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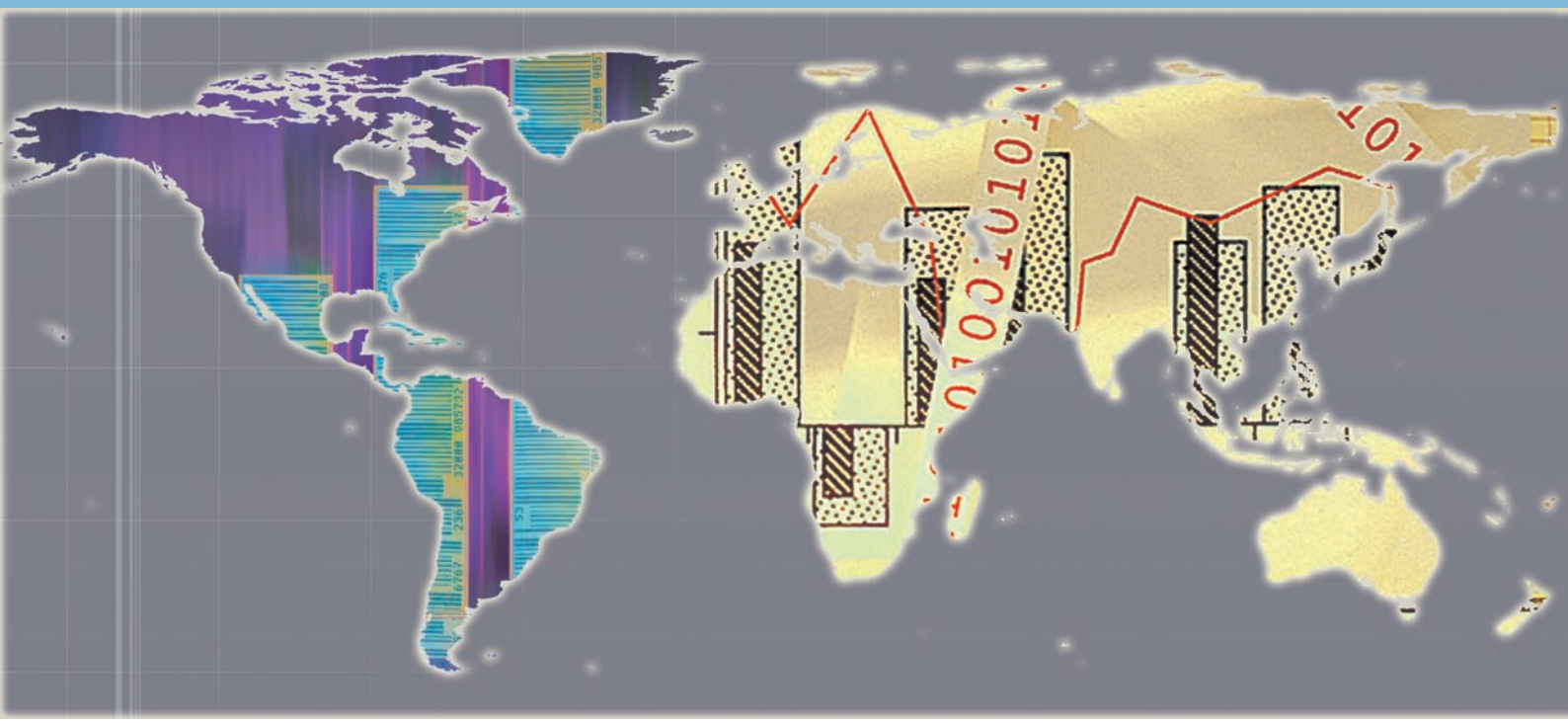

The Impact of World Recession on the Textile and Garment Industries of Asia

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1. Introduction

This paper looks at the effects of world recession on the textile[1] and garments (T&G) industries of Asia by considering those impacts that work through the demand for Asian T&G exports in their major markets, the EU and the US. It also considers the indirect impact on other Asian countries of their sales to the Japanese market, which in turn has been affected by falling export demand to the US and the EU and by the financial repercussions of the global banking crisis. It does not look at the impacts on domestically-oriented T&G production of falling domestic demand as a result of falling export sales more generally (that is, for all exports, not only T&G). Nor does it consider the impacts on Asian T&G exporters of domestic financial problems, working for example through the availability of credit. These issues seem better left to country studies.

In textiles, the paper focuses particularly on those made as inputs into garments, the largest single use, although production of textiles for other uses is also considered. In fact, the output of non-garment textiles is growing more rapidly, and these uses combined account for more than half of world textile output (OECD 2004: 12, 21). Non-garment textiles include products made for direct use by final consumers, such as carpets, curtains, towels and bed-sheets, as well as those produced as industrial inputs such as car upholstery, belting, tyre cords and industrial sheets.

Asia accounts for more than half of world exports of garments and nearly half of world exports of textiles. Table 1 shows the more important of the Asian exporters of textiles and of garments in 2007, the last year before the main effects of recession.[2] Table 2 shows the minor Asian exporters. Note the heavy dependence of certain Asian countries on textiles or garments for their export earnings: Bangladesh over 80% dependent on garments, Cambodia over 70% on garments, and Pakistan 63% for T&G combined.

Tables 3 and 4, respectively, show the US and EU-27, and the Japanese, markets for garments in 2007. The dominant position of Asia is clear, especially in the US and Japan. In the case of the EU-27 countries, nearly 58% is imported from other countries in the Union, which now includes a range of low-wage producers in Eastern Europe. Nevertheless, for extra-EU imports, Asia clearly dominates, and the extra-EU market for garments is only slightly less than that of the US. For the Japanese market, Asia and particularly China, is overwhelmingly

[1] In this study, the term 'textiles' normally is used in the narrow sense; that is, to exclude garments.
[2] Also, the latest year that such comparable statistics are available from the WTO at the time of writing.

important, although the Japanese market is less than a third of the size of that of the US.[3] Tables 5 and 6 show the picture for textiles, adding China as a market since many Asian textiles are exported to China as inputs for China's garment exports. Again, the dominant position of Asian suppliers to the US, extra-EU, and Japanese markets is clear, even though the markets themselves are much smaller than for garments.

The world recession has hit the Asian T&G sector at a time when the sector globally is already in the throes of potentially massive readjustment (UNCTAD 2005). The T&G sector, especially garments, is one of the most globalised of any in the world economy (UNCTAD 2002: 120-124). This globalisation, however, owes much less to normal market forces than to trade distortions, particularly the Multi-fibre Arrangement (MFA) and its successor, the Agreement on Textiles and Clothing (ATC). The MFA/ATC, which ended on 1 January 2005, controlled exports to major markets, particularly the EU and the US[4], for over thirty years. Using a series of volume limits (known as MFA export 'quotas') on the exports of developing countries, tightly specified product by product and country by country, it had offered protection for the domestic T&G industries of the US and the EU by limiting imports into those markets from highly competitive producing countries like China. By doing so, it also gave many new producing countries the opportunity to enter the T&G export economy. It offered such new producers a kind of guaranteed market, as it were, in which competition from powerful competitors was limited.

International buyers in T&G global value chains[5] sought out countries with unused MFA export quotas from which to source supplies. International garment producing companies from newly industrialised Asian countries such as Korea, Taiwan and Hong Kong could avoid MFA restrictions on their exports by 'quota-hopping' their production to new countries, such as China or Indonesia in the 1980s, Vietnam in the 1990s, or Cambodia in the 2000s. Driven also by the need to source cheaper labour and factory sites than available in their home countries (see section 3), these producing companies spread their activities over a wide range of countries, mainly though not exclusively in Asia. These companies cooperated with global buyers in a system of 'triangular manufacturing' (Gereffi 1999) where US or EU buyers often sourced from Asian-NIC subsidiaries located in third countries with lower labour costs and underutilised export quotas.

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[3] The relative smallness of the Japanese market is exaggerated in 2007 by the fact that the Japanese yen then was somewhat depreciated in relation to the dollar compared to later years. In 2007 it varied in terms of monthly averages between Y111 and Y123 to the US$, compared to Y91 to Y99 in the first nine months of 2009 (http://research.stlouisfed.org/fred2/data/EXJPUS).

[4] Also some other markets, such as Canada.

[5] See section 3 for discussion of global value chains.

With the end of the MFA[6] at the start of 2005, it was widely predicted that great changes would occur in the global pattern of textile and (particularly) garments production as global buyers no longer would be constrained in their sourcing decisions by the availability of MFA export quotas. Probably the most influential prediction was that by Nordås (2004) for the WTO (see Table 7), which indicated that China, and to a lesser extent India, would sweep the board in the US and EU markets at the expense of other suppliers. This has largely proved true for China, though not India.

As Table 1 shows, China's share of world textile exports rose from 10.3% in 2000 to 23.5% in 2007, and from 18.2 to 33.4% for garments. Although the share of all-Asia rose too in both textiles and garments, this was due to the rise of China's share, and that for the rest of Asia has fallen from 34.5 to 24.3% in the case of textiles, and from 27.8 to 19.1% in the case of garments (from Table 1). India's share of world garment exports fell between 2000 and 2007, and its share of the world textile market rose only marginally compared to China's large rise. However, some other Asian countries such as Vietnam, Cambodia and Bangladesh were doing well in particular export markets prior to the start of recession.

This paper now looks at the origins of the T&G industries, in section 2. Section 3 considers the structural characteristics of the T&G industries and their relation to the industries' drivers of change, while section 4 conducts an analysis of recent US, EU and Japanese import statistics to provide more insight into how the recession has been affecting Asian producing countries. Section 5 looks at other aspects of the recession, using material from the T&G trade literature and from interviews. Section 6 looks at green issues and their role in T&G competitiveness strategies, and Section 7 concludes with discussion of industry responses, government policies and prospects for the Asian T&G sector.

2. Origins of the Textile and Garments Industries

Textiles have been with us ever since people in ancient times moved from wearing garments made of animal skins to wearing garments made of cloth. The modern form of the textile industry – using factories with machinery driven by artificial motive power – dates from the first Industrial Revolution, started in Britain in the late 18th century, based on imported cotton. For Britain, textiles were at the core of industrial development. They were also the country's leading export sector at that time, allowing the industry to expand rapidly beyond the constraints imposed by the growth of domestic demand. Textiles proved to be the first driver

[6] Strictly speaking, the ATC *replaced* the MFA after 1994, but most commentators have continued to refer to the MFA, and that practice is followed here too.

of industrial development elsewhere too, as countries in Western Europe such as France, Germany and the Netherlands in the 19th century, and also the United States, followed the British example; although often with the important variation that trade restrictions were used to protect their fledgling industries against imports. The American case also saw a great expansion of domestic cotton production.

The development of manufactured fibres has provided a further link between industrialisation and the development of the textile and garment industries. Although some manufactured fibres such as rayon and acetate are *cellulosic*, deriving from naturally occurring cellulosic sources (particularly trees) (Dickerson 1997: 293), the bulk of manufactured fibres, such as nylon or polyester, are based on petrochemical feedstocks. Such *synthetic* fibre production has been closely linked to the development of the chemical industries in Western industrial countries and later in Asia.

Factory-based manufacture of garments typically followed quite some time after the growth of textile production. In the case of the United States it came almost a century after textile production had been industrialised. In the meanwhile, small scale tailors could make garments for customers, prior to the development of the sewing machines that became the basis for garments production in factories (Dickerson 1999: 39-40). Similarly, global trade in garments was a much later starter than in textiles, becoming important only from the 1950s, while global trade in textiles had been substantial in the early 19th century (Rivoli 2006: 84) and even before. In more recent years, though, garment export growth has outstripped that of textile exports. Having grown at the same rate in the 1980s, world trade in textiles over the period 1990-2001 grew at half the rate of garments (3% compared to 6% per annum) (OECD 2004: 35). As Table 1 shows, the trend for garment exports to grow faster than textiles has continued into the later 2000s.

Before the rise of textile industrial production in Britain, Asia had been a leading player. The Indian pre-modern textile industry was the major supplier of cloth to world markets for centuries before, and then was progressively displaced by Britain in the early 19th century. By 1850, India was itself taking a quarter of Britain's cotton textile exports. A large scale, industrialized cotton textile sector did not develop in India until the late 19th century (Alavi 1982: 57-8).

In the early 1960s, before the later changes in the international location of textiles and garments production driven by the MFA[7], India was the only Asian country besides Japan to be in the top ten world exporters of textiles; while China was only number 13 and Pakistan number 15. And at that time too, the only Asian countries among the world's top ten garment exporters were Hong Kong and Japan, with Taiwan as number 15. All the other major players were from North America or Europe (1963 figures, from Dickerson 1999: 189, 194). By 1993 China, however, had become the world's largest exporter of garments (Rivoli 2006: 7). In China, as in older established T&G producing countries, textile exports long preceded the growth of garment exports. China, like India, is a large producer of cotton.

Japan's rise to be the world's largest exporter of textiles in the early 1960s can be dated back to the late 19th century. Based on imported cotton, and initially importing British spinning machinery (but later making its own), Japan was soon exporting textiles to neighbouring Asian countries. After the destruction of the bulk of its textile capacity during the Second World War, Japan re-equipped with state of the art equipment (McNamara 1995: xiii-xvi). By the early 1960s, Japan was perceived by the US and Europe as presenting a threat to their own previously dominant textile industries, and the trade restrictions initiated then became one of the major drivers of change in the global structure of the industry. Indeed there had been attempts in the 1950s by the US and the UK to restrict on a 'voluntary' basis exports from early Asian exporters such as Japan and Hong Kong.[8] A Long-Term Arrangement, to regulate trade in cotton textiles, was established in 1962, and the famous Multi-Fibre Arrangement was first signed in 1974, extending the coverage beyond cotton to manufactured fibres. The MFA was renewed a number of times until 1994, when a ten-year period of phase-out was agreed under the GATT Uruguay Round's Agreement on Textiles and Clothing.

The trade intensity which is such a feature of modern textile and garment industries was also in evidence from the beginning. Although some countries, such as India, Pakistan and China, based their textile industries on domestic cotton, Great Britain and later Japan relied on importing their supplies of cotton. The trading required to arrange the importation of raw materials on such a large scale was a stimulus to the development of trading companies in both countries, particularly the famous *sogo shosha* of Japan, which are still so important in the trade. Later, of course, the development of manufactured fibre production gave the Japanese a domestic source of fibres. In recent years a number of new entrants to the world market for garments, such as Cambodia, have been able to develop their exports virtually entirely on the basis of imported fabrics without having a domestic textile industry.

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7 And by rising wage and other costs in established producers (see next section).

8 The account of these early trade restrictions draws on Dicken (2007, ch.9), but some of the details about the early period, which are not contained in his later edition, are from Dicken (1998, ch.9).

3. Structural Characteristics and Drivers of Change

3.1 Labour intensity and rising wages as a driver of change

Garments are an archetypal labour-intensive activity, along with industries such as toys, travel goods and shoes, through which many developing countries have entered world markets as manufactures exporters. In the case of garments, such entry has been greatly aided by the MFA's restrictions on the most competitive countries like China. Garments production is typically much less capital intensive than textiles. Textile capital intensity has risen significantly over the post-war period (Jenkins 1993; OECD 2004: ch.4), as has firm concentration (Clairmonte and Cavanagh 1981: ch.1), but capital intensity is still normally much less than that of manufacturing as a whole.[9]

Within the framework of the MFA, rising wages have been an important driver of international relocation in garments and to a lesser extent in textiles. As suggested by the famous 'flying geese' model of the Japanese economist Akamatsu (1962),[10] early established producers of textiles and garments, driven by rising wage costs and the cost and availability of factory sites,[11] were motivated to retain their competitive advantages in the international economy by shifting their production to lower wage countries. Probably the best known of these relocations is the movement of most of Hong Kong's labour-intensive manufacturing industry, including T&G production but also products like toys and shoes, from Hong Kong to southern China, particularly the Pearl River Delta region of Guangdong province. This happened in the early 1980s during the beginning years of China's 'open policy', under which it reformed export trade and encouraged foreign investment (Thoburn *et al* 1991a and 1991b). Since it involved not only T&G production but also other labour-intensive products, it was arguably more driven by cost pressures than by MFA quota availability. Prior to movements to China, there were other relocations by newly industrialising country T&G producers to countries such as Malaysia, Thailand and Indonesia in the 1970s and 1980s. Later relocations, such as to Vietnam, Bangladesh and Cambodia, after Chinese production was well established and its exports were pressing on MFA quotas, have been more MFA-driven.

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[9] This is so even in the most advanced textile producing countries, such as Japan, where the value-added per worker in *spinning, weaving and finishing of textiles* (ISIC[rev 3] 171), the largest subsector, is less than half that of all manufacturing (2005 figures from UNIDO online database).

[10] The idea was that the leading 'goose', Japan, shifted its more labour-intensive production to the industrially advanced countries of Asia, which in turn shifted their own labour-intensive production to lower wage countries as their costs rose. Thus the industrial development of other Asian countries followed that of Japan, but at a distance, like a formation of flying geese. There have been successive waves in the formation, with Korea and Taiwan following Japan, South East Asian countries following the Asian NICs, and countries such as China, and then Vietnam and Cambodia in later echelons.

[11] Exchange rate changes also have been a driver of outward direct investment in this context, for example from Taiwan and Japan in the 1980s.

Of course, the process of cost-driven relocation was not a wholly Asian phenomenon. Fröbel *et al* (1980) have documented how the West German textile industry relocated overseas in the 1970s. Similarly, American producers have relocated to Mexico and central America, and other Western European countries to Eastern Europe and North Africa.

Textiles have had successive waves of innovation, often resulting from innovations in other industries, particular chemicals and machinery (OECD 2004:14), which, as noted above, have increased the industry's capital intensity and made textiles less prone to relocation to lower wage countries. In the 1960s and 1970s the productivity of labour in textiles grew faster than that of manufacturing as a whole. In the 1960s, new processes for high speed filament yarns[12] for example, and the diffusion of shuttle-less looms in the 1970s, all raised productivity (Jenkins 1973: 3-4), and improved the competitive position of textiles in industrial countries. Later, the innovations have been spreading to developing countries too, witness China's large imports of textile machinery in the early 2000s (OECD 2004: 65).

Garments also has experienced some technical innovation, starting in the 1980s, in the pre-assembly stage (designing, pattern marking, cutting), particularly the application of computer aided design (CAD) (OECD 2004:19). However, the assembly stage, where fabric is sewn into garments, has remained highly labour-intensive, despite some innovations like modular manufacturing to improve factory organisation, and track systems to automate.[13] Thus wages have remained an important consideration, although of course what is relevant is wage costs (wages in relation to labour productivity) not simply wage levels

3.2 Global value chain issues

Global value chains (GVCs) refer to the process whereby the successive economic links in the production process are organized not by arms-length market transactions but by longer term contractual arrangements in which economic power is concentrated in the hands of economic actors at particular stages of the chain. In the case of textiles and garments, the GVCs are *buyer-driven*, where power is exercised at the retail end (Gereffi and Memedovic 2003; Nadvi 2004). Although rising wages have been one driver of location change for labour intensive industries like garments, and to a lesser extent for textiles, the control or governance of such relocation has been primarily in the hands of global buyers. In the 'triangular'

[12] These by-pass the spinning stage and can be woven directly into cloth.

[13] One Hong Kong manufacturer explained to me in the early 2000s how they used a track system in their (relatively high wage) Malaysian factory, but not in their factory in China where wages were lower and there was less incentive to automate, and because more traditional systems gave more flexibility for small orders.

manufacturing system referred to in section 1, international producers during the period of the MFA located to new countries usually in consultation with global buyers. Such buyers include stores like JC Penney in the US, brand names with their own retail outlets such as Gap, brand names normally selling to retail outlets such as Liz Claiborne, discounters like Wal-Mart, and mail order firms. Such buyers usually do not have production facilities of their own. While research by Appelbaum (2008) has highlighted the increasing economic power of global producing companies in industries such as garments and footwear in relation to global buyers, my own past research has suggested the power of even large Hong Kong garment companies operating in many countries is limited to the right to refuse particular orders without prejudicing relations with a buyer.

With the end of the MFA, the buyers' concern with sourcing from particular countries will have lessened, in the sense that quota availability is no longer an issue (except for China up to end-2008[14]). It has been argued that in some cases buyers are willing to place orders with a international producer without being interested where the production will be carried out (Birnbaum 2009), although my own recent interviews with global buyers have not found any evidence to support this view. However, even since the end of the MFA, buyers have been keen to avoid overdependence on China as a source of supply, and some have adopted a 'China plus one [other country]' sourcing strategy, of which Vietnam and to some extent Bangladesh have been particular beneficiaries. Major buyers have sourcing offices in countries important in their supply chains, such as China, Vietnam or Bangladesh, and so are by no means wholly reliant on sourcing from big multinational garment producing companies.

Prior to the end of the MFA, the pattern of buyers' international sourcing was driven by[15]

- required lead times for different kinds of garments
- quality of workmanship and price
- MFA quota costs and availability
- and import duty payable in major markets on exports from a particular location.

These requirements differed between ultimate buyers according to the market segment they serve and are the basis for the subdividing of buyers in the existing literature.[16] For example,

[14] And Vietnam to some extent.

[15] These details are taken from Roberts and Thoburn (2002), based on interviews with a wide range of buyers and producing firms in China, Hong Kong, Vietnam, South Africa and the UK.

[16] Thus the seminal article by Gereffi (1999), writing of the US, distinguished between retailers, marketers of branded goods without manufacturing facilities (such as Liz Claiborne), and manufacturers who have their own brands (such as Levi Strauss). Various further distinctions are possible, particularly between different kinds of retailers. The Hong Kong Trade Development

fast fashion items in ladieswear require a short lead time, while more traditional items like men's dress shirts or suits less so. Basic items like T-shirts or denim jeans also do not require short lead times and are likely to be sourced on the basis of the lowest costs. The requirements of particular final buyers themselves also are variegated according to the range of goods they wish to retail. Short lead times favour nearby suppliers, like Turkey for the EU, or Mexico for the US, whereas for cheaper basic products buyers can go further afield to places like Cambodia or, in Africa, to Lesotho. However, later it will be argued later that nearby suppliers in very recent years have not performed as well as expected.

These forces driving changes in global value chains, apart of course from MFA quota availability, have continued into the recession. Intense competition in US and European retail markets has made for greater concentration of sales. Buyers have attempted continually to lower their buying prices while maintaining quality and striving for shorter lead times to meet new fashion trends. The US market remains somewhat different from those of the EU. US buyers tend to source US country-wide, with very large orders, great sensitivity to price (especially by buyers at the lower end of the market, such as Wal-Mart), and to be less loyal to suppliers over time. The EU markets are more variegated country by country (Palpacuer *et al* 2005), but in general orders tend to be smaller, quality requirements higher and loyalty to suppliers greater than in the case of the US. The Japanese market resembles the EU markets except that the orders are smaller still, the requirements for quality even higher and there is less willingness to switch suppliers since Japanese buyers take trouble to develop their suppliers' capabilities (Goto *et al* 2009). As the recession drives prices and sales down, US buyers, who are most concerned with price, are the most willing to switch sources of supply. However, within the US market it is unlikely that the most price sensitive parts of the market are the most adversely affected by recession, as consumers in a downturn tend to switch purchases to lower cost products.

Large producing companies will leave locations where costs have been rising and where MFA quota availability is no longer an issue, such as a range of Hong Kong firms leaving Mauritius since the end of the MFA.[17]

Council in its advice to firms trying to penetrate the US market distinguished *nine* main types of retail outlet (HKTDC 1999: 24-31).

[17] Information based on interviews in Mauritius in June 2009.

3.3 The structure of production within T&G global value chains, and barriers to entry

In principle the barriers to entry into garment production are low, as the capital requirements are small and the basic technology is well known. In practice, entry into export garment production requires access to GVCs. Such access accounts for the importance of international producing companies in garment and textile production - the 'triangular' manufacturing' system within GVCs - since global buyers prefer to deal with existing international producers, even if sourcing in a new country.[18] In this sense international garment companies erect barriers to entry by local firms, and this is intensified by the increasing need to provide 'full package' service, with more functions being devolved to producing companies.

This tendency to use established East Asian foreign investors is breaking down to some extent as more and more buyers establish local offices in major producing countries and become more expert in assessing local companies. Foreign-owned production remains important, although its importance varies considerably from country to country. In the extreme case of Cambodia, almost all production is in the hands of foreign-invested enterprises, mainly from Korea, Taiwan and Hong Kong. Such companies have the advantage that orders will go to their head offices, and they can focus on production. In China, 45% of garment[19] gross output and 24% of textile gross output[20] is produced by foreign invested companies (2007 figures from www.stats.gov.cn/tjsj/ndsj/2008/); and a decade ago, the foreign shares were more or less the same (UNCTAD 2002: 152). The share of foreign companies in China's exports would probably be higher than the production share in the case of garments and lower (for direct exports) in the case of textiles. Similarly in Vietnam, in 2008 foreign firms accounted for 32% of textile and 45% of garment output, compared to 26% and 25% respectively in 2000 (www.gso.gov.vn). India, in contrast, has a very large sector of local firms, and it is interesting that India's export performance in T&G has been disappointing since the end of the MFA.

In the cases of China and Vietnam, state-owned or semi state-owned producing enterprises, particularly important in the textiles part of the sector, have been important in maintaining a local presence. In the late 1990s SOEs produced 36% of China's textiles gross output, though only 7% of its garment output (1999 figures from UNCTAD 2002:152), although that figure has fallen greatly – to 4% and 2% respectively in 2007 (www.stats.gov.cn/tjsj/ndsj/2008/) – as the private sector has grown and SOEs has been privatised. Vietnam's state owned enterprises in 2008 still produced 27% of the country's textile output and 10% of its garment

[18] This observation is based on extensive interviewing with US, UK and other global buyers over the period 2001-2009.

[19] In the Chinese statistics, footwear is included in the garment figures.

[20] The shares of value-added are very similar: 47% and 24%, respectively, in 2007.

output (www.gso.gov.vn), though those proportions are considerably lower than those in the early 2000s, when the shares were 51% for textiles and 32% for garments (figures for 2000), as the domestic private sector has grown. The state holding company VINATEX was generating about 30% of Vietnam's T&G exports in the early 2000s (Nadvi and Thoburn 2004a: 114). The greater importance of SOEs in textile production in China and Vietnam in the recent past reflects the high capital costs, particularly in spinning, which impeded private local entry.

CMT (cut, make and trim) production also has been a way through which local entry into export garment production has been facilitated. Under CMT, a factory is simply paid a processing fee, not a price for the garment, and uses fabric sourced by, and owned by, the buyer. Cambodia, for example, does a lot of CMT work (Natsuda *et al* 2009), as also does Vietnam (Goto et al 2009; Nadvi and Thoburn 2004a and b). Networks of East Asian trading companies also facilitate the entry of local firms into exporting, since this avoids the need for direct contact with global buyers (Nadvi and Thoburn 2004b: 116).

3.4 Fabric sourcing for garments exports

Buyers take a strong interest in the fabrics used by their garment manufacturers. Textile exporters often need to enter garment GVCs, for example when a buyer is buying fabric for export to another country for processing into garments there, as happens under CMT arrangements. There is also a tendency for buyers to expect their garment suppliers to undertake their own fabric sourcing, although fabrics normally have to be approved by the buyer at the sample stage. The devolving of responsibility to the garment supplier has been part of a tendency to devolve more functions down the supply chain, including quality inspections and sometimes design. This functional upgrading, however, does not necessarily mean that garment exporters receive higher prices.[21] During the recession, this tendency to devolve more functions from the retail end to the producer seems to have intensified, and where producers are not paid extra, it means an implicit fall in price.[22] US buyers have tended to be more prescriptive about fabrics than EU ones, and this includes the garment manufacturer's choice of fabrics.

[21] This devolving of functions down the chain without increasing the ex-factory price applies even to large, internationally operating firms. One such firm, in Hong Kong in the early 2000s, said they accepted the taking on of extra functions for no higher price because it was necessary to keep their customers.

[22] Based on interviews with buyers in Hong Kong, September 2009.

Fabric sourcing from China is facilitated by the fact that Chinese textile companies have well organised sales offices in the home countries of major garment foreign investors such as Taiwan.[23]

3.5 Barriers at the retail end

Typically, to take a very approximate example, a garment selling from a factory at $1, may incur transport and other costs of another $1 on the way to the country of sale, and then be retailed for $5. Thus some three fifths of final consumer value accrues at the retail end, where there are the strongest barriers to entry in the form of control over marketing outlets and brand names. This is a variant of what Fung *et al* (2008: ch.9) call the 'soft three dollars'.[24] Overcoming these barriers is for the future and few Asian producers have been able to do so in Western or Japanese markets to access these 'three soft dollars'. The establishment of Hong Kong brands in the Chinese domestic market is a step towards gaining a large share of the economic rents from garment production.

3.6 Trade intensity, trade policy and trade distortions

The T&G industries are a highly trade-intensive sector. Textile products can be exported at each stage of the production chain from fibres (both natural and manufactured), yarn, and unfinished fabric, to finished fabric and to garments (see Figure 1 for a more detailed view of the production chain). There is considerable scope for international specialisation and intra-industry trade. China, Korea and Japan, for example, are both major exporters and major importers of textiles (Table 1).

The high trade intensity makes the pattern of exports, the degree of backward integration from garments to textiles, and the competitiveness of the sector, not only highly sensitive to the domestic trade regimes of exporting countries (Thoburn 2001), but to global trade regimes and to the structure of tariff protection in major markets. The influence of the MFA, the 800-pound gorilla of industry-specific trade agreements,[25] has already been noted as a major driver of international relocation in the sector, from which a wide range of less developed countries benefitted. The MFA also had some other effects, like encouraging the export of textiles that could otherwise have been incorporated into export garments in order to access a wider range of MFA quotas.[26] In the case of one of the most restricted countries, China, research by T.G.

[23] Based on interviews with Taiwanese garment companies in Cambodia and Vietnam in 2008.
[24] In their example, a plush toy sells at $1 ex-factory and retails at $4 (Fung *et al* 2008: 145).
[25] This engaging metaphor is taken from Moore (2002: xvi), although I do not know if he originated it.
[26] This appears to have been a possibility, for example, for some exports from the Indonesian textile industry in the 1990s, in the case where firms produced both garments and textiles (Thoburn 2001).

Moore (2002: ch.4) has provided evidence that MFA quota restrictions encouraged producers to export higher value added items in each T&G category, where they were restricted in terms of physical quantities.

Since the MFA ended, the structure of tariffs and trade preferences has become more important. Schemes such as the Generalised System of Preferences, particularly into the EU, offer garment producers from developing countries reductions in tariffs provided they fulfil rules of origin requirements. The EU's *Anything but Arms* scheme offers least developed countries such as Bangladesh duty-free access. In contrast for example, Vietnam, a poor but not 'least developed' country, has GSP access to the EU (which gives it a 20% 'discount' on the MFN tariff) but not EBA access. There is a plethora of Free Trade Agreements in the world economy, such as that between the US and Jordan, which have encouraged the location of garment production to countries enjoying such access. Regional schemes, such as North American Free Trade Area, which allows Mexican garment producers duty free access (along with other exports) to the US market, and AGOA, the Africa Growth and Opportunity Act, which gives duty free access for African countries, further complicate the picture. Preferences are important since tariffs on textiles and garments are still high in relation to those on other manufactured imports into industrial countries, particularly in the US (OECD 2004:13; Rivoli 2006: 120,130), but production located on the basis of preferences is vulnerable to competitors gaining access to similar preferences as well as to future multilateral tariff reduction.

After the end of the MFA, following a brief interlude of free access in 2006 when China's EU and US T&G sales rose rapidly, Chinese garment and textile exports were placed under export restriction again in the US until end-2008, and in the EU initially until end-2007, with surveillance extended to end-2008 (www.hktdc.com – garments, 17.4.09). Thus, the full effects of Chinese competition in the exports markets of other Asian producers were postponed until the start of 2009, when the world recession was well underway.

3.7 Import substitution, trade liberalisation and economic reform

Although the protection of industrial countries' T&G industries was at the heart of the MFA and of industrial countries' continuing high tariffs on imports, heavy protection of the textiles industry in particular has been a feature of most developing countries too. As in developed countries, textiles in the Third World have been a starter industry in industrial development, often carried out in the post war period as part of import-substituting industrialisation policies. When many developing countries began to open their economies to trade and to economic

reform in the 1980s, previously highly protected textile industries faced globalisation as more of a threat than an opportunity. After the growth of China's garments export industry, other developing countries faced intense competition from China in their domestic garments market. Trade liberalisation and reform have driven great changes in developing countries' textile industries in their process of becoming competitive, not least in the textile industry of China. During the 1990's China's state-owned textile industry was at the forefront of industrial reform policies, losing several million jobs in the process of raising efficiency (Eberhardt and Thoburn 2007: 184). Similarly, in the case of Vietnam, another important Asian country in the world T&G industry, textile output increased by three-quarters in the 1990s while employment fell by nearly a third (Nadvi and Thoburn 2004b: 119), reflecting economic reform in the mainly state-owned textile sector. These changes mirror the large losses in employment in industrial countries, driven by technological change, even in sub-sectors where output has stabilised in the face of import competition [OECD 2004: 37]. During the import-substitution era, tariff protection also served as an incentive to attract direct foreign investment into developing countries in textiles. Thus major Japanese investment took place in Indonesia, for example, and only in the late 1980s and early 1990s did these firms become more export oriented, either as direct or indirect exporters (Thoburn 2001).

4. The Effects of World Recession on T&G Exports from Asia: Analysis of Import Statistics

Quite up-to-date, downloadable import data produced by the US Office of Textiles and Apparel (OTEXA), the Eurostat agency of the European Union, and Japan Customs online, give a picture of what has been happening to the T&G industries under recession. As will be evident from the following discussion, the data presented from these three sources are not given on a directly comparable basis either for T&G categories or for unit values (UVs). Also, the available dates differ between the sites, and certain data are more accessible from some sites than others. Nevertheless, some trends can be clearly seen: in particular that the recession has hit T&G suppliers as a whole both in terms of declining total purchases from major markets and in terms of downward price pressure. These trends appeared earlier in the US and Japan than in the EU-27, but were clearly apparent in the EU in 2009.

USA

Table 8 shows the US, which imports almost two-thirds of its T&G from Asia (refer back to Table 5). For both apparel and for non-apparel (that is, textile) products, in terms of imports of T&G from all suppliers together, it is clear that

- 2008 was a worse year than 2007: there was a 3-4% drop in total import value, although UVs only fell slightly for garments and rose for non-apparel
- Extending the time period forward to the twelve months to May 2009, the deterioration is more marked than when comparing 2008 with 2007: the twelve months ending May 2009 overall were considerably worse than for the twelve months ending May 2008, both for apparel (a 12% fall in overall import value) and even worse for non-apparel (a 20% drop). For both apparel and non-apparel, there were small percentage falls in UVs, and quantities had fallen even more.
- Finally, taking only the five months to May 2009 compared to the same period in 2008, a further clear and sharp deterioration had taken place. Garments imports had fallen 12% and textiles 20% in total import value. Quantity falls were substantial, and UVs fell sharply, especially in non-apparel (by nearly 9%)

Within the textiles (that is, non-apparel) category, there were large deteriorations both for total values and UVs in fabrics, though imports of fabrics are small in relation to T&G overall into the US. For made-ups, a much more important item, there were sharp deteriorations in total import values. Made-ups would include items like home furnishings. The rate of increase of made-ups' UVs eased until the five months to May 2009, after which the price pressures found in the garments and in the fabric (and yarn) sector were beginning to be felt in made-ups too.

Note that falling UVs can indicate either a fall in the price of the same item over time, or they can indicate a switch by consumers to cheaper items within the same category, or more likely both. A more disaggregated (and more time-consuming) analysis would be necessary to disentangle what combination of these two effects has occurred, although both are likely as a result of recession.

Table 8 also shows the key Asian suppliers to the US, along with the US's large nearby T&G supplier, Mexico, for comparison.

- *China*, the largest supplier, has not escaped the overall downward price pressure, but the downward pressure has appeared later than for suppliers to the US as a whole. But unlike suppliers as a whole, China was maintaining its growth in apparel sales to the US. Made-ups, China's largest textile export to the US, were suffering falls in import value, however, and small UV falls in the five months to May 2009 compared to that period in 2008.

- *Mexico*, in contrast, saw its sales of all T&G fall more sharply, and earlier, than China's. As Table 3 showed for 2000-2007, this decline was in evidence before the recession.
- *Vietnam*, the third largest supplier (and overwhelmingly only of garments), was maintaining growth in its total T&G sales to the US, but was suffering more severe and earlier price pressure than China
- *India* also experienced larger and earlier UV falls than China in T&G and a large fall in import demand.

EU-27

Table 9 shows the extra-EU-27's[27] imports of garments, with data up to April 2009. Major Asian suppliers are shown, with the main nearby supplier, Turkey, which has free trade access, as a comparator. The recession, in terms of its impact on T&G imports, seems to have been experienced in the EU later than in the US. In 2008 compared to 2007 the total value of imports of garments into the EU-27 rose somewhat, although unit values fell slightly overall.

Falls in import demand for both knits and wovens occurred in the four months to April 2009 in terms of quantities compared to the same four months in 2008, although these have been masked by rises in unit values.[28] However, it is likely that these unit value rises are the result of exchange rate movements rather than price changes in terms of Euros, where garments imports are denominated in US dollars. The Euro had depreciated against the dollar for the first four months of 2009 compared to the same period in 2008.[29] As an example of exchange rate effects, though for a marginally longer period, India's exports to the EU for the five month to May 2009 compared to the same period in 2008 rose by 6.6%s in terms of Euros but fell by 7.4% in dollar terms (J-S, 25.9.09).

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Within the overall picture it is clear that China in particular is increasing its share relative to other countries, particularly Turkey, as also is Bangladesh. Prior to recession, as Table 3 showed for 2000-2007, Turkey had been increasing its exports to the EU-27, though not as fast as China.

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[27] That is, it excludes the imports of EU-27 member countries from other EU-27 member countries.

[28] Physical quantities are not shown in the table, but note that EU-27 total import values for garments in Euros for the four months to April 2009 compared to 2008 rose much less than the unit values for the same period, indicating quantities fell while unit values (in terms of Euros) rose.

[29] According to data from the European Central Bank (www.ecb.int/stats/exchange) a Euro ranged from approximately US$1.46 to $1.58 during the first four months of 2008, and fell to within the range of approximately $1.34-$1.39 during the first four months of 2009.

Table 10 shows EU-27 imports of textiles, again, for major Asian suppliers and for Turkey. Unlike garments, the recession was already being felt during 2008 (although not in made-ups, the largest item), and had intensified considerably in the first four months of 2009 compared to the first four months of 2008. Just as in garments, Turkey was faring badly in textiles in competition with China. The apparent absence of downward price pressure, except for Turkey, reflects the fact that the Euro had depreciated against the dollar in the first four months of 2009 compared to the first four months of 2008, as noted already for garments.

The greater negative impact on textiles, particularly in yarns, fibres and fabrics, probably reflects the success of Asian competition in garments, which has reduced the demand for inputs into EU garments production. In contrast, the impact of recession on made-ups, a final consumer item, is relatively small.

Japan

Table 11 shows imports of 'garments' and of 'garments and accessories' into Japan; it also shows imports of textiles. The Japanese code 80701 (Garments) is narrower than those for the US and the EU-27, and includes only woven not knitted garments, and indeed not all woven items. The code 807 (Garments and Accessories) is wider, and includes some non-garments items. Because of the Japanese convention of quoting unit values per dozen items, which make highly heterogeneous items' UVs meaningless, UVs are only available for calculation for the (narrow) garments category. Textiles (code 609) are quite a wide category, including fabrics, yarns and made-ups.

For garments suppliers as a whole, and for China, the overwhelmingly largest supplier, it is clear that the recession's impact on T&G import demand was already biting sharply in 2008 and continued into the first six months of 2009.[30] There were falls in UVs for almost all major suppliers in 2008, generally worsening into 2009.[31] While other suppliers such as Vietnam and India were raising their market share of garments (both narrowly and broadly defined) at the expense of China, they also were already suffering downward price pressure in 2008, which generally intensified in the first three months of 2009. This was except for the smallest major supplier, Myanmar, which is something of an outlier, finding it difficult for political reasons to sell in the EU and US markets. Italy, a major supplier of garments and textiles, was being harder hit by recession than other suppliers, suggesting that Japanese consumers were

[30] The first six months of 2009 compared to the same period in 2008 are a somewhat worse than for the first three months of the year (not shown on Table 11), suggesting the recession was still deepening.

[31] It is possible these falls in UVs are exaggerated to the extent that some Japanese garment imports are price in dollars and the yen appreciated against the dollar up to 2009.

trading down, given that Italy's garments unit value was over twenty times the average. Italy did not suffer downward price pressure in garments until the six months 2009/2008 comparison, but then suffered it much more severely than any other major supplier.

In textiles, a similar picture emerges for the 2008/2007 comparison. The impacts of recession worsened into 2009 even more than in garments. Western developed country suppliers (except Germany) suffered worse than Asian suppliers. Countries that were increasing sales in 2008 relative to 2007 (Thailand, Vietnam and Pakistan) are then shown to have experienced falls in the first six months of 2009 relative to 2008.

5. Other Impacts of Recession

5.1 Western markets

Although the origins of recession can be found in the 'sub-prime' crisis of late 2007 in the US, the full impacts of recession can be dated to the collapse of the Lehman Brothers bank in New York in September 2008. One informant in Hong Kong, sourcing for the lower end of the US garments market, described how US demand seemed to collapse quite suddenly as credit restrictions tightened sharply and retailers ran down stocks rather than reordering, although demand recovered considerably by the spring of 2009 (interview, September 2009). This fall accords with the fact that industrial production in high income countries dropped by 23% in the last quarter of 2008 (World Bank 2009: 1).

However, information on retail garments sales in the US and Europe suggest the recession was by no means over by the spring of 2009. A report on the US retail market in late 2009 said half of middle-market retailers had experienced a fall in revenue over the preceding twelve months (J-S, September 2009). Reports suggested that the all-Europe market for garments would decline by some 5% in the course of 2009 (J-S, 22 September 2009). It was reported in mid-September 2009 that London's retailers (though this is for sales in general, not just for garments) would be posting their worst monthly results for four years (*The Independent*, London, 14.9.09).

There have been different impacts at different parts of the retail market for garments. For example in the UK market, one buyer indicated that younger women seem to have hardly curtailed their purchases whereas older women have done so. Mid-market garments retailers in the US such as JC Penney and The Gap have reported substantial falls in sales, as has Marks and Spencer, the UK's largest retailer of garments. Some mid-market firms, however, such as Zara (owned by Inditex of Spain) have seen increased sales, though decreasing profit.

But the main gainers amidst the declining overall market have been at the lower end, the so-called 'value' retailers, such as Primark in the UK, and particularly discount chains such as Wal-Mart in the US (J-S, 22 September 2009). Industry sources suggest that this is not simply a switch of consumers to cheaper products in times of economic hardship, but an upgrading of products at the lower end into more fashionable areas while maintaining low prices.[32] Supermarkets in the UK and Europe also have been developing sales of garments and sourcing in Asia.

Clearly if the strongest parts of the Western retail market are 'value' retailers, there is likely to be increased downward price pressure on garment and fabric producers. One consequence of the increased concern with price, following a decade or so when prices for garments have been under downward pressure in major markets, is a search for lower cost producers.

5.2 Impacts on producers

Already after the end of the MFA in 2005, it was clear that some countries were gaining greatly at the expense of others. In general this benefitted Asian producers, particularly in relation to Africa. Within Asia, China overwhelmingly was a winner, but also Bangladesh, Vietnam and Cambodia seemed strong performers, although Indian performance was disappointing. Has recession strengthened or changed such trends?

One trend that seems to have strengthened Asian dominance of the world T&G trade is the tendency for suppliers nearby to major markets not to do as well as predicted. As noted earlier, it has often been suggested that fast fashion items require nearby suppliers in order to achieve short lead times, and this favours such countries as Turkey for the EU, and Mexico for the US. This is especially so since Turkey has duty free access to the EU and Mexico to the US. Other commentators, in contrast, have argued that the trend to nearby producers is weakening as 'fast fashion' does not necessarily imply short lead times, only a continuous flow of new products. Such a flow of new products can be planned somewhat in advance, and buyers can still look for the lowest prices from more distant countries.[33] However, in early 2009 the need for retailers quickly to replenish stocks that they had run down in the late 2008 credit crunch has meant lead times have become more important, at least temporarily. One buyer explained how, for that reason, she now could not source so easily from Vietnam as in the past and went to China instead; in China the fabrics were readily available locally, thus saving time compared to Vietnam, where many fabrics must be imported.

[32] Interviews, Hong Kong, September 2009.
[33] See 'Is fast fashion starting to fade?'(J-S, 8.9.09).

The trends shown by the EU and US import statistics, already discussed, suggest that Turkey and (especially) Mexico have lost out in competition with China. However, the EU-27 still has been sourcing about half of its apparel from EU member countries, which gives some support to the 'nearby sourcing' hypothesis. The increasing trend to source from China in the EU and the US is clear, and there has been only a slight diminution in China's dominant position in the Japan apparel market. China's position has been strengthened by the end of both EU and US restrictions from the start of 2009,[34] and the recession has meant that suppliers in China are more willing to accept smaller orders and at lower prices than before the recession (buyer interviews, Hong Kong, 2009).

Another country to gain as a result of buyers search for low prices is **Bangladesh**, aided by its duty-free access to the EU. Bangladesh's T&G exports rose by 15.4% in the fiscal year to June 2009 compared to the previous fiscal year, and there were reports of shortages of skilled labour (J-S, 7.8.09). Even so, and contradictorily, it is claimed that 50,000 garment workers have lost their jobs during the recession (*VOA News*, 4.9.09).

Not all the previously successful exporters since the end of the MFA have been growing. **Cambodia**'s exports fell 18% year on year in the first half of 2009, with the largest falls being in the US market (J-S, 20.8.09); and Cambodia still seems to suffer from problems of bad labour relations and poor infrastructure (Natsuda *et al* 2009). During the recession the Cambodian garment industry is said to havee laid off 10% of its workforce (World Bank 2009:9).

Even **Vietnam**, despite the end of the cessation of the US's monitoring programme on its T&G exports from the end of the Bush administration in January 2009, has experienced a sharp slowdown in its T&G export growth. During the first six months of 2009, Vietnam's garment and textile exports were approximately at the same level ($4.1 billion) as in the first six months of 2008, although that figure was almost as much as the country exported in the whole of 2004 ($4.4 billion), the last year of the MFA (see www.gso.gov.vn). Firms were reported to be looking to develop sales to the domestic market and to non-traditional markets such as the Middle East. Nevertheless, the labour shortages experienced by the Vietnamese T&G sector in 2008 (Goto *et al* 2009) were continuing to be a problem in 2009 (*Viet Nam News* 13.6.09).

[34] However, the US International Trade Commission still collects data on Chinese sales of T&G in the US and in principle safeguards could still be invoked under China's WTO accession agreement if there were import surges (J-S 2009a Jan-Feb, pp.20-21).

India was a major predicted gainer from the end of the MFA, and its disappointing post-MFA performance has been compounded by recent falls in export revenue during the recession. Half a million jobs were lost in India's export industries (gems and jewellery, autos, and textiles) during the last three months of 2008 (World Bank 2009: 9). Buyers interviewed in Hong Kong, the global hub for Asian garment sourcing, in 2008 and 2009 have conflicting views on India, some very pessimistic, others seeing future potential. It was argued that Indian suppliers, unlike the Chinese, do not understand the need to keep to schedules – "an old industry, but hopelessly organised!" Another buyer, more hopeful about India's potential, felt these problems could be overcome, but spoke of Indian companies often being too willing to take chances, and failing to realise the consequences of not filling orders properly. On the more positive side, this buyer noted that good Indian firms could effectively copy Chinese designs, but China could not copy the soft fashion garments made by India and sold successfully in the EU.

Even in **China**, recession has meant the loss of jobs. It was reported that the number of factories worldwide supplying clothing to the US fell from over 22,000 in July 2008 to just over 6,262 in October of that year (J-S 2009c: 3), the impact of the financial meltdown following the collapse of Lehmans, as noted here elsewhere. This impact has fallen heavily on China, which was said to have seen a "69% decrease in the number of active apparel suppliers by the third quarter of 2008" (J-S 2009c: 3). One buyer in Hong Kong noted that in 2008 there had been many factory closures in the south (where most labour-intensive export production was situated). However, this company itself had not lost a single Chinese supplier, although some of its individual suppliers may have contracted. Another buyer in Hong Kong commented that of the over hundred factories sourced from in China, only four had gone bankrupt during the recession. Now there are signs that the recession is starting to end in China, there are again labour shortages. The situation is complicated by the fact that the labour supply to southern China depends heavily on in-migration from interior provinces (Chang 2008). Prior to recession there was strong upward pressure on wages in southern China as a result of inward migration flows lessening because of the growth of employment opportunities elsewhere, and some producing companies were moving northwards to the greater Shanghai region (interviews, Hong Kong, September 2009).

Within China, one large buyer noted that many of the weaker factories closed during the recession, squeezed between downward price pressure and high wages, and the factories that remained tended now to be oversubscribed. So this buyer would now be more willing to work with a less than good factory in order to raise its standards. This buyer felt a similar process had occurred in Vietnam, as also noted in the recent academic literature (Goto *et al* 2009).

6. Green Issues in Garments and Textiles[35]

After a decade of responding to Western consumers' demands to improve social conditions and provide 'decent work' in garment and textile production , the T&G sector in the 2000s, even before the recession, was starting to include environmental issues as part of its CSR (corporate social responsibility) programmes. This, again, has been heavily driven by consumer (and NGO) demands at the retail end. Within the EU (more so than in the US) the move to environmentally-friendly products was driven by regulatory requirements too (J-S 2009b: 3). Green has become a competitive tool to differentiate sellers in the market, although to some extent it is driven by issues of business efficiency too (J-S 2009b:22), for example saving energy costs. As might be expected in such a buyer-driven global value chain as T&G, it is retailers and brand-owners more than producers who have mainly taken the initiative.

Three areas have been identified in the T&G trade literature as being key environmental issues for the sector: water use, chemical use, and issues of waste and recycling (J-S 2009b: 8).

- *Water*: at present it may need 2650 litres to make a T-shirt and 10,000 litres to make a pair of jeans, and some companies such as Nike are already monitoring their supplier factories' water usage with a traffic light system (J-S 2009b: 10)

- *Chemicals*: although the use of chemicals in dyeing and other T&G production processes is well-known, with its attendant problems of chemical pollution, The textile industry is a major source of both air and water pollution, and of solid waste. Even natural fibres such as cotton are chemical fertilizer and pesticide-intensive in their production. One interesting area of movement is that towards organic cotton, and products made of organic cotton can be sold with eco-labelling. One point that comes across strongly from both the literature and from interviews is that consumers may be happy to buy eco-friendly products if the price is the same as for ordinary products, but that their willingness to buy at higher than normal prices is doubtful. This problem is intensified during recession, as consumers seek out cheaper price ranges. The success, for example, of the large Swedish clothing retailer H&M's organic cotton ranges is thought to owe much to the fact that they were sold at comparable prices to non-organic ranges (J-S 2009b: 17-18).

[35] This section draws heavily on J-S 2009b.

- *Waste and recycling*: to take the case of the UK market, it is said that perhaps 80% of clothing is simply thrown away as waste. A well-known initiative by the UK's largest clothing retailer, Marks and Spencer, with the UK's most famous NGO, Oxfam, gives consumers discount vouchers for use in M&S when they donate clothes to Oxfam for re-use (J-S 2009b:12).

Clearly if retailers in the T&G sector want to use green issues as a competitive market device, issues of supply chain management are involved since they normally do not own their own factories. This has been taken up by various retailers, including Wal-Mart, the world's biggest seller of clothing, as part of SCEM (supply chain environmental management) policies (HKTDC 2008: ii and 14-15). One buyer[36] interviewed in Hong Kong in 2009 said, however, that suppliers were often reluctant to comply with introducing green technologies unless they demonstrably reduced costs (eg energy saving); the suppliers did recognise, though, that they need to become more green in the longer run in order to maintain their relationship with buyers. One effect of recession, though, is to make factories more willing to comply with buyers demands. Costs of buyers enforcing environmental compliance may be greater than those of enforcing social compliance, as inspection staff enforcing the former need to be considerably more scientifically qualified than those checking for obvious problems like the use of child labour.

Awareness of environmental issues is also present in T&G producing countries. China, as the world largest garment exporter, has introduced a range of environmental compliance policies in its largest area of labour-intensive export production, the Pearl River Delta region of Guangdong province, including ones relating to T&G (HKTDC 2008: 18-19).

Clearly environmental issues are well-recognised in the T&G sector. Green production processes or the use of organic cotton allow products to be sold as green products. There are also moves to make products themselves more environmentally friendly, for example by requiring less frequent washing or facilitating washing at lower temperatures. Remaining problems, besides the difficulties of supplier compliance and consumers' increased price conscientiousness during recession, is that much progress needs to be made in standardisation. There is as yet no common standards for eco-labelling, for example, such as those that underlie the International Labour Organization's 'decent work' programme that has informed the now well-established social aspects of CSR (J-S 2009b: 5).

[36] Not Wal-Mart!

7. Responses, Policies and Prospects for the Textile and Garment Sector

7.1 Responses

The lower ('value') end has done well in relation to the mid-section as consumers have been more price conscious while still requiring fashionability if not necessarily high quality. Sellers' responses have been to lower prices and to push lower prices on down the supply chain. The development of online selling has been intensified by the recession (J-S 2009c: 9-10). Attempts to meet demands for environmental sustainability have been used as a marketing tool by T&G retailers, which implications for the supply chain. In China and Vietnam, and no doubt other countries too, there is evidence that suppliers are turning more to the domestic market to try to maintain sales.

7.2 Policies

Context: Policy makers need to realise that the underlying structural drivers of change continue in the recession. National firms' success still depends on their successful insertion into global value chains, in a context where there is fierce competition from China, no implicit protection from MFA quotas, and where trade preferences can be eroded. This requires upgrading of their production processes, products and functions. Policies strengthening the capacity of firms to upgrade via technical education and training, provision of good infrastructure including communications all help consolidate firms' competitiveness.

Macro policies: Many developing countries have introduced macroeconomic stimulus packages to maintain aggregate demand during the recession, including a large fiscal stimulus package by China (World Bank 2009: 2). Continuing such measures will help mitigate the worst effects of recession.

Micro policies: Various policies can mitigate the short term effects of recession. China has offered larger rebates for exporters on value-added tax and other producing countries, such as India, have offered more direct help to the industry. In such a trade-intensive sector as T&G, governments need to ensure that 'export promoting trade measures' continue to work well. These include such measures as export processing zones, import duty refunds or exemptions on imported inputs such as fabrics. Where such measures have faltered in the past, for example as a result of corruption or excessive checking of exporters, exports can be damaged, as happened in Indonesia in the early 1990s (Thoburn 2001). Similarly Pakistan's garment exports were being hampered in the mid-2000s by the difficulties that garment exporters experienced in claiming refunds on value-added tax paid on purchases of domestic fabric. Such difficulties were in danger of turning the advantage of having locally available fabrics into a handicap (Thoburn 2004).

7.3 Prospects

Short term: An influential buyer interviewed in Hong Kong in March 2008 said he thought there was already 40% global overcapacity in the garment industry, and the recession will continue to causing a shakeout of such capacity. Within major producers such as China and Vietnam, weaker firms are losing business and this will continue too. Asia has been damaged by the recession but less so than other regions. Nevertheless, according to buyers there are some important new producing countries growing outside Asia: Egypt was mentioned as one such example, with free trade access to the US.

Medium term: Since the 1990s, annual global growth in garment exports have almost kept up with annual growth in total world trade, having grown faster than world trade in the 1980s (WTO 2008). It is hard to see T&G as a 'sunset' industry for Asian countries, rather it is one that migrates from country to country as the initiators of garment production become more developed and their wage costs rise. Such rises were clearly happening in southern China and in Vietnam, for example, before the onset of recession. Green products have become a useful marketing tool, as well as a way of reducing costs in some cases. Introducing environmental compliance down the supply chain treads a path already mapped out to some extent by the T&G sector's widespread adoption of decent-work labour standards over the past decade. In the medium term, 'greenness' will develop further as a source of competitiveness, but price will be at least as important.

Postscript: as this paper goes to press in early December 2009, newer statistics have become available for T&G imports into major markets. These extend to September 2009 for the US from Otexa, and comparable statistics are available for Japan Customs online. Similar statistics for the EU-27 are available up to July 2009 from Eurostat. These statistics are set out in Table 12.

In the US, comparing the nine months to September 2009 with the same period in 2008, we find that total apparel imports fell by 12.68 per cent. The smaller fall in quantities (7.48 per cent), indicates a further fall in unit values overall. Non-apparel (that is, textile) imports fell even faster and, again, there were falls in unit values. Within the US market China has continued to strengthen its position, actually increasing its garment sales during recession while other countries' sales were falling, but China has been hit overall by the even larger reduction in US non-apparel imports. Vietnam has gained too, though its apparently large increase in textile exports do not significantly affect its overall position since they are from a very low base. India too has gained a little, in that its sales drops have been less than the

average. Cambodia has been a surprising loser in terms of its (predominantly) garment exports, as also has been the nearby supplier, Mexico.

In the Japanese market import falls for clothing in terms of Yen have been less than in the case of the US, though almost as sharp for textiles. In Japan, Chinese sales have fallen with the average, whereas India's have fallen less for clothing but much more for textiles. In apparel, Vietnam and to some extent Indonesia have been clear winners, but Indonesian textile sales fell drastically. Cambodia's large increases, though impressive as numbers, are from a very low base. Quantities, and therefore unit values, are not available in the Japanese statistics for the levels of aggregation shown.

In the EU-27, imports of clothing (in terms of Euros) actually rose slightly, though the large fall in textile imports was almost as great as in the US. China, and to some extent India were gainers, although India's gains in clothing sales were outweighed by its falling textile sales. Turkey, as a nearby supplier, did badly, both in garments and in textiles. However, the value figures of Table 12 are underlain by large quantity falls (not shown), averaging 7.3 per cent for all extra-EU-27 clothing imports, and 21.2 per cent for textiles. As noted in the body of the paper, $/Euro exchange rate changes have raised unit values in terms of Euros, masking the quantity falls, especially in garments.

Overall in the three main markets, China has continued to gain at the expense of other Asian producers, though less markedly so in Japan, as also has Vietnam. India has performed better in garments than in textiles. The large fall in textile imports in all markets for virtually all suppliers reflects the increased competition in world garment markets such that clothing-related textile import demand in the main markets has lessened.[37]

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[37] However, there was also nearly a 12 per cent fall in the quantities of made-up textile items (HS 63) into the EU-27, which include many non-clothing textiles. Such a fall reflects the impact of recession on domestic demand.

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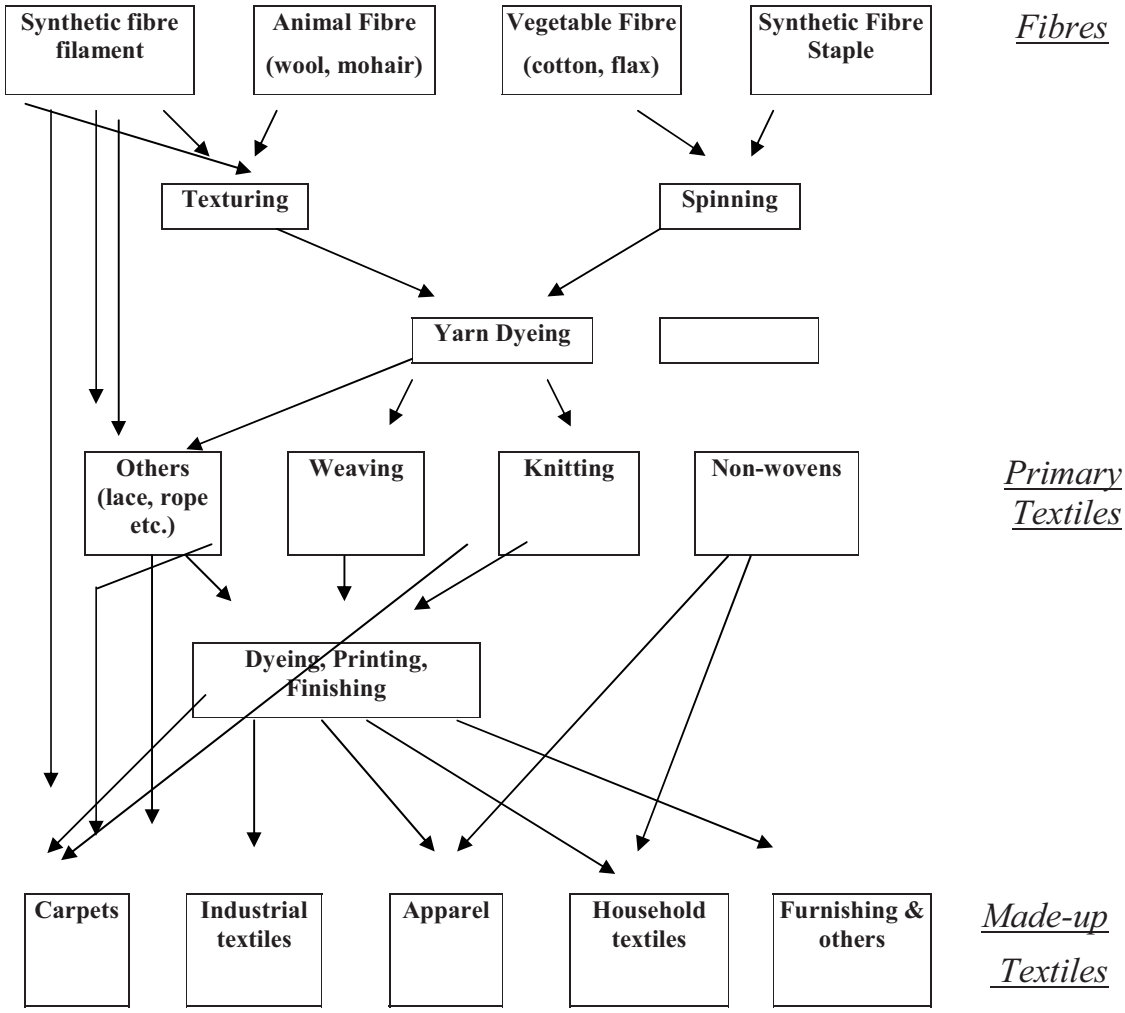
Figure 1 The Textile and Garments Production Chain



Source: Roberts and Thoburn (2002:11)

Table 1 **Leading Asian Exporters of Textiles and Garments, 2007**

	Exports 2007 $billion	Imports 2007 $billion	Net exports 2007 $billion	Share of world exports 2007 (%)	Share of world exports 2000 (%)	Rank in top 15 2007	Growth in 2007 (%)	Growth 2000-7 (%)	Share in Economy's Total Merchandise Exports 2007 (%)
Asian textile exporters in the 'top 15'									
China	55.97	16.64	39.33	23.50	10.30	2	15	19	4.6
Hong Kong - re-exports	12.95	12.96	-0.01	5.4	7.8	3	-3	1	3.9
Hong Kong - domestic exports	0.46	0.6	-0.14	0.2	0.8		-13	-12	2.6
Korea	10.37	4.14	6.23	4.40	8.10	5	3	-3	2.8
Taiwan	9.72	1.17	8.55	4.10	7.60	6	0	-3	4.1
India	9.45	2.13	7.32	4.00	3.60	7	7	8	6.5
Pakistan	7.37	0.58	6.79	3.10	2.90	9	-1	7	41.3
Japan	7.11	6.3	0.81	3.00	4.50	10	3	0	1
Indonesia	3.83	0.79	3.04	1.60	2.20	12	6	1	3.2
Thailand	3.11	2.16	0.95	1.30	1.20	13	8	7	2
All Asia textile exports	113.8			47.8	44.8		9	7	
World textile exports	**238.1**			**100**	**100**		**9**	**6**	**1.7**
Asian garments exporters in the 'top 15'									
China	115.20	1.98	113.22	33.4	18.2	1	21	18	9.5
Hong Kong - reexports	23.8	19.15	4.65	6.90	7.20	3	10	8	7.2
Hong Kong - domestic exports	5.00	n/a	n/a	1.40	5.00		-26	-9	27.5 (sic)
Bangladesh	10.10	0.43	9.67	2.9	2.6	5	4	10	80.8
India	9.70	n/a	n/a	2.8	3	6	2	7	6.6
Vietnam	7.20	0.43	6.77	2.1	0.9	7	29	22	14.9
Indonesia	5.90	n/a	n/a	1.7	2.4	8	2	3	5
Thailand	4.10	0.33	3.77	1.2	1.9	11	4	1	2.7
Pakistan	3.80	n/a	n/a	1.1	1.1	12	-3	9	21.3
Sri Lanka	3.30	n/a	n/a	1	1.4	15	8	2	42.4
All Asia garment exports	181.0			52.4	46.0		12	10	
World garment exports	**345.3**			**100**	**100**		**12**	**8**	**2.5**

Source and Notes: WTO 2008. Exports refer to gross exports, unless otherwise stated.

Table 2 Other Asian Exporters of Textiles and Garments, 2000 and 2007

	Exports 2007 $billion	Share of world exports 2007 (%)	Share in Economy's Total Merchandise Exports 2007 (%)	Exports 2000 $billion	Share of world exports 2000 (%)
Other Asian textile exporters					
Bangladesh	0.72	0.30	5.8	0.39	0.25
Macao	0.20	0.08	7.8	0.27	0.17
Malaysia	1.47	0.62	3.9	1.27	0.81
Nepal	0.17	0.07	19.1	0.18	0.12
Philippines	0.22	0.09	0.4	0.30	0.19
Singapore (including 2007 re-exports of $0.65b)	0.97	0.41	0.3	0.91	0.58
Sri Lanka	0.18	0.07	2.3	0.24	0.16
Vietnam	1.35	0.57	2.8	0.30	0.19
Sub-total	***5.27***	***2.22***		***3.86***	***2.46***
World	**238.1**	**100**	**1.7**	**156.7**	**100**
Other Asian garments exporters					
Cambodia	2.89	0.84	70.6	0.97	0.49
Japan	0.52	0.15	0.1	0.53	0.27
Korea	1.91	0.55	0.5	5.03	2.54
Macao	1.49	0.43	58.6	1.85	0.93
Malaysia	3.16	0.91	1.8	2.26	1.14
Myanmar (2006)	0.39	0.11	9.1	0.80	0.40
Philippines	2.28	0.66	4.5	2.54	1.28
Singapore (including 2007 re-exports of $1.56b)	1.78	0.52	0.6	1.83	0.92
Taiwan	1.25	0.36	0.5	3.02	1.52
Sub-total	***15.68***	***4.54***		***18.81***	***9.49***
World	**345.3**	**100**	**2.5**	**198.2**	**100**

Source: WTO 2008

Table 3 Major Markets for Garments, 2007: United States and European Union

USA	Value ($billion)	Share (%)	Growth 2000-2007	Growth 2006	Growth 2007
Imports by region			(% pa)	(%)	(%)
World	**84.85**	**100**	**3**	**4**	**2**
Asia	***61.22***	***72.2***	***7***	***9***	***7***
South and Central America	10.12	11.9	-1	-6	-7
North America	5.86	6.9	-8	-12	-15
Europe	3.69	4.4	-2	-8	0
Africa	2.26	2.7	8	3	3
Middle East	1.62	1.9	1	1	-15
CIS	0.08	0.1	-23	-32	-61
Top Five Suppliers					
China	28.53	33.6	18	15	17
Mexico	4.74	5.6	-8	-13	-15
Vietnam	4.62	5.4	89	18	35
Indonesia	4.31	5.1	9	27	8
India	3.51	4.1	7	5	-2
Total of top five	**45.70**	**53.9**			

EU-27	Value ($billion)	Share (%)	Growth 2000-2007	Growth 2006	Growth 2007
Imports by region			(% pa)	(%)	(%)
World	**162.81**	**100**	**10**	**10**	**13**
Europe	93.94	57.7	10	6	13
Asia	**57.66**	**35.4**	**12**	**18**	**12**
Africa	8.66	5.3	6	5	14
CIS	0.98	0.6	5	2	0
North America	0.76	0.5	4	11	6
South and Central America	0.4	0.2	4	10	2
Middle East	0.39	0.2	-6	0	-9
Top Five Suppliers					
EU-27	78.6	48.3	9	6	12
China	32.29	19.8	21	12	24
Turkey	12.39	7.6	13	3	17
Bangladesh	6	3.7	14	32	3
India	5.72	3.5	14	17	10
Total of top five	**135**	**82.9**			

Source: WTO (2008)

Table 4 Major Markets for Garments, 2007: Japan

Japan	Value ($billion)	Share (%)	Growth 2000-2007 (% pa)	Growth 2006 (%)	Growth 2007 (%)
Imports by region					
World	**24**	**100**	**3**	**6**	**1**
Asia	***21.89***	***91.2***	***3***	***7***	***1***
Europe	1.74	7.3	2	0	0
North America	0.24	1	-11	-10	-22
Africa	0.078	0.3	24	44	26
South and Central America	0.04	0.2	2	11	10
CIS	0.006	0	15	0	60
Middle East	0.007	0	0	0	-13
Top Five Suppliers					
China	19.8	82.5	4	7	1
EU-27	1.65	6.9	1	0	0
Vietnam	0.72	3	3	5	11
Thailand	0.27	1.1	-1	5	-8
Korea	0.26	1.1	-17	-20	-26
Total of top five	**22.69**	**94.6**			

Source: WTO (2008)

Table 5 Major Markets for Textiles, 2007: United States and European Union

USA	Value ($billion)	Share (%)	Growth 2000-2007	Growth 2006	Growth 2007
Imports by region			(% pa)	(%)	(%)
World	**24.09**	**100**	**6**	**4**	**3**
Asia	***14.95***	***62.1***	***9***	***9***	***4***
Europe	4.01	16.7	2	-3	3
North America	3.6	14.9	0	-3	-3
South and Central America	0.67	2.8	7	-5	6
Middle East	0.58	2.4	5	-3	3
Africa	0.23	1	5	9	-7
CIS	0.06	0.2	-6	-34	47
Top five suppliers					
China	7.66	31.8	22	15	10
EU-27	3.26	13.5	2	-2	4
India	2.35	9.7	10	11	3
Canada	1.84	7.6	-1	-5	-6
Mexico	1.75	7.3	2	0	0
Total of top five	16.87	70			

EU-27	Value ($billion)	Share (%)	Growth 2000-2007	Growth 2006	Growth 2007
imports by region			(% pa)	(%)	(%)
World	**84.21**	**100**	**6**	**7**	**10**
Europe	63.63	75.6	5	5	9
Asia	***16.57***	***19.7***	***9***	***13***	***17***
North America	1.43	1.7	-2	12	4
Africa	1.17	1.4	6	6	17
Middle East	0.73	0.9	0	3	6
CIS	0.47	0.6	3	0	-1
South and Central America	0.18	0.2	0	-8	-4
Top five suppliers					
EU-27	56.89	67.6	5	5	9
China	7.43	8.8	21	21	21
Turkey	5.09	6	13	12	13
India	3.17	3.8	8	9	16
Pakistan	2.1	2.5	11	13	20
Total of top five	74.7	88.7			

Source: WTO (2008)

Table 6 Major Markets for Textiles, 2007: Japan and China

Japan	Value ($billion)	Share (%)	Growth 2000-2007 (% pa)	Growth 2006 (%)	Growth 2007 (%)
Imports by region					
World	**6.3**	**100**	**4**	**6**	**2**
Asia	***5.23***	***83***	***5***	***8***	***4***
Europe	0.75	11.8	0	-2	-2
North America	0.26	**4.1**	**-4**	7	-13
Middle East	0.03	**0.5**	-4	15	0
South and Central America	0.01	0.2	-8	0	-36
Africa	0.01	0.2	3	9	0
CIS	0.01	0.1	-8	0	0
Top five suppliers					
China	3.44	54.6	8	10	3
EU-27	0.69	10.9	0	-2	-2
Indonesia	0.37	5.8	2	1	5
Taiwan	0.36	5.6	4	8	9
Korea	0.32	5.1	-3	0	-2
Total of top five	5.18	82.1			

China	Value ($billion)	Share (%)	Growth 2000-2007 (% pa)	Growth 2006 (%)	Growth 2007 (%)
Imports by region					
World	**16.44**	**100**	**4**	**6**	**2**
Asia	***14.81***	***89***	***3***	***4***	***0***
Europe	1.19	7.2	19	20	18
North America	0.58	3.5	21	30	13
Middle East	0.02	0.1	24	13	22
South and Central America	0.02	0.1	33	15	0
CIS	0.01	0.1	-5	20	0
Africa	0.01	0.1	9	14	13
Top five suppliers					
China	3.32	20	15	18	3
Japan	3.15	18.9	1	-1	0
Taiwan	3.12	18.9	0	1	-2
Korea	2.39	14.3	-1	-3	-3
Hong Kong	1.12	6.7	-2	0	-4
Total of top five	13.13	78.9			

Source: WTO (2008)

Table 7 Estimated Percentage Market Shares in the US and EU Before and After Elimination of Quotas

EU garments	***Before***	***After***	**US/Canada garments**	***Before***	***After***
China	18	29	China	16	50
India	6	9	India	4	15
Turkey	9	6	Mexico	10	3
Other 'top ten' exporters	37	32	Other 'top ten' exporters	46	22
Rest of world	30	24	Rest of world	24	10
EU textiles	***Before***	***After***	**US/Canada textiles**	***Before***	***After***
China	10	12	China	11	18
India	9	11	India	5	5
Turkey	13	12	Mexico	13	11
US and Canada	8	7	EU	16	14
Other 'top ten' exporters	24	24	Other 'top ten' exporters	35	31
Rest of world	36	34	Rest of world	20	21

Source: adapted from Nordås (2004)

Table 8 **US Imports of Textiles and Garments, 2007-9: Values and Unit Values**

	IMPORT VALUES					IMPORT UNIT VALUES			
	Calendar Years		Change	12 months	5 months	Per sq m	2008/2007	12 months	5 months
	2007	2008	2008/2007	ending May 2009/2008	to May 2009/2008	equivalent 2008		ending May 2009/2008	to May 2009/2008
WORLD	$ m	$m	%	%	%	$/metre	%	%	%
Apparel	73,923	71,569	-3.18	-6.21	-12.04	3.154	-0.46	-1.49	-3.39
Non-Apparel	22,487	21,619	-3.86	-12.07	-20.37	0.781	3.53	-1.90	-8.89
Yarns	1,452	1,322	-8.96	-14.98	-23.83	0.454	2.39	-2.54	-4.07
Fabrics	5,532	5,120	-7.45	-18.63	-29.08	0.655	2.06	-9.41	-22.88
Made Ups / Miscel	15,503	15,177	-2.11	-9.5	-16.93	0.896	3.45	0.60	-4.07
Cotton Product	53,721	52,211	-2.81	-6.81	-13.17	2.411	1.40	0.72	-0.28
Cotton Apparel	45,038	43,813	-2.72	-5.99	-12.05	3.197	-0.26	-0.71	-1.67
Cotton Non-Apparel	8,683	8,398	-3.28	-11.03	-18.74	1.056	3.94	0.06	-2.20
Wool Products	5,645	5,371	-4.85	-12.42	-31.45	14.855	1.68	-1.36	-6.37
Wool Apparel	4,259	4,139	-2.82	-8.89	-28.39	15.020	2.01	-1.69	-9.14
Wool Non-Apparel	1,386	1,233	-11.11	-23.5	-36.56	14.327	0.40	-0.79	-3.85
CHINA	$m	$m	%	%	%	$/metre	%	%	%
Apparel	22,745	22,923	0.78	3.878	3.23	2.94	4.0	3.98	-0.26
Non-Apparel	9,578	9,756	1.86	-7.362	-16.74	0.76	6.1	1.99	-6.10
Yarns	89	91	2.19	-11.955	-22.09	0.27	-2.1	-1.27	-7.45
Fabrics	991	1,104	11.36	-7.092	-27.04	0.65	2.8	-13.51	-33.47
Made Ups / Miscel	8,497	8,561	0.75	-7.346	-15.29	0.79	7.0	4.67	-0.79
Cotton Product	14,053	14,481	3.04	5.832	2.92	2.11	6.9	12.57	13.51
Cotton Apparel	10,591	10,955	3.44	10.878	11.23	2.96	7.6	11.85	10.37
Cot Non-Apparel	3,463	3,526	1.83	-8.697	-18.53	1.12	5.3	3.51	1.59
Wool Products	2,033	2,140	5.23	0.717	-23.79	12.25	3.8	1.83	-8.99
Wool Apparel	1,826	1,947	6.62	3.211	-17.87	12.05	3.5	1.91	-9.68
Wool Non-Apparel	207	193	-7.01	-21.637	-39.12	14.76	10.5	6.34	-1.86

MEXICO	**$m**	**$m**	**%**	**%**	**%**	**$/metre**	**%**	**%**	**%**
Apparel	4,523	4,015	-11.25	-15.07	-20.77	3.88	3.78	1.59	-1.179
Non-Apparel	1,102	943	-14.47	-21.03	-24.65	0.59	-2.28	-2.52	3.492
Yarns	177	174	-1.36	-15.77	-33.81	0.46	0.30	1.97	8.906
Fabrics	410	302	-26.18	-32.8	-33.78	0.60	-15.45	-11.06	0.626
Made Ups / Miscel	516	466	-9.67	-14.01	-14.84	0.65	9.07	2.27	0.143
Cotton Product	3,151	2,883	-8.49	-11.96	-18.79	3.60	0.73	-0.45	-4.350
Cotton Apparel	2,928	2,694	-8.00	-11.37	-19.32	4.29	0.16	-0.91	-3.649
Cotton Non-Apparel	222	189	-14.96	-19.42	-12.22	1.10	-2.64	-5.22	-1.235
Wool Products	245	237	-3.29	-8.17	-12.39	12.45	6.89	9.76	14.798
Wool Apparel	197	191	-3.33	-6.88	-7.35	17.85	8.23	9.94	8.794
Wool Non-Apparel	47	46	-3.09	-13.7	-32.96	5.53	5.31	4.90	3.848

VIETNAM	**$m**	**$m**	**%**	**%**	**%**	**$/metre**	**%**	**%**	**%**
Apparel	4,359	5,223	19.85	7.69	1.45	3.42	-0.09	-1.70	-5.36
Non-Apparel	199	202	1.19	1.17	37.17	0.70	-18.43	-31.01	-34.87
Yarns	13	10	-20.20	0.83	-10.85	0.37	-3.86	-11.18	-15.31
Fabrics	20	28	39.26	1	184.01	0.24	4.44	-4.29	-11.18
Made Ups / Miscel	166	163	-1.77	1.25	20.26	1.14	-23.93	-28.28	-23.83
Cotton Product	2,621	3,196	21.91	6.46	-0.07	3.37	-3.52	-6.12	-7.45
Cotton Apparel	2,581	3,157	22.35	7.56	-0.37	3.67	-2.91	-5.13	-7.14
Cotton Non-Apparel	41	38	-5.68	0.55	27.05	0.44	-27.33	-19.85	9.02
Wool Products	126	144	15.10	2.83	-17.56	7.96	3.04	2.89	12.58
Wool Apparel	125	144	15.09	3.59	-17.63	7.96	3.03	2.89	12.65
Wool Non-Apparel	0	0	54.17	0.01	310.42	9.25	54.17	18.52	-20.00

INDONESIA	**$m**	**$m**	**%**	**%**	**%**	**$/metre**	**%**	**%**	**%**
Apparel	3,981	4,028	1.19	0.58	-1.72	3.66	-2.03	-0.011	1.35
Non-Apparel	225	213	-5.38	-21.8	-34.55	0.41	3.05	-1.533	-10.23
Yarns	104	108	3.45	-24.64	-45.85	0.35	-1.14	-9.127	-17.78
Fabrics	61	52	-14.79	-24.23	-30.93	0.66	11.95	10.538	5.46

Made Ups / Miscel	60	53	-11.16	-13.83	-14.14	0.43	13.68	9.033	-10.28
Cotton Product	2,398	2,481	3.44	4.07	2.33	3.58	-1.59	0.245	3.40
Cotton Apparel	2,342	2,429	3.74	4.74	3.28	3.87	-4.04	-3.131	-0.97
Cot Non-Apparel	56	51	-8.94	-24.28	-37.35	0.78	9.65	9.031	12.53
Wool Products	89	95	6.50	-2.66	-19.59	9.10	-7.52	-10.388	3.49
Wool Apparel	89	95	6.56	-2.56	-19.52	9.10	-7.18	-10.074	3.42
Wool Non-Apparel	1	0	-4.30	-19.79	-30.23	9.07	-68.10	-63.248	180.00
INDIA	**$m**	**$m**	**%**	**%**	**%**	**$/metre**	**%**	**%**	**%**
Apparel	3,170	3,073	-3.05	-6.32	-8.63	3.48	-4.68	-10.41	-12.34
Non-Apparel	1,934	2,005	3.65	-7.26	-17.06	1.03	-1.68	-8.79	-10.37
Yarns	69	64	-7.48	-26.31	-46.58	0.37	4.29	-2.61	-6.79
Fabrics	177	217	22.88	3.55	-23.35	0.43	-3.16	-13.31	-24.63
Made Ups / Miscel	1,689	1,724	2.10	-7.69	-15.17	1.35	0.87	-7.17	-10.34
Cotton Product	3,980	4,021	1.02	-5.12	-10.1	2.01	-2.09	-6.40	-4.45
Cotton Apparel	2,684	2,630	-1.99	-6.25	-9.31	3.43	-4.16	-9.39	-11.03
Cotton Non-Apparel	1,297	1,391	7.24	-2.89	-11.87	1.12	3.37	-2.93	-0.16
Wool Products	478	429	-10.28	-21.65	-31.99	16.14	-0.42	-7.00	-11.89
Wool Apparel	107	100	-6.70	-11.62	-25.8	9.74	3.47	-1.92	-10.16
Wool Non-Apparel	371	329	-11.31	-24.51	-33.1	20.16	-1.51	-6.44	-11.32

Source: calculated from OTEXA online database

Table 9 European Union (EU-27) Imports of Garments, 2007-9 (excluding intra-EU imports)

	IMPORT VALUES				IMPORT UNIT VALUES		
	Calendar Years 2007	2008	Change 2008/2007	4 months to April 2009/2008	2008	2008/2007	4 months to April 2009/2008
	Euros (billion)	Euros (billion)	%	%	Euros per 100 kg	%	%
World (extra-EU27)							
HS 61 (Knits)	27.60	28.57	3.56	2.28	1174	-2.34	10.44
HS 62 (Wovens)	30.44	30.84	1.36	3.09	1452	1.94	2.88
All garments	58.04	59.41	2.41	2.72	1304	-0.43	6.72
China							
HS 61	8.59	11.00	28.10	23.30	1058	2.46	18.75
HS 62	13.26	14.29	7.81	14.79	1190	1.36	17.21
All garments	21.86	25.30	15.78	18.06	1129	1.32	17.51
Turkey							
HS 61	5.47	4.81	-11.84	-14.48	1755	-0.50	-2.78
HS 62	3.45	3.06	-11.21	-16.75	2183	1.95	2.20
All garments	8.92	7.88	-11.60	-15.36	1899	0.36	-1.31
Bangladesh							
HS 61	2.89	3.21	10.92	20.23	787	1.61	18.38
HS 62	1.51	1.52	0.64	20.65	898	-1.77	24.04
All garments	4.40	4.73	7.39	20.38	820	0.27	20.17
India							
HS 61	1.90	1.90	-0.08	-0.89	1271	-3.09	3.48
HS 62	1.93	2.00	3.45	12.43	2009	-1.32	1.53
All garments	3.83	3.89	1.69	6.28	1566	-2.01	4.07

Source: Eurostat online database

Table 10 European Union (EU-27) Imports of Textiles, 2007-9 (excluding intra-EU imports)

		IMPORT VALUES				IMPORT UNIT VALUES		
		Calendar Years						
World		**2007**	**2008**	**Change**	**4 months to April**	**2008**	**2008/2007**	**4 months to April**
(extra-EU27)		**Euros (billion)**	**Euros (billion)**	**2008/2007 (%)**	**2009/2008 (%)**	**Euros per 100 kg**	**%**	**2009/2008 (%)**
HS 50	Silk	0.39	0.40	0.61	-31.12	3252	-2.15	13.15
HS 51	Wool	1.55	1.38	-10.93	-42.38	543	5.36	-3.58
HS 52	Cotton	3.33	2.96	-11.04	-22.42	280	6.22	9.51
HS 53	Other textile fibres	0.35	0.31	-10.66	-29.92	119	-6.64	-1.36
HS 54	Man-made filaments	2.79	2.53	-9.42	-28.94	332	-0.79	4.75
HS 55	Man-made staple fibres	2.49	2.24	-9.80	-24.68	230	2.02	-5.70
HS 56	Wadding, special yarns, etc	1.03	1.02	-1.06	-13.61	383	4.84	5.87
HS 57	Carpets etc	1.33	1.24	-6.76	-8.11	361	-8.20	0.58
HS 58	Special woven fabrics	0.73	0.65	-10.11	-13.96	809	-0.94	16.50
HS 59	Industrial textiles	0.95	0.99	4.28	-22.53	516	-2.94	7.23
HS 60	Knitted fabrics	0.91	0.81	-11.48	-5.85	433	-7.26	1.75
HS 63	Made-ups	6.45	6.49	0.70	-2.64	389	-1.92	8.27
All textiles		***22.30***	***21.03***	***-5.70***	***-17.42***	***347***	***1.06***	***5.05***
China								
HS 50	Silk	0.25	0.27	7.70	-29.53	2907	0.54	15.95
HS 51	Wool	0.42	0.37	-12.88	-31.14	1366	26.54	-14.22
HS 52	Cotton	0.39	0.44	14.55	-11.14	471	-5.27	6.40
HS 53	Other textile fibres	0.11	0.10	-5.17	-29.78	518	-7.85	28.53
HS 54	Man-made filaments	0.63	0.61	-3.84	-20.53	258	-2.15	4.05
HS 55	Man-made staple fibres	0.51	0.49	-2.25	-21.03	317	11.31	10.17
HS 56	Wadding, special yarns, etc	0.18	0.19	1.66	-12.32	266	1.27	6.82
HS 57	Carpets etc	0.18	0.19	3.34	-3.03	324	-4.36	11.75
HS 58	Special woven fabrics	0.27	0.23	-12.70	-9.03	574	3.96	24.53
HS 59	Industrial textiles	0.18	0.21	15.75	-1.06	298	3.41	13.24
HS 60	Knitted fabrics	0.23	0.23	-2.90	3.89	281	-9.54	7.77
HS 63	Made-ups	2.36	2.52	6.47	3.29	378	-1.26	15.29

All textiles		***5.71***	***5.84***	***2.25***	***-8.21***	***383***	***-0.26***	***9.19***
Turkey								
HS 50	Silk	0.00	0.00	-3.70	16.99	1217	-12.68	72.86
HS 51	Wool	0.11	0.09	-16.08	-28.44	506	1.49	12.69
HS 52	Cotton	0.73	0.65	-11.48	-20.59	306	1.54	-5.25
HS 53	Other textile fibres	0.01	0.01	-16.63	-38.54	994	-0.63	1.20
HS 54	Man-made filaments	0.52	0.43	-18.15	-32.71	438	-0.27	9.45
HS 55	Man-made staple fibres	0.45	0.37	-17.67	-24.88	338	-1.35	1.69
HS 56	Wadding, special yarns, etc	0.11	0.10	-10.39	-27.28	277	2.54	-2.18
HS 57	Carpets etc	0.17	0.19	12.16	-4.75	245	-7.43	0.91
HS 58	Special woven fabrics	0.14	0.12	-8.82	-16.61	719	-6.04	16.41
HS 59	Industrial textiles	0.16	0.15	-7.72	-46.27	401	-0.59	1.82
HS 60	Knitted fabrics	0.34	0.30	-9.55	-6.73	509	-4.81	0.72
HS 63	Made-ups	1.15	1.08	-6.68	-19.75	541	1.94	-1.70
All textiles		***3.88***	***3.48***	***-10.35***	***-21.79***	***404***	***-0.49***	***-0.02***
India								
HS 50	Silk	0.10	0.09	-12.57	-36.96	5061	-1.74	-2.77
HS 51	Wool	0.05	0.05	7.87	-7.50	786	17.47	-12.36
HS 52	Cotton	0.45	0.39	-12.83	-21.21	261	-4.47	4.30
HS 53	Other textile fibres	0.06	0.06	0.42	-29.55	68	-4.62	-5.39
HS 54	Man-made filaments	0.11	0.11	5.41	-28.05	269	4.61	21.44
HS 55	Man-made staple fibres	0.23	0.20	-14.41	-36.98	199	-3.05	-10.45
HS 56	Wadding, special yarns, etc	0.02	0.02	28.81	-11.87	289	-8.29	8.43
HS 57	Carpets etc	0.47	0.44	-6.92	-9.47	315	-4.21	2.57
HS 58	Special woven fabrics	0.07	0.07	3.05	-15.17	1761	-8.35	-21.05
HS 59	Industrial textiles	0.02	0.02	-1.60	-24.80	378	-1.99	9.52
HS 60	Knitted fabrics	0.01	0.01	-35.90	-38.55	291	1.08	-3.14
HS 63	Made-ups	0.82	0.78	-5.05	-2.19	389	-4.32	4.09
All textiles		*2.41*	*2.24*	*-6.91*	*-15.12*	*301*	*-3.32*	*4.85*
Pakistan								
HS 50	Silk	0.00	0.00	-34.03	42.74	2591	14.39	-2.68
HS 51	Wool	0.00	0.00	16.51	-22.80	95	38.10	83.49
HS 52	Cotton	0.47	0.47	-1.59	-6.80	250	1.95	9.82
HS 53	Other textile fibres	0.00	0.00	57.94	270.05	256	-0.34	70.69

HS 54	Man-made filaments	0.03	0.02	-9.60	-28.08	255	-3.21	7.26
HS 55	Man-made staple fibres	0.19	0.16	-15.56	-32.12	247	4.04	11.01
HS 56	Wadding, special yarns, etc	0.00	0.00	-10.28	29.36	151	11.69	4.43
HS 57	Carpets etc	0.08	0.07	-21.89	-29.60	1713	-6.66	-5.19
HS 58	Special woven fabrics	0.01	0.01	14.38	-3.64	332	-15.11	9.36
HS 59	Industrial textiles	0.00	0.00	-26.90	40.76	422	-0.78	19.34
HS 60	Knitted fabrics	0.00	0.00	41.65	-19.83	278	1.57	9.02
HS 63	Made-ups	0.79	0.77	-1.95	3.39	361	-6.06	1.48
All textiles		***1.58***	***1.51***	***-4.56***	***-6.02***	***311***	***-1.90***	***7.02***

Source: Eurostat online database

Table 11 **Japanese Imports of Garments and Accessories and Textiles, 2007-9: Values and Import Unit Values**

	IMPORT VALUES					IMPORT UNIT VALUES		
	Calendar Years			Change	Change	(1000 yen per dozen)		
	2007	2008	2008 market share	2008/2007 totals	6 months to June 2009/2008	2008	Calendar year 2008/2007	6 months to June 2009/2008
	Yen (billion)	Yen (billion)	%	%	%	Yen '000	%	%
Garments and Accessories (Japan trade code 807)								
Total	2796.0	2643.1	100	-5.47	-5.55	n/a	n/a	n/a
China	2305.7	2186.8	82.7	-5.15	-4.79	n/a	n/a	n/a
Italy	130.4	111.1	4.2	-14.73	-33.10	n/a	n/a	n/a
Vietnam	84.2	89.4	3.4	6.19	11.87	n/a	n/a	n/a
Thailand	31.7	32.2	1.2	1.61	0.04	n/a	n/a	n/a
Garments (woven only) (Japan trade code 80701)								
Total	1268.7	1169.9	100	-7.79	-6.37	12.32	-3.19	-9.55
China	1030.5	949.9	81.2	-7.82	-5.98	11.24	-1.91	-7.71
Vietnam	58.6	58.9	5.0	0.57	7.98	19.07	-4.27	-10.55
Italy	61.3	51.8	4.4	-15.50	-33.82	255.55	1.26	-14.24
India	14.2	14.3	1.2	0.71	-3.86	10.41	-7.36	-11.41
Myanmar	11.1	13.6	1.2	21.76	27.81	8.19	-4.90	2.17
Textiles (Japan trade code 609)								
Total	734.7	711.8	100.0	-3.11	-19.12	n/a	n/a	n/a
China	404.4	399.1	56.1	-1.31	-10.00	n/a	n/a	n/a
Indonesia	44.0	42.8	6.9	-2.88	-29.94	n/a	n/a	n/a
Taiwan	41.2	37.3	5.6	-9.57	-46.09	n/a	n/a	n/a
Korea	35.4	35.4	5.0	-0.22	-24.71	n/a	n/a	n/a
Italy	30.6	25.2	3.5	-17.56	-36.94	n/a	n/a	n/a
USA	27.7	24.9	3.5	-10.06	-37.00	n/a	n/a	n/a
Thailand	22.9	24.2	3.4	5.69	-22.07	n/a	n/a	n/a
Vietnam	16.7	17.9	2.5	7.26	-0.44	n/a	n/a	n/a

India	19.5	17.6	2.5	-9.49	-27.85	n/a	n/a	n/a
Germany	14.5	14.3	2.0	-1.71	*-33.94*	n/a	n/a	n/a
Pakistan	7.7	7.9	1.1	2.23	*-24.49*	n/a	n/a	n/a

Sources and Notes: from Japan Customs online database. Included suppliers are those with more than 1% market share. This qualifies India for inclusion under Garments narrowly defined, but not for Garments broadly defined

Japan. 'Garments and Accessories' (code 807) includes all of HS 61 (knitted garments) and HS 62 (woven garments) plus a few non-garments items.

Japan 'Garments' (code 80701) includes only the major items of HS 62, and excludes HS 61.

Japan Textiles (609) includes fabrics and yarns and other items such as carpets

Table 12 **Imports by USA, Japan and EU-27 from selected countries (percentage changes in total values)**

	USA			Japan			EU-27		
	Clothing	Textiles	Clothing + Textiles	Clothing	Textiles	Clothing + Textiles	Clothing	Textiles	Clothing + Textiles
Imports from	Jan-Sept 2009/2008	Jan-Sept 2009/2008	Jan-Sept 2009/2008	Jan-Sept 2009/2008	Jan-Sept 2009/2008	Jan-Sept 2009/2008	Jan-July 2009/2008	Jan-July 2009/2008	Jan-July 2009/2008
World	-12.68	-19.7	-14.31	-8.68	-18.19	-10.7	1.58	-18.54	-3.95
China	1.95	-17.91	-4.13	-8.01	-8.56	-8.09	13.19	-11.89	7.87
India	-6.46	-14.68	-9.61	-3.42	-34.11	-15.28	7.72	-17.76	-1.03
Vietnam	-3.71	32.81	-2.36	8.77	-4.54	6.59	3.54	-3.36	2.74
Indonesia	-4.34	-29.7	-5.66	1.35	-30.18	-21.41	4.47	-28.41	-4.82
Cambodia	-22.95	46.37	-22.61	82.99	-30.52	82.93	1.18	0.91	1.18
Bangladesh*	-0.13	14.53	0.28				18.32	-6.67	16.97
Mexico	-17.59	-24.42	-18.9						
Turkey							-13.99	-20.37	-15.92

Sources and Notes: US, Japanese and EU-27 statistics from, respectively, otexa.ita.doc.gov, www.customs.go.jp, and epp.eurostat.ec.europa.eu.
US statistics refer to 'apparel' and 'non-apparel'; Japanese statistics are 'clothing and accessories' (code 807) and 'textiles' (code 609);
and EU-27 statistics for all clothing and textiles are HS codes 50 to 63, HS 61 and 62 for clothing, and HS 50 to 60 plus HS 63 for textiles.
In the case of the EU-27, the 'world' excludes intra-EU-27 imports.
(* Bangladesh figures for US relate to January-October 2009/2008, extracted later)

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