

**Review and Analysis of Protectionist Actions
in the Textile & Apparel Industries**

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1. Executive Summary

The textile and apparel (T&A) industries have a long history of protectionism, including the Multifiber Arrangement (MFA) that governed world trade in these products from 1974 to 2004. Protectionist measures in T&A include: tariff barriers, non-tariff barriers, and government subsidies and support packages. Since the beginning of the current economic crisis (October 2008), a fairly large number of trade-restricting measures in the T&A industries have taken effect, especially in anti-dumping investigations and safeguards. However, a majority of these were initiated by only a handful of reporting countries against a small number of exporting countries. The list of products in question is quite limited, and many of the countries initiating these trade actions do not play a major role in international T&A trade. From a broader historical perspective and given the phase out of the MFA quota system by the World Trade Organization (WTO) in 2005, we are arguably in the most “liberal” period for T&A in more than three decades.

There have been two broad shifts in the center of gravity of T&A protectionist actions that have occurred: a shift from developed to developing countries as the initiators of trade actions; and a shift from the apparel industry to the textile and raw material industries as the focus of trade-restricting measures. Developed countries appear to have a decreased interest in trade actions and are opting instead for a greater use of free trade agreements.

There have also been striking shifts in T&A trade patterns over the past decade. The dismantling of the quota system, marked by the end of MFA in 2005, has fueled a growing consolidation in the T&A trading system, with China now occupying the central role. While Chinese apparel imports dominate developed country markets (the United States, Japan, and the European Union), China’s exports are diversified across all major markets, making it hard for any single country to combat disputed Chinese trade practices.

There are several additional elements potentially relevant to protectionism in the T&A arena that merit continued scrutiny. China is the only country with major investments planned for this industry. In 2009, the Chinese government announced a three-year stimulus package for T&A intended to bolster textile production, sales and employment. China has provided funds to encourage T&A enterprises to focus on domestic demand and the cultivation of homegrown brands that may extend to export markets. The United States has formally accused China in the WTO of providing illicit export subsidies to all industries, including textiles. Agricultural subsidies in developed countries (such as price supports by the European Union, the United States, Japan and South Korea) are also relevant to the T&A supply chain, since this category includes raw materials (such as cotton, wool, silk, hemp and flax) used in many textile products. Agricultural subsidies may provide a loophole to textile manufacturers who purchase these raw materials. Finally, social and environmental compliance, which can be considered a non-tariff barrier to trade, is emerging as a very important issue for the T&A industries due to the labor intensity of the apparel industry and the environmental impact of the textile industry (e.g., high energy usage and waste water). In recent years, the T&A industries have led the way in creating standards to hold firms and countries accountable for their social and environmental actions. Any changes in this category should be carefully monitored because relaxing current standards may trickle down to other industries, and non-compliance could have widespread, long-lasting repercussions.

2. Introduction

This report seeks to analyze the policy responses and trade implications that have occurred in the textile and apparel (T&A) sectors in response to the current economic crisis. The T&A industries have a long history of protectionism through the Multi-Fiber Arrangement (MFA) that governed world trade in textiles and apparel from 1974 to 2004. Therefore, section three will analyze recent T&A actions from two perspectives: 1) the total protectionist actions taken in all industries in recent months; and 2) the historical trends in T&A protectionism. The fourth section categorizes protectionist measures into three groups: tariff barriers and trade remedies, non-tariff barriers, and government support and subsidies. We provide an overview of the specific actions recently taken by governments aimed at reviving or protecting their T&A industries from foreign competition. In the final two sections, trade patterns over time will be discussed and analyzed, and conclusions and recommendations will be provided.

3. Two Perspectives in the Textile and Apparel Protectionist Debate

Both short-term and long-term perspectives are needed to evaluate protectionist trends in the T&A sectors. In the short term, several statistics indicate a recent upswing in the number of tariff and non-tariff actions that have taken place in all industries. According to the World Bank, from the beginning of the financial crisis (October 2008) through February 2009, trade officials have proposed and/or implemented roughly 78 trade measures¹ (1). Of these, 66 involved trade restrictions and 47 trade-restricting measures have taken effect (see Table 1 for specific measures). In general, developed countries are relying on industry subsidies in response to the crisis and developing countries are more often increasing tariffs (1; 2). In both cases, there has been a rise in anti-dumping cases and in agricultural subsidies (2).

Table 1: Trade-Restricting Measures: October 2008 through February 2009

Trade Restricting Measures	Developing	Developed	Totals
Subsidies & Support Packages	11 (31%)	12 (100%)	23
Tariff Increases	17 (49%)		17
Non-tariff Measures	4 (11%)		4
Import Bans	3 (9%)		3
Totals	35	12	47

Source: Gamberoni, E., & Newfarmer, R. (2009). *Trade protection: Incipient but worrisome trends: Trade Note #37*. Washington, D.C.: World Bank, International Trade Department.

However, in the case of the T&A sectors, a longitudinal perspective should also accompany analysis of the recent trends. When compared with the last four decades, one can claim that the number of trade-restricting actions is drastically reduced. According to Clothesource, since October 2008, more governments in garment-importing countries have removed barriers to the clothing trade than ever before and the last six months have represented the most widespread—and under-reported—abolition of protectionist trade barriers than any period on record. The report faults exporters who are “unable or too slow to exploit these changes” and thus they are finding it easier to blame their governments or non-existent protectionist barriers for their lack of success (3).

¹ These figures do not include anti-dumping cases.

4. Protectionist Measures

Protectionist measures will be divided into tariff barriers, non-tariff barriers, and government subsidies and support packages. Tariff measures include tariff increases and trade remedies. Non-tariff barriers include policies that encourage domestic production by creating obstacles to imports (such as import licensing) and incentives for domestic production (such as government procurement or trade agreements with rules of origin). For each of the three classifications, the actions are summarized below, and the specific cases (countries, dates, products, and actions involved) are available upon request.

4.1 Tariff Barriers and Trade Remedies

Binding tariffs and applying them equally to all trading partners are the goals for international trade within the World Trade Organization (WTO). Yet this does not always happen because not all countries apply their bound tariff rates, thus allowing them to increase their applied tariff rates. Furthermore, there are several agreements that allow for exceptions or trade remedy actions to be taken if potentially threatening or unfair trade practices are suspected. Trade remedy actions include:

- **Anti-Dumping (AD) Investigations and Measures:** Dumping occurs if a company exports a product at a price lower than the price it normally charges in its own home market. The WTO AD Agreement allows a country to undergo an investigation and add an extra duty (AD duty) to an imported product in order to bring the price closer to a normal value or remove the injury to the domestic industry in the importing country.
- **Subsidies and Countervailing (CV) Duties:** The WTO Agreement on Subsidies and Countervailing Measures ([SCM](#)) disciplines the use of certain subsidies, and regulates the actions countries can take to counter the effects of subsidies. The Agreement only applies to *specific* subsidies — i.e., a subsidy available to an enterprise, industry, group of enterprises, or group of industries in the country (or state, etc.) that gives the subsidy. They can be domestic or export subsidies. To overcome the effect of subsidies, a CV duty can be applied to an imported product after an investigation has taken place.
- **Safeguards:** Emergency measures to *temporarily* limit imports, designed to “[safeguard](#)” domestic industries.

Table 2 shows the total number of tariff increases and trade remedy investigations and measures that have recently occurred in the T&A sectors. Table 3 compares the number of textile trade remedy actions to the total number of actions taken by all industries over the same time period, and with respect to the total number of actions over time.

**Table 2: New Textile & Apparel Tariff Increases and Trade Remedy Cases:
Countries & Actions: 2008-2009** (actual date range in parenthesis)

Country	Tariffs & Trade Remedies								
	Raise Tariffs (08-09)	Anti-Dumping Actions				CV Measures (2008)		Safeguards (08-09)	
		Investigation (7/08-12/08)		Measure (2008)		R	E	Invest.	Measure
R	E	R	E						
U.S.				1		1			
Canada									
EU-27*			2						
China, Taipei, Hong Kong			6 3 1		4		1		
India	X	3	3		1				
Brazil	X	6		2					
Argentina		8							
Egypt	X							1	1
Turkey		5		7				1	1
Bangladesh					1				
Vietnam					1				
Indonesia			3		1				
Pakistan		1							
Thailand			1		1				
Malaysia					1				
Iran			1						
Israel			1						
Saudi Arabia			1						
Ecuador	X								
Peru								1	
Paraguay									
Belarus			1						
Totals	4	23		10		1		3	2

R: Reporting Country

E: Exporting country under investigation

**: Anti-dumping investigations were for Austria and Italy only*

Table 3: Total Numbers of New Trade Remedy Investigations and Measures vs. T&A Related Actions in the Past and Present: 1995-2009 (actual date range in parenthesis)

<i>Anti-dumping Actions</i>		Totals	% Textiles
2008	Total Investigations ²	208	
2008	Textile Investigations ¹	39	18.8%
2008 (7/1-12/31)	Total Investigations ³	120	
2008 (7/1-12/31)	Textile Investigations ²	19	15.8%
2009 (1/31-3/25)	Total Investigations ²	29	
2009 (1/31-3/25)	Textile Investigations	~5	
2008	Total Measures ¹	139	
2008	Textile Measures ¹	10	7.2%
1995-2008	Total Investigations	3,427	
1995-2008	Textile Investigations	271	7.9%
1995-2008	Total Measures	2,190	
1995-2008	Textile Measures	183	8.4%
<i>Countervailing Duty Actions</i>			
2008	Total Investigations ³	14	
2008	Textile Investigations ⁴	0	0%
2008 (7/1-12/31)	Total Investigations ²	6	
2008 (7/1-12/31)	Textile Investigations ³	0	0%
2008	Total Measures ³	11	
2008	Textile Measures ³	1	9%
2009 (1/31-3/25)	New Investigations ²	3	
2009 (1/31-3/25)	Textile Investigations	TBD	
1995-2008	Total Investigations ³	215	
1995-2008	Textile Investigations ³	13	6%
1995-2008	Total Measures ³	128	
1995-2008	Textile Measures ³	6	4.7%
<i>Safeguard Actions</i>			
2008	Total Investigations ³	11	
2008	Textile Investigations ⁵	2	18.2%
2008 (11/12)	Total Measures ⁴	6	
2008 (11/12)	Textile Measures ⁴	2	33.3%
2009 (3/25)	Total Investigations ³	6	
2009 (3/25)	Textile Investigations ⁶	1	16.7%
1995-2008	Textile Investigations ⁴	4	
2008	Textile Investigations ⁴	2	50%
1995-2008	Textile Measures ⁴	3	
2008	Textile Measures ⁴	2	66.7%

² WTO (2009). *Statistics on anti-dumping initiations & measures: 1995-2008. Reference (4)*

³ Lamy, P. (2009). *WTO Report on the crisis and trade-related developments. Reference (5)*

⁴ WTO (2009). *Statistics on countervailing initiations & measures: 1995-2008. Reference (6)*

⁵ WTO (2009). *Statistics on safeguard initiations & measures: 1995-2008. Reference (7)*

⁶ WTO Document: G/SG/N/6/PER/2

Import Tariff Increases

There have been four country cases related to increasing tariffs for products in the textile and apparel sectors. All of these cases are from developing countries (India, Brazil, Ecuador, and Egypt), primarily targeted at other developing countries. Each concerns textile products (yarn or fabric) rather than apparel, and they apply to cotton rather than synthetic products.

Anti-Dumping (AD) Investigations and Measures

In 2008, there were 208 AD investigations and 139 AD measures. Of these, 39 (18.8%) of the investigations and 10 (7.2%) of the measures were in the textile and related articles sector⁷ (4). According to the WTO report, in the second half of 2008 (July 1-Dec. 31), there were 120 total new AD investigation initiations with 19 related to textiles. Overall, it indicated that the total number of AD investigations increased by 27% in 2008 compared to 2007 (5).

Looking at historical patterns of AD actions, between 1995 and 2008, there were 271 AD investigations and 183 AD measures in the textiles and related articles sector (4). In Table 4, the recent trends in AD actions in the T&A industry are compared to historical trends. According to these data, 2008 represented the highest number of investigations ever reported in one year and the highest percentage of investigations related to textiles (19%). The total number of investigations increased by 255% in 2008 compared to 2007. The trend is not as obvious in textile measures because of the time lapse between carrying out the investigation and imposing a measure. Therefore, 2009 is likely to see a spike in textile-related AD measures.

Overall, the World Bank report indicated that developing countries accounted for the majority of investigations (led by India with 29%), and developed countries accounted for the greatest number of duty impositions (primarily the United States and the European Union) (1). Yet, this was not entirely the case in the T&A sector. In T&A, all of the investigations and all but one of the measures were initiated by just five developing countries: Turkey, Brazil, Argentina, India, and Pakistan (see Table 2). Note that AD actions are only being carried out by a handful of countries and, like tariff increases, are also entirely for textile products.

⁷ Textiles and related articles is sector XI in WTO reports.

Table 4: Total vs. Textile Sector Anti-Dumping Investigations and Measures: 1995-2008

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Textile Investigations	1	23	8	28	34	17	26	6	14	21	27	16	11	39
Total Investigations	157	225	243	257	356	292	366	312	232	214	200	202	163	208
Percentage of Textiles (%)	1%	10%	3%	11%	10%	6%	7%	2%	6%	10%	14%	8%	7%	19%
Textile Measures	4	8	9	2	21	24	8	29	2	14	13	23	16	10
Total Measures	119	92	125	170	186	228	169	215	220	152	132	137	107	138
Percentage of Textiles (%)	3%	9%	7%	1%	11%	11%	5%	13%	1%	9%	10%	17%	15%	7%

Source: WTO: *Statistics on anti-dumping initiations & measures: 1995-2008. Reference (4).*

Countervailing (CV) Duty Actions

In the second half of 2008 (July 1-Dec. 31), there were six new CV investigations (5) and in all of 2008, there were 11 total CV duty measures (6). None of the investigations and only one of these measures involved the textile sector (6). The CV measure was reported in August 2008 by the United States against China for laminated woven sacks, according to the semi-annual SCM report for the United States (WTO Document: G/SCM/N/185/USA). There were no CV investigations in the textile sector in 2008 (6). The investigation for the only measure implemented in 2008 was initiated in 2007, so this action is not directly associated with the economic crisis.

Safeguards

In 2008, there were 11 total safeguard investigations (5) and six safeguard measures⁸ (7). Of these, two of the investigations and two of the measures were related to textiles: Egypt and Turkey. In 2009 (Jan-March 25), there have been six safeguard investigations (5). Of these, one is related to textiles: Peru. Again, all are for cotton textile products.

This is definitely an increase for the textile sector. Between 1995 and 2008,⁹ there were only four investigations and three measures in the textile sector.

China Safeguards

As part of China's Accession to the WTO, a special textile safeguard provision was signed that allowed countries to place quotas on T&A imports from China through the end of 2008. Three countries or regions (the United States, the European Union, and Turkey) implemented such quotas. These quota actions are not *directly* related to the current economic crisis per se. But they represent an important change in a pre-existing policy that is likely to

⁸ Data are only available until November 11, 2008.

⁹ Actual dates: March 25, 1995 until November 12, 2008.

influence future trade patterns and policy responses over the next several months.

4.2 Non-Tariff Barriers

The following non-tariff barriers represent both new and existing actions countries have in place to either restrict imports or promote domestic consumption. The first barrier relates to new procedures that are designed to make the international trade process more difficult and thus restrict imports. The second action, social compliance, is a special case. With the economic crisis taking a toll on operating margins around the world, firms will be looking for all possible measures to increase their bottom lines. It will be important to make sure these budget cuts are not taken at the expense of human health, safety, or the environment.

The final two actions, Generalized System of Preferences and the Government Procurement Agreement, are both schemes within the WTO designed to encourage international trade, and participation can actually be seen as a step *towards* trade liberalization. However, each country's participation should be monitored because both programs have mechanisms that can be used to promote domestic consumption within the scheme.

Trade Procedure Import Barriers

There were two cases of non-automatic import licensing and one case of restricted port access that included provisions for the T&A sectors (Indonesia & Argentina). At this time, import procedural hurdles do not seem to be a major method to protect T&A related domestic industries.

Regarding trade procedures, it is important to keep in mind that the T&A industries are two of the most complicated sectors even *without* imposing specified barriers. The number of materials and configurations that can be combined to create components or final products is arguably endless. As a result, simply acquiring the knowledge or financial means to navigate T&A policies and procedures are barriers unto themselves. Any simplification or standardization of international or national trade processes, labeling, and certification schemes will facilitate trade and enable developing countries to participate.

Social and Environmental Compliance

Only one instance of reduced social or environmental protection was noted. In China, the central government has reportedly already relaxed its first workplace-protection [requirements](#) introduced in January 2008 under the Labor Contract Law. In order to help businesses, the government has permitted local authorities to freeze minimum-wage levels and to reduce or suspend employers' social-insurance contributions.

Social and environmental compliance are of the utmost importance for the T&A industries due to the labor intensity of the apparel industry and the environmental impacts of the textile industry (i.e., high energy usage and wastewater). In recent years, the T&A industries have led the way in creating standards to hold firms and countries accountable for their social and environmental actions. Any changes in this category should be carefully monitored because relaxing current standards may trickle down to other industries, and non-compliance has the potential to create the most widespread, long-lasting repercussions.

Generalized System of Preferences (GSP)

The GSP is one of the allowable exceptions to the standard, most favored nation (MFN) tariff that can be granted for developing and least developed countries. This program is important to the T&A sectors because a large percentage of the gross domestic product and export incomes of developing countries depends on the apparel (and to a lesser degree, textile) industries. Currently there are 13 countries that grant GSP preferences: Australia, Belarus, Bulgaria, Canada, Estonia, EU27, Japan, New Zealand, Norway, Russia, Turkey, Switzerland, and the United States (8). The United States extends GSP tariff preferences for most products, but it does not currently extend GSP benefits for most T&A products.¹⁰

The country granting GSP benefits chooses the level of the tariff reduction, the countries that receive the reduction, the rules of origin required, and the products included. In several ways, the GSP program is similar¹¹ to a free trade or preference agreement, so changes in these agreements should also be monitored.

There was one new case of modifying the rules of origin requirements to promote domestic consumption. In 2008, Canada began offering an [Outward Processing Remission Order](#) that further reduces the GSP tariff level for developing countries if they use Canadian textiles to manufacture apparel exports destined for Canada.

Government Procurement

The WTO has a Government Procurement Agreement (GPA) whose members agree to apply equal opportunities to all countries for products purchased from each government's budget with allowable provisions for domestic production if a country believes national security is an issue (i.e., military). Currently there are [13 members](#).¹² Increasing the number of countries that adhere to this agreement may be important for the T&A industries due to the investments planned for infrastructure developments in several stimulus programs with planned government spending (see section 4.3 below).

4.3 Government Support & Subsidies

Table 5 and the following section summarize the countries with textile-related government support, including: agricultural subsidies, general subsidies with textile funding opportunities, actionable or potentially illegal subsidies, and direct government stimulus funding for textiles.

¹⁰ A few handicrafts receive GSP rates, and the African Growth & Opportunity Act (AGOA) is similar to granting GSP benefits, although rules of origin and quotas apply. There is a bill pending in U.S. Congress (Tariff Relief Assistance for Developing Economies Act of 2009) to extend GSP benefits to the 14 least developing countries.

¹¹ The major different is that the GSP program is non-reciprocal. Tariff preferences are unilateral.

¹² Members include Canada, EU27, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, the Netherlands with respect to Aruba, Norway, Singapore, Switzerland, and the United States.

Table 5: Textile-Related Government Support & Subsidies, 2008-2009

Country	Government Support: Subsidies & Stimulus			
	Agricultural Subsidies	General Subsidies	Actionable Subsidies	Stimulus Support
US	X			X, C
EU-27	X	X		C
Japan	X			
China	X	X	X	X
India			X	X
Argentina		X	X	
Korea	X			X, C
Bangladesh		X		
Sri Lanka		X		

From various sources

C: Indicates stimulus support is for automotive component suppliers

Agricultural Subsidies

Provisions affecting agricultural products should be mentioned with regard to the T&A industries because this category includes the raw materials (such as cotton, wool, silk, hemp, flax, etc.) used in many textile products. Agricultural products have separate provisions from those in place for trade in manufactured goods, which allow for several industry-specific subsidies. Therefore, protection to agriculture may not even require new measures because the existing subsidies *automatically* provide for increases in subsidies with declines in agricultural prices. For example, many countries, including the European Union, the United States, Japan, and South Korea, have subsidy programs that increase direct payments to producers when commodity prices fall (1). Agricultural subsidies may thus provide a loophole for subsidies to textile manufacturers who purchase these raw materials.

General Subsidies with Textile Provisions

Several countries (including the European Union and China) extend subsidies that are applied equally to all industries, thus providing opportunities to benefit their domestic T&A sectors. These types of subsidies are allowed in the WTO and are not considered protectionist measures. But it is important to be aware of these programs because they may later be changed or interpreted by another country as a WTO-prohibited subsidy.

Actionable Subsidies

China has the most notable cases of potentially providing WTO-prohibited subsidies. The United States has filed three disputes in the last three years against [Chinese domestic subsidies](#) aimed at promoting domestic Chinese brands, providing export subsidies, import substitution and most recently export duties and quotas to promote the downstream manufacturing industries of raw materials found in China. Potential evidence of illegal subsidies in India and Argentina were also identified (little information was found on these cases and no investigations have occurred).

Recent Government Support and Stimulus Packages

Several countries have created stimulus packages that will *indirectly* assist the textile sector through government funding allocated for final products that use textiles as a component such as automobile manufacturing, construction, and infrastructure investments. Three countries, the United States, Paraguay, and now China, have enacted “buy national” requirements for government spending under these packages that is likely to have an adverse effect on international trade. China’s decision to require domestic production is the most notable because the provision was not originally part of their stimulus package (it was added in May 2009) and China does not adhere to the GPA. This reversal may spark other countries to follow the trend.

China is also the only significant example of recent government support specifically for the T&A industry. In 2009, China announced a [three-year stimulus package](#) to encourage textile enterprises to focus on domestic demand, develop rural markets and cultivate homegrown brands. The general goal is to maintain stable textile production and sales to keep employment.

5. International Trade Patterns

Several important international T&A trade data tables and figures are presented in the Appendix:

- Table 6 lists the leading textile exporting and importing countries in 2007 and how each country’s percentage of total international textile trade has changed over time
- Table 7 provides a similar listing of the leading apparel countries
- Table 8 includes only the top 15 T&A exporting countries for 2007
- Table 9 includes apparel statistics for China’s top 10 export markets for three years (1997, 2002, 2007). China is the world’s largest apparel exporter.
- Figures 1-3 depict the regional apparel import patterns for the three largest apparel importing countries (the United States, EU-15, and Japan)
- Figures 4-6 depict the changes in textile exports of these three countries.

These trade patterns show the impact of reduced regulations in the T&A sectors, especially after the removal of quotas. After the MFA quota phase out in 2005, two major trends occurred in apparel (and to a lesser degree, textile) sourcing. First, the world’s three top apparel importers (the United States, the European Union, and Japan) all faced a heightened consolidation of global apparel exports, with China dramatically increasing its share of the world’s biggest import markets. With no quotas to limit apparel imports following the expiry of WTO-allowed China safeguards (after 2007 in the European Union and 2008 in the United States), China has clearly emerged as the leading apparel producer in the world.

Second, China’s impressive pattern of export diversification in apparel means it does not depend on any specific region to sustain its global market share, unlike the leading apparel importing countries, which are dependent on China as their key supplier. In 2007, China’s top apparel export markets were the EU 15 (17.4%), the United States (16.3%), and Japan (14.3%), which together represent just under one-half (48%) of China’s total apparel exports (see Table 9). By contrast, in 2007, China accounted for 34.5% of apparel imports in the United States, 24.9% in the EU 15, and an astronomical 82% of Japan’s apparel imports (Appendix: Figures 1-3). Given this striking asymmetry in China’s role in global apparel markets, it might be difficult

for one country to combat potentially illegal Chinese subsidies. If allegations of protectionism are true, several countries may need to join forces to confront the issue.

After consolidation, the other trend is the growing importance of regionalization in T&A sourcing networks. This is most clearly evident in the European Union's sourcing patterns, but is also evident in both the United States and Japan (Appendix: Figures 1-6).

6. Trends, Conclusions, & Recommendations

The overall trends, conclusions and possible recommendations for the future in the T&A industries can be summarized as follows.

Recent Trends and Conclusions:

Trade Remedies: Overall, the number of textile cases in 2008 was high (especially in AD investigations and safeguards) with respect to both the number of recent cases and historical trends. Even though the AD percentages were high, they were initiated by only a handful of reporting countries against a small number of exporting countries. Furthermore, the list of products being protected is limited to a relatively small set of textile items. Finally, we should note that many of the countries initiating actions do not play a significant role in international textile trade (Appendix: Tables 6 & 7).

Since it can be costly and time consuming to investigate and implement trade remedies or non-tariff barriers, these measures may be prohibitive for many of the developing countries to effectively implement. Therefore the magnitude of these measures is likely to be much less than in the past when developed countries with more money and power were initiating them. When economic conditions improve, this trend is likely to decrease.

Non-tariff barriers: Imposing new non-tariff barriers does not appear to be a significant trend compared to the total number of actions for all industries or for the T&A industries. The issue of social and environmental compliance is likely to grow in importance, and it should be encouraged as a way to foster social and economic upgrading in developing economies.

Government subsidies and support: In comparison to recent investments for other industries (such as finance and automotive), the number of textile-specific government support cases is very low. China is the only country with potentially significant investments planned for the textile industry, and these should be carefully monitored. Equally important have been changes to existing, allowable agricultural subsidies. Even though (in most cases) these are not granted directly to companies in the T&A sectors, subsidizing textile raw materials is a way to legally protect an important piece of the T&A supply chain. Whereas agricultural subsidies do not appear to be a significant issue now, they provide a potential loophole to protect and support manufacturers that purchase domestic cotton or other natural fibers.

Historical Trends and Conclusions:

When recent trends are compared to historical T&A protectionist actions, *two shifts in the center of gravity* are evident:

- The first shift is from *developed to developing countries* as the initiators of trade actions. In the past, the European Union and the United States were the forces promoting and

implementing trade-restricting policies. Yet in the most recent actions, developing countries have been the ones responsible for initiating trade barriers, primarily aimed at limiting imports from other developing countries. Developed countries are reducing their trade remedy actions and they are moving toward a greater use of free trade agreements.

- The second shift is from *protecting the apparel industry to protecting the textile and raw material industries*. Almost all of the recent trade-restricting measures seek to protect textile rather than apparel producers. In the past, the major apparel-importing countries (developed economies, such as the European Union and the United States) were the primary advocates for restrictive trade measures, mainly aimed at protecting the apparel rather than the textile industry.

Now that these restrictive policies have expired and these countries' T&A production capacities are drastically reduced, three new trends can be detected:

- **Regionalization:** Regional sourcing is becoming more important and there are an increasing number of bilateral and multilateral agreements. Countries that do not actively pursue such agreements (other than China) will find it difficult to compete in the future. This trend is expected to intensify with new concerns about protecting the environment. The European Union is the most notable example of changing its focus from protectionist policies to developing regional sourcing networks with Eastern and Central Europe. For instance, in April 2009, the European Union abolished the anti-dumping duty on bed linens from Pakistan (3), historically one of the most protected products by the European Union (9), especially from India and Pakistan (10). Furthermore, two more countries were added to the European Union in 2007, and several other trade partnerships (Euro-Mediterranean Partnerships), preference schemes (GSP+), and customs unions (Turkey) have been created.
- **Focus on China:** After all quotas were removed in 2008, China clearly increased its role as the leading apparel exporter and also as a textile exporter. The quota system actually encouraged China to develop the capacity to produce every item in the T&A supply chain (11). Now China is moving up the value chain into higher value activities such as branding and marketing. In the past, these value-adding activities were seldom the target of protectionist measures because only a few countries (primarily the United States and the European Union) had the skills and market power to compete in this arena.

Currently, the United States has switched to monitoring China's recent investments in developing domestic brands because this now poses much more of a threat to U.S. apparel marketers than to pure textile and apparel manufacturers. This trend is similar to the previous lack of protection directed towards the textile industry. Since textiles are more complex than apparel, fewer countries had the capacity to integrate backwards from apparel to textiles, resulting in less competition and fewer protectionist measures.

- **Diversification:** Japan is taking measures to diversify its sources of apparel import supply in order to move away from its extreme dependence on China. Japan would like to cut China's import market share of textiles and apparel to only 50 percent. Japan is working with factories in Bangladesh as well as Indonesia and other nations within the Association of Southeast Asian Nations (ASEAN) to take advantage of their free trade agreement there (12; 13).

In summary, compared to the last four decades, the current situation in the T&A industries is much improved and the environment is more liberal than before. If the comparison is extended to the early 1970s, when the MFA was introduced, the situation today represents the most "liberal" period for T&A in several decades. In light of this, we see very few significant elements of protectionism compared to the past.

General Recommendations:

- For the developed economies (the United States, the European Union, and Japan), the vast majority of apparel production has already moved offshore. Therefore, there is no domestic apparel industry left to protect. The main emphasis for these economies should be to strengthen innovation in their T&A sectors, including mass customization manufacturing, high quality fabrics, and technical textiles for non-traditional products (such as medical applications, the construction industry, and new textile materials).
- Regional sourcing is of growing importance in the T&A industries, and it is being used extensively by the United States, the European Union, and Japan to reduce their reliance on apparel imports from China. Rules of origin should be expanded to include regional trading blocs that include the capability to produce full-package garments.
- Encourage relaxed rules of origin to facilitate T&A exports from the least developed countries, such as those in sub-Saharan Africa. Apparel assembly is the lowest rung on the textile-apparel supply chain and one of the best ways to stimulate export-oriented industrialization for many poor nations. A country will develop the capacity to manufacture garments long before fabric and yarn, and thus in many cases requiring "double transformation" (in both apparel and textiles) in a country is not feasible.
- China is the world's largest producer of textile and apparel products. While it has been accused of various alleged trading abuses, such as using export subsidies to unfairly advantage domestic producers, it is also under great pressure as a result of the recent economic crisis to stabilize T&A production and sales to maintain employment. China's trade actions should be closely monitored, but the country should also be encouraged to sustain its labor reforms and to continue its investments in the sector aimed at promoting social as well as economic upgrading.
- Social and environmental compliance is emerging as a very important issue for the T&A industries due to the labor intensity of the apparel industry and the environmental impact of the textile industry (e.g., high usage of energy and waste water). Many of the leading global retailers and manufacturers of T&A products are establishing campaigns to create more sustainable supply chains and products, and they are in a strong position to promote improvements in labor and environmental conditions in the most important developing country exporters, such as China, India, Bangladesh, Indonesia, and Pakistan. These social and environmental efforts should be maintained and strengthened.

7. References

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8. Appendix: International Trade Statistics: Tables and Charts

Table 6: Leading Textile Exporters and Importers: 2007
(Values in billions of USD and percentages)

	Value	Share in world exports/imports				Annual percentage change				
	2007	1980	1990	2000	2007	2000-07	2005	2006	2007	
Exporters										
1	European Union (27)	80.62	-	-	36.2	33.9	5	-4	5	9
	extra-EU (27) exports	23.72	-	-	9.9	10.0	6	-3	5	10
2	China a	55.97	4.6	6.9	10.3	23.5	19	23	19	15
3	United States	12.39	6.8	4.8	7.0	5.2	2	3	2	-2
4	Korea, Republic of	10.37	4.0	5.8	8.1	4.4	-3	-4	-3	3
5	Taipei, Chinese	9.72	3.2	5.9	7.6	4.1	-3	-3	1	0
6	India	9.45	2.4	2.1	3.6	4.0	8	13	7	7
7	Turkey b	8.73	0.6	1.4	2.3	3.7	13	10	7	15
8	Pakistan	7.37	1.6	2.6	2.9	3.1	7	16	5	-1
9	Japan	7.11	9.3	5.6	4.5	3.0	0	-3	0	3
10	United Arab Emirates b	4.02	0.1	0.0	2.0	1.7	4	-24	29	36
11	Indonesia	3.83	0.1	1.2	2.2	1.6	1	13	8	6
12	Thailand	3.11	0.6	0.9	1.2	1.3	7	8	4	8
13	Canada	2.32	0.6	0.7	1.4	1.0	1	1	-4	-2
14	Mexico a	2.21	0.2	0.7	1.6	0.9	-2	3	3	1
15	Hong Kong (domestic exports)	0.46	1.7	2.1	0.8	0.2	-12	-12	-12	-13
	Above 15	217.67	-	-	91.7	91.4	-	-	-	-
Importers										
1	European Union (27)	84.21	-	-	34.4	33.7	6	-2	7	10
	extra-EU (27) imports	27.31	-	-	9.7	10.9	8	2	11	14
2	United States	24.09	4.5	6.2	9.6	9.6	6	9	4	3
3	China a, c	16.64	1.9	4.9	7.7	6.7	4	1	6	2
4	Japan	6.30	3.0	3.8	3.0	2.5	4	4	6	2
5	Turkey b	5.98	0.1	0.5	1.3	2.4	16	6	6	28
6	Mexico a, d	5.66	0.2	0.9	3.5	2.3	0	5	-2	-5
7	Viet Nam b	4.94	...	...	0.8	2.0	20	17	16	24
8	Canada d	4.46	2.3	2.2	2.5	1.8	1	5	2	2
9	Russian Federation b, d	4.41	-	-	0.8	1.8	19	25	26	22
10	Korea, Republic of	4.14	0.7	1.8	2.0	1.7	3	5	10	6
11	United Arab Emirates b	4.10	0.8	0.9	1.2	1.6	10	1	10	15
12	Brazil	2.28	0.1	0.2	0.6	0.9	12	13	38	42
13	Morocco a	2.28	0.2	0.3	0.8	0.9	8	-1	7	19
14	Thailand	2.16	0.3	0.8	1.0	0.9	4	8	4	5
15	Hong Kong (retained imports)	0.60	3.7	3.8	0.9	0.2	-12	14	5	1
	Above 15	172.25	-	-	70.0	68.9	-	-	-	-
a	Includes significant shipments through processing zones									
b	Includes Secretariat estimates									
c	In 2007, China reported imports of textiles from China amounting to \$3.3 billion. For further information, see the Metadata.									
d	Imports are valued f.o.b.									

Source: WTO International Trade Statistics: 2008

Table 7: Leading Apparel Exporters and Importers: 2007
(Values in billions of USD and percentages)

		Value	Share in world exports/imports				Annual percentage change			
		2007	1980	1990	2000	2007	2000-07	2005	2006	2007
Exporters										
1	China a	115.2	4.0	8.9	18.2	33.4	18	20	29	21
2	European Union (27)	103.4	-	-	28.4	29.9	9	3	7	13
	extra-EU (27) exports	24.8	-	-	6.5	7.2	10	5	10	19
3	Turkey b	14.0	0.3	3.1	3.3	4.1	12	6	2	16
4	Bangladesh b	10.1	0.0	0.6	2.6	2.9	10	19	28	4
5	India	9.7	1.7	2.3	3.0	2.8	7	26	10	2
6	Viet Nam b	7.2	...	...	0.9	2.1	22	10	19	29
7	Indonesia	5.9	0.2	1.5	2.4	1.7	3	16	16	2
8	Mexico a	5.1	0.0	0.5	4.4	1.5	-7	-2	-13	-19
9	Hong Kong (domestic exports only)	5.0	11.5	8.6	5.0	1.4	-9	-11	-7	-26
10	United States	4.3	3.1	2.4	4.4	1.2	-9	-1	-2	-12
11	Thailand	4.1	0.7	2.6	1.9	1.2	1	3	4	-4
12	Pakistan	3.8	0.3	0.9	1.1	1.1	9	19	8	-3
13	Morocco a	3.6	0.3	0.7	1.2	1.0	6	-6	14	11
14	Tunisia	3.6	0.8	1.0	1.1	1.0	7	-5	-3	18
15	Sri Lanka b	3.3	0.3	0.6	1.4	1.0	2	4	6	8
	Above 15	298.1	-	-	79.2	86.3	-	-	-	-
Importers										
1	European Union (27)	162.8	-	-	39.7	45.5	10	5	10	13
	extra-EU (27) imports	84.2	-	-	19.2	23.5	11	9	13	13
2	United States	84.9	16.4	24.0	32.1	23.7	3	6	4	2
3	Japan	24.0	3.6	7.8	9.4	6.7	3	4	6	1
4	Russian Federation b, c	14.5	-	-	1.3	4.1	27	23	2	79
5	Canada c	7.6	1.7	2.1	1.8	2.1	11	14	14	12
6	Switzerland	5.2	3.4	3.1	1.5	1.4	7	2	5	11
7	United Arab Emirates b	5.0	0.6	0.5	0.4	1.4	29	7	72	64
8	Korea, Republic of	4.3	0.0	0.1	0.6	1.2	19	6	29	15
9	Australia c	3.7	0.8	0.6	0.9	1.0	10	17	5	13
10	Mexico a, c	2.5	0.3	0.5	1.7	0.7	-5	-2	0	-2
11	Singapore	2.4	0.3	0.8	0.9	0.7	4	-5	17	-3
12	Norway	2.3	1.7	1.1	0.6	0.6	9	11	7	16
13	China a	2.0	0.1	0.0	0.6	0.6	7	6	6	15
14	Saudi Arabia	1.9	1.6	0.7	0.4	0.5	13	25	13	18
15	Hong Kong, China	19.1	1.6	6.2	7.6	5.4	3	8	2	2
	retained imports	...	...	...	...	...	...	...	...	...
	Above 15 d	323.1	-	-	91.8	90.3	-	-	-	-

a Includes significant shipments through processing zones

b Includes Secretariat estimates.

c Imports are valued f.o.b.

d Excludes retained imports of Hong Kong, China.

Source: WTO International Trade Statistics 2008

Table 8: Top 15 Textile and Apparel Exporting Countries or Regions: 2007

Country	Share in World Textile Exports (%)	Share in World Apparel Exports (%)
EU27	33.9	29.9
Extra-EU27 exports	10.0	7.2
China	23.5	33.4
U.S.	5.2	1.2
Korea	4.4	
Taipei, Chinese	4.1	
India	4.0	2.8
Turkey	3.7	4.1
Pakistan	3.1	1.1
Japan	3.0	
United Arab Emirates	1.7	
Indonesia	1.6	1.7
Thailand	1.3	1.2
Canada	1.0	
Mexico	0.9	1.5
Hong Kong (domestic exports only)	0.2	1.4
Bangladesh		2.9
Vietnam		2.1
Morocco		1.0
Tunisia		1.0
Sri Lanka		1.0
Top 15 Total:	91.4	86.3

Source: WTO International Trade Statistics 2008

Table 9: China Apparel Exports: 1997, 2002, 2007 (values in USD millions)

1997: Top Apparel Markets		
Hong Kong	\$11,601	36.5%
Japan	\$7,757	24.4%
USA	\$3,587	11.3%
Germany	\$962	3.0%
Russian Fed.	\$884	2.8%
Rep. of Korea	\$737	2.3%
Australia	\$536	1.7%
U.K.	\$377	1.2%
Panama	\$352	1.1%
Italy	\$341	1.1%
World	\$31,803	
Top Ten Markets	\$27,135	85.3%

1997: Top Apparel Markets (using EU-15)		
Hong Kong	\$11,601	36.5%
Japan	\$7,757	24.4%
USA	\$3,587	11.3%
European Union 15	\$2,868	9.0%
Russian Federation	\$884	2.8%
Rep. of Korea	\$737	2.3%
Australia	\$536	1.7%
Panama	\$352	1.1%
Canada	\$318	1.0%
Poland	\$315	1.0%
World	\$31,803	
Top Ten Markets	\$28,955	91.0%

2002: Top Apparel Markets		
Japan	\$11,197	27.1%
Hong Kong	\$7,084	17.2%
USA	\$5,325	12.9%
Rep. of Korea	\$2,250	5.4%
Russian Fed.	\$1,300	3.1%
Germany	\$1,120	2.7%
Australia	\$1,027	2.5%
U.K.	\$754	1.8%
Canada	\$731	1.8%
Mexico	\$618	1.5%
World	\$41,302	
Top Ten Markets	\$31,405	76.0%

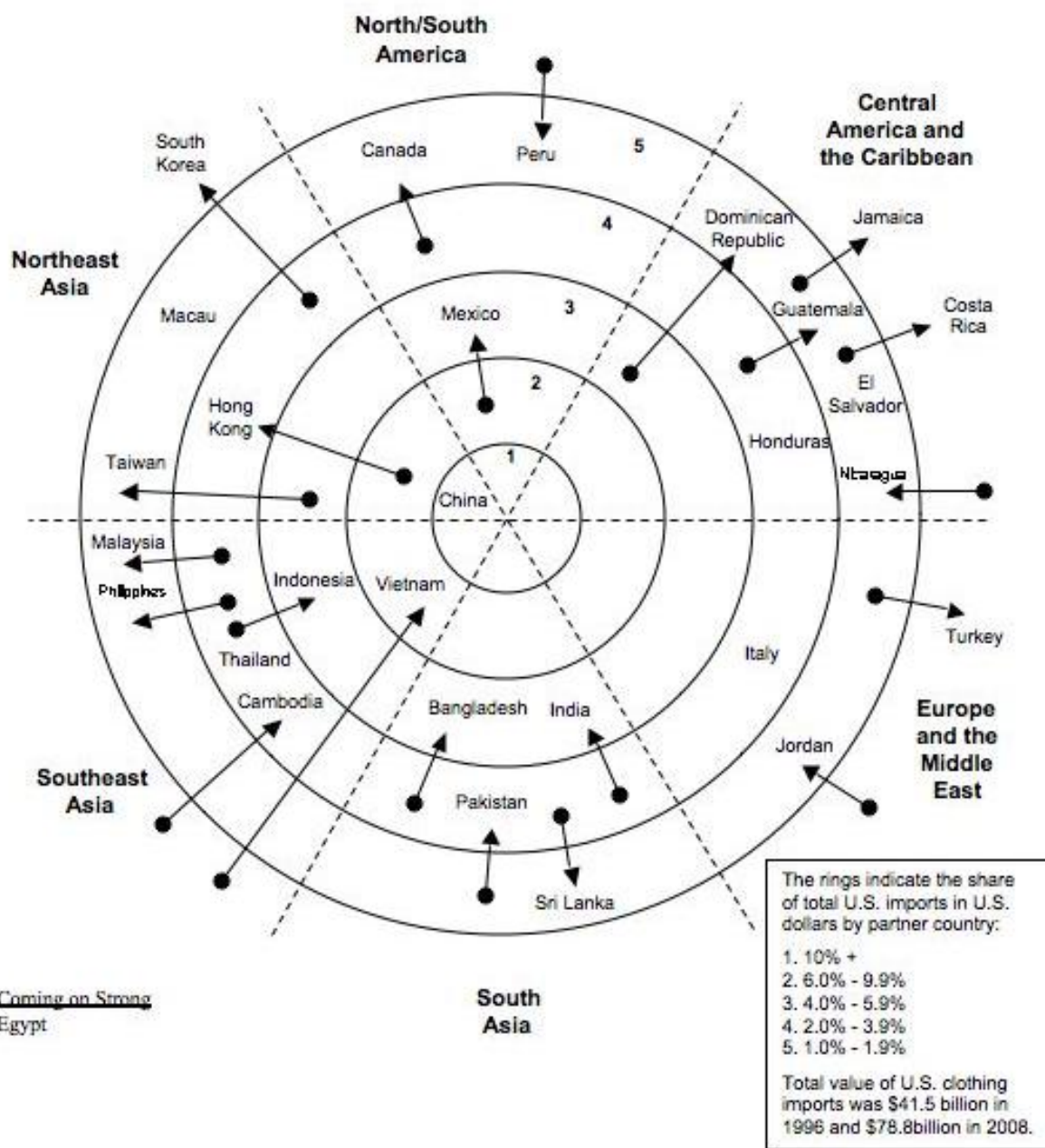
2002: Top Apparel Markets (using EU-15)		
Japan	\$11,197	27.1%
Hong Kong	\$7,084	17.2%
USA	\$5,325	12.9%
European Union 15	\$4,672	11.3%
Rep. of Korea	\$2,250	5.4%
Russian Federation	\$1,300	3.1%
Australia	\$1,027	2.5%
Canada	\$731	1.8%
Mexico	\$618	1.5%
Singapore	\$617	1.5%
World	\$41,302	
Top Ten Markets	\$34,821	84.3%

2007: Top Apparel Markets		
USA	\$18,791	16.3%
Japan	\$16,498	14.3%
Hong Kong	\$9,336	8.1%
Russian Fed.	\$8,884	7.7%
Germany	\$4,766	4.1%
Canada	\$3,849	3.3%
U.K.	\$3,500	3.0%
Rep. of Korea	\$3,379	2.9%
Singapore	\$3,111	2.7%
Italy	\$2,600	2.3%
World	\$115,238	
Top Ten Markets	\$74,712	64.8%

2007: Top Apparel Markets (using EU-15)		
European Union 15	\$19,996	17.4%
USA	\$18,791	16.3%
Japan	\$16,498	14.3%
Hong Kong	\$9,336	8.1%
Russian Fed.	\$8,884	7.7%
Canada	\$3,849	3.3%
Rep. of Korea	\$3,379	2.9%
Singapore	\$3,111	2.7%
United Arab Emirates	\$2,516	2.2%
Australia	\$2,158	1.9%
World	\$115,238	
Top Ten Markets	\$88,517	76.8%

Source: UN Comtrade: SITC code 84 rev. 3: China exports

Figure 1: Shifts in the Regional Structure of U.S. Apparel Imports: 1996-2008¹

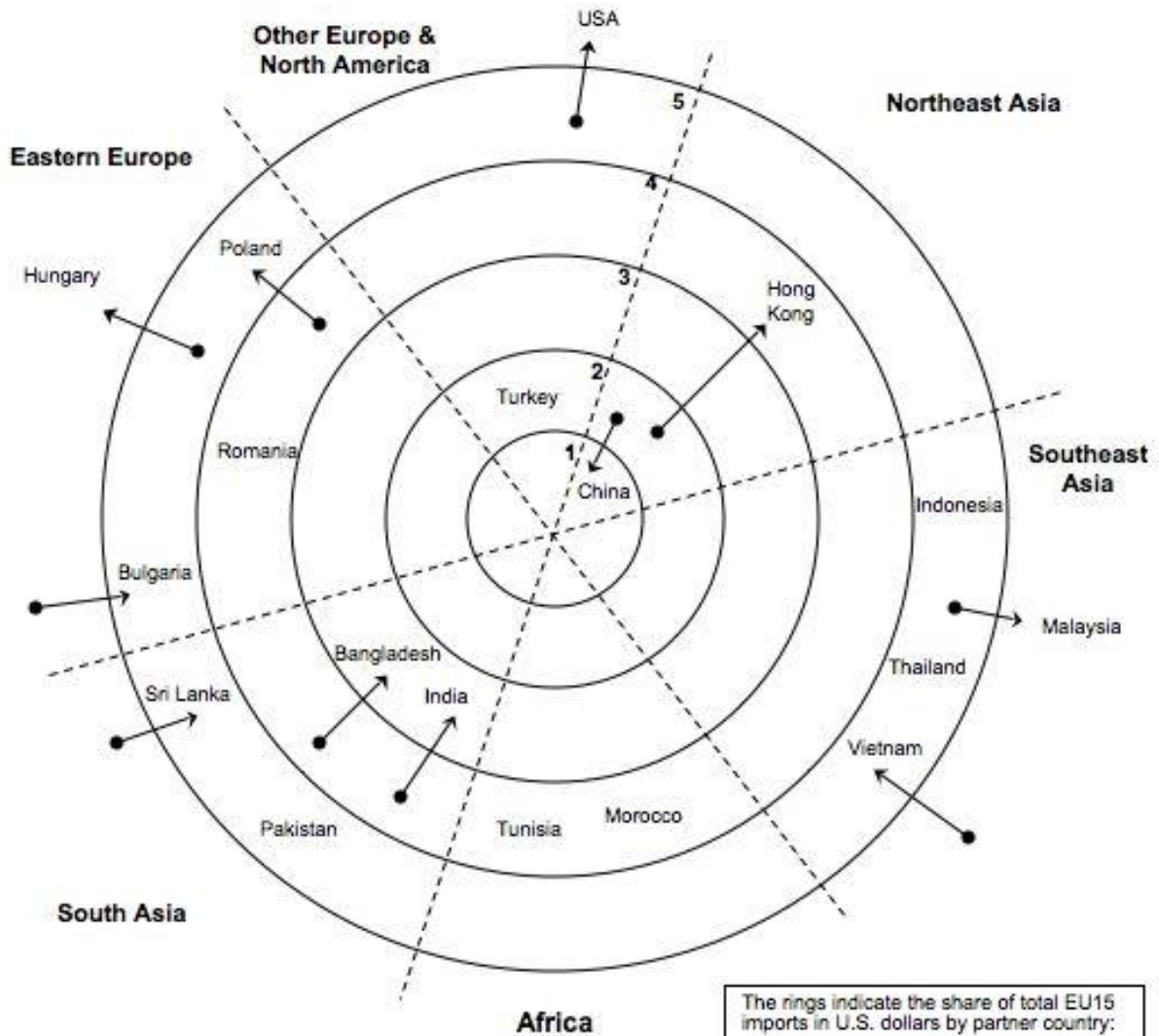


¹The 2008 position corresponds to the ring where the country's name is located; the 1996 position, if different, is indicated by a small circle. The arrows represent the magnitude and direction of change over time.

N.B.: From 1996 to 2008, China's import share of the United States apparel market grew from 15.2% to 34.5%.

Source: Compiled from official statistics of the U.S. Department of Commerce, U.S. imports for consumption, customs value. SITC code: 84 <http://dataweb.usitc.gov>

Figure 2: Shifts in the Regional Structure of EU-15¹ Apparel Imports: 1996-2007²



The rings indicate the share of total EU15 imports in U.S. dollars by partner country:

1. 10% +
2. 6.0% - 9.9%
3. 4.0% - 5.9%
4. 2.0% - 3.9%
5. 1.0% - 1.9%

Total value of extra-regional EU15 apparel imports was \$45.5 billion in 1996 and \$103.3 billion in 2007.

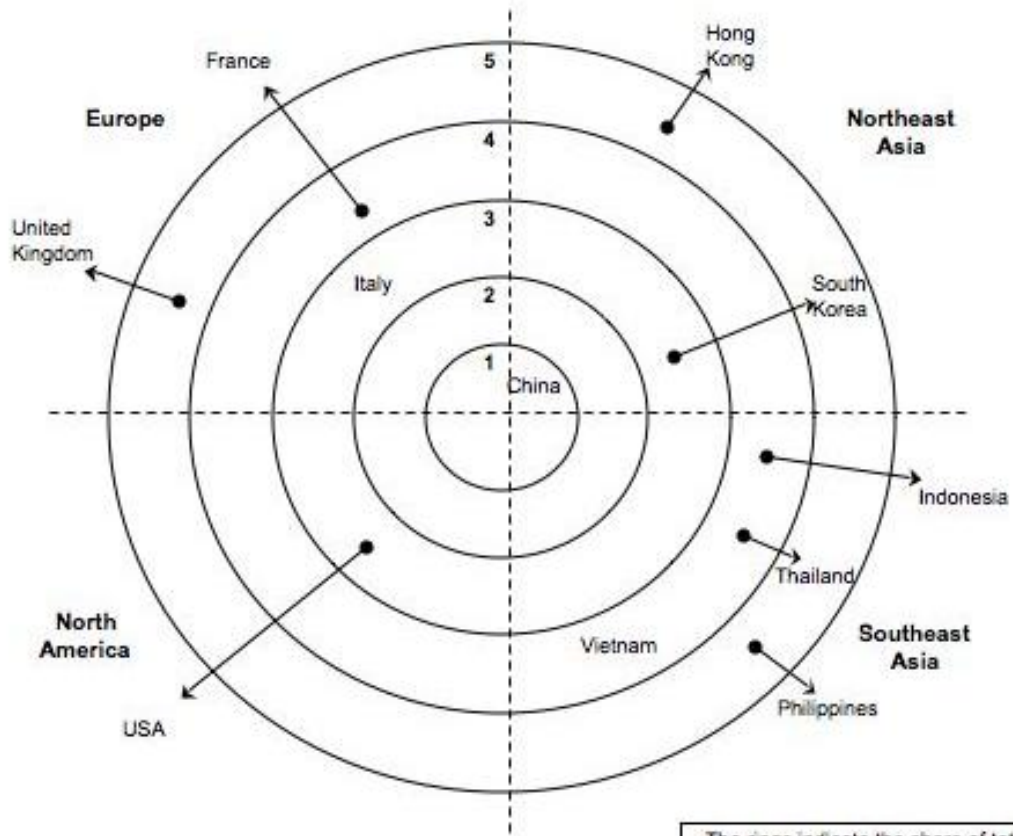
¹ Apparel imports are for the EU-15 countries only. The calculations include the value of intra-EU15 trade, but the chart excludes the names of the individual EU-15 countries. EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

²The 2007 position corresponds to the ring where the country's name is located; the 1996 position, if different, is indicated by a small circle. The arrows represent the magnitude and direction of change over time.

N.B.: From 1996 to 2007, China's import share of the EU-15 apparel market grew from 8.2% to 24.9%.

Source: UNComtrade, SITC 84, Rev 3, imports to EU15

Figure 3: Shifts in the Regional Structure of Japan's Apparel Imports: 1996-2007¹



¹The 2007 position corresponds to the ring where the country's name is located; the 1996 position, if different, is indicated by a small circle. The arrows represent the magnitude and direction of change over time.

N.B.: From 1996 to 2007, China's import share of the Japanese apparel market grew from 59.4% to 82.5%.

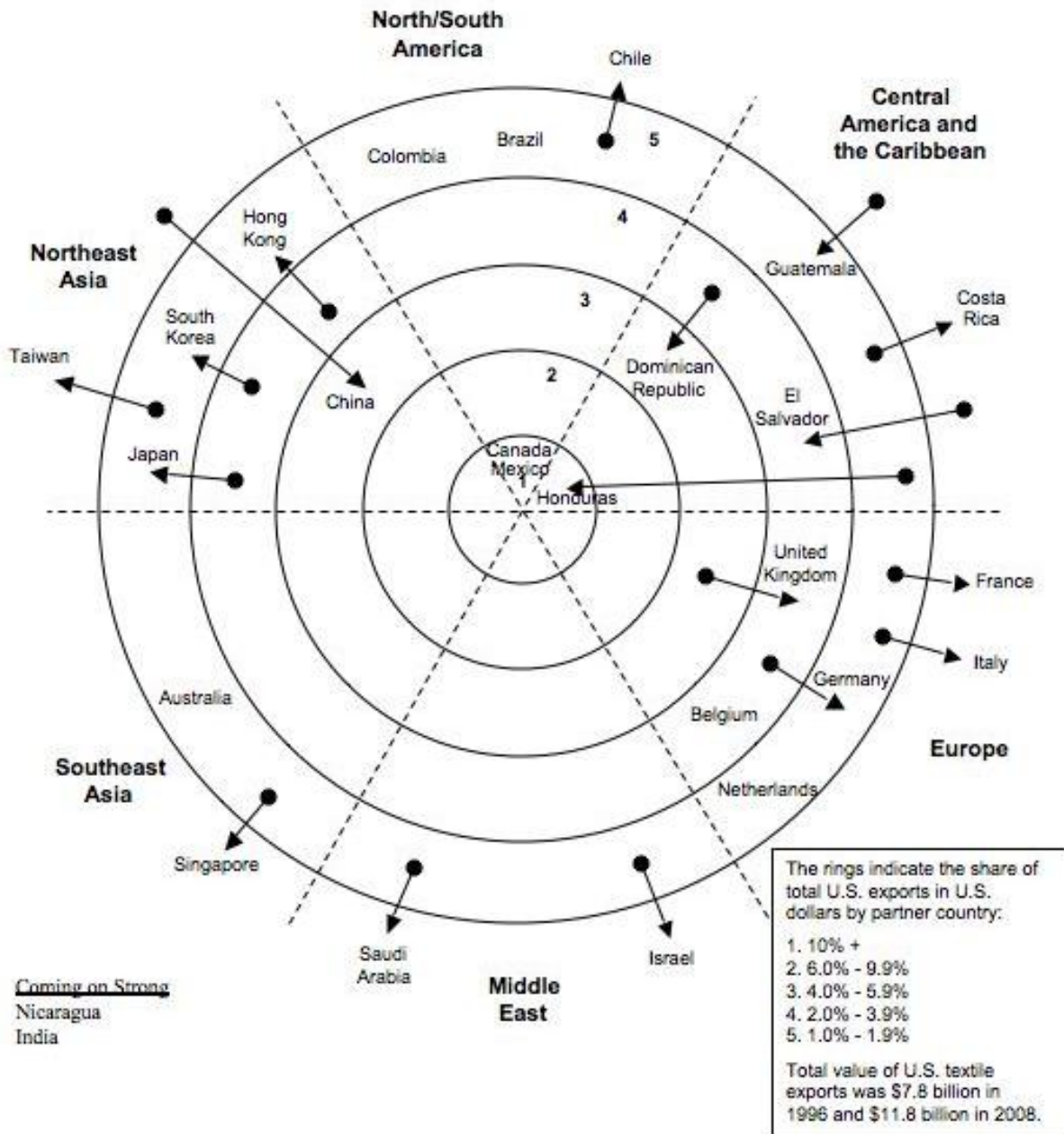
Source: UN Comtrade, SITC 84 ("Articles of apparel and clothing accessories"): SITC Rev 3, Imports to Japan

The rings indicate the share of total Japanese imports in U.S. dollars by partner country:

- 1. 25% +
- 2. 10.0% - 24.9%
- 3. 4.0% - 9.9%
- 4. 2.0% - 3.9%
- 5. 1.0% - 1.9%

Total value of Japanese clothing imports was \$19.7 billion in 1996 and \$24.0 billion in 2007.

Figure 4: Shifts in the Regional Structure of U.S. Textile Exports: 1996-2008 ¹



¹The 2008 position corresponds to the ring where the country's name is located; the 1996 position, if different, is indicated by a small circle. The arrows represent the magnitude and direction of change over time.

N.B.: From 1996 to 2008, Mexico's export share of the United States textile market grew from 15.7% to 24.8%.

Source: Compiled from official statistics of the U.S. Department of Commerce, U.S. domestic exports, customs value. SITC code: 65 <http://dataweb.usitc.gov>

Figure 5: Shifts in the Regional Structure of EU-15¹ Textile Exports: 1996-2008²

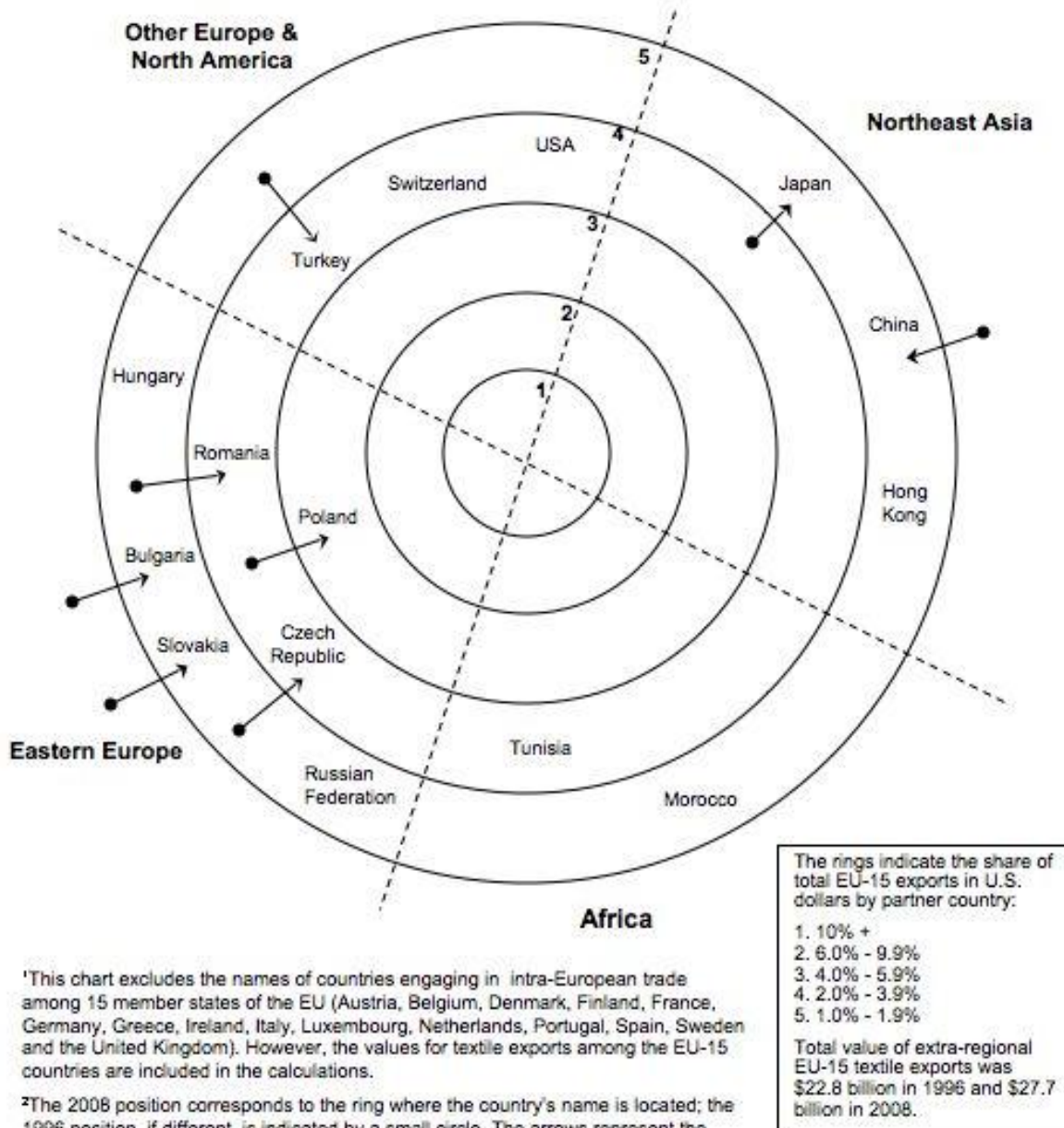


Figure 6: Shifts in the Regional Structure of Japan's Textile Exports: 1996-2007¹

