Textiles and Clothing Sector in South Asia

Current Status and Future Potential

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The textiles and clothing (T&C) sector is a major source of export earnings, government revenue and employment, especially for women, for a majority of South Asian countries. The sector also contributes significantly to the gross domestic product (GDP) of these economies. The expiry of the Agreement on Textiles and Clothing (ATC) leading to the removal of global quotas on T&C exports has had different levels of impact on these countries depending on their level of competitiveness, factor endowment and marketing calibre. The data for the first two years after the phasing out of T&C quotas show that the temporary safeguards imposed on China have provided a breathing space for the relatively less competitive countries in the region. However, the landscape of T&C trade in the region is likely to change after the elimination of these safeguards in 2008.

Against this backdrop, this Briefing Paper analyses the competitiveness of the South Asian countries in the post-ATC period. The Paper highlights the challenges confronting 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 increase their exports.

South Asian countries in the post-ATC period

The intense competition which resulted from the phasing out of T&C quotas has had varying impacts on the T&C exporting nations in South Asia. Bangladesh, India, Pakistan and Sri Lanka are among the players that have been able to withstand the pressures of the transitional phase and sustain their exports to the key T&C markets in the world. However, other countries in the region have not been as fortunate.

Within the region, the competitive advantage of India and Pakistan lies in their vertically integrated production structure. The government support provided to the T&C industry has also played a critical role in helping these countries maintain their competitiveness in the post-ATC period. Low labour costs have been and continue to be an advantage for Pakistan. However, it is not necessarily so in the case of India as wages have been rising due to almost one and half decades of high and sustained economic growth and the increase in workers' productivity.

Sri Lanka does not have the advantage of a vertically integrated production structure or low wages, and power tariffs are considerably high. However, its efforts to diversify into niche products and build its image as a location for manufacturing ethical garments have considerably enhanced its reputation in the global market. The major advantages for Bangladesh are low wage and a highly competitive exchange rate. Both Sri Lanka and Bangladesh have also benefited from a generous state support programme, though the level of support is higher in the case of Bangladesh.[1]

Nepal and the Maldives, which lack comparative advantage in the T&C sector, are among the countries severely affected by the quota phase-out. Although their exports had been declining since 2003, the removal of quotas has hastened the process. While the Maldives has been completely wiped off the global T&C map, Nepal is likely to face a similar fate in the near future, if corrective measures are not taken (Table 1).

It is striking to note that China safeguards have benefited all the T&C exporting countries in the region. While India has taken advantage of the safeguards imposed on China to further increase its T&C exports to the global market, Pakistan has capital-

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ized on the safeguards to recapture the lost market as evidenced by its dwindling exports in 2005 and impressive growth in 2006 (Table 1).

Bangladesh and Sri Lanka too have benefited from the safeguards as demonstrated by their performance in 2006, when safeguards were applied throughout the year, as compared to 2005, when quotas were not fully operational. The rate of decline of Nepalese exports has also decelerated in 2006, compared to their lacklustre performance in 2005. The case of the Maldives is slightly different because the country has given up its hope for the revival of this sector (Table 1).

Problems facing the T&C sector in South Asia

Despite being one of the most competitive regions in T&C exports, the South Asian region faces several problems in harnessing the potential of its T&C sector. While the magnitude may differ from country to country, the nature of problems, i.e., demand- and supply-side problems, is the same for all the six countries discussed in this paper.

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 importing countries, most of them are blatantly protectionist.

Tariff barriers

Low industrial tariffs in the developed countries, particularly the European Union (EU), Japan and the United States (US), mask a questionable and often indefensible protectionist undercurrent prevalent in the T&C sector. Moreover, discriminatory tariffs applied to various countries through a spate of trade preferences and free trade agreements put South Asian countries in general and the least developed countries (LDCs) in the region in particular in double jeopardy. For example, a comparision of the tariffs imposed by the US on T&C imports from South Asia with those imposed on countries that have preferential market access to the US, including a developed country, Canada, reveals that Bangladesh is subject to a tariff of 17.12 percent to access the US market for woven apparel whereas imports from Canada are charged a tariff of only 0.16 percent for the same category of product (Adhikari and Weeratunge 2007).

Non-tariff barriers

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

Trade remedy measures: Trade remedy measures could be abused for protectionist purposes. Out of the three WTO-sanctioned trade remedy measures, anti-dumping measures, which involve imposing additional duties at the border on imported goods that have been allegedly 'dumped' into the domestic market, are the most pernicious. Anti-dumping measures can be applied to select firms in targeted countries with almost absolute impunity (Adhikari and Yamamoto 2005). As documented by Adhikari and Weeratunge (2007), countries such as Pakistan and India have been routinely subjected to

Table 1: US and EU combined T&C imports from six South Asian countries (2004–2006)

Country (ranked by 2004 value of imports)	2004	2005	2006	Annual growth rate (%)	
				2004–2005	2005–2006
Value (in 1,000 US$)					
India	9,461,874	11,507,150	12,900,207	21.6	12.1
Bangladesh	6,831,769	6,996,613	8,955,417	2.4	28.0
Pakistan	5,438,136	5,396,611	6,091,683	-0.8	12.9
Sri Lanka	2,646,975	2,730,672	2,990,699	3.2	9.5
Nepal	229,322	189,349	174,736	-17.4	-7.7
Maldives	81,369	4,788	4	-94.1	-99.9
Volume (in 1,000 kg)					
India	1,201,698	1,337,550	1,458,859	11.3	9.1
Bangladesh	772,406	805,724	947,082	4.3	17.5
Pakistan	947,329	1,001,657	1,107,659	5.7	10.6
Sri Lanka	212,298	206,713	219,204	-2.6	6.0
Nepal	18,921	13,358	11,708	-29.4	-12.4
Maldives	3,999	262	0	-93.4	-100.0

Source: Yamamoto (forthcoming)

anti-dumping measures in the EU market with bed linen items from these countries being the main target.

ROO: Although South Asian countries, in theory, receive preferential access to some of the developed country markets, notably the EU, the effectiveness of such arrangements is limited due to the imposition of onerous ROO requirements by the importing countries. For example, under the Everything but Arms (EBA) initiative of the EU, all the LDCs, including South Asian LDCs, are eligible to export their T&C products to the EU market duty free. However, South Asian LDCs that lack textile- and other raw material-producing capacities are handicapped because they cannot meet the minimum ROO thresholds.

Regulatory/standard-related barriers: As far as South Asian T&C exports are concerned, there have been a few instances of the imposition of regulatory/standard-related barriers on T&C products. Some of the prominent ones are the barriers imposed on Indian-made garments, including *ghagras* (skirts) and rayon scarves on the grounds of non-conformity to flammability standards, and the import of textiles and carpets from India and Nepal for having been treated with azo-dyes and pentachlorophenol (Gupta 1997; Adhikari and Weeratunge 2007). Regulatory barriers imposed by the governments, despite their protectionist intent, provide an element of predictability in terms of market access. However, the emergence of private standards, mainly relating to consumer safety, environment and labour, which differ from firm to firm, can impose a huge burden on South Asian T&C exporters.

Supply-side problems

South Asian countries have to contend with severe supply-side constraints, which hamper their prospects for increasing exports, including those of T&C products. Some of the major supply-side constraints facing the South Asian countries are as follows.

Human capital

South Asian countries have made limited investments in human capital, particularly in education and skill 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 the compensation for South Asian garment workers is lower than for Chinese garment workers, the latter are far ahead in terms of productivity.[2]

Infrastructure

In South Asia, the quality of infrastructure, including road, communication technologies, power supply, port services, etc., does not necessarily meet global standards and, therefore, contributes to reducing the competitiveness of T&C exports. As illustrated by Organization for Economic Cooperation and Development (OECD) (2005: 4), "Indian companies suffer a 37 percent cost disadvantage in shipping clothing from Mumbai to the US compared with Shanghai purely as a result of the delays and inefficiencies of Indian ports." Similarly, in the case of Bangladesh, International Monetary Fund (IMF) (2007) asserts the inadequate infrastructure in general and the poorly functioning Chittagong port in particular as the major reasons behind the higher lead-time for garment exports.

Trade facilitation

Trade facilitation relates to the easing of formalities or simplification of procedures associated with trade transactions, with a view to reducing the cost of trading across borders. The cost of inefficient trade procedures can be very high. It takes 57 days to import a consignment to Bangladesh, compared to countries with most efficient trade facilitation measures such as Denmark or Hong Kong where it takes only five days to import a consignment. Similarly, it takes 44 days to export a consignment from Nepal whereas these figures are five and six days for Denmark and Hong Kong, respectively (World Bank 2006; World Bank 2007a). These delays result in increased cost of doing business as well as the loss of business opportunities for the majority of South Asian countries. Hummels (2001), for example, argues that lengthy shipping time imposes costs that impede trade, and importers exhibit a significant willingness-to-pay to avoid the cost of such delays.

Cost of inputs

For countries dependent on imported inputs, three factors contribute to increased costs: high tariffs, infrastructural bottlenecks and inefficient trade procedures. Realizing the contribution of the T&C sector to the national economy, many governments have made a provision for duty-free import of raw materials used for export processing. Most countries in the region have also made use of bonded warehouse facilities to contribute to a smooth flow of goods and help exporters save costs. However, due to infrastructural bottlenecks and inefficient trade procedures, it is almost impossible for T&C exporters to access imported raw materials at short notice.

Access to credit

Banking systems in most South Asian countries and particularly in the LDCs are rudimentary and tend to charge an unreasonably high interest. To further complicate matters, a majority of banks demand a high level of collateral or personal guarantees, especially for financing term loans. Both these factors limit the access to credit of T&C producers, particularly small and medium ones. More importantly, the legal system is often too weak to guarantee a credible enforcement mechanism to recover money in the case of defaults (WTO 2005). This is reflected in World Bank (2007b), which ranks South Asia as the region with one of the lowest access to credit, second worst in the world after Africa. It further mentions that the average performance on the index of credit information is only 2 on a

0-6 scale. Credit registries (both public and private) cover only 1 percent of the adult population on average, the lowest in the world, compared with an average of 69 percent and 35 percent in OECD countries and Latin America, respectively (World Bank 2007b).

Future potential, options and strategies

In order to sustain their exports to the key T&C markets in the world, the South Asian countries compete among themselves while 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 is 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). Therefore, the South Asian countries must seek new avenues to retain their position in this dynamic sector either by implementing new initiatives or by emulating the successful models in the region or elsewhere, some of which are discussed below.

Regional cooperation

The South Asian region has the potential to be developed as a global T&C hub through regional cooperation on trade, investment, skill development, and technology transfer (Adhikari and Weeratunge 2007). Although there are several hurdles to overcome, the case for developing a strategy based on increasing trade links among the South Asian T&C exporters is rather compelling (Box 1).

Other regional groups such as the Association of South-East Asian Nations (ASEAN) are utilizing their regional trading arrangements (RTAs) for reducing trade barriers in the T&C sector. However, in the South Asian region, most T&C products have been placed on the 'sensitive list' of each country under the Agreement on South Asian Free Trade Area (SAFTA). Bangladesh, India and Pakistan have included most of the T&C items under their sensitive list whereas Sri Lanka and the Maldives have a relatively shorter sensitive list for T&C products.

According to SAFTA, products included in the sensitive list are exempted from tariff reduction commitments whereas tariffs on all the other products will be reduced to between 0 percent and 5 percent by 2016. Most importantly, 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 should be taken on which products need protection and the products for which tariff liberalization will be more beneficial.

Enhancing the flow of intra-regional investments, improving cross-border cooperation and trade facilitation as well as providing access to and transfer of technology and skills are important elements of developing the region as a competitive T&C trading block. For example, foreign direct investment (FDI) could be an effective means of channelling the required resources to further develop the vertical production structure in the region and enable a greater degree of specialization within these countries. FDI could also be an instrument for countries which cannot fulfil stringent ROO requirements to take advantage of Generalized System of Preferences (GSP) provisions by establishing backward linkages.[3] While FDI can also play a role in the transfer of technologies, the governments and the private sector in the region should explore the means of building partnership to provide skill development and training to the T&C sector employees.[4] To ensure the credibility and sustainability of such reforms, SAFTA Member countries should develop a proposal to liberalize intra-regional investment and technology transfers within a

BOX 1: Why regional cooperation on T&C trade in South Asia?

The trading patterns among the South Asian countries signify the prospects for developing an intra-regional value chain in T&C. As the T&C trade within the region is mostly concentrated in raw materials and intermediary products it only makes sense to remove barriers to trade in these inputs.

Given the lack of vertical integration in most of the countries in the region, building a regionally integrated value chain 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, increasing revenues and enhancing 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. Similarly, 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.

The access to a wider range of raw materials in the domestic market as a result of the elimination of tariff barriers 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.

Source: Adhikari and Weeratunge (2007)

Table 2: Sri Lankan exports of women's undergarments

HS	Product description	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2006	Change (%) 2004-2005	Change (%) 2005-2006
Imports into the US market (in million US$)						
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 the EU market (in million Euro)						
HS	**Product description**	**Jan-Aug 2004**	**Jan-Aug 2005**	**Jan-Aug 2006**	**Change (%) 2004-2005**	**Change (%) 2005-2006**
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)

broader economic cooperation framework (Adhikari and Weeratunge 2007).

Focus on niche products and markets

Realizing that the post-ATC period will be characterized by the domination of a few countries, particularly in lower value-added items, some countries have successfully diversified into higher value-added niche products where competition is limited. Sri Lanka is the only South Asian country that 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,[5] coupled with their fast learning aptitude, Sri Lanka started focusing on a distinct segment of apparel, i.e., women's undergarments. This has led the country to make significant inroads in terms of product diversification.

Between 2004 and 2006 (Table 2), Sri Lankan T&C 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 percent in the first nine months of 2005 compared to the corresponding period in 2004, this category attained an export growth of 58.7 percent in the same period of 2006. In the case of the EU market, the import of brassieres showed a steady growth. It increased by 18.6 percent in the first eight months of 2005 and registered a growth of 52.2 percent in the same period of 2006 (Adhikari and Yamamoto 2007).

Ethical clothing

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

Improved labour standards: Case of Cambodia

Cambodia's access to the US market from 1999 to 2004 was contingent on its 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 International Labour Organization (ILO) supported the country to establish a corporate social responsibility programme, which is currently known as Better Factories Cambodia. This initiative aims to improve the working conditions in Cambodia's export-oriented garment factories. It combines independent monitoring with finding solutions through suggestions to management, training, advice and information.[6] The programme helps Cambodian garment factories constantly improve the conditions of labour by strictly adhering to the national labour legislation as well as international conventions that Cambodia has signed as a Member of the ILO. It sets minimum standards as agreed by the decision of a tripartite body comprising the government, the private sector and trade unions (ILO 2005).

Cambodia's ability to achieve an overall export of US$2.2 billion in 2005, an increase of 11.7 percent over the 2004 figure,[7] lends credence to the contribution this programme has made to increase garment exports. The import figures of the EU and the US for 2006 show that Cambodia has done extremely well in both markets; annual imports to these two markets have increased by 15.8 percent and 25.1 percent, respectively.[8]

Improved social and environmental standards: Case of Sri Lanka

Several initiatives have been taken by Sri Lanka to promote the T&C sector as an ethical manufacturing centre. The country has commenced producing organic cotton clothing designed by Katherine Hamnett (a designer known to promote and produce under ethical manufacturing and agricultural practices) for United Kingdom (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 the country by certified manufacturers using Fairtrade cotton imported from India and Africa. Its strict labour standards and efforts made in relation to green production have given Sri Lanka a competitive advantage in this high-value niche market (Samaraweera 2007a).

Due to the growing concern regarding the negative environmental impact of industries and pressure from buyers to adhere to environment-friendly standards, two of the largest garment manufacturers in the country have planned to build a 'green factory'. The factory will be designed to ensure that environmental impacts are minimized, especially through the reduction of energy and water consumption (Samaraweera 2007b).

Other initiatives include the 'Garments without Guilt' campaign, 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. Being the only country in Asia which is a signatory to 39 ILO conventions, Sri Lanka is at an advantageous position in terms of carving out a niche as a T&C producer that can meet the ethical expectations of international consumers. The country has made conscious efforts to adhere to stringent labour standards, prohibit child labour, and ensure better working conditions (Samaraweera 2006; Sri Lanka Apparels 2007). Furthermore, 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, and tsunami disaster relief and rehabilitation projects to enhance the well-being of their own employees as well as to promote community development (Tait 2007).

Market diversification

In the context of intensified competition in the two major markets (the EU and the US), 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 garment exports to the US, its exports to the EU declined in 2005. 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 from the profile of its fabric exports. Except for Singapore and Brunei, which do not have strong T&C sector, Thailand has been successful in exporting T&C products to other ASEAN Member countries (Adhikari and Yamamoto 2005).

Keeping in consideration the efforts made by other countries such as Thailand, the South Asian countries should not delay further in devising strategies to benefit from T&C trade in the post-ATC period. The major constraints they face need to be tackled with utmost urgency. Of late, at least one South Asian country seems to have made some headway in this direction. Failure to revive T&C exports to the US market has led Nepal to diversify its exports to the Indian market, albeit in limited quantities. For example, Nepalese export of T&C products to India has increased from Nepalese Rupee (NPR) 365.9 million in Fiscal Year 2004/05 to NPR 1,137.3 million in Fiscal Year 2005/06 (NRB 2006).

Value chain networks

Buyers' inclination towards lean retailing and the outsourcing of purchasing have led to the emergence of intermediaries which are '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 exact specification of their buyers and adhering to exacting delivery schedules, as well as their specific knowledge about production management, have led many companies from East Asia (mainly Hong Kong, Korea and Taiwan) to act as intermediaries for global buyers since the 1980s and 1990s (Tewari 2006). Their capacity to mobilize and coordinate full-package manufacturing in the global T&C value chain 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 coordinated by firms in another country (usually middle-income), and sold to a buyer in yet another country (usually developed).[9]

Hong Kong-based companies such as Li & Fung Ltd. are emerging as successful intermediaries of such triangular networks. This company, which has established backward linkages with more than 2,000 Asian suppliers and forward linkages with manufacturers and retailers, has managed to take advantage of its network of Asian suppliers and growing familiarity with logistics management to offer US retailers an efficient means of sourcing products from Asian nations (Adhikari and Yamamoto 2007).

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

Conclusion

The post-ATC period is characterized by the growth of T&C exports of South Asia as a whole, though there are wide-ranging variations among the countries in the region. It appears that countries with a vertically integrated production structure have a distinct comparative advantage in this sector as is clear from the examples of India and Pakistan. Nevertheless, countries such as Bangladesh and Sri Lanka have performed reasonably well in the first two years after the phasing out of quotas due to the imposition of temporary safeguards on China. Smaller LDCs such as the Maldives and Nepal have lost tremendously in the post-ATC period despite the imposition of safeguards on China, thus exposing the vulnerability of their excessive reliance on quotas.

As competitive pressure intensifies after the phasing out of temporary safeguards on China and the emergence of Cambodia and Vietnam as major global players in the T&C sector, relatively less competitive South Asian countries may find themselves in a precarious position. Although South Asia has enormous potential to develop itself as a global T&C hub, various demand- 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 and achieve export growth in a relatively freer world of T&C trade.

Recommendations

- Achieving a relatively freer regime for the T&C trade as well as increasing intra-regional flows of FDI should be the first priority of the South Asian countries.
- It is necessary for these countries to have a common position in the multilateral forum on removing market access barriers.
- Investment in training workers, upgrading technology, removing infrastructural bottlenecks and improving trade facilitation measures is necessary to enhance the competitiveness of the T&C industry. These issues, however, need to be prioritized based on the availability of resources and the capacity of each country in the region.
- The South Asian countries should also learn from successful examples of market and export diversification strategies. They should focus on ethical clothing and take advantage of the emergence of value chain networks for the shared benefit of the T&C industry in the region. ■

Notes

1 See Adhikari (2007) for an analysis of the support extended to the T&C sector by select Asian governments.

2 See USITC (2004)

3 For example, Sri Lanka, which enjoys GSP facilities, has attracted investment from Pakistan to build large textiles mills. See EmergingTextiles.com (2006)

4 For example, training institutions in Bangladesh and Nepal could establish partnership with institutions in countries such as India and Sri Lanka with more advanced training facilities.

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

6 www.betterfactories.org (accessed July 12, 2007)

7 See Chan and Sok (2006)

8 Calculated from Eurostat and USITC Interactive Tariff and Trade DataWeb, respectively.

9 See Morris (2006)

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South Asia Watch on Trade, Economics & Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and 11 member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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