

NBER WORKING PAPER SERIES

THE POST MFA PERFORMANCE OF DEVELOPING ASIA

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Working Paper 12178

<http://www.nber.org/papers/w12178>

NATIONAL BUREAU OF ECONOMIC RESEARCH

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Cambridge, MA 02138

April 2006

This paper has been prepared as a background paper for the Asian Development Outlook 2006 to be published by the Asian Development Book. I am grateful to Ted James and Lea Sumulong both for comments and help in data tabulation and synthesis, and to Frank Harrigan for comments. The views expressed herein are those of the author(s) and do not necessarily reflect the views of the National Bureau of Economic Research.

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NBER Working Paper No. 12178

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JEL No. F00, F13, O24

### **ABSTRACT**

This paper assesses the impact thus far that the termination of trade restrictions under the Multi Fibre Arrangement (MFA) which up to the end of 2004 applied to exports of clothing and textiles in key OECD markets has had on Asian suppliers. The speculation prior to MFA termination had been that large increases of Chinese exports would ensue, and at the expense of other Asian suppliers. Using data from US, EU Chinese and other sources, the picture that emerges is only small impacts on aggregate US and EU imports of clothing and textiles, and equally only small impacts on aggregate Chinese exports of clothing and textiles. There are, however, large changes in the country pattern of trade, and also within more narrowly defined product categories. There are large increases in shipments from China to both the US and the EU, and for the US proportionally more so in textiles than in clothing. But the US accounts for only 20% of China's exports of clothing and textiles, and exports to Japan (comparable in size to the US) hardly change, and to Hong Kong fall sharply. There are also large price falls for shipments to the US and to certain EU countries (Germany). The shares of other Asian suppliers in US markets generally hold up well, with the largest falls occurring in preferentially treated non Asian suppliers such as Mexico. In EU markets, with the exception of India, all non Chinese Asian suppliers experience falls in their market share.

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## **1. Introduction and Summary**

January 2005 saw the termination of the global system of trade restraints on exports of textiles and clothing that had operated first under the original GATT from 1974, and then later under the WTO from 1994. This system, known as the Multi Fibre Agreement (MFA), was of particular significance to the Asian economies and its prospective demise had prompted much speculation prior to January 2005 of what the possible effects could be. These economies had seen large increases of exports of textiles and clothing prior to the removal of the MFA, and especially of clothing, as they had moved up the ladder of industrialization from largely agricultural to modern manufacturing and service based economies over a thirty to forty year period.

Typically, the first major export good in the early high growth experiences in Asia had been clothing since it involved relatively simple labour intensive production methods and small amounts of capital equipment. Early in Asian growth Japan in 1930s and 50's, and subsequently Korea, Taiwan and Hong Kong in 1960's and 1970's, all saw sharp increases in exports of clothing as they grew. In the Korean case clothing exports grew rapidly from the early 1960's to account for over 50% of exports, with this share then progressively falling back as exports of steel, electronics, chemicals and other products grew later and production of manufactures moved away from clothing. The textile and clothing sectors were thus critical for these economies in providing an initial platform for growth of manufacturing value added, employment and trade beyond their immediate contribution to GDP.

Later it was the lower wage Asian economies of China, India, Indonesia, Cambodia, Bangladesh, Pakistan, Nepal and others who experienced rapid trade growth in

clothing<sup>2</sup>. The larger and more diversified of these economies (China, India and Indonesia) had the larger share of this trade and this is still the case today. But the smaller and lower wage exporters (Cambodia, Bangladesh, Pakistan and Nepal) continue to expand production and like Korea earlier also now have well over 50% of their total exports in the clothing sector (over 80% for Cambodia and Nepal).

Today, one year on from January 2005, evaluating the impacts of removal of the MFA system of trade restraints on the suppliers from developing Asia is the task set for this piece, and any analysis needs to take into account both their complexity and changing circumstances over time. MFA trade restraints reflected mutually agreed bilateral (country to country) limits on growth rates of exports on a product by product basis which were renegotiated every 5 years after 1974. The larger export markets under restraint were those of the United States and the European Union, but others including Canada were similarly restrained. But when the Uruguay Round of Global Trade Negotiations was concluded in 1994, and which also led to the creation of the World Trade Organization (WTO) in the same year, a commitment was entered into by both importing and exporting countries to progressively phase out the MFA system of restraints over 10 years. This was to be completed by the end of 2004, but most of the adjustments involved were delayed until the end of the ten-year implementation process.

Also when the resulting Agreement on Textile and Clothing (ATC) was negotiated in 1994 China was outside the WTO/GATT and still had a long road to travel to become a WTO member (accomplished in December 2001, 7 years after the ATC was agreed). Expectations among larger Asian suppliers such as India, Indonesia, Pakistan, Bangladesh and others were initially high for the post MFA period, but had to be

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<sup>2</sup> See also the discussion of the relative competitiveness of different supplying countries and their wage costs in USITC (2004). Table 3-1 (p. 3 – 7) provides data on hourly compensation separately for textile and clothing industries for 2002 for these Asian suppliers (with the exception of Nepal and Cambodia).

revised once China's accession to the WTO was at hand. In addition, other trade restraints not included in the MFA system (such as tariff and anti dumping duties) remained in place; and key importers such as the US and EU had entered into preferential arrangements with regional suppliers as part of regional trade agreements, quite separate from the MFA. This included Mexico for the US and Turkey for the EU, both of whom had seen sharp growth in exports under these arrangements.

A further effect of the MFA had been its generation of quota hopping foreign investment; moving production away from newly constrained to temporarily unconstrained countries and inefficiently proliferating clothing industries in more countries than would have been the case in the absence of the MFA. It was believed that MFA elimination would be a major negative for the more marginal infrastructure and distance constrained suppliers (such as Nepal) that this process had spawned as global production became more concentrated in a smaller number of core supplying countries.

Prior to January 2005 there had also been much speculation as to what the impacts of MFA termination would be on the dynamic and more rapidly growing Asian exporters, and especially of clothing. Much of this focused on China as the largest shipper, and India as the second largest; but also included Pakistan, Philippines, Korea, Hong Kong, Indonesia, Bangladesh, Sri Lanka, Nepal, Cambodia, Vietnam and others. It was widely believed that production in and exports from Asia would grow significantly post MFA, but that production in and exports from China would increase even more rapidly, since China was believed the most efficient Asian supplier of clothing items. MFA abolition was also seen as a further positive for Asian suppliers in that it would significantly weaken the effects of the trade preferences extended by the US and EU, mainly in the 1990's, to non Asian suppliers

including Mexico (by the US) and Turkey (by the EU) under regional trade agreements. The import shares of these preferential suppliers had been growing significantly prior to MFA removal.

Asian exporters, as a broadly defined group, were expected to gain market share in the US and the EU both from MFA abolition and with it the weakening of preferences to non Asian suppliers, but individual country effects were anticipated to vary. These impacts were thought likely to reflect a series of country specific factors. One was the relative importance of the quota constrained US and EU markets for individual countries. China, for instance, was shipping more clothing to Japan which was already free of restraint than to the US and the EU, but this feature was special to China who accounted for around 80% of Japan's imports. Other countries, such as India, shipped more heavily to the US and the EU and so quota removal would impact a larger fraction of exports.

Special country situations also entered. Bangladesh was already free of restraint in EU markets prior to MFA abolition and was thought likely to lose EU market share to newly quota free imports from elsewhere. Vietnam remained under restraint post MFA as a non WTO member. Where countries stood in their industrialization process was yet another factor. Cambodia, for instance, was a rapidly growing supplier but at an early stage of industrialization. Their growth rate was thought probably to fall a little under MFA elimination but likely be little affected. In contrast, the Philippines as a long standing MFA participant with established MFA quota and higher cost structure was thought likely to see acceleration in the relative decline they had experienced over the 3 – 4 year prior to January 2005. Some countries, including Bangladesh and Pakistan, benefited from GSP tariffs and the weakening of these

preferences was a further factor. Impacts on fibre producers (cotton exporters such as Pakistan and others) also entered.

Over 12 months on from January 2005 China's textile and clothing exports have increased, as expected <sup>3</sup>, but only at a modest rate of 7% for clothing (see Table 5). Also aggregate imports of textiles and clothing by both the US and the EU have increased at modest rates (6% for US clothing imports). But there have been sharp increases in China's exports to the US and the EU; 56% for US clothing imports from China. The increases are several hundreds of percent in some categories of clothing, and export prices for Chinese clothing sold in these markets have fallen sharply. These have been accompanied by sharp falls in Chinese exports to Hong Kong, and close to flat exports to Japan (which are of roughly equalize to China's exports to the US). Increases in China's exports to the US and the EU occur most dramatically in the few months immediately following MFA abolition, and in part reflect expectations by Chinese shippers of subsequent pressure from the US and the EU for new export restraints, which were introduced in the form of bilaterally negotiated restraint agreements in the summer and fall of 2005. There is thus substantial volatility in monthly Chinese trade data following the removal of the MFA. Data for the month of October 2005, for instance, show Chinese clothing exports falling by 18% from month earlier figures, while data for January 2006 show large increases in exports in some key product categories.

Exports from Asian suppliers other than China to the US (India, Pakistan, Bangladesh, Indonesia, Vietnam and Cambodia) have held up reasonably well to the termination of the MFA and most have increased, although at more modest rates than

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<sup>3</sup> Also see the recent discussion of the impacts of MFA removal in James (2005).

has been true for China<sup>4</sup>. The Philippines, whose industry was already in relative decline, and Sri Lanka has witnessed declines in exports along with suppliers with remote locations and weak infrastructure (Nepal). All non Chinese Asian suppliers except India experience falls in their market share in the EU. There are clear negative effects on consumer prices in previous quota constrained OECD markets (the US and the EU), and employment in clothing in OECD countries continues to fall (it was also falling prior to 2005).

Several factors seem to account for this overall picture of country impact. One is that new restraints on China introduced in 2005 in US and EU markets (after the MFA was terminated) have mitigated the effects of quota abolition on further Chinese increases in exports. Suppliers outside of China also seem to have been successful in exploiting niches in apparel export items (knitwear for Bangladesh, carpets for Pakistan) and this has made their exports correspondingly less vulnerable to competition from other suppliers. Furthermore, China is now emerging as a slightly higher cost source of supply in some clothing categories compared to lower wage countries elsewhere such as Vietnam, Cambodia and Pakistan.

These initial indications of impact of MFA removal naturally lead to discussion of what are some possible medium to longer term scenarios' for the Asian economies for their clothing and textile exports which might follow the initial period analyzed here. The central element in such scenarios seems to be a continuing growth of both clothing production in and exports from Asia as higher cost OECD production and inter OECD trade (which has had the protection of MFA quotas) is displaced by substantially lower cost Asia supply. This process is seen as likely to be accelerated

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<sup>4</sup> This is similar to the conclusion reached by James (2005).



by a weakening of the effects of preferences for non Asian suppliers (Mexico (US), Turkey (EU)) as MFA quotas disappear.

The country composition within Asia of these growing exports remains uncertain, but extreme gravitation to China and India as the two large low cost suppliers with economies of scale would seem unlikely. If China and India follow their current high growth trajectories for several years (or decades), they will likely follow growth profiles similar to Korea and Taiwan from the 1960s to today of initially high export shares in clothing which progressively decline as wages rise and other higher technology exports come on stream. If other Asian low-wage suppliers (Vietnam, Cambodia) grow at lower rates than China and India they will have an increasing cost advantage relative to China, and their export shares will likely increase more rapidly. And if the infrastructure weak and geographically more remote suppliers, such as Nepal, see further reductions in export shares, the prospect is for a smaller number of Asia's suppliers to dominate clothing exports and each with sharply higher exports than today.

## **2. Asian Development and Textiles and Clothing Trade**

To assess the potential effects on Asian supplying countries of the termination of the MFA, it is helpful to also have background on both the global industry and its links to Asian growth performance<sup>5</sup>. The global textile and clothing industry reflects a supply chain involving production of raw fibres through to final stage retailing which spans both countries and different stages of processing. In this, three broad types of raw fibres (cotton, wool and synthetics), along with more niche fibres such as silk, provide the raw input for the industry. There are then a series of distinct production processes which involve first preparing the fibres for spinning, then spinning the fibres, processing these into fabrics, and finally cutting and making fabrics into finished items (which include both clothing and textile products for the home). Distribution of final product proceeds through middle men and/or larger retailers with integrated purchasing units who deal directly with producers of finished items. Other elements of the production process, such as dyeing and finishing, also partly determine the final product quality and price.

The growth of a globally based textile and clothing industry in Asia began four decades ago when Hong Kong, Taiwan, and Korea first became large exporters of low cost clothing. In the early 1980's, these three suppliers accounted for around 30% of world clothing exports. But by 2000, their share had fallen to around 8%, and a new generation of low cost suppliers had emerged; lead by China, India, Pakistan, Indonesia, Philippines and Thailand. Today, China is the largest exporter of clothing in Asia, followed by India.

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<sup>5</sup> Also see the discussion of the global industrial and trade structure in textiles and clothing in both Nordas (2004), and USITC (2004).

To place global trade in textiles and clothing today in context, textiles and clothing are around 7% of world exports, with clothing accounting for around 57% of the total (ILO (2005)). On the import side, the US, Japan and the EU provide the largest markets, with Canada, Australia and Norway providing smaller markets. By the end of 2004 only the US, the EU and Canada maintained MFA quotas and these were of uneven country coverage (importantly the EU excluded Bangladesh from quota restraint). The precise commodity classification and coding used in each country for MFA quotas varied, but a small number of key MFA categories comprised most trade in clothing. Shirts, pants, blouses and coats accounted for nearly 50% of US clothing imports in 2004.

The textile and clothing industries in the various Asian countries differ significantly from one another, and also from other related product areas such as footwear where production and retailing tend to be integrated and occur more frequently within the same global firm. Early stages of textile and clothing industry activity are relatively capital intensive and involve significant machinery and typically occur in consolidated large firms. It is the stage of cutting and making fabrics into finished items which is highly labour intensive and which low wage Asian suppliers have been able to enter so successfully over the last four decades. In most countries the number of firms involved is larger than at earlier stages, and many of the firms involved are small or medium sized.

The structure of the textile and clothing industry also varies significantly by country. China tends to import fabrics and concentrate on cutting and finishing, while India imports relatively little fabric. China's clothing industry, through large inward FDI, is heavily integrated into global distribution systems and has direct involvement of OECD retailers. India's industry, in contrast, has less direct involvement with

retailers. As Tewari (2005) argues, the competitive edge of Chinese suppliers involves much more than low wage costs. China's producers are integrated into the marketing, distribution, and supply management networks of locally based Hong Kong, Taiwanese, and Korean manufacturers who have long experience of industrial markets and the need for timely high quality delivery of product.

It has been ever growing imports in the OECD, and primary from Asia that, have been the source for substantial pressures over the years to slow the adjustment of impacted domestic industry. OECD production of both fabrics and clothing has been highly regionally concentrated and had relatively low wage and higher average age employees, making redeployment of labour displaced by imports more difficult than has been the case for other industries. Both employment and output of industries in the OECD competing with Asian suppliers has declined consistently over the last 3 decades, although these adjustments have been substantially slowed by trade restraints.

These restraints had their origins in a 1962 short term (one year) agreement between the US and a small number of Asian suppliers of cotton textiles to restrain export growth to provide domestic industry a breathing space for adjustments to occur. But this initial agreement, after renewal, then grew into a series of longer term (5 yearly) agreements covering ever more exporters and products and was in turn, to lead to a wider Multi Fibre Arrangement (MFA) in the then GATT in 1974 which covered most major OECD importers as well as the US (and importantly, the EU). The MFA itself then underwent a series of 5 year renewals and extensions which also progressively involved more countries and products. And from the mid 1980's on, these arrangements became further complicated with a growing series of preferential arrangements negotiated by the large importers (the US and the EU) with key supplying countries.

These latter agreements have typically covered much more than just textile and clothing exports, but they have contained special preferential arrangements in textiles and clothing exempting specific countries from MFA quotas (or weakening their application). In the last 10 years these have led to a large growth in supply from preferential suppliers outside of Asia. Mexico under its NAFTA preference today accounts for nearly 15% of US clothing imports (second only to China), and Turkey under its partnership agreement with the EU accounts for 10% of EU imports. The removal of the MFA weakens these margins of preference, which now will only apply to non MFA trade restraints such as tariffs.

The potential global impacts of MFA abolition have been the subject of a number of quantitative model based analyses which are summarized in a recent survey paper by Walkenhorst (2005), who reviews 27 assessments of potential impact drawn from 14 different studies. In these, estimates of global benefits of MFA removal range from 0.02% - 1.49% of world GDP. Some studies show MFA removal accounting for up to 2/3 of the total global benefits from the WTO Uruguay Round; others put these gains more modestly at 5% of the total. Some show developing countries as the major beneficiaries of MFA removal; others show developing countries as losing in aggregate. Walkenhorst attributes this wide variation in model based results to different modeling assumptions, parameter values, use of base year, and other model features. But the theme which emerges in all model results is that substantial welfare benefits have been expected to accrue to the large importing countries (the US and EU), the initiators of the MFA system of restraints, and with accompanying significant increases in imports. These model results thus emphasize the sectoral interest driving OECD policy (the concern being to slow adjustment costs) more so than overall national interest.

### **3. The Asian Trade Response Post MFA**

Data on complete bilateral global trade flows (by product and by pair of countries) for the months immediately following the termination of the MFA are not yet available. What is available are individual country data for certain importing and exporting countries. Much of the existing literature on the effects of MFA trade restrictions draws on US data from the Office of Textiles and Apparel. Such analyses are usually only supplemented by data on the EU, but can be deceptive for certain countries where non US/ non EU markets are important for exports. For China, for instance, Japan currently represents a larger export market than either the US or the EU (see *Emerging Textiles* (2005)) and the Japanese market was not under restraint from MFA quotas. But China also accounts for around 80% of Japan's imports of clothing, and post MFA shipments to Japan will likely increase little. China's shipments to Hong Kong are also substantial. For other exporters, the EU and the US are the dominant export market and analysis based on data from EU and US sources is more indicative of overall trends.

Aggregate data on trade flows of textiles and clothing over the period following MFA abolition are also difficult to interpret for a number of reasons. One is that the trade response varies substantially across MFA product categories. Another is that the period following MFA abolition is characterized by sharp product specific export increases from China to the US and the EU in the months immediately after the 2005 abolition, while in subsequent months embargoes applied to certain products and trade in some commodities between some countries effectively ceased (in the summer of 2005 in certain products). Precisely which month's data is used to assess the impacts of MFA abolition can thus make a large difference. For instance, a recent and widely

cited ILO (2005) study on the impacts of MFA abolition only used data for the 4 month period January – April 2005. Now more recent data for more months is available which is used here. Another problem is conflicting data from exporting and importing countries. Chinese government data on China's clothing exports, for instance, differ from US government import data.

Tables 1 and 2 report US import data in total and by country of source for 2002, 2003, 2004 and 2005 both in value and volume terms and for the two separate categories of clothing and textiles (Table 1 for clothing, Table 2 for textiles)<sup>6</sup>. These data are most recent available<sup>7</sup>. They show that US imports of clothing grew post MFA at an annual rate of 6% in value terms and 10% in volume terms, while imports of textiles grew at an annual rate 1% in value terms and 3% in volume terms. While these growth rates for clothing in both value and volume terms exceed 2004, they are below those for 2003 for clothing in value terms. Growth rates for US textiles imports in both volume and value terms are sharply below those for 2004. This thus suggests a small aggregate effect on US imports of clothing and textile imports in the immediate post MFA period.

But beneath this aggregate picture there is a substantial amount of change by supplying country. Table 1 shows the changing percentage composition of US clothing imports by supplying country. China's value share increases by 8.2 percentage points (from 13.8% to 22%), with China, Hong Kong, and Macao in combination (with transshipment though the latter two) increasing their value share by

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<sup>6</sup> This builds on and further develops data previously reported in James (2005).

<sup>7</sup> However, preliminary US data for the month of January 2006 and reported in Emerging Textiles.com (Feb 6<sup>th</sup> 2006) show how quickly things can change. Emerging Textiles report that increases in January US apparel and textiles imports are as high as several thousand percent for women's cotton knit blouses and cotton shirts, 132% in women's cotton coat, 339% in other cotton coats, 128% in nightwear, and 507% for men's wool suits. They also report "astonishing" growth in several textile categories. Some of these import increases reflect shipments which were held up in 2005 that could now enter without being charged to the 2006 quota under the bilateral US – China restraint agreement.

**Table 1**  
US Import Values of Clothing by Supplier by Year

	Value (US\$ mn)				Change (%)			Market Share (%)			
	2002	2003	2004	2005	2003/02	2004/03	2005/04	2002	2003	2004	2005
<b>Asia-Pacific Suppliers</b>											
People's Republic of China	5,593.70	7,257.59	8,927.86	15,144.10	29.75	23.01	69.63	9.82	11.87	13.78	22.04
Hong Kong, China	3,877.24	3,701.79	3,848.98	3,510.57	(4.53)	3.98	(8.79)	6.81	6.05	5.94	5.11
India	1,901.47	2,001.54	2,217.10	2,976.17	5.26	10.77	34.24	3.34	3.27	3.42	4.33
Indonesia	2,041.50	2,157.96	2,402.83	2,875.31	5.70	11.35	19.66	3.58	3.53	3.71	4.18
Viet Nam	895.07	2,374.55	2,562.46	2,724.65	165.29	7.91	6.33	1.57	3.88	3.96	3.97
Bangladesh	1,883.15	1,848.07	1,977.56	2,371.68	(1.86)	7.01	19.93	3.31	3.02	3.05	3.45
Philippines	1,815.11	1,853.42	1,785.56	1,830.40	2.11	(3.66)	2.51	3.19	3.03	2.76	2.66
Thailand	1,718.53	1,711.62	1,799.37	1,807.79	(0.40)	5.13	0.47	3.02	2.80	2.78	2.63
Cambodia	1,042.45	1,239.65	1,428.99	1,712.84	18.92	15.27	19.86	1.83	2.03	2.21	2.49
Sri Lanka	1,413.17	1,435.79	1,549.39	1,650.22	1.60	7.91	6.51	2.48	2.35	2.39	2.40
Pakistan	878.30	1,015.45	1,137.67	1,258.79	15.62	12.04	10.65	1.54	1.66	1.76	1.83
Macau, China	1,146.42	1,281.98	1,436.39	1,198.17	11.82	12.04	(16.58)	2.01	2.10	2.22	1.74
Republic of Korea	2,061.95	1,806.07	1,808.82	1,154.62	(12.41)	0.15	(36.17)	3.62	2.95	2.79	1.68
Taipei, China	1,576.22	1,611.11	1,548.92	1,134.43	2.21	(3.86)	(26.76)	2.77	2.63	2.39	1.65
Malaysia	720.07	685.72	711.99	677.85	(4.77)	3.83	(4.79)	1.26	1.12	1.10	0.99
Brunei Darussalam	195.17	205.48	215.16	167.09	5.28	4.71	(22.34)	0.34	0.34	0.33	0.24
Mongolia	155.84	176.88	227.03	134.41	13.50	28.36	(40.80)	0.27	0.29	0.35	0.20
Nepal	107.87	129.45	97.98	61.15	20.00	(24.31)	(37.59)	0.19	0.21	0.15	0.09
Turkmenistan	32.66	46.67	44.56	35.48	42.92	(4.52)	(20.39)	0.06	0.08	0.07	0.05
Fiji Islands	74.23	79.55	85.77	19.06	7.17	7.82	(77.78)	0.13	0.13	0.13	0.03
Uzbekistan	17.98	25.07	9.82	15.97	39.40	(60.82)	62.54	0.03	0.04	0.02	0.02
Maldives	110.56	93.73	81.05	4.72	(15.22)	(13.52)	(94.18)	0.19	0.15	0.13	0.01
Kyrgyz Republic	3.19	9.62	6.63	3.73	201.83	(31.14)	(43.67)	0.01	0.02	0.01	0.01
Kazakhstan	3.48	16.89	13.42	3.35	385.72	(20.53)	(75.07)	0.01	0.03	0.02	0.00
Armenia	9.47	7.31	7.18	1.36	(22.74)	(1.89)	(81.10)	0.02	0.01	0.01	0.00
Tajikistan	0.06	6.91	3.13	0.02	12,212.64	(54.78)	(99.45)	0.00	0.01	0.00	0.00
<b>Sub-total Asia-Pacific DMC Suppliers</b>	<b>29,274.86</b>	<b>32,779.88</b>	<b>35,935.63</b>	<b>42,473.94</b>	<b>11.97</b>	<b>9.63</b>	<b>18.19</b>	<b>51.39</b>	<b>53.60</b>	<b>55.48</b>	<b>61.81</b>
excluding PRC	23,681.16	25,522.29	27,007.76	27,329.84	7.77	5.82	1.19	41.57	41.73	41.70	39.77
<b>Preferential Suppliers</b>											



CAFTA	9,092.51	9,181.50	9,509.46	9,104.10	0.98	3.57	(4.26)	15.96	15.01	14.68	13.25
Mexico	7,424.20	6,903.74	6,684.84	6,078.36	(7.01)	(3.17)	(9.07)	13.03	11.29	10.32	8.85
Sub-Sahara	1,097.55	1,510.85	1,757.48	1,464.44	37.66	16.32	(16.67)	1.93	2.47	2.71	2.13
Andean (ATPA)	750.96	1,051.31	1,323.04	1,429.22	40.00	25.85	8.03	1.32	1.72	2.04	2.08
Canada	1,610.11	1,568.62	1,504.41	1,273.40	(2.58)	(4.09)	(15.36)	2.83	2.56	2.32	1.85
Jordan	384.21	582.08	956.16	1,082.52	51.50	64.27	13.22	0.67	0.95	1.48	1.58
CBI	378.60	429.51	442.69	490.91	13.45	3.07	10.89	0.66	0.70	0.68	0.71
Egypt	347.86	381.77	422.29	444.29	9.75	10.61	5.21	0.61	0.62	0.65	0.65
Israel	416.24	396.30	336.20	288.55	(4.79)	(15.17)	(14.17)	0.73	0.65	0.52	0.42
Singapore	286.23	269.71	242.49	156.89	(5.77)	(10.09)	(35.30)	0.50	0.44	0.37	0.23
Bahrain	178.17	163.68	155.87	117.43	(8.13)	(4.78)	(24.66)	0.31	0.27	0.24	0.17
Australia	237.50	202.27	209.29	113.13	(14.84)	3.47	(45.95)	0.42	0.33	0.32	0.16
Morocco	75.25	75.63	74.30	55.89	0.51	(1.76)	(24.78)	0.13	0.12	0.11	0.08
Tunisia	34.89	33.69	44.01	52.84	(3.43)	30.61	20.08	0.06	0.06	0.07	0.08
Chile	10.26	10.80	24.01	23.42	5.27	122.37	(2.47)	0.02	0.02	0.04	0.03
Federated States of Micronesia	14.35	13.49	10.55	0.96	(6.00)	(21.80)	(90.85)	0.03	0.02	0.02	0.00
<b>Sub-total Preferential Suppliers</b>	<b>22,338.88</b>	<b>22,774.96</b>	<b>23,697.08</b>	<b>22,176.36</b>	<b>1.95</b>	<b>4.05</b>	<b>(6.42)</b>	<b>39.22</b>	<b>37.24</b>	<b>36.59</b>	<b>32.27</b>
<b>Non-Preferential Suppliers</b>											
EU15	1,997.88	2,059.89	2,067.58	1,925.80	3.10	0.37	(6.86)	3.51	3.37	3.19	2.80
Turkey	1,189.70	1,257.31	1,168.60	943.77	5.68	(7.06)	(19.24)	2.09	2.06	1.80	1.37
Japan	170.98	221.48	289.94	86.51	29.54	30.91	(70.16)	0.30	0.36	0.45	0.13
<b>World</b>	<b>56,962.95</b>	<b>61,162.08</b>	<b>64,767.67</b>	<b>68,714.52</b>	<b>7.37</b>	<b>5.90</b>	<b>6.09</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Sum of non-preferential and preferential suppliers does not add up to world total because some minor suppliers are not included; numbers may not sum precisely due to rounding. CBI excludes CAFTA member countries.

Source: US Department of Commerce, OTEXA office.

**Table 1 (continued)**  
**US Import Volumes of Clothing by Supplier by Year**

	Volume (mn sqm)							Market Share (%)			
	2002	2003	2004	2005	2003/02	2004/03	2005/04	2002	2003	2004	2005
<b>Asia-Pacific Suppliers</b>											
People's Republic of China	1,564.96	2,289.85	2,972.52	5,885.40	46.32	29.81	97.99	9.07	12.14	14.90	26.74
Bangladesh	927.72	913.03	941.68	1,124.65	(1.58)	3.14	19.43	5.38	4.84	4.72	5.11
Indonesia	594.64	617.98	703.40	823.40	3.93	13.82	17.06	3.45	3.28	3.53	3.74
Viet Nam	315.38	739.18	777.05	801.51	134.38	5.12	3.15	1.83	3.92	3.89	3.64
India	508.70	532.07	609.34	790.20	4.59	14.52	29.68	2.95	2.82	3.05	3.59
Cambodia	439.86	527.68	634.68	709.99	19.97	20.28	11.87	2.55	2.80	3.18	3.23
Hong Kong, China	821.26	785.44	738.96	596.62	(4.36)	(5.92)	(19.26)	4.76	4.16	3.70	2.71
Pakistan	382.06	443.63	519.28	577.75	16.12	17.05	11.26	2.21	2.35	2.60	2.62
Thailand	490.26	496.14	533.10	536.74	1.20	7.45	0.68	2.84	2.63	2.67	2.44
Philippines	550.53	545.57	513.57	518.73	(0.90)	(5.87)	1.00	3.19	2.89	2.57	2.36
Sri Lanka	393.89	395.02	415.05	453.75	0.29	5.07	9.33	2.28	2.09	2.08	2.06
Taipei, China	575.76	590.78	571.98	391.48	2.61	(3.18)	(31.56)	3.34	3.13	2.87	1.78
Republic of Korea	649.95	575.58	624.40	360.42	(11.44)	8.48	(42.28)	3.77	3.05	3.13	1.64
Macau, China	318.92	375.77	447.11	291.82	17.83	18.98	(34.73)	1.85	1.99	2.24	1.33
Malaysia	192.57	191.29	210.58	211.34	(0.67)	10.09	0.36	1.12	1.01	1.06	0.96
Mongolia	52.97	54.85	61.49	39.64	3.55	12.11	(35.54)	0.31	0.29	0.31	0.18
Brunei Darussalam	37.35	43.67	49.10	37.65	16.93	12.42	(23.32)	0.22	0.23	0.25	0.17
Turkmenistan	15.55	22.53	21.83	20.41	44.87	(3.08)	(6.51)	0.09	0.12	0.11	0.09
Nepal	37.91	39.24	34.82	19.20	3.51	(11.27)	(44.85)	0.22	0.21	0.17	0.09
Uzbekistan	12.45	13.32	6.16	7.78	7.05	(53.75)	26.29	0.07	0.07	0.03	0.04
Fiji Islands	20.21	17.63	21.28	4.15	(12.79)	20.73	(80.48)	0.12	0.09	0.11	0.02
Kyrgyz Republic	2.40	5.74	4.82	3.18	139.36	(16.04)	(33.92)	0.01	0.03	0.02	0.01
Maldives	38.69	40.37	37.90	2.37	4.35	(6.13)	(93.74)	0.22	0.21	0.19	0.01
Kazakhstan	4.04	11.17	14.67	1.23	176.62	31.32	(91.59)	0.02	0.06	0.07	0.01
Armenia	3.65	2.75	3.35	1.05	(24.85)	22.08	(68.66)	0.02	0.01	0.02	0.00
Tajikistan	0.04	4.89	2.75	0.01	12,491.19	(43.73)	(99.75)	0.00	0.03	0.01	0.00

<b>Sub-total Asia-Pacific DMC Suppliers</b>	<b>8,951.72</b>	<b>10,275.18</b>	<b>11,470.90</b>	<b>14,210.49</b>	<b>14.78</b>	<b>11.64</b>	<b>23.88</b>	<b>51.88</b>	<b>54.47</b>	<b>57.50</b>	<b>64.55</b>
excluding PRC	7,386.75	7,985.33	8,498.38	8,325.09	8.10	6.42	(2.04)	42.81	42.33	42.60	37.82
<b>Preferential Suppliers</b>											
CAFTA	3,494.42	3,685.16	3,790.83	3,787.31	5.46	2.87	(0.09)	20.25	19.54	19.00	17.20
Mexico	2,157.20	1,977.28	1,896.21	1,703.43	(8.34)	(4.10)	(10.17)	12.50	10.48	9.50	7.74
Sub-Saharan	277.23	398.79	440.30	376.76	43.85	10.41	(14.43)	1.61	2.11	2.21	1.71
Jordan	87.68	135.65	227.37	260.93	54.71	67.62	14.76	0.51	0.72	1.14	1.19
CBI	219.48	235.14	228.23	254.68	7.14	(2.94)	11.59	1.27	1.25	1.14	1.16
Andean (ATPA)	152.85	205.14	252.74	238.17	34.21	23.21	(5.77)	0.89	1.09	1.27	1.08
Canada	291.66	262.08	244.55	189.63	(10.14)	(6.69)	(22.46)	1.69	1.39	1.23	0.86
Egypt	128.28	138.55	156.03	164.69	8.01	12.62	5.55	0.74	0.73	0.78	0.75
Israel	118.87	119.45	102.82	80.32	0.49	(13.92)	(21.89)	0.69	0.63	0.52	0.36
Singapore	66.78	57.76	46.73	28.77	(13.51)	(19.10)	(38.42)	0.39	0.31	0.23	0.13
Bahrain	37.41	31.94	30.41	22.28	(14.61)	(4.79)	(26.74)	0.22	0.17	0.15	0.10
Australia	34.55	33.18	32.78	17.30	(3.98)	(1.19)	(47.24)	0.20	0.18	0.16	0.08
Morocco	17.45	15.92	13.77	6.69	(8.75)	(13.49)	(51.41)	0.10	0.08	0.07	0.03
Tunisia	8.04	4.93	4.83	4.93	(38.71)	(2.04)	2.04	0.05	0.03	0.02	0.02
Chile	1.25	0.78	2.42	2.44	(37.30)	208.35	1.04	0.01	0.00	0.01	0.01
Federated States of Micronesia	5.97	5.57	4.71	0.53	(6.78)	(15.47)	(88.84)	0.03	0.03	0.02	0.00
<b>Sub-total Preferential Suppliers</b>	<b>7,099.10</b>	<b>7,307.31</b>	<b>7,474.75</b>	<b>7,138.86</b>	<b>2.93</b>	<b>2.29</b>	<b>(4.49)</b>	<b>41.14</b>	<b>38.74</b>	<b>37.47</b>	<b>32.43</b>
<b>Non-Preferential Suppliers</b>											
Turkey	346.88	373.93	307.40	239.34	7.80	(17.79)	(22.14)	2.01	1.98	1.54	1.09
EU15	153.01	153.57	137.82	116.79	0.36	(10.26)	(15.26)	0.89	0.81	0.69	0.53
Japan	26.74	34.60	40.47	7.68	29.37	16.97	(81.02)	0.15	0.18	0.20	0.03
<b>World</b>	<b>17,255.66</b>	<b>18,863.75</b>	<b>19,951.00</b>	<b>22,012.99</b>	<b>9.32</b>	<b>5.76</b>	<b>10.34</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Notes: Sum of non-preferential and preferential suppliers does not add up to world total because some minor suppliers are not included; numbers may not sum precisely due to rounding. CBI excludes CAFTA member countries.

Source: US Department of Commerce, OTEXA office.

**Table 2**  
US Import Value of Textiles by Supplier by Year

	Value (US\$ mn)				Change (%)			Market Share (%)				
	2002	2003	2004	2005	2003/02	2004/03	2005/04	2002	2003	2004	2005	
<b>Asia-Pacific Suppliers</b>												
People's Republic of China	410.94	467.32	575.68	896.96	13.72	23.19	55.81	6.04	6.96	7.90	12.07	
Republic of Korea	671.56	627.84	666.35	665.48	(6.51)	6.13	(0.13)	9.88	9.35	9.15	8.95	
Taipei,China	474.82	425.37	432.39	415.13	(10.41)	1.65	(3.99)	6.98	6.33	5.93	5.58	
Pakistan	427.89	416.36	509.15	411.33	(2.69)	22.29	(19.21)	6.29	6.20	6.99	5.53	
India	131.68	140.81	150.52	183.57	6.93	6.89	21.96	1.94	2.10	2.07	2.47	
Indonesia	124.20	113.62	133.96	138.80	(8.52)	17.90	3.61	1.83	1.69	1.84	1.87	
Thailand	160.87	128.09	129.07	123.07	(20.38)	0.77	(4.64)	2.37	1.91	1.77	1.66	
Malaysia	47.44	46.57	45.34	35.09	(1.85)	(2.64)	(22.61)	0.70	0.69	0.62	0.47	
Hong Kong, China	110.63	58.00	50.65	34.29	(47.57)	(12.68)	(32.30)	1.63	0.86	0.70	0.46	
Philippines	48.99	65.77	57.72	17.55	34.26	(12.24)	(69.59)	0.72	0.98	0.79	0.24	
Viet Nam	4.52	13.68	16.89	14.75	202.43	23.53	(12.67)	0.07	0.20	0.23	0.20	
Sri Lanka	34.13	20.91	12.97	7.66	(38.74)	(37.95)	(40.99)	0.50	0.31	0.18	0.10	
Uzbekistan	24.90	17.49	13.72	4.25	(29.76)	(21.58)	(69.04)	0.37	0.26	0.19	0.06	
Cambodia	5.81	2.76	2.52	1.68	(52.52)	(8.47)	(33.22)	0.09	0.04	0.03	0.02	
Bangladesh	2.38	2.71	3.26	1.13	13.75	20.43	(65.45)	0.04	0.04	0.04	0.02	
Turkmenistan	2.40	2.24	1.79	1.00	(6.50)	(20.08)	(44.47)	0.04	0.03	0.02	0.01	
Tajikistan	0.86	0.22	2.97	0.70	(74.14)	1,238.34	(76.50)	0.01	0.00	0.04	0.01	
Nepal	0.03	0.11	0.10	0.18	277.32	(9.14)	84.59	0.00	0.00	0.00	0.00	
Macau, China	0.62	0.00	0.01	0.02	(99.42)	171.95	105.50	0.01	0.00	0.00	0.00	
Mongolia	0.10	0.00	0.01	0.02	(96.99)	158.90	134.41	0.00	0.00	0.00	0.00	
Fiji Islands	0.02	0.00	0.01	0.00	(75.25)	192.53	(83.09)	0.00	0.00	0.00	0.00	
Brunei Darussalam	-	0.00	-	-		(100.00)		-	0.00	-	-	
Kazakhstan	0.03	0.10	0.04	-	281.23	(62.83)	(100.00)	0.00	0.00	0.00	-	
Kyrgyz Republic	-	0.02	-	-		(100.00)		-	0.00	-	-	

Armenia	-	0.00	-	-	(100.00)	-	0.00	-	0.00	-	-
<b>Sub-total Asia-Pacific DMC Suppliers</b>	<b>2,684.82</b>	<b>2,550.00</b>	<b>2,805.14</b>	<b>2,952.65</b>	<b>(5.02)</b>	<b>10.01</b>	<b>5.26</b>	<b>39.49</b>	<b>37.96</b>	<b>38.50</b>	<b>39.72</b>
excluding PRC	2,273.88	2,082.68	2,229.46	2,055.69	(8.41)	7.05	(7.79)	33.45	31.00	30.60	27.65
<b>Preferential Suppliers</b>											
Canada	1,197.79	1,200.42	1,205.52	1,209.35	0.22	0.42	0.32	17.62	17.87	16.55	16.27
Mexico	643.69	604.78	654.56	674.71	(6.04)	8.23	3.08	9.47	9.00	8.98	9.08
Israel	120.95	137.37	155.39	153.88	13.57	13.12	(0.97)	1.78	2.04	2.13	2.07
Andean (ATPA)	23.35	28.32	31.97	42.63	21.26	12.91	33.33	0.34	0.42	0.44	0.57
Egypt	36.72	42.55	30.00	26.25	15.87	(29.49)	(12.48)	0.54	0.63	0.41	0.35
Australia	22.79	19.58	20.57	21.89	(14.08)	5.05	6.44	0.34	0.29	0.28	0.29
CAFTA	14.14	14.11	19.24	15.52	(0.15)	36.35	(19.34)	0.21	0.21	0.26	0.21
Sub-Sahara	14.86	16.16	18.69	14.62	8.70	15.69	(21.79)	0.22	0.24	0.26	0.20
Bahrain	23.21	14.50	8.20	9.39	(37.53)	(43.45)	14.46	0.34	0.22	0.11	0.13
Chile	0.88	1.02	3.09	5.01	15.83	202.54	62.21	0.01	0.02	0.04	0.07
Morocco	0.27	0.42	0.58	3.46	55.26	38.34	497.12	0.00	0.01	0.01	0.05
Singapore	0.37	0.89	0.73	0.80	137.48	(18.04)	10.30	0.01	0.01	0.01	0.01
CBI	1.08	1.32	1.13	0.78	22.70	(14.62)	(30.95)	0.02	0.02	0.02	0.01
Tunisia	0.45	0.98	1.31	0.26	116.58	32.99	(80.23)	0.01	0.01	0.02	0.00
Jordan	-	0.06	0.02	0.00		(59.67)	(89.40)	-	0.00	0.00	0.00
<b>Sub-total Preferential Suppliers</b>	<b>2,100.56</b>	<b>2,082.48</b>	<b>2,150.99</b>	<b>2,178.55</b>	<b>(0.86)</b>	<b>3.29</b>	<b>1.28</b>	<b>30.90</b>	<b>31.00</b>	<b>29.52</b>	<b>29.31</b>
<b>Non-Preferential Suppliers</b>											
EU15	1,331.96	1,403.03	1,536.96	1,477.97	5.34	9.55	(3.84)	19.59	20.89	21.10	19.88
Japan	281.22	292.88	341.22	333.10	4.15	16.50	(2.38)	4.14	4.36	4.68	4.48
Turkey	180.15	156.89	208.40	237.47	(12.91)	32.83	13.95	2.65	2.34	2.86	3.19
<b>World</b>	<b>6,798.57</b>	<b>6,717.85</b>	<b>7,285.68</b>	<b>7,433.35</b>	<b>(1.19)</b>	<b>8.45</b>	<b>2.03</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Sum of non-preferential and preferential suppliers does not add up to world total because some minor suppliers are not included; numbers may not sum precisely due to rounding. CBI excludes CAFTA member countries.

Source: US Department of Commerce, OTEXA office.

**Table 2 (continued)**  
US Import Volume of Textiles by Supplier by Year

	Volume (mn sqm)				Change (%)			Market Share (%)			
	2002	2003	2004	2005	2003/02	2004/03	2005/04	2002	2003	2004	2005
<b>Asia-Pacific Suppliers</b>											
People's Republic of China	644.22	747.68	968.41	1,769.41	16.06	29.52	82.71	5.45	6.35	7.59	13.45
Republic of Korea	1,006.12	1,161.23	1,403.69	1,485.84	15.42	20.88	5.85	8.51	9.87	11.00	11.30
Pakistan	993.46	868.42	1,024.66	917.26	(12.59)	17.99	(10.48)	8.40	7.38	8.03	6.97
Taipei, China	638.04	544.17	567.43	574.25	(14.71)	4.27	1.20	5.39	4.62	4.45	4.37
India	193.39	186.89	213.70	383.15	(3.36)	14.35	79.30	1.63	1.59	1.67	2.91
Indonesia	348.39	287.57	334.67	357.22	(17.46)	16.38	6.74	2.95	2.44	2.62	2.72
Thailand	416.31	335.92	325.13	301.63	(19.31)	(3.21)	(7.23)	3.52	2.85	2.55	2.29
Malaysia	127.06	141.41	144.47	107.55	11.30	2.16	(25.55)	1.07	1.20	1.13	0.82
Hong Kong, China	97.45	50.48	62.64	69.35	(48.20)	24.10	10.71	0.82	0.43	0.49	0.53
Viet Nam	13.67	38.83	48.05	51.94	184.10	23.73	8.11	0.12	0.33	0.38	0.39
Philippines	113.10	133.42	108.29	42.68	17.97	(18.83)	(60.59)	0.96	1.13	0.85	0.32
Sri Lanka	59.39	46.24	27.69	16.63	(22.14)	(40.12)	(39.93)	0.50	0.39	0.22	0.13
Uzbekistan	63.65	46.46	30.91	13.02	(27.01)	(33.46)	(57.87)	0.54	0.39	0.24	0.10
Bangladesh	7.54	9.09	8.92	3.23	20.68	(1.89)	(63.85)	0.06	0.08	0.07	0.02
Cambodia	11.76	6.40	6.26	2.67	(45.56)	(2.23)	(57.39)	0.10	0.05	0.05	0.02
Turkmenistan	6.70	8.73	4.34	2.35	30.27	(50.30)	(45.77)	0.06	0.07	0.03	0.02
Tajikistan	0.60	0.16	2.34	0.52	(73.79)	1,379.25	(77.67)	0.01	0.00	0.02	0.00
Nepal	0.01	0.01	0.02	0.15	67.40	100.90	559.01	0.00	0.00	0.00	0.00
Macau, China	2.21	0.01	0.03	0.01	(99.33)	89.59	(57.28)	0.02	0.00	0.00	0.00
Mongolia	0.04	0.00	0.00	0.00	(99.67)	(41.85)	6,343.94	0.00	0.00	0.00	0.00
Fiji Islands	0.02	0.00	0.01	0.00	(89.08)	616.36	(88.08)	0.00	0.00	0.00	0.00

Brunei Darussalam	-	0.00	-	-	(100.00)	-	0.00	-	0.00	-	-
Kazakhstan	0.09	0.12	0.16	-	25.89	34.45	(100.00)	0.00	0.00	0.00	-
Kyrgyz Republic	-	0.02	-	-	(100.00)	-	-	0.00	-	-	-
Armenia	-	0.00	-	-	(100.00)	-	-	0.00	-	-	-
<b>Sub-total Asia-Pacific DMC Suppliers</b>	<b>4,743.21</b>	<b>4,613.27</b>	<b>5,281.82</b>	<b>6,098.88</b>	<b>(2.74)</b>	<b>14.49</b>	<b>15.47</b>	<b>40.10</b>	<b>39.19</b>	<b>41.38</b>	<b>46.37</b>
excluding PRC	4,098.98	3,865.58	4,313.40	4,329.46	(5.69)	11.58	0.37	34.65	32.84	33.79	32.92
<b>Preferential Suppliers</b>											
Canada	2,712.03	2,745.99	2,747.88	2,590.72	1.25	0.07	(5.72)	22.93	23.33	21.53	19.70
Mexico	1,136.28	1,087.77	1,227.75	1,154.88	(4.27)	12.87	(5.93)	9.61	9.24	9.62	8.78
Israel	375.28	455.92	500.33	473.31	21.49	9.74	(5.40)	3.17	3.87	3.92	3.60
Egypt	99.84	121.79	75.20	68.47	21.98	(38.25)	(8.96)	0.84	1.03	0.59	0.52
CAFTA	46.94	53.74	67.03	44.94	14.49	24.71	(32.95)	0.40	0.46	0.53	0.34
Australia	52.59	30.95	28.93	33.48	(41.15)	(6.51)	15.70	0.44	0.26	0.23	0.25
Andean (ATPA)	16.55	16.02	20.31	26.98	(3.16)	26.74	32.84	0.14	0.14	0.16	0.21
Bahrain	63.42	35.27	18.33	21.55	(44.38)	(48.05)	17.60	0.54	0.30	0.14	0.16
Sub-Sahara	22.84	14.59	17.47	10.96	(36.12)	19.68	(37.25)	0.19	0.12	0.14	0.08
Chile	0.88	1.13	2.86	3.17	27.80	153.16	10.79	0.01	0.01	0.02	0.02
Singapore	0.12	0.76	1.24	2.12	512.72	63.02	71.04	0.00	0.01	0.01	0.02
Morocco	0.10	0.34	0.47	1.25	250.24	35.90	167.54	0.00	0.00	0.00	0.01
CBI	1.32	1.87	2.04	1.10	41.50	8.68	(45.99)	0.01	0.02	0.02	0.01
Tunisia	0.17	0.34	0.59	0.13	99.47	70.58	(77.97)	0.00	0.00	0.00	0.00
Jordan	-	0.13	0.05	0.00	(62.19)	(98.92)	-	0.00	0.00	0.00	0.00
<b>Sub-total Preferential Suppliers</b>	<b>4,528.38</b>	<b>4,566.64</b>	<b>4,710.45</b>	<b>4,433.06</b>	<b>0.84</b>	<b>3.15</b>	<b>(5.89)</b>	<b>38.28</b>	<b>38.80</b>	<b>36.90</b>	<b>33.71</b>
<b>Non-Preferential Suppliers</b>											
EU15	1,598.76	1,599.83	1,649.72	1,553.44	0.07	3.12	(5.84)	13.52	13.59	12.92	11.81
Turkey	319.29	274.58	304.87	282.47	(14.00)	11.03	(7.35)	2.70	2.33	2.39	2.15
Japan	232.63	228.25	286.53	266.57	(1.88)	25.53	(6.96)	1.97	1.94	2.24	2.03
<b>World</b>	<b>11,828.46</b>	<b>11,770.16</b>	<b>12,764.81</b>	<b>13,151.88</b>	<b>(0.49)</b>	<b>8.45</b>	<b>3.03</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Sum of non-preferential and preferential suppliers does not add up to world total because some minor suppliers are not included; numbers may not sum precisely due to rounding. CBI excludes CAFTA member countries.

Source: US Department of Commerce, OTEXA office.

slightly less, 6.9 percentage points. Volume shares for China increase considerably more, by 11.8%, and China, Hong Kong, and Macao by 9.9%. The larger volume than value share increases reflect price falls for China's exports to US markets as quota restraints are eliminated. These increases in US market shares for China reflect not only the removal of MFA restraints and production increases in the larger and more efficient supplying country, but also the general increase in Chinese exports across the board which occurred in 2005 in a wider range of products than textiles and clothing.

Shares of non Chinese suppliers (also reported in Table 1) show increases in both value and volume for India, Bangladesh, Indonesia and Cambodia (value share increase only) steady value shares for Sri Lanka, Vietnam, Pakistan and falls in value shares for Korea, Philippines, and Taiwan. A striking feature of Table 1 is that no share of any non Asian supplier increases. Value shares for Mexico, CAFTA (Honduras, Guatemala), CBI countries (Dominican Republic), and Turkey all fall. The Asian value share of US imports of textiles and clothing increases from 55.3% to 61.7%, but this is less than the increase in China's share. The fall in the share of the non Asian suppliers exceeds the fall in share of non Chinese Asian suppliers.

These data thus suggest that an increased share of the US market for clothing (in value terms) has accrued to China in the post MFA period, but this has occurred more at the expense of non Asian suppliers (and especially Mexico) than at the expense of Asian suppliers. The larger change in share for non Asian suppliers also occurs relative to a smaller initial base than is true for Asian suppliers.

The picture in textiles in Table 2 is different from that in clothing. The share of China in US imports shows a much larger proportional increase (and especially in volume terms) while the shares of all Asian suppliers shows smaller increases in proportional terms than is the case for clothing. The fall in the share of non Asian



**Table 3****Growth Rates of the Value of US Imports of Textiles and Clothing, by Category, by Supplying Country\* (% Change in 2005 relative to 2004)**

<b>Product Category</b>	World	Bangladesh	Cambodia	China	India	Indonesia	Nepal	Pakistan	Philippines	Sri Lanka	Thailand	Vietnam
<b>Clothing</b>												
Cotton Clothing	10.4	37.2	18.9	182.9	47.1	54.0	-45.4	13.6	15.6	19.6	17.3	3.1
MMF Clothing	1.6	-4.6	21.3	72.8	13.2	-2.5	-91.2	-20.0	-17.2	-8.5	-9.9	6.3
Cotton/MMF Baby Wear	1.5	7.2	43.7	8.2	8.5	-15.7	40.3	-10.7	3.6	-9.7	-9.1	41.9
Wool Clothing	4.2	-20.3	-5.9	232.8	8.7	30.3	-15.4	1400.0	-13.0	-43.9	-47.5	32.5
Silk and Vegetable Fibre Clothing	-9.5	-59.6	273.7	-9.0	0.7	31.7	-31.4	45.7	72.0	-26.7	56.3	34.5
<b>Textile Products</b>												
Cotton Textiles	-17.2	-77.3	313.7	1.5	3.7	-29.8		-23.0	-57.9	11.4	0.3	-83.7
MMF Textiles	7.9		-49.5	65.6	85.4	35.8		-16.3	-76.3	-40.2	-5.9	-9.1
Blended Textiles	6.0			94.8	10.9	-5.0		-10.4	-53.7		-11.2	102.2

\* Calculations by W. James based on data from US OTEXA.

**Table 4****Growth Rates of the Volume of US Imports of Textiles and Clothing, by Category, by Supplying Country\* (% Change in 2005 relative to 2004)**

<b>Product Category</b>	World	Bangladesh	Cambodia	China	India	Indonesia	Nepal	Pakistan	Philippines	Sri Lanka	Thailand	Vietnam
<b>Clothing</b>												
Cotton Clothing	14.7	36.5	5.9	214.6	46.1	53.9	-40.4	16.3	15.1	22.5	18.5	6.6
MMF Clothing	7.7	-1.5	20.6	140.3	-0.3	-2.5	-79.5	-14.5	-15.5	-5.6	-11.1	-2.9
Cotton/MMF Baby Wear	1.3	10.2	42.8	5.2	15.4	-15.7	37.8	-8.5	12.9	-0.3	-11.8	45.4
Wool Clothing	7.8	8.0	-44.5	301.3	-1.7	30.3	-11.7	600.0	-19.3	-44.0	-56.8	23.1
Silk and Vegetable Fibre Clothing	-10.8	-60.2	138.8	-8.3	-9.7	-31.7	8.1	86.9	-40.9	-40.0	49.1	52.6
<b>Textile Products</b>												
Cotton Textiles	-10.8	-69.9	228.7	17.5	29.1	-29.8		-11.1	-51.1	10.7	9.0	-82.8
MMF Textiles	14.0		-68.1	163.1	376.6	35.8		-14.7	-65.1	-43.9	-1.4	4.4
Blended Textiles	2.7			102.9	25.2	-5.0		-3.2	-49.5		-28.4	140.3

\* Calculations by W. James based on data from US OTEXA.

suppliers is smaller in proportional terms. This suggests larger inter country substitution effects between China and other Asian suppliers for textile exports than for clothing.

Tables 3 and 4 report more detail on growth rates of US imports of textiles and clothing combined in both value and volume terms and for various products by country categories for 2005 relative to 2004. These show substantial variation across product categories for each country, and large increases in several categories for China; more so in volume than in value terms. Countries with falls in value and volume shares, such as Philippines and Thailand, show negative growth rates for more categories than for countries with expanding shares such as Cambodia.

Table 5 presents import data for the EU combined across clothing and textiles for 2003, 2004, and 2005 (data for 11 months projected onto a 12 month basis). For the EU, the growth rate of imports for 2005 is 6.1%, above that for 2004 (4.8%) and even more so compared to the period 2000 – 2003 (3.4% over 3 years). This thus suggests more impact of MFA abolition on EU imports, but the import growth rate remains at levels comparable to the US<sup>8</sup>.

The EU value share of imports from China increases by 7.7 percentage points in 2005, a slightly larger increase in proportional penetration of EU markets by China post MFA than for US. As Table 5 indicates, the import share from China had been growing in the EU prior to MFA removal, with a 5.5% share increase between 2000 and 2004. The removal of the MFA thus accelerates an existing trend.

The impact on both Asian and non Asian suppliers to the EU differs from that of the US case. Only for India is there an increases in market share in 2004. In all other cases shares either fall or hold steady. In some cases, such as Bangladesh, the contrast

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<sup>8</sup> Francois and Spinanger (2005) also present an evaluation of textile and clothing trade policies in the EU post MFA.

to the US situation is pronounced with an increase in US market share accompanied by a fall in EU market share. This case reflects the feature that Bangladesh shipped to the EU free of restraint under the MFA.

**Table 5**

**EU Imports of Textiles and Clothing, Total and By Country, 2000, 2003, 2004 and 2005<sup>9</sup>**

	2000	2003	2004	2005
<b><u>Value of Imports</u></b>	69.5	66.7	69.9	74.2
<b><u>Bill Euro</u></b>				
<b><u>Import Share by Supplying Country (%)</u></b>				
<b><u>Asia</u></b>				
China	17.5	21.4	23.0	30.7
India	7.1	6.8	6.8	7.5
Bangladesh	4.2	4.9	5.6	5.0
Pakistan	3.1	3.4	3.6	3.0
Hong Kong	5.1	3.3	3.0	2.2
Indonesia	3.9	2.8	2.6	2.2
S. Korea	3.1	2.2	1.9	1.4
Thailand	2.2	1.9	1.9	1.6
Sri Lanka	1.4	1.2	1.3	1.1
Taiwan	2.0	1.3	1.1	0.8
Vietnam	1.3	0.9	1.1	1.1
Cambodia	0.4	0.6	0.7	0.6
Macao	1.0	0.7	0.6	0.4
Philippines	0.6	0.5	0.5	0.3
Nepal	0.2	0.1	0.1	0.1
Total Asia	53.4	52.2	53.8	57.9
<b><u>Non Asia</u></b>				
Turkey	12.1	15.2	15.2	14.7
Romania	4.4	6.3	6.1	5.5
Tunisia	4.3	4.5	4.1	3.6
Morocco	3.9	3.9	3.7	3.2
Bulgaria	1.3	1.7	1.8	1.7
Total Non Asia	26.1	31.6	30.8	28.7

<sup>9</sup> These data relate only to the first 11 months of 2005, and the total imports for the year have been projected onto a 12 months basis.

The total share of Asian suppliers to the EU market increases from 53.8% to 57.9%, an increase of 4.1 percentage points and as with the US less than the increase in China's share. In contrast to the US case, the shares all non Asian suppliers fall, and significantly so for Romania, Tunisia and Morocco, but the aggregate impact on non Asian suppliers is smaller than in the US case. The broad picture is thus similar to that for the US of a reduction in import share for both non Chinese Asian suppliers and non Asian suppliers to the EU accompanying the increased market share of China.

The increase in import share in both the EU and US markets for China reflects not only the abolition of MFA quotas. It also reflects an across the board increase in Chinese exports to the US and the EU during this period. As Table 6 reports China's growth rates of exports of all commodities were 35% in both 2003 and 2004, and between 2003 and 2004 exports of textiles and clothing to the US grew at 22.1%, below the average growth rate of Chinese exports, while data for 2005 show a growth rate of 67.6%. The growth rate of EU textiles and clothing imports from China for 2004 – 2005 data is 39.7%. Table 6 therefore suggests a significant incremental effect of MFA abolition on China's share of imports by the US and the EU, but the general across the board increase in China's exports also accounts for a significant fraction of China's increased share in US and EU markets in 2005.

Table 7 provides data from Chinese sources on changes in China's overall exports of clothing to all markets for the period January – September 2005. These data show a modest 6.7% increase in total Chinese exports, accompanied by a 189% increase in exports to the US (larger than in US data) and a 79% increase in exports to EU (and 158% increase to Germany). Exports to Japan (which in 2005 exceeded those to the

US) rise only 4.5% and exports to Hong Kong fall by 43%. There are also sharp falls in unit values for exports to the US and Germany (but not for the EU). More extreme

**Table 6**

**China's Growth Rates of Textile and Clothing Exports Compared to China's Overall Trade Growth**

Annual Growth Rates of China's Textile and Apparel Exports (Value Terms)		
	To the US	To the EU
2002-2003	23.1%	
2003-2004	22.1%	
2004-2005	67.6%	39.7%

  

<u>Annual Growth Rates of the Value of China's Exports of All Commodities</u>	
2000	11%
2001	7%
2002	22%
2003	35%
2004	35%

*Sources: WTO (2005), US Dept of Commerce, Census Bureau, Foreign Trade Division, and Tables 1, 3 and 5.*

versions of this pattern also occur in data for knit ware exports and women's clothing. These data thus emphasize the point that the post MFA increase in China's exports of textiles and clothing is concentrated on US and EU markets, and most heavily the US. These large import increases are also accompanied by sharp price falls as quota restraints are eliminated. However, China is unusual among Asian suppliers in having a more significant share of exports of textiles and clothing going to non US – non EU markets.

Finally, Table 8 shows some of the sharp variations across product categories in trade changes between the US and China following the removal of the MFA. In this

table, trade in product categories is reported for a sample of MFA code lines which report both large positive and negative changes in imports. Some categories show increases of over 1000% in US imports from China. Other products, in contrast, show trade falls of over 40%. Sub aggregate data thus show considerable variation around the broad trends discussed above.

**Table 7**

China's Clothing Exports By Region and Broad Product Type Post MFA Abolition

	China's Exports Jan- Sept 2005 in \$bill	% Change	% Change in unit prices
<b>A. Total clothing</b>			
Exports			
Total	43.4	6.7	14.5
Japan	9.4	4.5	2.7
US	7.6	189.0	-24.6
Hong Kong	4.0	-43.7	15.2
EU	8.5	79.4	0.7
Of which Germany	1.9	157.8	-21.6
<b>B. Knit Ware Exports</b>			
Japan	4.2	6.9	4.4
US	2.9	388.3	-42.9
Hong Kong	1.9	-48.1	9.4
Germany	0.7	258.3	-22.7
<b>C. Women's Clothing</b>			
Exports			
Japan	5.2	-0.1	3.5
US	4.7	120.4	-8.3
Hong Kong	2.1	-31.4	8.4
Germany	1.3	79.0	-0.6

Source: EmergingTextile.com; Ctri.gov.ca

**Table 8**

**Examples of products showing large positive and negative changes in US imports  
from China (% Import change Oct. 2004-Oct. 2005)**

<u>Categories of US Imports from China</u>	<u>% Change in imports Oct 2004-Oct 2005</u>
	by category
Blue Denim Fabric	754.5
Cotton Shirts	1416.4
Cotton Sweaters	1476.9
Cotton Nightwear	939.5
Wool Knit Shirts/Blouses	2738.6
Wool Sweaters (Women and Girls)	641.5
Synthetic Fibre Skirts	418.9
Silk Sweaters	-60.7
Silk Nightwear	-40.8



#### **4. Country Impacts of MFA abolition**

Because the circumstances of each Asian supplier differ, to gauge the impact of MFA abolition on individual countries the special situation of each needs to be taken into account. Some have come under separate restraint (such as China), some are not WTO members (Vietnam) and had special arrangements in place prior to MFA abolition and can be restrained by WTO members in the post MFA regime, some had special preferential arrangements for trade in products covered by the MFA (Bangladesh), some had rapidly expanding domestic industries (Cambodia), in other cases the sector was in relative decline (Philippines) prior to the termination of the MFA. Here the situation in each country is briefly summarized.

##### China

China's exports to US and EU markets perform differently across various product categories. China's exports to US markets increase by 214% in 2005 for cotton clothing products, 140% for clothing using man made fibre, and 301% for wool clothing. Cotton baby ware exports to the US, however, only increase by 5%. Exports to the EU of T-shirts increase in 2005 by 108%, sweaters and pullovers increase by 187%, while exports of women's suits fall by 34%.

The ILO report (2005) discusses Chinese data on textile exports between January and April 2005 in more detail and compares them to data for the same period in the prior years, as well as providing similar analysis for the EU. They argue that growth rates of trade decline month by month over this period because exporters anticipated that quotas would be abolished and postponed shipments from the final quarters of 2004 to the first quarter of 2005. This was in part because the carry over flexibility

provisions that were part of the MFA did not apply for the last year of the MFA. Also the anticipation that transitional safeguards might be invoked by the US and EU against China under China's WTO accession provisions prompted accelerated shipments in early 2005.

The ILO report (2005) also suggests that competition among China's exporters has been a factor in trade performance immediately upon MFA termination. They report, by way of example, that the quota utilization rate in the EU for Chinese imports for the MFA category covering parkas and anoraks was nearly 100% in contrast to only 20% for Korea. They suggest that extremely high quota utilization rates for China prompted an initial post MFA surge as constrained domestic suppliers began to compete in foreign markets, a phenomenon missing for countries with low utilization rates.

They also note that China is not only a major exporter of textiles and clothing prior to MFA abolition but also a major importer of fibres (3<sup>rd</sup> world wide), principally of wool, and cotton and also of equipment for textile and clothing production. They also suggest that wage rates had been rising in the sector prior to MFA abolition, while hours worked had been falling which would also affect post MFA performance.

### India

Growth rates of India's exports to the US for 2005 also vary among product categories, but not to the same extent as for China. Cotton clothing exports to the US increase by 44%, wool clothing exports fall slightly by 2%, baby ware exports increase by 15%. ILO (2005) data for early 2005 show an increase in India's textile exports between January and March 2005 alongside a fall in exports of clothing and ready made garments.

During the first two month of 2005 data from the US Office of Textiles and Apparel (quoted by both Ghosh and Ray (2005)) and ILO (2005) allow a comparison between Indian and Chinese imports and show sharply higher market shares in the US for both India and China for men's cotton shirts (4.9% for Jan – Feb 2004 increasing to 7.4% for India, and 1.7% increasing to 5.7% for China), alongside other market share data changes where China sharply outperforms India.

In cotton fibre dresses, for instance, China's share increases to 18.2% from 10.8% while India's share is flat at 13.7% from 13.6% in 2004. In men's cotton trousers, China's share increases sharply from 1.5% to 12.2% while India's share is flat at 2.2%. In women's cotton trousers, India's share falls to 1.4% from 1.8% while China's share increases sharply to 13.3% from 1.9%.

India differs from China in both having much smaller imports of fabrics and equipment, and also has significant shipments to non MFA quota restrained countries, but these are to different markets from China. Bharat Textile (2005) report, for instance, that the United Arab Emirates accounted for 7% of India's textile exports and 10% of clothing exports in 2003 – 2004.

### Pakistan

Pakistan is a case where the positive effects of the removal of MFA restraints were offset by other factors, and overall Pakistan's share of US and EU markets falls little. Pakistan, like other non Chinese Asian suppliers exhibits less volatility in import shares in the US for individual product categories than is the case for China. ILO (2005) report increases in textile and clothing exports for the first four months of 2005, but also report that a 13.4% EU antidumping duty on bed wear and the reintroduction of a 12% tariff on textile exports restrained export growth.

## Indonesia

Indonesia represents a case where their post MFA import share of clothing in US markets rises but in the EU their share falls. Exports of cotton clothing to the US increase by 54%, wool clothing by 30%, while silk and baby ware both fall.

The increase in share in the US is consistent with the initial enthusiasm found in Indonesia in the first 3 month period after MFA elimination for export prospects. The Trade/ Investment Reports series from the US Embassy in Jakarta (2005) reports on a meeting of garment and textile manufacturers, academics and Indonesian government officials held in April 2005 which concluded that as of April Indonesia's textile and garment sector was holding up well, and American and European mid-end garment buyers were continuing to place orders in Indonesia. There were reports of orders being stepped up by importers in the US and the EU as a hedge against safeguards against China. Indonesia's mid-high end textiles (especially synthetics) were reported as remaining competitive. One US buyer at the meeting claimed that Indonesian garment producers dominated other suppliers (including China) for price, quality, compliance and service.

## Bangladesh

The impact of MFA removal on Bangladesh's export performance in textiles and clothing is discussed in Khondker et al (2005) who also report data for the first four month period after MFA elimination, along with preliminary data for May of 2005. Their data show clothing exports by Bangladesh from the first four month period after January 2005 that were lower, but an export increase in May 2005 resulted in an export growth rate of 8.7% over the same 2004 period. They highlight the rapid growth of knitwear products in the EU and US markets (also stressed by Leiema (2005)). Although sales to the US are small, exports to the EU by Bangladesh are

large. An issue in US markets for Bangladesh was lack of GSP treatment since the domestic content of exports is low. Rules of origin in the EU market were also a factor in determining GSP treatment.

#### Cambodia

Cambodia is a case where strong growth rates of exports before MFA abolition continued after MFA removal. ILO (2005) report that clothing exports account for 80% of export earnings in Cambodia, with two thirds going to the US and one third to the EU. The value of these exports had increased sharply from US \$ 26 million in 1995 to US \$ 1.9 billion in 2004 reflecting low cost production in Cambodia and steadily improving quality accounting for this growth. This growth momentum has remained in 2005 despite MFA elimination.

#### Vietnam

Vietnam clothing exports to the US remain flat in the post MFA period. Cotton clothing exports to the US increase by 15%, wool clothing exports increase by 23%, while silk products increase by 9%. A major factor underlying restrained export growth is that Vietnam is not yet a WTO member and US quotas remain in place against Vietnam under the 2001 Bilateral Trade Agreement (BTA) with the US. Vietnamese exports increased rapidly under this agreement from \$47 million of US clothing imports from Vietnam in 2000 to \$2.4 billion in 2003. But the growth rate of US imports of clothing from Vietnam fell from 65% in 2003 to 6% in 2004 and 6% in 2005.

Although the EU eliminated its quotas against Vietnam under an earlier bilateral agreement, exports remained subject to a 14% tariff and special incentives for imports from Tsunami affected countries affected Vietnamese exports to the EU in the post

MFA adjustment period. Despite these developments Vietnam's share in EU market has been stable.

### Philippines

For the Philippines there has been a significant reduction in import shares of both textiles and clothing after MFA removal. Wool clothing exports to the US decline by 19% in 2005, and silk product exports decline by 40% and in both the US and EU markets. The Philippines is a case of an early MFA entrant with large amounts of quota acquired from its exports in the early years of the MFA (1970 – 2000) suffering reduced exports shares as the MFA is terminated. Philippine exports of clothing had already fallen from \$3 billion in 2000 to \$2.9 billion in 2001, and to \$2.6 – 2.7 billion between 2002 and 2004 as other lower cost suppliers began to increase exports. Philippine exports were thus already under pressure from lower cost suppliers, and the removal of the MFA seems only to have served to accelerate this trend.

### Nepal

Nepal is a case where import shares in the US and EU markets fall significantly post MFA somewhat reflecting several dire predictions made for the effects to follow MFA elimination. Cotton based clothing exports to the US fall by 45%, and wool clothing exports by 15%. With geographical remoteness, poor infrastructure, and quota driven outsourcing from India, Nepal had been seen as a country likely to see significant negative impacts from MFA removal. Saakha (2005) suggested that post MFA only 20% of production units in Nepal's clothing industry would remain open in the longer run.

## **5. Impacts on Employment and Wage Rates**

The elimination of the MFA in January 2005 was also widely anticipated to have significant employment effects. Employment in the US, the EU and other importers which had been steadily falling for some years under ever growing import pressures was thought likely to continue to decline (especially for clothing), and at a faster rate after MFA removal. Employment was though likely to rise in export expanding countries (especially China), but fall in other Asian countries losing market share to China.

These potential employment losses were viewed with great apprehension in the lower income countries, including Cambodia, Nepal and Vietnam, since textiles and clothing constituted a large portion of manufacturing (and urban) employment. For these countries, at early stages of labour intensive manufactured production, clothing represents the dominant employment opportunity in urban areas for many workers. In addition, in many countries the majority of workers in the clothing industry are female (90% in Cambodia), and alternative opportunities for employment for these workers are even more restricted, and the potential pressure on female wage rates was also thought likely to be large.

Table 9 reports employment data for the US and the EU spanning both the period prior to the abolition of the MFA and the months following its removal. They show an ongoing process of adjustment in both textiles and clothing that prior to the termination of the MFA was strong and progressive, and considerably more so in clothing than in textiles. Between 1995 and the end of 2004 employment in the US clothing industry fell by nearly 60%; while falls in the EU were somewhat smaller. Table 9 also shows a monthly time trend for post MFA employment in both textiles

and clothing industries which approximately mirrors the pre MFA removal period. Employment in both the US and the EU continue to fall and in both textile and clothing, and at about the same rate as prior to the removal of the MFA. No acceleration of adjustment due to MFA removal appears discernable in either case.

**Table 9**

**US and EU Employment in Textiles and Clothing Post MFA**

**US**

1995	2000	Jun04	Dec04	Jan05	Feb04	Mar05	Apr05	May05	June05
<u>Employment in Clothing (thousands)</u>									
814	497	285.9	271.9	269.3	267.2	262.8	262.2	258.5	256
<u>Employment in Textiles (thousands)</u>									
688	595	417.8	411.2	409.6	408.0	406.6	403.2	403.7	401.4

**EU\***

1995	2000	2002	% decline Mar 04 –Mar 05	
			EU15	EU25
<u>Employment in Clothing (thousands)</u>				
1032	856	766	9.8%	11%
<u>Employment in Textiles (thousands)</u>				
1122	939	913	2.5%	3%

\* Data for France, Germany, Italy, Portugal, Spain and the UK

Sources: ILO (2005), Nordas (2004)



There is only limited data available thus far on the employment impacts of MFA removal on textile and clothing industries in Asian exporting countries. In China, where the textile and clothing industry directly employs around 9 million workers (around 22% of formal employment in manufacturing) and another 80 million workers are indirectly dependent on the textile and clothing industry (ILO (2005)) the abolition of the MFA and the resulting increase in exports was thought likely to generate increased employment. However, around 80% of production of textile and clothing in China is still for the domestic market, and export increases are concentrated on trade with the EU and US, with the overall trade increase smaller. According to the ILO (2005) the trade restrictions imposed by the US in late May 2005 affected \$2 billion of exports and 140,000 jobs, and so trade effects on employment should be more clearly discernable when better data becomes available.

Elsewhere, Khondker et al (2005) report on a UNDP survey covering 35 firms producing ready-made garments in 4 areas in Bangladesh. None of the firms report a reduction in employment after MFA abolition, and 19 of the 35 firms hired more workers after MFA abolition. They claim no reports of factory closures in Bangladesh following MFA removal. The textile and clothing sector is central to the Bangladesh economy accounting for 75% of export earnings, and after agriculture is the largest employer; 80% of employees are female.

The Philippines represents a case of reduced employment post MFA, but as noted earlier this trend was in place prior to MFA abolition. ILO (2005) reports that textile and clothing employment was around 700,000 in 2002 and had declined to 215,000 by 2004. They also report that between January and May 2005 28 establishments reduced production, and 12 permanently closed, but these numbers were smaller than for 2004.

In Cambodia, in contrast, these had been significant increases in employment prior to MFA abolition as Cambodia's exports of textile and clothing products grew. The ILO (2005) report that over 270,000 workers are employed in over 200 clothing factories and around 90% are female. In 2005 16 new large plants were scheduled to begin production<sup>10</sup>.

In India, growth in both clothing and textile exports to both the US and the EU provides a positive post MFA employment picture. Vietnam shows a small reduction in employment with declining trade share, and Pakistan a significant increase with the stronger trade performance.

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<sup>10</sup> Also see the discussion of the Cambodia situation in Spinager (2005).

## **6. Other Considerations and Concluding Remarks**

Besides the immediate short term impacts of MFA removal on trade flows and employment, there are also a number of other broader considerations to be factored in when evaluating the possible impacts of MFA abolition on the Asian economies in the medium to longer term.

One issue involves the welfare impacts on Asian countries of removing MFA quota restrictions as against the impacts on trade, since while these restrictions lower export volumes they also have the effect of raising prices. It is possible therefore that the export growth of Asian shippers post MFA may be accompanied by welfare losses for Asian countries due to accompanying price falls. These price effects were evaluated by Trela and Whalley (1990) in their general equilibrium evaluation of the effects of MFA restrictions on developing countries, who concluded that the net effect on developing countries remained positive since volume increases in exports more than compensated for price falls<sup>11</sup>. The sharp falls in prices of Chinese exports in the US and the EU markets in the data above, however, suggest that this issue may merit further investigation. Pure price effects and quality downgrading as quotas terminate are comingled.

Another issue relates to additional indirect effects on Asian suppliers associated with removal of the MFA quota regime, and how these are to be taken into account when evaluating the effects of MFA removal on Asian shippers. One of these is the impact of removal of internal quota allocation schemes in Asian countries, especially for clothing exports. Trela and Whalley (1995) pointed out that these schemes

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<sup>11</sup> Although see Krishna and Tan (1999) who argue that some of the returns from quota under the MFA (quota rents) accrued to concentrated retailers and middle men. Under MFA abolition these effects would be mitigated, and the suggested impacts on developing countries changed.

typically involve yearly reallocation of most quota to established firms and effectively either prevent or discourage the entry of new dynamic (and smaller) firms into exporting activities. Trela and Whalley provide some general equilibrium calculations that suggest which these quota allocation schemes can have a more detrimental effect on exporting countries than the MFA quota themselves. To the extent this is the case, the removal of these internal effects for exporters could provide a larger source of gain for Asian exporters than the more direct trade impacts of the removal of the MFA quotas.

Yet another issue relates to developments on the tariff front. In addition to MFA quota restriction, clothing has been subject to relatively high tariffs in both US and EU markets (and higher in the US than the EU). MFA abolition does not directly affect these tariff levels, but the WTO Doha Round negotiations may have a significant impact on Asia exporters if formula based multilateral tariff liberalization occurs at the end of the Round. At the time of writing, a formula based negotiated reduction seemed the likely outcome, which would benefit significantly Asian clothing suppliers.

Finally come the effects of MFA removal on the medium term growth performance of the Asian economies. The earlier discussion in this paper is largely of the impacts on trade, but rapidly increasing exports of labour intensive clothing also characterize the first stages of industrialization and rapid growth for lower income developing economies. In establishing growth rate quotas for exports, the MFA put in place a regime where new entrants to clothing exports had to slowly cumulate sufficient quota to allow export growth to occur. As MFA quotas disappear, the prospect is for more rapid growth by the lower wage countries in the region and a compression in the time needed to grow income per capita rapidly. In the medium term this may yield larger

impacts on the lower wage Asian suppliers, but data to confirm these trends will have to await the outcome.

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