. and Y. Yamamoto (2005), *Flying Colours, Broken Threads: One Year of Evidence from Asia After the Phase-out of Textiles and Clothing Quotas*. Tracking Report, United Nations Development

Programme (UNDP), Regional Centre in Colombo (RCC), Asia Pacific Trade and Investment Initiative (APTII), Colombo, December.

——— (2006), *Sewing Thoughts: How to Realise Human Development Gains in the Post-quota World*. Tracking Report, UNDP, RCC, APTII, Colombo, April.

——— (2007), 'The Textile and Clothing Industry: Adjusting to the Post-Quota World', in *Industrial Policy for the 21st Century: Sustainable Development Perspectives*, pp. 183–234. New York: United Nations-Department of Economic Social Affairs (UN-DESA).

ADB—Asian Development Bank (2006), *Asian Development Outlook 2006: Routes for Asia's Trade*. Manila.

Better Factories Cambodia (n.d.), Available at http://www.betterfactories.org/ (accessed on 12 July 2007).

Bhatt, S.R., B. Shakya, M. Udas, S. Thapa, G. Sharma, M. Pradhananga and A. Shrestha (2006), *Human Development Impact Assessment in the Post ATC Period: The Case of Nepal*. A Revised Draft Report Submitted to UNDP, RCC, APTII, September. Kathmandu: SAWTEE and Action Aid Nepal.

Ceylon Chamber of Commerce (2006), *Review of Post MFA Trade in Textile and Clothing: Sri Lanka*. Report Prepared for UNDP, RCC, Colombo.

Chan, V. and H. Sok (2006), *Cambodia's Garment Industry Post-ATC: Human Development Impact Assessment*. Report prepared for UNDP, RCC, APTII. Phnom Penh: Economic Institute of Cambodia.

Chandra, P. (1998), 'Competing Through Capabilities: Strategies for Global Competitiveness of Indian Textile Industry', *Economic and Political Weekly*, 27 February, 34(9): M17–M24.

Dahal, N. (2006), *Review of Nepalese Garments Industry in the Quota Free Regime*. Report Prepared for UNDP, RCC, Kathmandu.

Daily Mirror (2006), 'Bullet-proof Jackets New Weapon in Sri Lankan Export Armoury', *Daily Mirror,* 2 September.

EmergingTextiles.com (2006), 'Investment Zone Seeks to Attract Regional Producers: Sri Lankan Apparel Exporters to Fight Harder for Contracts,' 10 April. Available at http://www.emergingtextiles.com/?q=art&s=060410Smark&r=free (accessed 10 April, 2006).

——— (2007a), *India Apparel Exports Slowing Down in Post-quota Period*, Country Report. Available at http://www.emergingtextiles.com/?q=art&s=070420-apparel-india&r=india&n=6 (accessed 27 May 2007).

——— (2007b), *India Exports Depressed by Surging Rupee*, Country Report. Available at http://www.emergingtextiles.com/?q=art&s=070504-india&r=search&n=1 (accessed 28 May 2007).

——— (2007c), *EU Clothing Imports from Bangladesh in 2006*, Statistical Report. Available at http://www.emergingtextiles.com/?q=art&s=070418-apparel-bangladesh&r=bangladesh&n=1 (accessed 28 May 2007).

——— (2007d), *EU Clothing Imports in 2006*, Statistical Report. Available at http://www.emergingtextiles.com/?q=art&s=070326-apparel&r=eu-apparel-import&n=1 (accessed 29 May 2007).

Eurostat External Trade Database (COMEXT). Available at http://europa.eu.int/ (accessed on 10 June 2007).

Foreign Investment Advisory Services (2004), *Cambodian Garment Sector: Buyers' Survey Results*, December. Washington, D.C.: World Bank.

Gereffi, G. (1999), 'International Trade and Industrial Upgrading in the Apparel Commodity Chain', *Journal of International Economics,* 48(1): 37–70.

Gupta, R.K (1997), 'Non-tariff Barriers or Disguised Protectionism', Briefing Paper No. 2/1997, Jaipur: Consumer Unity and Trust Society (CUTS).

Hayashi, M. (2005), *Weaving a New World: Realizing Development Gains in a Post-ATC Trading System*, United Nations Conference on Trade and Development (UNCTAD) Series on Assuring Development Gains from the International Trading System and Trade Negotiations. New York and Geneva: United Nations.

Hummels, D. (2001), *Time as a Trade Barrier*. West Lafayette, Indianapolis: Purdue University Economics Department.

Inama, S. (2002), 'Market Access for LDCs: Issues to be Addressed', *Journal of World Trade*, 36(1): 85–116.

International Business and Technical Consultants, Inc. (2003), *A Study on the Efficiency and Effectiveness of Banking and Financial Services for Exporters*. A Report Submitted to Ministry of Commerce, Dhaka, Bangladesh.

ILO (International Labour Organization) (2005a) *Promoting Fair Globalisation in Textiles and Clothing in a Post-MFA Environment*. Report for Discussion at the Tripartite Meeting on Promoting Fair Globalisation in Textiles and Clothing in a Post-MFA Environment. Geneva: ILO.

——— (2005b), *Fifteenth Synthesis Report on Working Conditions in Cambodia's Garment Sector*. A Report, October, Geneva.

——— (2007), *Eighteenth Synthesis Report on Working Conditions in Cambodia's Garment Sector*. Phnom Penh, Cambodia: Better Factories, ILO.

IMF (International Monetary Fund) (2004), 'The End of Textiles Quotas: A Case Study of the Impact on Bangladesh', IMF Working Paper WP/04/108 (June). Washington, D.C.

——— (2007), *Bangladesh: Selected Issues*. IMF Country Report No. 7/230, Washington, D.C, June.

Kantipur (2007), 'Export Reduced by 42 percent', 4 July.

Kelegama, Saman (2006), 'Sustaining Development through Ready-Made Garment Exports: The Case of Sri Lanka', Paper presented at an international workshop, 'Sustaining Development through Garment Exports: Cambodia and the Least Developed Economies', organized by FES-Singapore and Cambodia Institute for Cooperation and Peace, Phnom Penh, Cambodia, 5–7 June 2006.

Maskus, K.E. and J.S. Wilson (2000), 'Quantifying the Impact of Technical Barriers to Trade: A Review of Past Attempts and the New Policy Context', Paper Prepared for the World Bank Workshop on *Quantifying the Trade Effect of Standards and Technical Barriers: Is it Possible?*, 27 April 2000.

Ministry of Planning and National Development, Republic of Maldives (2004), *Statistical Yearbook of Maldives 2004*. www.planning.gov.mv (accessed 2 January 2006).

Morris, M. (2006), 'Globalisation, China, and Clothing Industrialisation Strategies in Sub-Saharan Africa', in H. Jauch and R. Traub-Merz (eds), *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, pp. 36–53. Bonn: Friedrich-Ebert-Stiftung.

New Business Age (2007), 'Should NPR be Devalued', *New Business Age*, July.

Nepal Rastra Bank (2006), *Foreign Trade Statistics*. Balance of Payment Division, Kathmandu.

OECD—Organisation for Economic Cooperation and Development (2005), 'The Costs and Benefits of Trade Facilitation', Policy Brief (October). Paris.

Oxfam International (2004), 'Stitched Up: How Rich-country Protectionism in Textiles and Clothing Trade Prevents Poverty Alleviation', Briefing Paper 60, (April). Oxford.

Rahman, Mustafizur (2005), 'Bangladesh After MFA Phases Out', *South Asian Journal*, April–June, Available at http://www.southasianmedia.net/magazine/journal/8_phases_out.htm (accessed 5 August 2006).

Razzaque, M.A. (2005), *Sustaining RMG Export Growth after MFA Phase-out: An Analysis of Relevant Issues with Reference to Trade and Human Development*. Report submitted to UNDP, Dhaka, Bangladesh.

Razzaque, M.A and S. Raihan (2007), 'Two Years After MFA Phase-out: Concerns for Bangladesh' in *Multilateral and Regional Trade Negotiations: Implications for the Bangladesh Economy*, A Report Submitted to UNDP RCC. Dhaka: Unnayan Shamannay.

Samaraweera, Dilshani (2006), 'Made in Sri Lanka, Ethical Garments,' *The Sunday Times Financial Times*, Colombo, 27 August. Available at http://sundaytimes.lk/060827/index.html (accessed 10 May 2007).

——— (2007a), 'Sri Lanka Manufacturing Organic Cotton Clothes for UK Designer Katherine Hamnett', *The Sunday Times Financial Times*, Colombo, 15 April. Available at http://sundaytimes.lk/ 070415/FinancialTimes/ft317.html (accessed 20 April 2007).

Samaraweera, Dilshani (2007b), 'Hirdaramani Going "Green"', *The Sunday Times Financial Times*, Colombo, 24 June. Available at http://sundaytimes.lk/070624/FinancialTimes/ft301.html (accessed 26 June 2007).

Sri Lanka Apparels (2007), 'Sri Lanka Apparels – Garments without Guilt'. Available at http://www.srilankaapparels.com/index_1.html (accessed 5 July 2007).

Tait, Niki (2007), 'Sri Lanka, Textile and Clothing Country – Garments without guilt', *Textile Network*. Available at http://www.srilankaapparels.com/html/press_06.html (accessed 8 July 2007).

Tewari, M. (2006), 'Is Price and Cost Competitiveness Enough for Apparel Firms to Gain Market Share in the World after Quotas? A Review', *Global Economy Journal*, 6(4): Article 5.

The Global Compact (2007), 'MAS Holdings: Championing Women's Empowerment in the Apparel Sector', *Compact Quarterly*, March, 2007(1). Available at http://www.enewsbuilder.net/globalcompact/e_article000776336.cfm (accessed on 28 June 2007).

United Nations Commodity Trade Statistics Database (COMTRADE). Available at http://unstats.un.org/unsd/comtrade/ (accessed on 10 June 2006).

UNDP—United Nations Development Programme (2006), *Human Development Report 2006*. New York: Palgrave Macmillan.

UNDP, Regional Centre in Colombo (RCC) (2005), 'International Trade in Textiles and Clothing and Development Policy Options: After the Full Implementation of the WTO Agreement on Textiles and Clothing (ATC)', Policy Paper, 1 January, UNDP, RCC.

United States Department of State (2006), *Investment Climate Statement: Maldives*. Available at http://www.state.gov/e/eb/ifd/2006/63586.htm (accessed 31 March 2006).

USITC (United States International Trade Commission) (2004), *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the US Market*. USITC Publication No. 3671, Washington D.C. Available at http://hotdocs.usitc.gov/pub3671/pub3671.pdf (accessed 31 March 2006).

USITC Interactive Tariff and Trade DataWeb. Available at http://dataweb.usitc.gov/ (accessed on 12 June 2007)

Unnayan, Shamannay (2006), *Trade Focus Newsletter*, Dhaka, June 2006, Issue 1.

World Bank and Bangladesh Enterprise Institute (2003), *Improving the Investment Climate in Bangladesh*. Washington, D.C.

World Bank and International Finance Corporation (IFC) (2006), 'Doing Business 2007: How to Reform', The International Bank for Reconstruction and Development/World Bank, Washington, D.C.

World Bank Group (2007a), 'Doing Business: Trading Across Borders'. Available at http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/ (accessed 5 July 2007).

——— (2007b), *Doing Business in South Asia 2007*. Washington, D.C.

WTO—World Trade Organization (2003), *Anti-dumping Actions in the Areas of Textiles and Clothing, Proposal for a Specific Short-term Dispensation in Favour of Developing Members Following Full Integration of the Sector into GATT 1994 from January 2005*. WT/GC/W/502, 14 July, Geneva.

——— (2005), *Options for Least-developed Countries to Improve their Competitiveness in the Textiles and Clothing Business*. WT/COMTD/LDC/W/37, 28 June, Geneva.

——— (2006), *International Trade Statistics 2006*. December, Geneva.

Yamamoto, Yumiko and Ratnakar Adhikari (forthcoming), *Textiles and Clothing Tracking Report*, October 2007, Colombo: UNDP RCC.