



# **Business for Development**

## **Trade in Textiles and Clothing Challenges for Central & Eastern Europe, Baltic States and CIS**

**Presentation by**

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**ITC**

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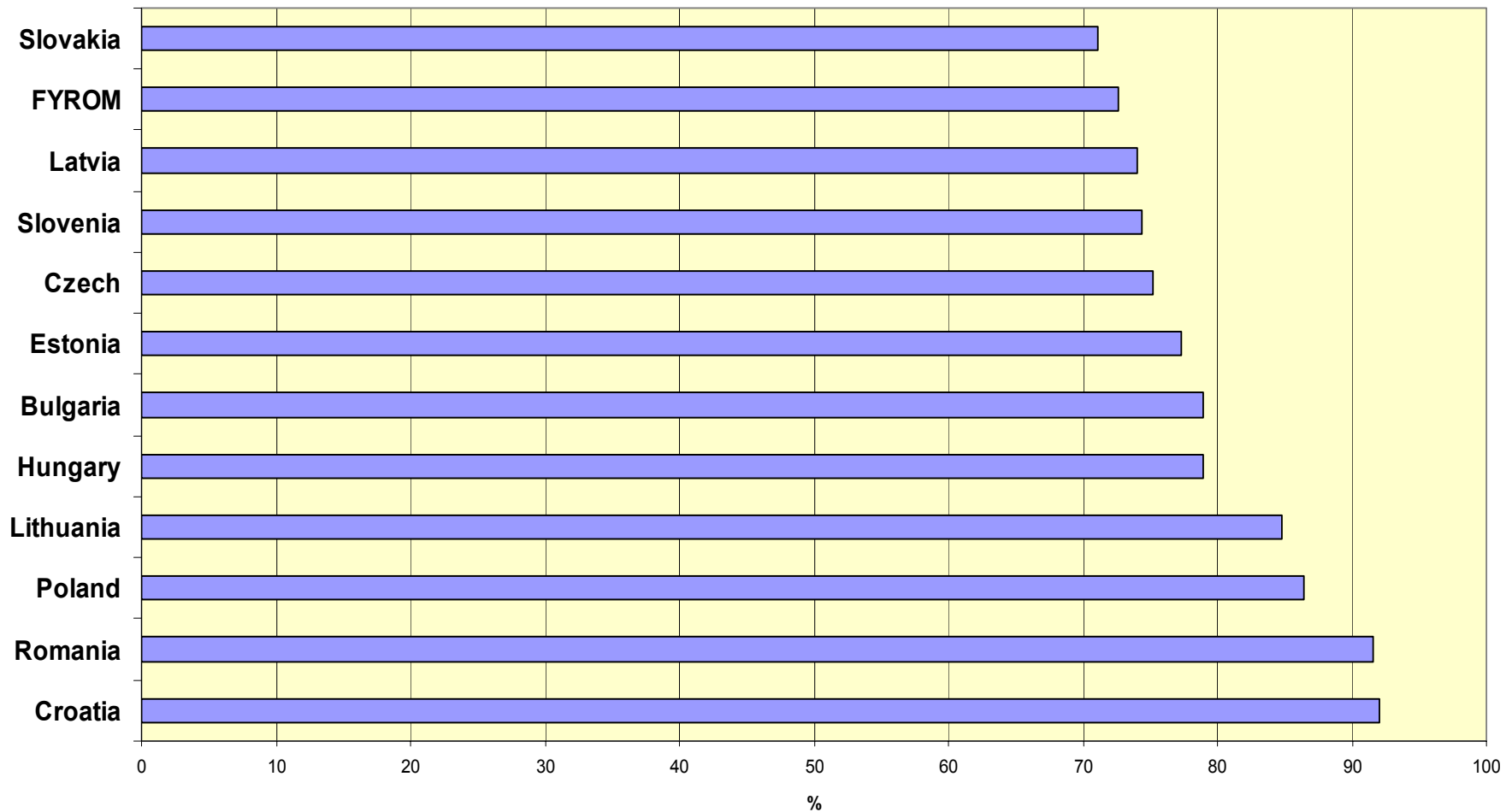
# Structure

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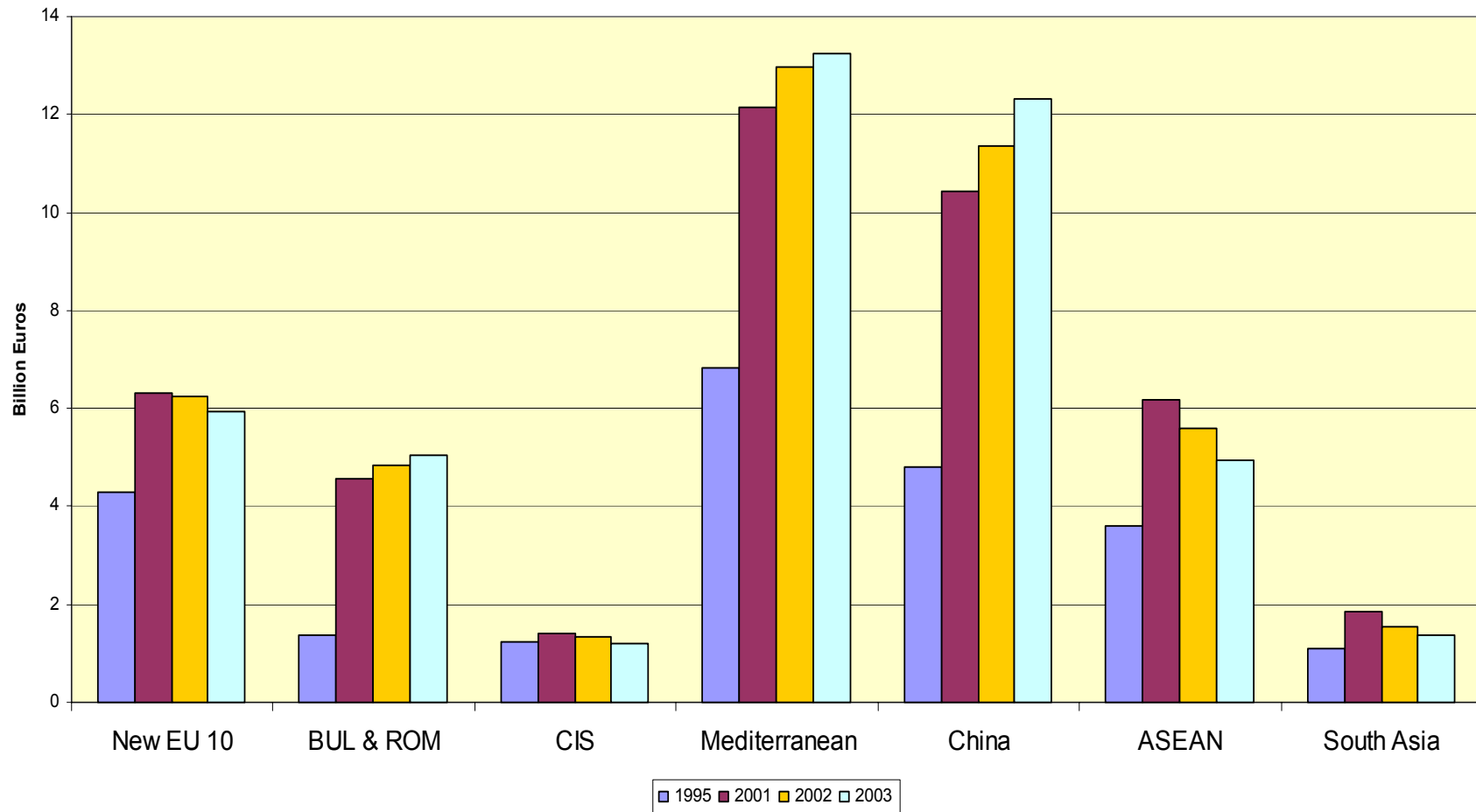


# Dependence of the EU market (% of total T&C exports)



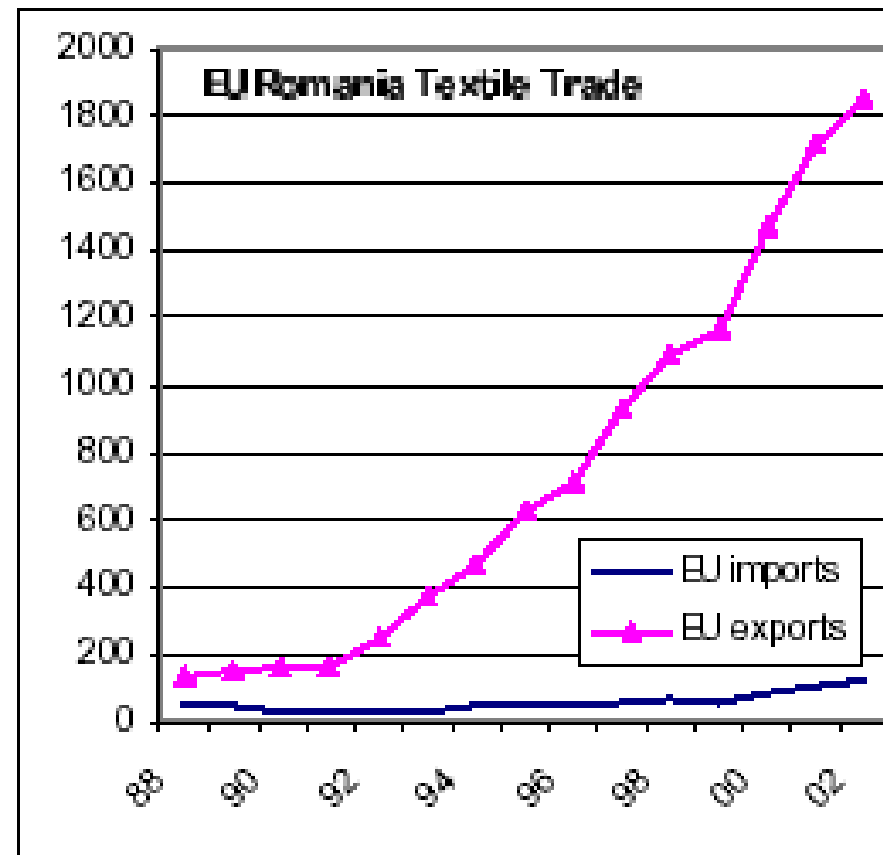
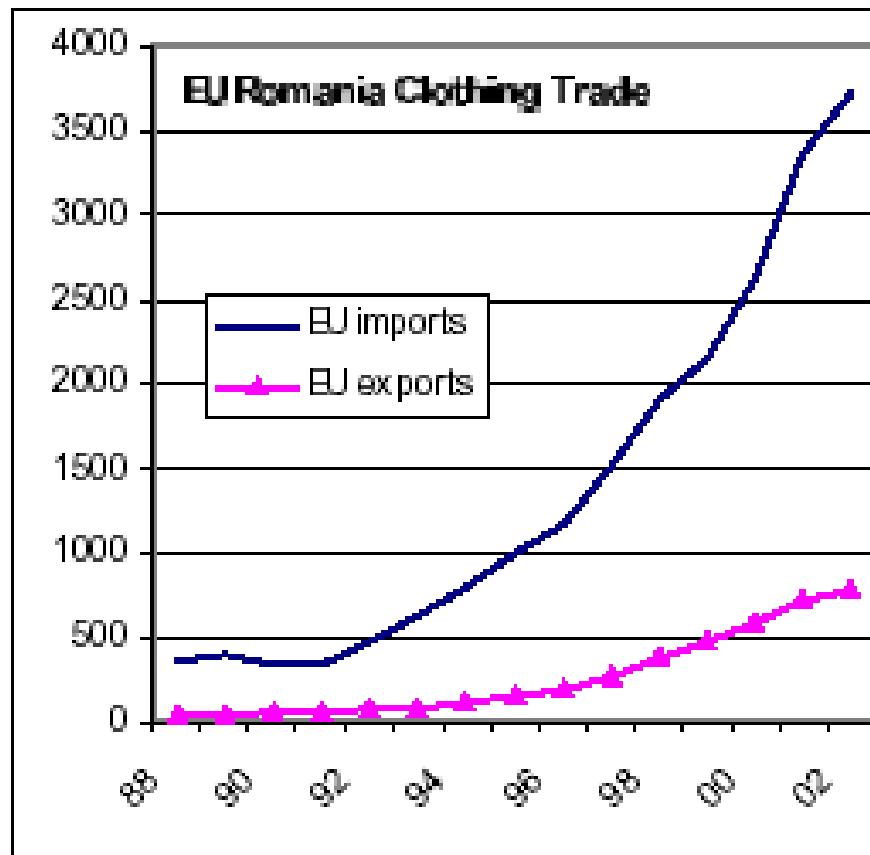


# EU Imports: 1995 to 2003





# Close linkages with EU due to OPT business





# Structure

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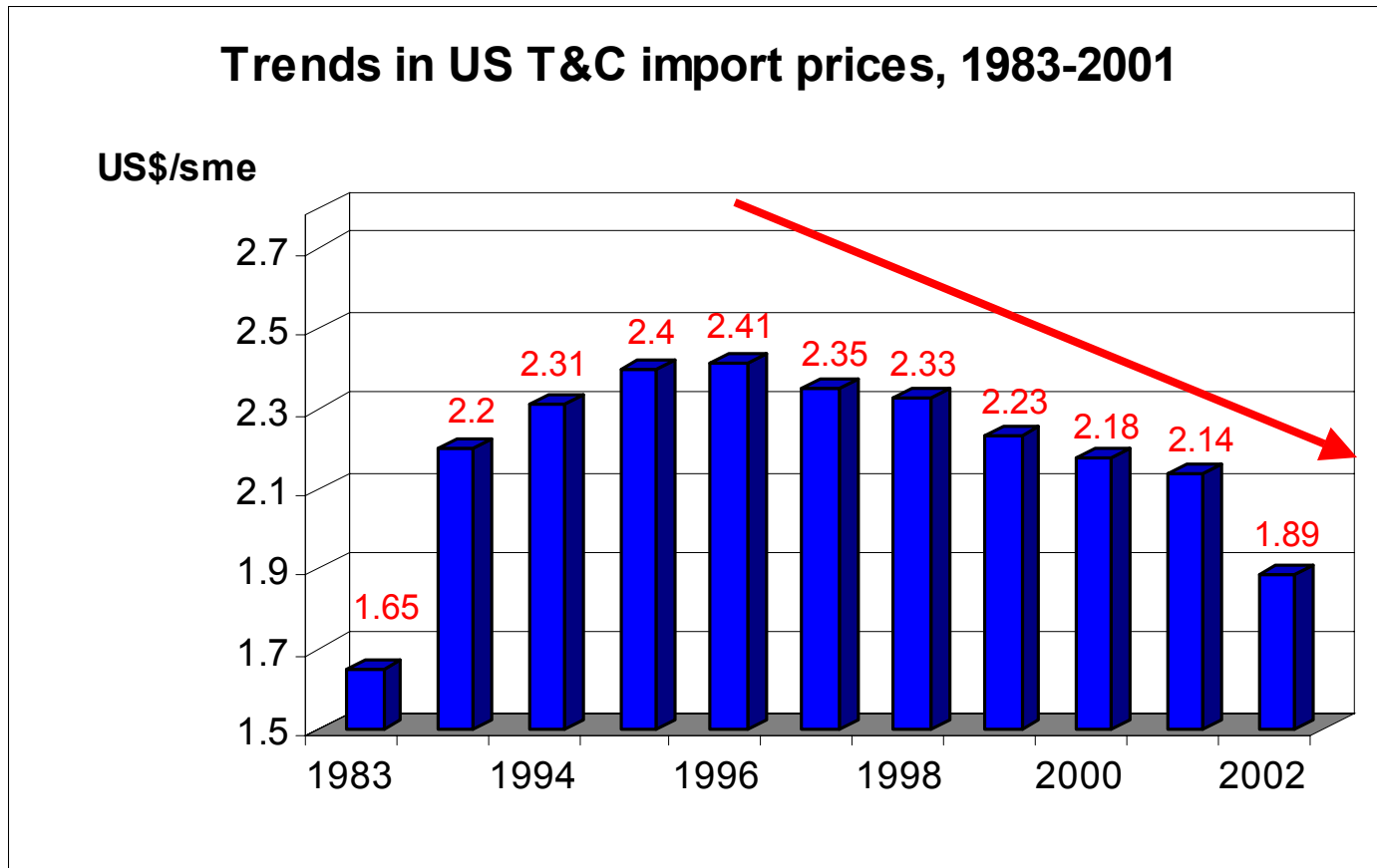
# 1. Challenge: Removal of the Quota System

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- 1 January 2005: Integration of T&C into the normal WTO rules after 30 years of restrictions
- Artificial advantages will disappear and existing trade patterns will “blow up”
- Companies will gain market share based on competitiveness rather than quotas
- But: What after loss of quota-free benefits?



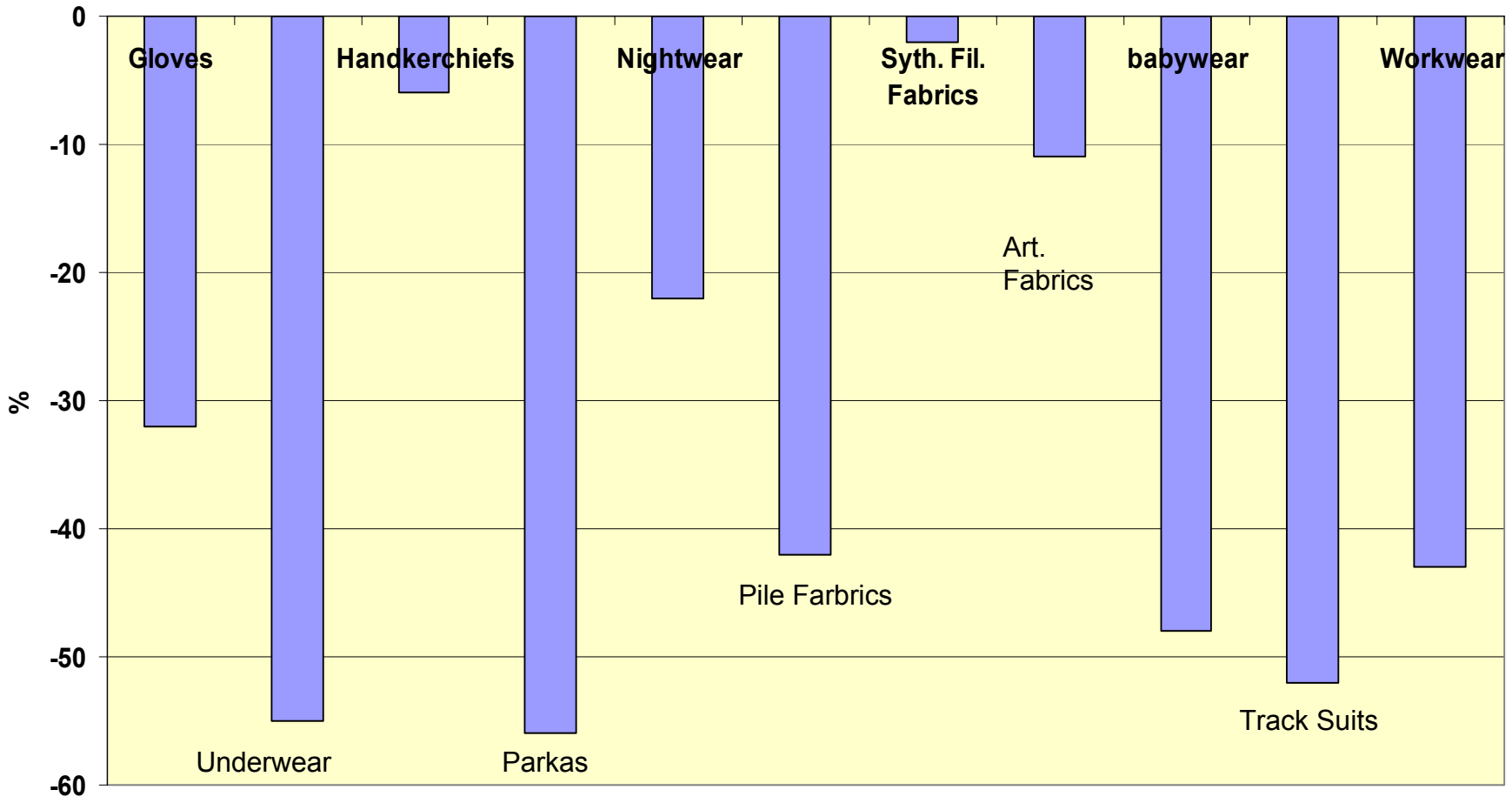
# Prices will fall further: More supply and quota rents disappear







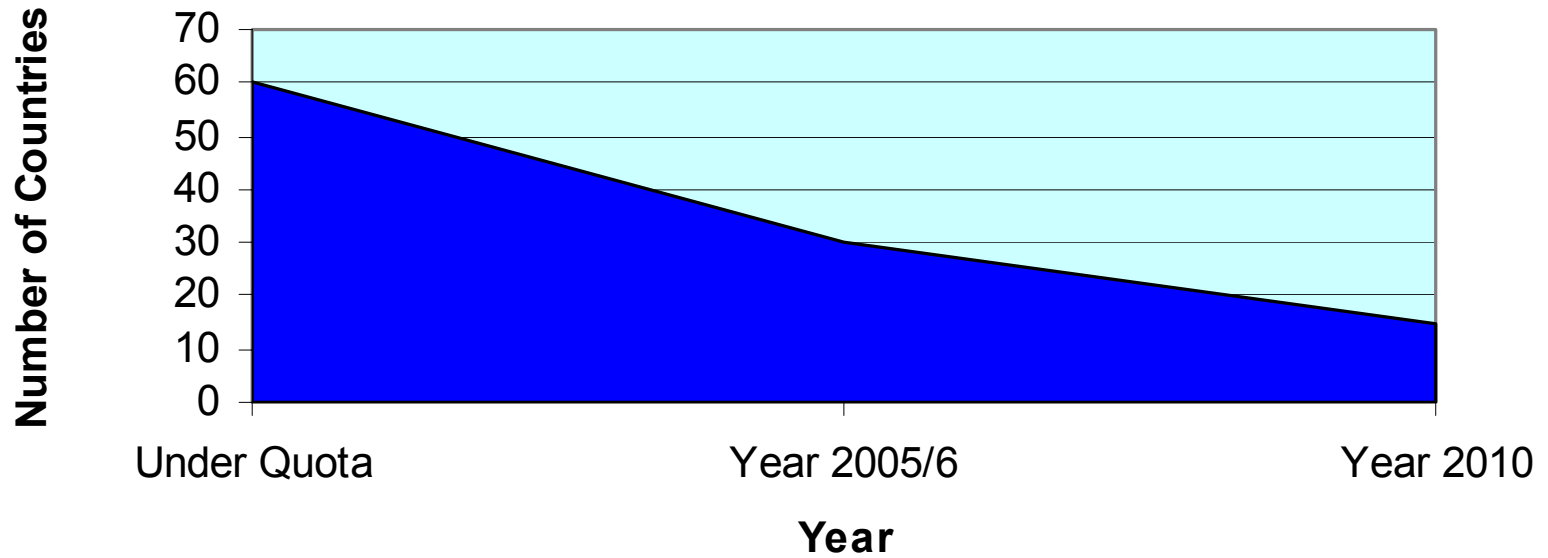
# China: Unit Value Change in EU after product integration in 2001





# Post-2004 Sourcing Pattern

Reduced number of countries & shifting of locations



## Quota Removal: Norway experience

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- Quotas were removed in 1998

	Value Share	Volume Share	Rank
China	29	45	1
Bangaldesh	2.4	4.5	3
India	2.9	2.9	5
Poland	3.7	2.7	8
Lithuania	2.6	2.3	9
Romania	2.5	1.1	17
Estonia	1.4	0.8	22
Latvia	0.8	0.6	24



## 2. Challenge: Erosion of Preferential Duty-free Market Access: DDA

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What remains: Duty advantage

EU: 4% Yarns; 8% Fabrics; 12% Clothing

US: 12-17% Cotton Apparel; 25-32% MMF Apparel

DDA aims at reducing high tariffs, tariff peaks and tariff escalation



# Erosion of Benefits: EU FTAs & RTAs

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- « If not multilateral then bilateral »!
- EU envisaged a Euro-Mediterranean Zone
- Diagonal cumulation: Use fabrics from Egypt, trims from Turkey, assemble in Morocco and export duty-free to EU
- But: all countries need to have FTAs among them in place with identical rules of origin requirements

## 3. Challenge: EU Enlargement

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- Adaptation of EU lower tariffs (except Czech Rep., Slovakia, Hungary) i.e. more competition
- New EU members to apply quotas for 8 months
- DCs: « This violates WTO rules: Article 2.4 ATC & DSP following EU-Turkey customs union
- EU quota increase pro rata for new EU 10: China & HGK quota increase extensive (old trade links)
- category 6 (trousers): +50%;
- category 4 (knit shirts): +41%



## 4. Challenge: Erosion of OPT Benefits

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- Quota system & trade liberalisation with EU has facilitated OPT
- Based on competitive EU fabrics & low labour costs in OPT countries
- OPT to survive where EU fabric is competitive (mainly wool) & where labour costs are low (CIS & Mediterranean)
- Highly dependent on outside skills & decision making



## **5. Challenge: Use of Trade Remedies**

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- Safeguards (fairly traded imports).
- Antidumping & countervailing duties (unfairly traded imports).
- T&C products as targets for retaliation in dispute settlement cases.
- New EU members take over EU cases





## 6. Challenge: New Requirements

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- Social sourcing as a criteria for trade.
- Corporate Social Responsibility project of FTA: EU platform for monitoring social standards
- EU: New origin marking and social label initiatives
- ECO Labelling: Remain voluntary but can reduce market access





## 7. Challenge: China as a WTO Member

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- US clothing imports from China: 2002: +60%; 2003: +46%
- Japan: In 2001 85% of all clothing imports from China
- Australia: 69% (clothing) & 21% (textile) imports from China
- EU: 3<sup>rd</sup> stage liberalisation: Imports from China increased by 46% (value) and 192% (volume)
- However, accession protocol introduces possibility of new quotas against China
- USA: 3 cases under transitional textile safeguards.



## Summary: / Challenges

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1. Loss of Quota-free benefits
2. Erosion of Duty-free benefits
3. EU Enlargement
4. Change of OPT Business
5. Use of trade remedies
6. Changing Buyers Requirements
7. China as a WTO member
8. Cotton Issues in the WTO



# Structure

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# ITC's TA to the Clothing Sector

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- Need 1: Sector Strategy Development  
Value Chain Analysis
- Need 2: Know your competitors  
The « FiT »
- Need 3: Sourcing Information and SCM skills  
Supply information and skills building
- Need 4: Understanding changing markets  
Enhanced Garment-Maps
- Need 5: E-Applications in T&C  
A Business Guide



**THANK YOU !**