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William E. James

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ASIAN TEXTILE AND APPAREL TRADE: MOVING FORWARD WITH REGIONAL INTEGRATION

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FOREWORD

The ERD Working Paper Series is a forum for ongoing and recently completed research and policy studies undertaken in the Asian Development Bank or on its behalf. The Series is a quick-disseminating, informal publication meant to stimulate discussion and elicit feedback. Papers published under this Series could subsequently be revised for publication as articles in professional journals or chapters in books.

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ABSTRACT

Fears that the end of quotas would lead to contraction in exports of garments from several low-income Asian suppliers such as Bangladesh, Cambodia, and Indonesia chiefly as a result of competition from the People's Republic of China (PRC) have proven to be unfounded. On the other hand, competitive Asian suppliers of apparel have had resilient results in the largest import market for clothing, the United States (US). Suppliers from both the Association of Southeast Asian Nations and South Asia have steadily improved their market shares in the US market. The imposition of safeguard quotas on the PRC's shipments in 2006 has provided competitive Asian suppliers opportunity to increase their shipments to the US. While the relaxation of safeguard restrictions in 2007 has enabled the PRC to claw back market share, this was not at the expense of competitive suppliers in the Association of Southeast Asian Nations and South Asia. Rather it is uncompetitive former large quota holders and preferential suppliers that have seen their shares of the US market retreat. Price dynamics of clothing shipments in restricted items, however, indicate that competition will become more severe once the safeguards end in 2009. Hence, Asian suppliers will have to improve efficiency and reduce costs. Eliminating high tariff and nontariff barriers to intraregional trade in intermediate textile products, coupled with efforts to facilitate outward processing arrangements, will help integrate the Asian industry and enhance competitiveness of Asian clothing suppliers.

I. INTRODUCTION

The South and Southeast Asian regions along with the People's Republic of China (PRC) have well-developed and competitive textile and apparel industries, and have been major beneficiaries of freer world trade in textiles since the Agreement on Textiles and Clothing (ATC) replaced the Multi-Fibre Arrangement in 1994. With the full implementation of the ATC as of 31 December 2004, trade for the contracting members of the World Trade Organization (WTO) has been quota-free, with the single exception of the PRC.¹

The imposition of safeguard quotas on shipments of textile and clothing products from the PRC in late 2005 by the United States (US) and European Union (EU) provided other competitive Asian suppliers with an opportunity to maintain growth and increase market share in these major markets. However, to do so, Asian suppliers had to contend with other competitors, particularly those with preferential access to the US and EU markets. In the EU market, Asian suppliers could avail of generalized system of preference (GSP) duty-free access up to certain limits. However, preferences under GSP are not available in the US market.

This paper evaluates the competitive position of the members of the Association of Southeast Asian Nations (ASEAN), the members of the South Asian Association for Regional Cooperation (SAARC), and the PRC in terms of growth in volume and value of apparel and textile shipments, market shares, and unit prices for the period 2004–2007 in the US market. The results indicate that although the PRC is a strong competitor in world markets, this does not preclude other developing nations from succeeding. Competitive Asian suppliers such as Bangladesh, Cambodia, Indonesia, and Viet Nam have demonstrated increasing market shares, and along with other Asian suppliers are finding niche markets where they do not necessarily have to compete head-to-head with suppliers from the PRC. Moreover, suppliers of textile fabric and accessories from the PRC play a complementary role by providing Asian suppliers with quality low-cost inputs that allow the latter to compete successfully in third country markets. India, Indonesia, Malaysia, Pakistan, and Thailand have significant capacities in textiles as well. Development of outward processing arrangements within the region, however, has been hampered by significant tariff and nontariff barriers.

The complementary relationships within Asia could be enhanced if Asian suppliers did not face barriers to trade within the region. An evaluation of internal nontariff measures (NTMs) in ASEAN and SAARC member countries show that these barriers are restricting development of trade in intermediate textile products and related inputs. Efforts to create a free regional market in textiles (e.g., by reducing tariffs to zero, and removing border measures and behind-the-border measures that restrict free intraregional trade in textile intermediate products and related inputs such as sewing machinery, dyes, needles, and textile fabrics and yarns) could significantly boost Asia's competitiveness in advance of the removal of safeguards on the PRC in the coming years. This could also help Asian suppliers remain competitive even if major markets increase discriminatory preferences with non-Asian suppliers.

¹ Viet Nam was under US quotas negotiated in 2003 until it became a member of the WTO in late 2006.

The paper is organized as follows. Section II provides a summary assessment of the competitiveness of the textile and apparel industries in the region. Section III considers the treatment of trade in textiles and apparel in the region, including within preferential trade agreements in the two subregions of ASEAN and SAARC, and tariff and nontariff measures that act to restrict intraregional trade. Section IV provides a case study of the competitive position of the countries of South and Southeast Asia in the world's largest market for imports of textiles and clothing, the US. Section V provides statistical analysis of price dynamics of the imposition of safeguard restrictions on imports of key clothing categories from the PRC and their implications for competitors. Section VI provides a perspective on how the Asian region might promote regional integration of textiles and apparel as a strategy to ensure long-term competitiveness in global markets.

II. REVEALED COMPARATIVE ADVANTAGE AND INVESTMENT TRENDS

The subregions of Asia considered in this study have attracted massive investments in textiles in anticipation of freer global trade in textiles and apparel. A global survey of competitiveness (USITC 2004) revealed that Asian textile mills accounted for 60% of global fiber consumption in 2003. Estimates of global spinning and weaving capacities showed that Asian textile producers had 66% and 68%, respectively, of global machinery in 2000 (USITC 2004). Since 2000, shipments of textile machinery have been dominated by Asia, particularly by the PRC (James 2007a). For example, the share of world cotton spinning capacity located within 11 major Asian textile suppliers rose from 64.7% in 2000 to 74.1% in 2005, with the PRC accounting for half of all Asian cotton spinning capacity. There is evidence as well that Asian producers have rapidly modernized textile weaving production, as the share of just nine major producers in Asia in world capacity in shuttleless looms nearly doubled from 26% in 2000 to 49.2% in 2005 (James 2007a), with the PRC accounting for the bulk of the increase. South and Southeast Asian textile capacities are concentrated in the larger countries (India and Pakistan in South Asia; Indonesia, Malaysia, and Thailand in Southeast Asia). However, new capacities are on the rise in knitting as well with over 62% of world shipments in circular knitting machinery (1996–2005) going to Asian developing countries, with the PRC accounting for about two thirds of the Asian total (James 2007a). There is evidence that textile production is migrating from the East Asian newly industrialized economies (Hong Kong, China; Republic of Korea; and Taipei, China) to the PRC and South and Southeast Asia. For example, Viet Nam is attracting foreign investments in textile intermediate production from Taipei, China.²

Although the smaller countries in South and Southeast Asia are specialized in production of ready-made garments, they too can benefit from the enlarged and modernized capacities in textile intermediate production in larger neighboring countries. Proximity of supply of fabrics and accessories is an advantage for clothing exporters. This is particularly significant since some countries are overwhelmingly dependent on exports of garments. For example, Bangladesh (83%), Cambodia (85%), Sri Lanka (55%), Nepal (51%), and Lao PDR (42%) are heavily reliant upon exports of apparel in their total merchandise exports (USITC 2004). Textiles and apparel together also accounted for approximately 70% of merchandise exports of Pakistan. Thus, it is not difficult to understand the concerns in these countries over sustaining competitiveness in these industries.

² The Formosa Chemical and Fiber Corporation, an affiliate of Formosa Plastics, initially invested in a textile spinning plant with 200,000 spindles in an industrial park outside of Ho Chi Minh City in 2001, and has announced plans to expand capacity in polyester yarn and fabric production. See Fibre2fashion (downloaded 7 November 2007).

Balassa's index of revealed comparative advantage (Table 1) is an indicator of export specialization. In the case of countries of SAARC, ASEAN, and PRC, it usually has a value of greater than unity (except for Malaysia and Singapore) for clothing and textiles (exceptions are Malaysia, Philippines, and Singapore).³ The revealed comparative advantage (RCA) index for both clothing and textiles is above unity in all of the SAARC countries, Indonesia, Thailand, and Viet Nam, as well as in the PRC. The ASEAN and SAARC as groupings also appear to have a comparative advantage in clothing, with SAARC also having a comparative advantage in textiles. The index values thus affirm that Asia has a strong competitive position in these sectors on a global scale. The SAARC region exhibits strong complementarities in textiles and clothing if one considers that Pakistan has a far greater RCA in textiles than clothing while the opposite is the case for Sri Lanka and Bangladesh. Indonesia, PRC, and Thailand likewise complement more specialized clothing exporters with their textile comparative advantage.

TABLE 1
ASIAN REVEALED COMPARATIVE ADVANTAGE INDICES: CLOTHING AND TEXTILES, 2005

COUNTRY/SUPPLIER	CLOTHING RCA INDEX	TEXTILE RCA INDEX
SAARC	6.41	6.27
Bangladesh	27.31	1.30
India	3.21	3.90
Nepal	12.56	8.11
Pakistan	8.34	22.27
Sri Lanka	16.67	1.05
ASEAN	1.47	0.82
Indonesia	2.19	2.00
Malaysia	0.65	0.48
Philippines	2.04	0.32
Singapore	0.07	0.09
Thailand	1.37	1.26
Viet Nam	5.63	1.05
PRC	3.60	2.69

na means not available.

Note: In the case of Singapore, the RCA measure is for domestic exports and excludes re-exports.

Cambodia is included in the ASEAN calculation of clothing RCA but not textiles.

Source: *International Trade Statistics 2006* (World Trade Organization 2007).

The ability of Asia to take advantage of the potential gains from intraregional trade in textile-related products, however, is limited by the presence of border and behind the border restrictions on trade. Regional preferential trade arrangements do not seem to be effective in addressing these barriers, particularly NTMs.

³ Balassa (1965) is the pioneering work on revealed comparative advantage. The RCA indices calculated in Table 1 are highly aggregated and are intended to be illustrative rather than comprehensive.

III. BARRIERS TO ASIAN REGIONAL TRADE IN TEXTILES AND CLOTHING

The ASEAN Secretariat commissioned a series of studies aimed at identifying and quantifying the importance of NTMs in priority sectors (textiles and clothing, electronics and logistics) under a grant from the Australian Government in 2006. The study of the textile and clothing sectors (James, Minor, and Dourng 2007) is available in summary form from the homepage of the Regional Economic Policy Support Facility of ASEAN. The textiles and clothing NTM study used three measures of NTMs in a survey of producers in seven major supplier countries (Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Thailand, and Viet Nam). These include the *occurrence* of NTMs (the number of times respondents cited a particular NTM); *consistency* of NTMs (a measure of how often a particular NTM was encountered by respondents), and *restrictiveness* of NTMs (a measure of the impact of a particular NTM on trade volume, prices, and costs). The results of the study are presented in summary form in Tables 2–4.

TABLE 2
RANKING OF OCCURRENCE OF NONTARIFF MEASURES IN TEXTILE AND APPAREL SECTORS OF ASEAN SUPPLIERS

MEASURE	NUMBER OF RESPONDENTS CITING MEASURES	PERCENT OF RESPONDENTS
Customs Administration	44	75.86
Technical Barriers to Trade	20	34.48
Taxes and Tax Treatment	19	32.76
Investment Restrictions	16	27.59
Restrictions on OPA	11	18.97
Political Economy and Institutions	11	18.97
Labor Regulations	8	13.79
Trade Remedies	5	8.62
Quantity Controls	5	8.62
Subsidy Problems	5	8.62
Foreign Exchange Regulations	1	1.72

OPA means outward processing arrangements.

Source: James, Minor, and Dourng (2007) survey results.

TABLE 3
CONSISTENCY OF NONTARIFF MEASURES AFFECTING INTRA-ASEAN TRADE IN TEXTILES AND APPAREL

MEASURE	WEIGHTED AVERAGE
Restrictions on OPA	3.58
Taxes and Tax Treatment	3.35
Investment Restrictions	3.08
Customs Administration	2.56
Subsidy Problems	2.50
Political Economy and Institutions	2.16
Trade Remedies	1.98
Technical Barriers to Trade	1.93
Labor Regulations	na
Quantity Controls	na
Foreign Exchange Regulations	na

na means no index values are available.

OPA means outward processing arrangements.

Note: Index is calculated based on rating of consistency from 1 to 5:

1 is rare

2 is sporadic

3 is 50% of the time

4 is more than 50% of the time

5 is always

Source: James, Minor, and Dourng (2007) survey results.

TABLE 4
RESTRICTIVENESS OF NONTARIFF MEASURES AFFECTING INTRA-ASEAN TRADE IN TEXTILES AND APPAREL

MEASURE	WEIGHTED AVERAGE
Restrictions on OPA	4.08
Investment Restrictions	3.23
Subsidy Problems	2.90
Taxes and Tax Treatment	2.46
Customs Administration	2.16
Political Economy and Institutions	2.16
Trade Remedies	1.98
Technical Barriers to Trade	1.46
Labor Regulations	na
Quantity Controls	na
Foreign Exchange Regulations	na

OPA means outward processing arrangements.

Note: Index is calculated based on rating of restrictiveness from 1 to 5:

1 is insignificant (manageable or little impact on prices/costs or trade volume)

2 is moderate (some cost incurred, modest impact on trade volume/prices)

3 is significant (significant cost incurred, costs are integral to pricing and sales decisions)

4 is critical (costs are high and often decisive; factor is not less than any other in pricing)

5 is prohibitive (cost of the nontariff measure makes trade impossible)

Source: James, Minor, and Dourng (2007) survey results.

The ranking of NTMs by number of respondents citing them (occurrences) indicates that customs administration is where NTMs are most commonly experienced (cited by over 75% of respondents) followed by technical barriers such as standards and testing (cited by over 34% of respondents), taxes and tax treatment (over 32%), investment restrictions (28%), restrictions on outward processing arrangements (19%), and political economy and institutions (19%). Within the NTM category of customs administration, the following specific NTMs occurred (ranked by number of respondents citing them): inspections (26); documentation (23); import licensing (14); fees/surcharges (13); valuation (12); customs clearance (12); Electronic Data Interchange (11); port handling (10); product classification (8); and rules of origin (5). The other specific NTMs that had high occurrences were in Technical Barriers: testing requirements (15) and marking and labeling (7); in Tax and Tax Treatment: income tax (12) and VAT rebates (11); in Investment Restrictions: national treatment (6); in Restrictions on OPA: border tax treatment (8)⁴; in Political Economy and Institutions: intellectual property compliance (8). Labor regulations, trade remedies, quantity controls, subsidy problems and foreign exchange regulations were of relatively minor occurrence in the survey.

The consistency of NTMs was rated on a scale of 1–5 as indicated (Table 2), ranging from rarely encountered (1) to always encountered (5). Restrictions on outward processing arrangements (OPA) (3.58); taxes and tax treatment (3.35), and investment restrictions (3.08) took place with a consistency of over half the time. Customs administration NTMs and subsidy problems along with political economy and institutions had relatively high consistency among respondents while trade remedies and technical barriers were fairly low in consistency.

The restrictiveness of NTMs was also measured on a scale ranging from 1 to 5 (Table 4), rising from insignificant (1) to prohibitive (5), with the latter implying that the measure made it impossible to conduct legitimate trade in textiles within the region. The restrictiveness of OPA was above the critical level (4.08) and was significant as well in investment (3.23). Moderate to significant restrictiveness applies to subsidy problems (2.90) and tax and tax treatment (2.46), customs administration (2.16), and political economy and institutions (2.16). Restrictiveness of trade remedies (1.98) and technical barriers (1.46) were of little significance.

The consistency and restrictiveness with which NTMs on OPA take place is alarming in that outsourcing is seen as the wave of the future by investors and industry observers. The survey respondents cited the repeated application of VAT and import duties on intermediate inputs and semiprocessed garments at each border crossing and of documentation requirements. The obstacles to outsourcing may be compounded by investment restrictions and customs administration problems. These restrictions were cited as being prohibitive in developing intraregional trade in textiles and garments in some cases and critical in others. However, there was also a positive example of customs cooperation that made outsourcing arrangements possible in the case of Thailand and Lao PDR. Catalysts to the reforms include success in improving customs procedures in Thailand and Lao PDR, which were implemented in 2005 in anticipation of the freer world trade and improved access for Lao producers in the EU and US markets by virtue of EU reforms of the Generalized System of Preferences (GSP). Another catalyst was a bilateral treaty on trade normalization between Lao PDR and the US. The outsourcing from Thailand to Lao PDR factories has been quite successful, and with improved access to the US market, Lao garment producers are expected to enjoy a rise in

⁴ The tax and tax treatment category covers the application of domestic taxes on the activities of producers that engage in trade such as calculation of income tax liabilities. In contrast the tax treatment in outward processing arrangements specifically refers to customs tariffs and other taxes applied at the entry point of an import, or exit point of an export.

employment from 30,000 to 75,000 in the next five years, and an increase in export value from \$130 million to \$500 million (James, Minor, and Dourng 2007).

Most favored nation (MFN) tariff rates for textiles and apparel in all ASEAN and SAARC member states as well as the PRC remain substantial (except in the cases of Brunei and Singapore), with average tariffs in double-digits in most countries with available data (Table 5). The average tariffs for textiles tend to be lower than for garments, and within textiles also escalate as processing increases. The high tariffs limit the extent of regional integration. MFN tariffs for textile products are particularly a problem for SAARC as member states have typically excluded hundreds of tariff lines from liberalization under the South Asia Free Trade Agreement (SAFTA). The exclusions range from 494 tariff lines in Nepal to 291 in Pakistan (Table 6) with only Sri Lanka having firmly committed to opening the sectors to intra-SAARC trade.

TABLE 5
NOMINAL TARIFF RATES IN ASEAN AND SAARC MEMBER COUNTRIES AND PRC IN TEXTILES AND APPAREL

SUPPLIER	AVERAGE MFN TARIFF (%)		
	TEXTILES AND APPARELS	TEXTILES	APPAREL
ASEAN			
Brunei	0.8	0.9	0.0
Cambodia	na	9.7	28.5
Indonesia	10.3	9.2	14.1
Laos	na	8.9	10.0
Malaysia	12.0	10.5	16.0
Myanmar	na	8.4	17.2
Philippines	11.3	9.3	14.9
Singapore	0.0	0.0	0.0
Thailand ^a	21.7	8.1	24.5
Viet Nam	37.3	30.4	49.3
SAARC			
Afghanistan	na	4.4	10.0
Bangladesh	21.3	20.4	24.3
Bhutan	na	25.0	30.0
India ^b	22.5	20.2	22.4
Maldives	na	19.5	25.0
Nepal	na	12.8	24.7
Pakistan	na	16.4	24.8
Sri Lanka	5.8	3.9	14.8
PRC	11.5	9.7	16.1

^a Thailand uses specific (non-ad valorem) tariffs for 343 HS tariff lines in textiles.

^b India uses specific (non-ad valorem) tariffs for 31.4% of HS tariff lines in textiles. The estimated average tariff for textiles and apparel is adjusted for these duties, resulting in a higher average than for ad valorem tariffs alone.

Sources: *Trade Policy Reviews* (World Trade Organization, various years): Bangladesh (2006), Brunei (2004), PRC (2006), India (2007), Indonesia (2007), Malaysia (2006), Philippines (2005), Singapore (2004), Sri Lanka (2004), and Thailand (2003).

Estimates for tariffs for textiles and apparel separately are from *World Tariff Profiles 2006* (World Trade Organization 2007).

WTO Accession documents (World Trade Organization 2003a, 2003b, 2006) were used for Cambodia (2003), Viet Nam (2006), and Nepal (2003); see World Trade Organization (2008).

TABLE 6
SAARC MEMBER COUNTRIES: SUMMARY OF EXCLUSION LISTS IN TEXTILES AND APPAREL FOR SAFTA

	TARIFF EXCLUSIONS		
	TEXTILES	APPAREL	TOTAL
Bangladesh	261	128	389
India	111	189	300
Nepal	215	279	494
Pakistan	127	164	291
Sri Lanka	20	0	20

Source: South Asian Association for Regional Cooperation (available: <http://www.saarc-sec.org/>).

The ASEAN member states have not excluded textiles and apparel from liberalization under the ASEAN Free Trade Agreement (AFTA) although preferential tariffs have not been reduced to zero but are typically 5–10% (except for Brunei and Singapore). With common effective preferential tariffs (CEPT) of 5–10% and VAT duties applied to imports of raw materials and intermediate textile products, AFTA is not as conducive to intraregional trade and development of OPAs as it should be. The prevalence of NTMs “at the border” and “behind the border” helps explain why trade in apparel is very limited within the region. Trade in intermediate inputs is more developed largely as a result of export processing zones, bonded warehouses, and special industrial zones where exporters are exempted from import duties on imported inputs. Data on the volume and value of intraregional trade under AFTA preferences are unavailable on a consistent basis over time and across countries. Hence, it is difficult to evaluate the effectiveness of AFTA preferences.

Intraregional trade in textiles and clothing is also quite limited within the SAARC region. As is the case with ASEAN, SAARC does not provide consistent and timely data on trade flows under SAFTA preferences. Some idea of the volume of trade within SAARC can be gleaned from trade statistics of India, the most important trade partner of the other SAARC countries. India’s trade statistics indicate that other SAARC countries account for less than 4% of India’s exports of textiles and clothing (Table 7) although such intraregional trade is growing roughly in line with total exports to the world in recent years. India’s textile exports are most significant in the cases of Bangladesh (which imports almost 90% of fabrics) and in Sri Lanka. Although India and Sri Lanka have a bilateral free trade agreement, India’s imports of apparel from Sri Lanka are negligible at less than \$10 million in the most recent fiscal year (Kelagama and Mukherjee 2007). Among the reasons for the low level of trade within SAARC in textiles (and apparel) are extensive nontariff measures that apply at the border and behind the border (Tewari 2007).

TABLE 7
INDIA'S TRADE IN TEXTILES AND APPAREL FROM SAARC MEMBER COUNTRIES (MILLION US\$)

COUNTRY	2002–2003	2003–2004	2004–2005	2005–2006
Bangladesh				
Imports	34.79	29.67	12.14	51.79
Exports	192.47	269.52	280.42	383.89
Bhutan				
Imports	0.28	2.97	8.00	8.13
Exports	0.25	0.12	0.05	0.32
Maldives				
Imports	0.01	0.00	0.00	0.00
Exports	2.85	4.11	2.26	2.35
Nepal				
Imports	40.15	76.35	82.41	72.87
Exports	20.16	54.37	30.52	29.25
Pakistan				
Imports	3.16	7.66	18.93	35.78
Exports	6.42	53.53	18.89	78.53
Sri Lanka				
Imports	1.76	3.93	5.67	9.55
Exports	140.08	182.03	170.18	219.68
SAARC				
Imports	80.15	120.58	127.15	178.12
Exports	362.23	563.68	502.32	714.02
World				
Imports	1645.47	2021.96	2239.40	2678.94
Exports	11888.14	13515.69	14348.19	17884.89
SAARC Share (percent)				
Imports	4.87	5.96	5.68	6.65
Exports	3.05	4.17	3.50	3.99

Source: *Monthly Statistics of the Foreign Trade of India, Official Indian Textile Statistics 2005-2006* (Directorate General of Commercial Intelligence and Statistics 2006).

IV. COMPETITIVENESS OF ASEAN AND SAARC IN THE US MARKET: A CASE STUDY

Both ASEAN and SAARC member countries have been able to compete in the US market since quotas were officially ended for WTO members in 2005. Although the growth in the volume of shipments from ASEAN was lower than the global growth in the US overall for textiles and clothing (Table 8a) in 2005, for clothing the value growth exceeded the global average (Table 8b). This implies that ASEAN suppliers were able to move into higher-value items after quotas were eliminated. SAARC member states also competed effectively in 2005 with strong volume growth (Table 8a) but even better value growth (Table 8b), implying a similar move into higher-value items. The ASEAN members were able to broadly maintain their share of the US market in 2005 while SAARC members

TABLE 8A
 CLOTHING AND TEXTILE SHIPMENTS TO THE US MARKET BY MAJOR SUPPLIER/SUPPLIER GROUP
 (VOLUME IN MILLION SQUARE METER EQUIVALENT)

	2004	2005	PERCENT CHANGE	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
ASEAN								
Clothing	3429.354	3639.688	6.13	4228.227	16.17	2009.105	2107.232	4.88
Textiles	1667.203	1473.438	-11.62	1495.916	1.53	790.661	689.402	-12.81
Total	5096.557	5113.126	0.33	5724.143	11.95	2799.766	2796.634	-0.11
SAARC								
Clothing	2520.172	2965.822	17.68	3286.059	10.80	1634.143	1728.247	5.76
Textiles	4003.602	4512.336	12.71	4944.333	9.57	2599.456	2366.519	-8.96
Total	6523.774	7478.158	14.63	8230.392	10.06	4233.599	4094.766	-3.28
PRC								
Clothing	2972.523	5883.431	97.93	6506.037	10.58	2363.956	3386.017	43.24
Textiles	8689.769	10879.670	25.20	12104.860	11.26	5772.804	6388.867	10.67
Total	11622.292	16763.101	44.23	18610.897	11.02	8136.760	9774.884	20.13
Preferential Suppliers								
Clothing	7469.654	7133.585	-4.50	6505.796	-8.80	3182.076	2999.887	-5.73
Textiles	na	5937.625	na	5010.515	-15.61	2673.754	2304.170	-13.82
Total	na	13071.210	na	11516.311	-11.90	5855.830	5304.057	-9.42
World								
Clothing	19951.000	22009.810	10.32	22538.970	2.40	10204.000	10915.060	6.97
Textiles	26985.150	28829.090	6.83	29607.210	2.70	14921.480	14784.890	-0.92
Total	46936.150	50838.900	8.32	52146.180	2.57	25125.480	25699.950	2.29

na means not available.

ASEAN includes: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Thailand and Vietnam.

SAARC includes: Bangladesh, India, Nepal, Pakistan and Sri Lanka.

US preferential suppliers include FTA partners and countries that are beneficiaries of unilateral preference programs, including:

FTA partners: Australia, Bahrain, Chile, Egypt, Israel, Jordan, Morocco, and Singapore

AGOA: African Growth and Opportunity Act (covering 37 sub-Saharan African countries)

ATPDEA: Andean Trade Promotion and Drug Eradication Act (Bolivia, Columbia, Ecuador and Peru)

CBTPA: Caribbean Basin Trade Promotion Act (all Caribbean Basin countries excluding Cuba)

NAFTA: North American Free Trade Agreement (Canada and Mexico)

Note: Preferential suppliers include members of all preferential agreements and free trade agreements with the US. YTD is for January-June 2006 versus January-June 2007.

Source: United States Office of Textiles and Apparel (available: <http://www.otexa.ita.doc.gov/>).

TABLE 8B.
CLOTHING AND TEXTILE SHIPMENTS TO THE US MARKET BY MAJOR SUPPLIER/SUPPLIER GROUP

	2004	2005	PERCENT CHANGE	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
ASEAN								
Clothing	10933.628	11796.834	7.89	13684.299	16.00	6403.268	7093.790	10.78
Textiles	990.521	830.624	-16.14	840.593	1.20	442.712	407.427	-7.97
Total	11924.149	12627.458	5.90	14524.892	15.03	6845.980	7501.217	9.57
SAARC								
Clothing	6979.693	8318.136	19.18	9246.990	11.17	4613.846	4818.952	4.45
Textiles	2980.977	3432.596	15.15	3820.504	11.30	1953.816	1852.363	-5.19
Total	9960.670	11750.732	17.97	13067.494	11.21	6567.662	6671.315	1.58
PRC								
Clothing	8927.864	15142.869	69.61	18157.487	19.91	6612.663	9653.198	45.98
Textiles	5630.213	7262.350	28.99	8549.186	17.72	3985.477	4525.007	13.54
Total	14558.077	22405.219	53.90	26706.673	19.20	10598.140	14178.205	33.78
Preferential Suppliers								
Clothing	23653.154	21850.669	-7.62	20600.744	-5.72	9890.039	9227.703	-6.70
Textiles	na	3408.729	na	3144.318	-7.76	1622.183	1584.790	-2.31
Total	na	25259.398	na	23745.062	-6.00	11512.222	10812.493	-6.08
World								
Clothing	64767.673	68713.251	6.09	71629.828	4.24	32208.550	34385.063	6.76
Textiles	18542.769	20492.245	10.51	21648.875	5.64	10643.571	10911.673	2.52
Total	83310.442	89205.496	7.08	93278.703	4.57	42852.121	45296.737	5.70

na means not available.

ASEAN includes: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Thailand and Vietnam.

SAARC includes: Bangladesh, India, Nepal, Pakistan and Sri Lanka.

US preferential suppliers include FTA partners and countries that are beneficiaries of unilateral preference programs, including:

FTA partners: Australia, Bahrain, Chile, Egypt, Israel, Jordan, Morocco, and Singapore

AGOA: African Growth and Opportunity Act (covering 37 sub-Saharan African countries)

ATPDEA: Andean Trade Promotion and Drug Eradication Act (Bolivia, Columbia, Ecuador and Peru)

CBTPA: Caribbean Basin Trade Promotion Act (all Caribbean Basin countries excluding Cuba)

NAFTA: North American Free Trade Agreement (Canada and Mexico)

Note: Preferential suppliers include members of all preferential agreements and free trade agreements with the US. YTD is for January-June 2006 versus January-June 2007.

Source: United States Office of Textiles and Apparel (available: <http://www.otexa.ita.doc.gov/>).

improved their shares despite the rapid growth in shipments from the PRC. The main reason appears to be that preferential suppliers were unable to compete once quotas were lifted on nonpreferential suppliers. The surge in shipments to the US from the PRC in 2005 is evident with the 98% growth in volume of clothing shipments in 2005. The US began to impose partial restrictions on shipments in the latter half of 2005 on a selective basis. Following extensive consultations, safeguard quotas on a large number of product categories were formalized in memorandum of understanding signed by the governments in November 2005 that entered into force on 1 January 2006 until 1 January 2009.

In 2006 the new safeguard restrictions on the PRC became effective, having the effect of drastically reducing growth in the volume of clothing shipments for all clothing items (from 98% to under 11%), and for textiles as well (from 25% to 11%). The deceleration in PRC shipments in 2006 created space for increased shipments from ASEAN, which accelerated to 16% for clothing in volume and value. SAARC also benefited, with shipments rising by 10–11% in volume and value. However, the effect of the restrictions was slower growth in world shipments of textiles and clothing. Preferential suppliers failed to capitalize on the restrictions on the PRC and had negative growth in volume (about 12%) and value (about 6%) in 2006. In the first half of 2007, shipments from the PRC accelerated over those of the same period in 2006, and ASEAN was able to continue to expand shipments by about 10% in value, although volume of shipments was flat for total and up by about 5% for clothing. SAARC however experienced a deterioration of performance in the first half of 2007 overall, although clothing shipments remained healthy with 4–6% growth. Preferential suppliers continued to struggle in the first half of 2007 with negative growth in volume and value of shipments.

V. PERFORMANCE IN RESTRICTED ITEMS FROM THE PRC

The categories of clothing and textiles that the PRC faces renewed quantitative limits upon in the US market comprised over 51% of US global imports of textiles and apparel by volume (using 2005 data; compare Table 9a and Table 8a world totals), and over 60% by value (Table 9b and Table 8b). These restricted sectors accounted for almost 57% of clothing shipments from the PRC to the US by volume in 2005, and for 51% of shipments by value. Hence, they are very significant restrictions. A database covering the restricted items in clothing, textile intermediate products (yarns and fabrics), and textile made-ups for every major supplier to the US market between 2004 and the present has been established using the online information available from the Department of Commerce, Office of Textiles and Apparel (OTEXA).⁵

Summary tables covering all major suppliers (including all individual major shippers from ASEAN and SAARC) are presented here on volume, value, unit values, and market shares in the restricted clothing items through the first half of 2007 (Tables 10–14). The focus is on clothing, as these items are by far the most important shipments of ASEAN and SAARC to the US. Clothing items account for nearly 90% of global shipments to the US of the restricted items by value.

The impact of restrictions on clothing shipments in 2006 by volume (Table 10) was quite strong, with shipments from the PRC actually declining, and those of ASEAN and SAARC advancing by 26 and 19%, respectively. The restrictions proved to have the impact of redistributing global trade volume in clothing from the PRC to competitive Asian suppliers, but provided little help to uncompetitive

⁵ The OTEXA data are updated monthly with a two-month lag. Data tables for each individual SAARC and ASEAN suppliers are available upon request from the author.

TABLE 9A
WORLD SHIPMENTS TO THE US IN CATEGORIES RESTRICTED BY SAFEGUARD QUOTAS ON THE PRC (VOLUME IN MILLION SQUARE METER EQUIVALENT)

ITEM	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Clothing							
239 Baby garments	820.131	868.219	929.575	7.07	395.843	425.981	7.61
332 Hosiery, cotton	474.614	512.525	529.217	3.26	294.784	315.118	6.90
432 Hosiery, wool	2.343	1.961	1.714	-12.60	0.449	0.878	95.55
632 Hosiery, mmf	357.081	390.729	342.350	-12.38	156.016	170.790	9.47
338 mb knit shirts, cot.	931.939	1049.208	1128.602	7.57	537.473	571.608	6.35
339 wg knit blouse, cot.	1001.336	1183.918	1328.915	12.25	681.849	750.842	10.12
340 Non-knit shirts, cot.	607.011	715.740	661.175	-7.62	299.612	312.311	4.24
640 Non-knit shirts, mmf	265.233	243.327	214.780	-11.73	109.847	105.982	-3.52
345 Sweater, cotton	178.354	240.959	257.644	6.92	51.260	57.125	11.44
645 mb sweater, mmf	41.006	29.816	24.772	-16.92	5.909	5.534	-6.35
646 wg sweater, mmf	250.611	299.072	208.473	-30.29	36.185	38.596	6.66
347 mb trousers, cotton	949.401	1068.888	1128.869	5.61	559.394	589.004	5.29
348 wg slacks, cotton	1275.378	1432.252	1486.760	3.81	757.628	903.548	19.26
349 Brassieres, cotton	34.463	33.927	33.732	-0.57	16.538	20.251	22.45
649 Brassieres, mmf	166.944	164.163	163.336	-0.50	77.510	82.770	6.79
352 Underwear, cotton	2033.686	2116.034	2079.195	-1.74	975.364	981.595	0.64
652 Underwear, mmf	632.928	622.552	615.188	-1.18	290.745	294.257	1.21
359 Other cotton apparel	596.535	632.078	667.345	5.58	329.602	324.290	-1.61
659 Other mmf apparel	1478.589	1754.538	1805.936	2.93	779.677	803.673	3.08
443 mb wool suits	25.232	29.789	25.049	-15.91	12.469	12.807	2.71
447 mb wool trousers	19.953	22.824	20.447	-10.41	9.160	9.801	7.00
638 mb knit shirts,mmf	632.806	699.629	652.941	-6.67	325.545	300.111	-7.81
639 wg knit blouse, mmf	548.410	528.688	563.629	6.61	237.645	246.434	3.70
647 mb trousers, mmf	483.158	507.328	491.385	-3.14	248.536	269.523	8.44

continued next page.

TABLE 9A. CONTINUED.

ITEM	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
648 wg slacks,mmf	433.282	403.709	414.085	2.57	181.575	191.024	5.20
847 mb silk trousers	294.788	253.743	242.655	-4.37	148.820	129.263	-13.14
Subtotal Clothing	14535.212	15805.616	16017.769	1.34	7519.435	7913.116	5.24
Textile Intermediates							
200 Yarn & sewing thread.	95.825	134.941	107.801	-20.11	52.382	57.059	8.93
301 Combed cotton yarn	600.913	600.399	602.637	0.37	359.319	191.415	-46.73
222 Knit fabric	1657.033	1696.447	1622.303	-4.37	870.441	724.701	-16.74
229 Special fabric	2071.774	2158.828	1842.318	-14.66	983.707	871.417	-11.41
619 Poly filament fabric	340.472	349.222	262.768	-24.76	124.772	109.331	-12.38
620 Other synthetic filament	284.029	520.016	615.127	18.29	313.560	302.489	-3.53
622 Glass fabric	83.351	89.955	79.759	-11.33	41.001	39.042	-4.78
Subtotal Textile Intermediate Products	5133.397	5549.808	5132.713	-7.52	2745.182	2295.454	-16.38
Textile Made-ups							
363 Pile towels	190.854	259.386	264.191	1.85	139.320	145.257	4.26
666 Other furnishings mmf	4723.276	5096.441	5408.072	6.11	2283.378	2261.990	-0.94
Subtotal Textile Made-ups	4914.130	5355.827	5672.263	5.91	2422.698	2407.247	-0.64
Grand Total Restricted	24582.739	26711.251	26822.745	0.42	12687.315	12615.817	-0.56

Note: YTD is January-June 2006 versus January-June 2007.
 Source: United States Office of Textiles and Apparel (available: <http://www.otexa.ita.doc.gov/>).

TABLE 9B
WORLD SHIPMENTS TO THE US IN CATEGORIES RESTRICTED BY SAFEGUARD QUOTAS ON THE PRC (VALUE IN MILLION US\$)

ITEM	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Clothing							
239 Baby garments	2021.813	2104.009	2293.303	9.00	1007.799	1111.949	10.33
332 Hosiery, cotton	669.680	687.113	776.054	12.94	375.171	386.697	3.07
432 Hosiery, wool	21.625	20.238	18.476	-8.71	4.713	5.697	20.88
632 Hosiery, mmf	554.718	610.428	573.728	-6.01	250.102	237.738	-4.94
338 mb knit shirts, cot.	5182.366	5556.695	6113.129	10.01	2795.229	3025.119	8.22
339 wg knit blouse, cot.	6095.882	6825.635	7776.540	13.93	3756.511	4272.718	13.74
340 Non-knit shirts, cot.	2366.032	2664.881	2420.453	-9.17	1092.802	1151.346	5.36
640 Non-knit shirts, mmf	683.760	617.142	572.443	-7.24	288.641	288.303	-0.12
345 Sweater, cotton	558.990	675.689	738.341	9.27	159.921	170.928	6.88
645 mb sweater, mmf	78.608	58.379	47.930	-17.90	10.309	9.221	-10.55
646 wg sweater, mmf	503.952	568.624	435.173	-23.47	80.648	75.390	-6.52
347 mb trousers, cotton	5023.370	5291.499	5541.976	4.73	2661.520	2809.572	5.56
348 wg slacks, cotton	6332.227	6867.053	6879.818	0.19	3434.789	3799.639	10.62
349 Brassieres, cotton	199.295	199.581	205.289	2.86	105.089	113.952	8.43
649 Brassieres, mmf	1564.318	1583.566	1810.445	14.33	875.719	891.184	1.77
352 Underwear, cotton	2557.599	2598.399	2545.395	-2.04	1172.890	1144.173	-2.45
652 Underwear, mmf	752.827	737.451	769.619	4.36	359.443	368.260	2.45
359 Other cotton apparel	993.272	1023.271	1095.996	7.11	564.067	546.490	-3.12
659 Other mmf apparel	2114.169	2332.751	2426.080	4.00	1152.555	1192.523	3.47
443 mb wool suits	548.753	584.644	540.360	-7.57	264.098	282.763	7.07
447 mb wool trousers	326.836	348.431	328.520	-5.71	147.483	162.757	10.36
638 mb knit shirts,mmf	1532.175	1543.831	1548.056	0.27	712.692	751.788	5.49
639 wg knit blouse, mmf	2357.028	2268.155	2398.680	5.75	948.423	1054.078	11.14
647 mb trousers, mmf	1805.707	1832.031	1847.441	0.84	891.133	967.945	8.62
648 wg slacks,mmf	1723.426	1607.072	1727.536	7.50	717.597	729.718	1.69
847 mb silk trousers	1179.800	1033.785	1105.320	6.92	691.382	615.503	-10.97

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TABLE 9B. CONTINUED.

ITEM	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Subtotal Clothing	45726.415	48136.344	52536.101	9.14	24520.726	26165.451	6.71
Textile Intermediates							
200 Yarn and sewing thread	172.105	208.026	156.047	-24.99	78.608	76.833	-2.26
301 Combed cotton yarn	243.583	206.519	215.457	4.33	129.104	69.328	-46.30
222 Knit fabric	742.869	746.166	739.776	-0.86	381.865	337.085	-11.73
229 Special fabric	878.682	972.834	888.195	-8.70	449.103	401.377	-10.63
619 Poly filament fabric	241.741	246.761	205.229	-16.83	95.803	90.813	-5.21
620 Other synthetic	267.126	326.912	337.426	3.22	165.984	194.718	17.31
622 Filament	87.365	90.917	100.802	10.87	50.355	54.508	8.25
Subtotal Textile Int ?). Products	2633.471	2798.135	2642.932	-5.55	1350.822	1224.662	-9.34
Textile Made-ups							
363 pile towels	871.663	1098.483	1153.392	5.00	622.828	655.808	5.30
666 Other furnishings mmf	1975.160	2149.927	2313.070	7.59	997.867	976.867	-2.10
Subtotal Textile Made-ups	2846.823	3248.410	3466.462	6.71	1620.695	1632.675	0.74
Grand Total Restricted:	51206.709	54182.889	58645.495	8.24	27492.243	29022.788	5.57

Note: YTD is for January-June 2006 versus January-June 2007.

Source: United States Office of Textiles and Apparel (available: <http://www.otexa.ita.doc.gov/>).

suppliers whether or not they enjoyed preferential access to the US market. The picture slightly changes when scrutinized in value terms (Table 11). Growth rates are close to those in volumes for ASEAN (23%) and are almost identical for SAARC (19%). Bangladesh, Cambodia, and Indonesia, three countries that had anxiety about the postquota environment, were the best performers in Asia in 2006, and only Egypt (a preference-receiving supplier) had higher growth in value. Unit values held their ground in SAARC in 2006 and declined only slightly in ASEAN as a whole by 2% (Table 12). Despite the sharp rise in the PRC unit values (reflecting a shift to higher value items within quota categories), unit values of all Asian competitive suppliers with the exception of Bangladesh and Pakistan remained well above the PRC's levels in 2006.⁶

Unit values of Asian competitive suppliers initially fell sharply after quotas were abolished on 31 December 2004 (for aggregated clothing items the change was from \$4.03 per square meter to \$2.89), but recovered once restrictions were reimposed on the PRC (to \$3.11 in 2006 and \$3.26 in the first half of 2007).⁷ Unit values of preferential suppliers in contrast to competitive Asian suppliers fell minimally in 2005 compared to 2004, but after rising slightly in 2006, plunged to below Asian levels on average in the first half of 2007 (\$3.07 per square meter). The largest group of preferential suppliers, the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR) had very low unit values at under \$2.50 per square meter since the global quotas were abolished. This may reflect production of low-quality but high-volume clothing within the restricted categories. Despite their geographic advantage, this group of suppliers may still have difficulty competing head-to-head with the PRC and Bangladesh producers at the low end of the market.

The performance measure of market share in volume (Table 13) and value (Table 14) is particularly revealing in the PRC-restricted clothing items. ASEAN market share by volume in these items rose steadily after the restrictions were implemented from 14% to 19%. Similarly, SAARC suppliers increased volume market share from 12% to 16%. The PRC's volume share in these important categories plunged from 21% in 2005 to 16% in the first half of 2006. However, the PRC's administration of quotas improved greatly in 2007, and more than fully recovered its previous volume market share (Table 13). In value terms, ASEAN's share increased from 17% in 2005 to 22% in the first half of 2007, reflecting rising volume and unit values. In the case of SAARC, however, value share rose less impressively from 12% to 14%, reflecting lower unit values than in ASEAN. The PRC's value share plunged from 16% in 2005 to under 14% in the first half of 2006 but recovered to 21% in the first half of 2007 (Table 14). The surge in value share indicates that American consumers were paying higher prices for the volume-restricted items. Uncompetitive nonpreferential suppliers such as former large quota holders from East Asia, EU, and Turkey had pronounced deterioration in market shares. Preferential suppliers did not fare any better. Hence, most of the gain in competitive Asian suppliers in the SAARC and ASEAN regions came at the expense of these suppliers rather than the PRC. As a group, preferential suppliers had a 6 percentage point drop in volume share in the US market and an over 9 percentage point decline in value market share. The losses reflect the rules of origin that mandate use of yarn-forward intermediate products in clothing originating within the region. Fabric costs are estimated to be as much as 30% higher than for Asian supplies in North America. Hence, even with significant tariff preferences (about 15%), clothing suppliers find it difficult to compete in the US market (James 2007b).

⁶ There are concerns about the possible transshipment of PRC-restricted items in countries with large declines in unit values (e.g., Cambodia; Hong Kong, China; Malaysia; and Pakistan). The US has imposed quantitative restrictions on two categories of shipments from Hong Kong, China (338 and 339—cotton knit shirts and blouses) that are under quotas for the PRC.

⁷ More rigorous analysis of unit values as proxies for price dynamics is being conducted. Also see Section VI below for a brief summary of the analysis.

TABLE 10
US IMPORTS OF CLOTHING FROM MAJOR SUPPLIERS IN CATEGORIES RESTRICTED BY SAFEGUARDS IMPOSED ON THE PRC (VOLUME IN \$M)

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Competitive Asian Suppliers							
PRC	1811.339	3341.758	3319.669	-0.66	1187.118	1802.272	51.82
Indonesia	445.902	536.042	714.859	33.36	335.587	395.784	17.94
Bangladesh	707.424	815.075	998.448	22.50	494.832	562.943	13.76
Cambodia	202.515	291.877	461.392	58.08	210.813	273.117	29.55
India	314.021	430.619	467.235	8.50	249.613	266.337	6.70
Malaysia	135.095	145.373	181.840	25.09	89.673	79.469	-11.38
Pakistan	346.425	397.593	509.334	28.10	249.776	269.698	7.98
Philippines	295.919	324.165	405.237	25.01	216.033	151.213	-30.00
Sri Lanka	212.634	270.551	308.135	13.89	145.291	165.747	14.08
Thailand	399.257	413.981	461.628	11.51	225.974	213.757	-5.41
Viet Nam	463.377	471.452	566.178	20.09	301.092	365.932	21.53
Subtotal	5333.908	7438.486	8393.955	P12.84	3705.802	4546.269	22.68
Landlocked Asian Suppliers							
Lao PDR	0.000	0.000	1.744	*	0.000	3.051	*
Mongolia	na	32.310	25.320	-21.63	12.360	9.070	-26.62
Nepal	19.525	12.869	10.022	-22.12	5.711	3.741	-34.49
ASIAN PTAs							
ASEAN	2049.511	2250.621	2841.599	26.26	1401.225	1504.906	7.40
SAARC	1600.029	1926.707	2293.174	19.02	1145.223	1268.466	10.76

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TABLE 10. CONTINUED.

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Asian Former Large Quota Holders							
Korea, Rep. of	504.858	311.043	272.452	-12.41	139.409	84.555	-39.35
Taipei,China	446.611	321.080	309.110	-3.73	151.783	120.108	-20.87
Hong Kong, China	507.596	500.707	484.607	-3.22	227.847	125.168	-45.06
Macau, China	282.573	230.121	239.024	3.87	131.673	102.857	-21.88
Subtotal	1741.638	1362.951	1305.193	-4.24	650.712	432.688	-33.51
Major Non-asian Nonpreferential Suppliers							
EU 15	95.212	78.405	56.869	-27.47	28.184	24.365	-13.55
Turkey	195.124	152.659	123.923	-18.82	68.470	51.872	-24.24
Subtotal	290.336	231.064	180.792	-21.76	96.654	76.237	-21.12
Major Preferential Suppliers							
Mexico	1654.850	1514.568	1335.913	-11.80	681.992	557.913	-18.19
Canada	183.829	148.687	129.254	-13.07	70.960	50.504	-28.83
CAFTA-DR	3380.738	3478.462	3182.601	-8.51	1533.577	1522.599	-0.72
Egypt	137.319	138.912	177.363	27.68	94.723	99.342	4.88
Jordan	188.390	222.830	251.690	12.95	125.510	108.508	-13.55
CBI*	210.600	245.735	285.947	16.36	131.040	143.095	9.20
ANDEAN	211.092	211.569	193.670	-8.46	92.826	82.292	-11.35
AGOA	391.880	345.545	306.073	-11.42	150.643	159.809	6.08
Others	186.462	135.328	111.406	-17.68	54.973	44.275	-19.46
Sub-total	6545.160	6441.636	5973.917	-7.26	2936.244	2768.337	-5.72
WORLD	14535.212	15805.616	16017.769	1.34	7519.435	7913.116	5.24

Note: YTD is for January-June 2006 versus January-June 2007.

Source: Compilations by author. See also Table 1 for definitions of groups of preferential suppliers and original data source.

TABLE 11
 US IMPORTS OF CLOTHING FROM MAJOR SUPPLIERS IN CATEGORIES RESTRICTED BY SAFEGUARDS ON THE PRC (VALUE IN MILLION US\$)

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Competitive Asian Suppliers							
PRC	4992.924	7742.945	9253.555	19.51	3376.932	5570.124	64.95
Indonesia	1575.573	1990.464	2720.426	36.67	1216.258	1526.233	25.49
Bangladesh	1418.141	1761.130	2340.279	32.89	1115.539	1319.415	18.28
Cambodia	865.181	1163.435	1654.657	42.22	731.322	952.856	30.29
India	1279.951	1721.381	1954.197	13.52	1038.572	1137.561	9.53
Malaysia	536.054	533.714	564.973	5.86	261.240	263.823	0.99
Pakistan	924.879	1041.515	1213.855	16.55	548.391	615.917	12.31
Philippines	1118.356	1284.297	1514.684	17.94	754.743	651.108	-13.73
Sri Lanka	916.027	1131.346	1250.133	10.50	614.021	649.986	5.86
Thailand	1226.169	1337.251	1463.431	9.44	715.860	711.631	-0.59
Viet Nam	1644.963	1790.020	2188.123	22.24	1160.895	1409.634	21.43
Subtotal	16498.218	21497.498	26118.313	21.49	11533.773	14808.288	28.39
Landlocked Asian Suppliers							
Lao PDR	0.000	0.000	1.733	*	0.000	2.854	*
Mongolia	na	116.334	92.369	-20.60	43.694	30.198	-30.89
Nepal	63.308	41.572	32.551	-21.70	18.592	11.425	-38.55
ASIAN PTAS							
ASEAN	7455.186	8414.154	10380.209	23.37	4997.065	5677.429	13.62
SAARC	4602.306	5696.944	6791.015	19.20	3335.115	3734.304	11.97
Asian Former Large Quota Holders							
Korea, Rep. of	1341.660	942.644	776.092	-17.67	397.523	258.792	-34.90
Taipei,China	1231.018	962.788	884.358	-8.15	425.910	348.884	-18.09
Hong Kong, China	2506.604	2897.229	2554.155	-11.84	1280.450	731.887	-42.84
Macau, China	992.067	1014.991	1044.866	2.94	576.324	437.232	-24.13
Subtotal	6071.349	5817.652	5259.471	-9.59	2680.207	1776.795	-33.71

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TABLE 11. CONTINUED.

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Major Non-asian Nonpreferential Suppliers							
EU 15	1042.121	918.580	819.611	-10.77	406.798	410.153	0.82
Turkey	831.826	644.036	487.059	-24.37	252.205	217.608	-13.72
Subtotal	1873.947	1562.616	1306.670	-16.38	659.003	627.761	-4.74
Major Preferential Suppliers							
Mexico	6037.595	5537.689	4838.496	-12.63	2408.165	2042.569	-15.18
Canada	1121.494	941.047	879.898	-6.50	466.909	370.895	-20.56
CAFTA-DR	8714.506	8461.968	7921.553	-6.39	3771.867	3652.336	-3.17
Egypt	392.142	409.184	582.706	42.41	271.981	342.566	25.95
Jordan	861.975	987.456	1118.877	13.31	521.339	496.357	-4.79
CBI*	414.382	473.993	511.462	7.90	239.159	248.181	3.77
ANDEAN	1182.107	1296.029	1275.451	-1.59	598.978	557.455	-6.93
AGOA	1633.448	1391.145	1237.400	-11.05	570.008	599.405	5.16
Others	850.952	636.181	502.742	-20.98	248.179	190.588	-23.21
Subtotal	21208.601	20134.692	18868.585	-6.29	9096.585	8500.352	-6.55
World	45726.415	48136.344	52536.101	9.14	24520.726	26165.451	6.71

Note: YTD is for January-June 2006 versus January-June 2007.

Source: Compilations by author. See also Table 1 for definitions of groups of preferential suppliers and original data source.

TABLE 12
 UNIT VALUE OF SHIPMENTS TO THE US IN CLOTHING CATEGORIES RESTRICTED BY SAFEGUARDS ON THE PRC (UNIT VALUE US\$/SME)

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Competitive Asian Suppliers							
PRC	2.756	2.302	2.787	21.08	2.845	3.091	8.65
Indonesia	3.533	3.713	3.806	2.49	3.624	3.856	6.40
Bangladesh	2.005	2.161	2.344	8.48	2.254	2.344	3.99
Cambodia	4.272	3.986	3.586	-10.04	3.469	3.489	0.58
India	4.076	3.999	4.182	4.57	4.161	4.271	2.64
Malaysia	3.968	3.671	3.107	-15.36	3.111	3.346	7.55
Pakistan	2.670	2.620	2.383	-9.02	2.196	2.284	4.01
Philippines	3.779	3.962	3.738	-5.66	3.494	4.306	23.24
Sri Lanka	4.308	4.182	4.057	-2.98	4.226	3.922	-7.19
Thailand	3.071	3.230	3.170	-1.86	3.168	3.329	5.08
Vietnam	3.550	3.797	3.865	1.79	3.856	3.852	-0.10
Subtotal	4.030	2.890	3.112	7.68	3.112	3.257	4.66
Landlocked Asian Suppliers							
Lao PDR	none	none	0.994	*	none	0.935	*
Mongolia	na	3.601	3.648	1.31	3.535	3.329	-5.83
Nepal	3.242	3.230	3.248	0.56	3.255	3.054	-6.18
Asian PTAs							
ASEAN	3.638	3.739	3.653	-2.30	3.566	3.773	5.80
SAARC	2.876	2.957	2.961	0.14	2.912	2.944	1.10
Asian Former Large Quota Holders							
Korea, Rep. of	2.657	3.031	2.848	-6.01	2.851	3.061	7.37
Taipei,China	2.756	2.999	2.860	-4.62	2.806	2.905	3.53
Hong Kong, China	4.938	5.786	5.271	-8.91	5.620	5.847	4.04
Macau, China	3.511	4.411	4.371	-0.89	4.377	4.251	-2.88
Subtotal	3.486	4.268	4.029	-5.60	4.119	4.106	-0.32

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TABLE 12. CONTINUED.

SUPPLIER	2004	2005	2006	PERCENT CHANGE	YTD 2006	YTD 2007	PERCENT CHANGE
Major Non-asian Nonpreferential Suppliers							
EU 15	10.945	11.694	14.410	23.22	14.434	16.834	16.63
Turkey	4.263	4.219	3.930	-6.84	3.683	4.195	13.90
Subtotal	6.454	6.763	7.227	6.86	6.818	8.234	20.77
Major Preferential Suppliers							
Mexico	3.648	3.656	3.622	-0.95	3.531	3.661	3.68
Canada	6.101	6.329	6.808	7.56	6.580	7.344	11.61
CAFTA-DR	2.578	2.433	2.489	2.32	2.460	2.399	-2.48
Egypt	2.856	2.946	3.285	11.51	2.871	3.448	20.10
Jordan	4.575	4.431	4.445	0.33	4.154	4.574	10.11
CBI	1.961	1.921	1.788	-6.94	1.825	1.734	-4.99
ANDEAN	5.600	6.115	6.572	7.47	6.453	6.774	4.97
AGOA	4.168	4.026	4.043	0.42	3.784	3.751	-0.87
Others	4.563	4.701	4.513	-4.00	4.515	4.305	-4.65
Subtotal	3.240	3.125	3.158	1.06	3.098	3.071	-0.87
World	3.146	3.046	3.280	7.69	3.261	3.307	1.41

Note: YTD is for January-June 2006 versus January-June 2007.

Source: Compilations by author. See also Table 1 for definitions of groups of preferential suppliers and original data source.

TABLE 13
IMPORT MARKET SHARE OF MAJOR FOREIGN SUPPLIERS IN US CLOTHING IN CATEGORIES RESTRICTED
BY SAFEGUARDS ON THE PRC (VOLUME IN MILLION SQUARE METER EQUIVALENTS, %)

SUPPLIER	2004	2005	2006	2006 YTD	2007 YTD
Competitive Asian Suppliers					
PRC	12.462	21.143	20.725	15.787	22.776
Indonesia	3.068	3.391	4.463	4.463	5.002
Bangladesh	4.867	5.157	6.233	6.581	7.114
Cambodia	1.453	1.919	2.878	2.804	3.451
India	2.160	2.723	2.914	3.320	3.366
Malaysia	0.929	0.920	1.135	1.193	1.004
Pakistan	2.383	2.516	3.180	3.322	3.408
Philippines	2.036	2.051	2.530	2.873	1.911
Sri Lanka	1.463	1.712	1.924	1.932	2.095
Thailand	2.747	2.619	2.882	3.005	2.701
Viet Nam	3.188	2.983	3.535	4.004	4.624
Subtotal	36.756	47.134	52.398	49.283	57.452
Asian PTAs					
ASEAN	14.100	14.239	17.740	18.635	19.018
SAARC	11.008	12.190	14.316	15.230	16.030
Asian Former Large Quota Holders					
Korea, Rep. of	3.473	1.968	1.701	1.854	1.069
Taipei,China	3.073	2.031	1.930	2.019	1.518
Hong Kong, China	3.492	3.168	3.025	3.030	1.582
Macau, China	1.944	1.456	1.492	1.751	1.300
Subtotal	11.982	8.623	8.148	8.654	5.468
Other Nonpreferential Suppliers					
EU-15	0.655	0.497	0.355	0.375	0.308
Turkey	1.342	0.966	0.774	0.911	0.656
Subtotal	1.997	1.463	1.129	1.285	0.963
Major Preferential Suppliers					
Mexico	11.385	9.582	8.340	9.070	7.050
Canada	1.265	0.941	0.807	0.944	0.638
CAFTA-DR	23.259	22.008	19.869	20.395	19.241
Egypt	0.944	0.879	1.107	1.260	1.255
Jordan	1.296	1.410	1.571	1.669	1.371
CBI	1.449	1.555	1.785	1.743	1.808
ANDEAN	1.453	1.339	1.209	1.234	1.040
AGOA	2.696	2.186	1.911	2.003	2.020
Others	1.283	0.856	0.696	0.740	0.595
Subtotal	45.030	40.756	37.296	39.049	34.984

Note: YTD is for January–June 2006 versus January–June 2007.
Source: Computed from Table 10.

TABLE 14
IMPORT MARKET SHARE OF MAJOR FOREIGN SUPPLIERS IN US CLOTHING IN CATEGORIES RESTRICTED
BY SAFEGUARDS ON THE PRC (VALUE IN MILLION US\$, %)

SUPPLIER	2004	2005	2006	2006 YTD	2007 YTD
Competitive Asian Suppliers					
PRC	10.919	15.982	17.614	13.772	21.288
Indonesia	3.446	4.135	5.178	4.960	5.833
Bangladesh	3.101	3.659	4.455	4.549	5.043
Cambodia	1.892	2.417	3.149	2.982	3.642
India	2.799	3.576	3.718	4.235	4.348
Malaysia	1.168	1.108	1.075	1.065	1.008
Pakistan	2.023	2.164	2.310	2.236	2.354
Philippines	2.446	2.668	2.883	3.078	2.488
Sri Lanka	2.003	2.350	2.380	2.504	2.484
Thailand	2.682	2.778	2.786	2.919	2.720
Viet Nam	3.597	3.719	4.165	4.734	5.387
Subtotal	36.076	44.555	49.713	47.037	56.595
Asian PTAs					
ASEAN	16.304	17.480	19.758	20.379	21.698
SAARC	10.065	11.835	12.926	13.601	14.272
Asian Former Large Quota Holders					
Korea, Rep. of	2.934	1.958	1.477	1.621	0.989
Taipei, China	2.692	2.000	1.683	1.737	1.333
Hong Kong, China	5.482	6.019	4.862	5.222	2.797
Macau, China	2.170	2.109	1.989	2.350	1.671
Subtotal	13.278	12.086	10.011	10.930	6.791
Other Nonpreferential Suppliers					
EU-15	2.279	1.908	1.560	1.659	1.568
Turkey	1.819	1.338	0.927	1.029	0.832
Subtotal	4.098	3.246	2.487	2.688	2.399
Major Preferential Suppliers					
Mexico	13.204	11.504	9.209	9.821	7.806
Canada	2.453	1.955	1.675	1.904	1.417
CAFTA-DR	19.058	17.579	15.078	15.382	13.959
Egypt	0.858	0.850	1.109	1.109	1.309
Jordan	1.885	2.051	2.130	2.126	1.897
CBI*	0.906	0.983	0.974	0.975	0.949
ANDEAN	2.585	2.688	2.423	2.443	2.131
AGOA	3.572	2.890	2.355	2.325	2.291
Others	1.861	1.323	0.957	0.886	0.765
Subtotal	46.382	41.824	35.911	36.971	32.524

Note: YTD is for January–June 2006 versus January–June 2007.
Source: Computed from Table 11.

Looking ahead to 2008 and 2009, however, there is little room for complacency in ASEAN or SAARC. The PRC may be expected to ramp up the volume of shipments once restrictions are loosened further in 2008 and are removed altogether in 2009.⁸

VI. SAFEGUARD RESTRICTIONS AND PRICE DYNAMICS OF US CLOTHING IMPORTS

The Agreement on Textiles and Clothing (ATC) ended the regime of quotas for shipments from developing countries on 31 December 2004 provided they are members of the WTO. In the case of the PRC, however, the terms of its accession agreement permit contracting members to resort to product-specific safeguard quotas in these products by mutual agreement between governments. As was pointed out earlier in Section IV, the volume of imports from the PRC to the US increased sufficiently in the first half of 2005, prompting negotiations that resulted in a comprehensive agreement to limit growth of imports in 26 categories of clothing and nine categories of textiles over the period 1 January 2006 through 1 January 2009.

The unit values for the 26 clothing categories can be regarded as proxies for unit prices of clothing items under safeguards. In 2004 these items were still largely under quota restriction in the US market as quota elimination on the most “sensitive” clothing categories was delayed until the fourth and final tranche of liberalization under the ATC (Brambilla, Khandelwal, and Schott 2007). The PRC’s shipments were relatively unimpeded in 2005, so prices for the items placed back under quotas under the safeguard agreement in 2006 can be regarded as relatively undistorted by quantitative restrictions for that year. However, beginning in 2006 and into 2007, prices for the restricted items would be expected to revert back toward 2004’s quota-distorted (higher) levels.

Statistical tests were conducted for the hypothesis that mean values of US import prices of PRC-restricted clothing category shipments from all suppliers (“world”) were the same for the underlying populations over the years (pair-wise), i.e., 2005 versus 2004; 2006 versus 2005, and 2006 versus 2004. The null hypothesis that sample mean values were the same could be rejected for the pairs 2005–2004 and 2006–2005 but not for 2004–2006 (Table 15). Moreover, significant differences were in the predicted direction—2005 mean values of prices were lower than for 2004; 2006 mean values of prices were higher than for 2005. The finding of no difference in mean values for the pair 2006–2004 is consistent with the interpretation that the imposition of safeguard quotas had the effect of pushing prices back up toward levels during the era of quantitative restrictions for all suppliers.

The role of the PRC in lowering world prices of manufactured products has been the subject of much commentary and research.⁹ In the restricted clothing items, this role is clearly validated by examining differences in mean values of the PRC with respect to mean values of prices of all foreign suppliers of these items. The mean prices of clothing items that came under safeguard restrictions in 2006 for shipments from the PRC were not significantly different from all world suppliers in 2004, but became significantly lower in 2005 under quota-free trade (James and Hernando, forthcoming). Then in 2006 and 2007, mean values of unit prices of the PRC’s shipments

⁸ However, the US textile lobby is already preparing for antidumping measures once the safeguard restrictions are no longer in place. Similarly, the EU has implemented a licensing scheme to limit imports of clothing from the PRC in 2008 after its own quota restrictions ended on 31 December 2007.

⁹ See Eichengreen, Rhee, and Tong (2004), Mckibben and Woo (2003), and Srinivasan (2006) for analysis of the PRC’s impact on world trade and production of manufactures.

became insignificantly different from mean values for all shippers as they turned upward upon the imposition of the safeguard quotas.¹⁰

The time dynamics of mean values of the PRC price for the restricted clothing items show a slightly different pattern from clothing items from all shippers. Compared with 2004, mean values of unit prices for clothing shipments from the PRC in 2005 were significantly lower than in 2004 and mean values of shipments in 2006 were significantly higher than for 2005 but remained significantly lower than in 2004 (Table 16). The results that prices of shipments of restricted items did not rise again to 2004 levels hold for the first half of 2007 and indicate that increased competition may have continued to act as a brake on the increase in unit values even under safeguards. In addition, some Asian suppliers have statistically significant lower mean unit prices for shipments of the restricted items in 2006 and 2007, particularly Bangladesh and Pakistan. However, in 2005 most Asian suppliers had higher mean prices in these items than the PRC that were statistically significant (James and Hernando, forthcoming). Hence, once the safeguards are eliminated after 2008, it is likely that downward pressure on unit prices will become stronger. Hence, ASEAN and SAARC suppliers will need to do everything in their power to cut costs and enhance quality to avoid a downturn once the restrictions are removed.

TABLE 15
TESTING FOR EQUALITY OF MEAN WORLD PRICES OF SHIPMENTS TO THE US IN CATEGORIES RESTRICTED BY SAFEGUARD QUOTAS (UNIT MEASURE, US\$ PER SQUARE METER EQUIVALENT)

Ho: underlying prices have the same mean across relevant years
H₁: underlying prices do not have the same mean across relevant years

	2004	2005
Average price (unit value US\$/SME)	4.90	4.74
Paired , P(T<t)	0.07	
Conclusion	Reject Ho, 2005 mean prices significantly lower than 2004 mean prices at 10% level of significance	

	2004	2006
Average price (unit value US\$/SME)	4.90	4.99
Paired , P(T<t)	0.16	
Conclusion	Cannot reject Ho, 2004 mean prices not significantly lower than 2006 mean prices	

	2005	2006
Average price (unit value US\$/SME)	4.74	4.99
Paired , P(T<t)	0.01	
Conclusion	Reject Ho, 2005 mean prices significantly lower than 2006 mean prices at 1% level of significance	

¹⁰James and Hernando (forthcoming) use t-tests for the null hypothesis that the population mean for the PRC is the same as for all shippers (25 shippers for 26 clothing categories) and reject the hypothesis.

TABLE 16
TESTING FOR EQUALITY OF MEAN PRICES OF SHIPMENTS OF THE PRC TO THE US IN CATEGORIES RESTRICTED BY SAFEGUARD QUOTAS (UNIT MEASURE, US\$ PER SQUARE METER EQUIVALENT)

Ho: underlying prices have the same mean across relevant years

H₁: underlying prices do not have the same mean across relevant years

	2004	2005
Average price (unit value US\$/SME)	5.30	3.35
Paired , P(T<t)	0.00	
Conclusion	Reject Ho, 2005 mean prices significantly lower than 2004 mean prices at 1% level of significance	

	2004	2006
Average price (unit value US\$/SME)	5.30	4.44
Paired , P(T<t)	0.01	
Conclusion	Reject Ho, 2006 mean prices significantly lower than 2004 mean prices at 1% level of significance	

	2005	2006
Average price (unit value US\$/SME)	3.35	4.44
Paired , P(T<t)	0.00	
Conclusion	Reject Ho, 2005 mean prices significantly lower than 2006 mean prices at 1% level of significance	

	YTD 2007	2004
Average price (unit value US\$/SME)	4.30	5.30
Paired , P(T<t)	0.00	
Conclusion	Reject Ho, YTD 2007 mean prices significantly lower than 2004 mean prices at 1% level of significance	

	YTD 2007	2005
Average price (unit value US\$/SME)	4.30	3.35
Paired, P(T>t)	0.00	
Conclusion	Reject Ho, YTD 2007 mean prices significantly higher than 2005 mean prices at 1% level of significance	

	YTD 2007	2006
Average price (unit value US\$/SME)	4.30	4.44
Paired, P(T<t)	0.02	
Conclusion	Reject Ho, YTD 2007 mean prices significantly lower than 2006 mean prices at 5% level of significance	

	YTD 2007	YTD 2006
Average price (unit value US\$/SME)	4.3	4.41
Paired, P(T<t)	0.24	
Conclusion	Cannot reject Ho, YTD 2007 mean prices not significantly lower than YTD 2006 mean prices	

VII. AN ASIAN TEXTILE COMMUNITY: MOVING FORWARD WITH REGIONAL INTEGRATION

ASEAN has designated textiles and apparel as one of its 12 priority sectors for purposes of establishing an ASEAN Economic Community by 2015. The aim is the creation of a single market for purposes of trade in goods and services and capital mobility. The ASEAN textiles and apparel sectors have a bright future provided governments and the private sector act in tandem to reduce barriers to trade and investment and to facilitate outward processing arrangements within the region.¹¹ Reduction of CEPT tariffs on textile and apparel and related inputs to zero, implementation of a customs green lane for imported textile and related products, and the easing of the investment approval processes are essential if the region is to capitalize on its competitive strengths. Moreover, ASEAN members must look more broadly at the entire Asian region as partners in trade and investment in seeking to hone competitiveness at the global level. This implies that ASEAN plus agreements be extended to liberalization of trade and investment in textiles and apparel on a priority basis. Inclusion of SAARC and the PRC in an ASEAN-based textile community (as well as Japan and Korea) would help the industry to thrive under even difficult conditions.

For SAARC to integrate textiles and apparel into efficient production networks within South Asia and across the region, it will need to adopt more open policies along the lines of Sri Lanka—minimizing exclusions and dropping SAFTA tariffs to low rates. SAARC and ASEAN would do well to exchange concessions in textiles and to extend these concessions to the PRC on a reciprocal basis. Lowering trade and investment barriers across the region in order to stimulate development of production networks will require improved customs administration and trade facilitation efforts. Outward processing arrangements between larger members and smaller specialized garment exporters will also be stimulated by such an approach.

¹¹ See James, Minor, and Dourng (2007) for detailed recommendations for ASEAN integration in textiles and apparel.

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About the Paper

William E. James writes that suppliers of apparel from the South and Southeast Asian regions have expanded their market shares in the largest world market for clothing imports, the United States. However, they must redouble their efforts to improve their competitiveness as safeguard limits on shipments of clothing from the People's Republic of China to the United States will be lifted on 31 December 2008. Regional cooperation to facilitate trade in textile intermediate products and other inputs in clothing production is an important option for keeping costs down and optimizing production.

About the Asian Development Bank

ADB aims to improve the welfare of the people in the Asia and Pacific region, particularly the nearly 1.9 billion who live on less than \$2 a day. Despite many success stories, the region remains home to two thirds of the world's poor. ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB's vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve their quality of life.

ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

ADB's headquarters is in Manila. It has 26 offices around the world and more than 2,000 employees from over 50 countries.