EFFECTS OF WTO ON THE TEXTILE INDUSTRY ON DEVELOPING COUNTRIES

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Abstract

The current investigates the Effects of WTO on the Textile Industry on Developing Countries. Data were collected from various secondary sources and data is analyzed by using SPSS-20 version statistical software. It was revealed that WTO more industrialized countries consented to export fewer textiles while less industrialized countries enjoyed increased quotas for exporting their textiles[1]. Bangladesh was expected to suffer the most from the ending of the MFA[2] because it was expected to face more competition, particularly from China[3], it has tried to maintain its competitiveness in the post-quota era. It was further revealed that It has also been examined that all over the world textile industries are facing high inflation which is the hottest issue due to which the cost of doing business is going higher and higher day by day. The Chinese, Indian, Sri Lankan and Bangladeshi textile manufacturers are also out of those affected ones whose major issues are associated with increased cost of production. China's dominance of the global garments trade has also been affected due to the rise in the costs of material, labour, energy, environmental protection and high interest rate. Furthermore, the environmental standard is also a barrier to many Chinese enterprises; even most of the Chinese enterprises have inputted environmental Standard.

Key Words: WTO, Textile Industry, Developing Countries

1 www.wto.org.com

2 MFA was introduced in 1974 as a short measure intended to allow developed countries to adjust to imports from the world.

3 " India slaps anti-dumping duty on yarns", 28 march 2009, Legal Policy | Copy © 1999-2009, The Information Company Private Limited. All rights reserved, online available @ www.domain-b.com

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The first section of this research paper presents the textile industry of China and the findings in relation to the implementation of WTO. These findings are expressed as identified issues. The second section presents the textile industry of India and the findings in relation to the implementation of WTO. These findings are expressed as identified issues. The third section presents the textile industry of Sri Lanka and the findings in relation to the implementation of WTO. These findings are expressed as identified issues. The fourth section presents the textile industry of Bangladesh and the findings in relation to the implementation of WTO. These findings are expressed as identified issues. Finally the fifth section presents the conclusion of the chapter.

Textile Industry of China

Textile industry is a traditional pillar industry for China's economy. Since 1980's, China has developed rapidly in international textile trading and become a significant export country in this field. China textile industry plays an important role in the earning of foreign exchanges and contributes greatly to the development of China's economy[1].

China became the member of WTO in 2001. From the beginning it got the benefit from quota removal because of the competitive rates and became the world major exporter of garments. But now it has realized that further the race can not be won on the basis of cheap price. The future targets can be availed through other ways like; the up gradation of technology and development of their own brands. Furthermore, huge investment has been made for enhancing the quality of textile products. Major portion of investment has been made on imported equipments to enhance operational efficiency. China is also the biggest client for the global textile machinery industry.

The implementation of WTO on China has not affected its textile exports, because Chinese enterprises have found home market as a feasible channel for their products. If the total textile output of China is worth RMB3000 billion in that about two-thirds are consumed within the country. But here the noticeable thing is that products sold in their home market are much lower in quality than the exported products.

China is the biggest recipient of the EU. It accounts for about 34 per cent of imports to the 25-nation bloc. Initially there were some protectionist measures on the Chinese exports to EU and US but still it is the winner. Because it was already expected that China will swallow up the major share of the textile exports of other developing countries after the quota removal.

1. "Textile Industry in China an Overview", 2005, Business, CriOnline, Crienglish.com

China enjoys MFN status for its exports. It is a privilege that did not exist before. The number of product items under quota in China amounted to 20 per cent of Chinese garment exports before 1 January 2005, which is a large number. Therefore it was expected that there will be a significant dominance by Chinese clothing in the post-quota era[1].

As the WTO deals allow about 97 per cent of the exports from the least developed countries LDCs to be duty-free, but developed nations are allowed to exclude only 3 percent of their exports. China does not come under the category of LDCs, therefore it was not allowed 97 percent duty-free access. (Chowadry).

The European Commission excluded Chinese clothing and textiles from the Generalized System of Preferences (GSP) in 2004. Furthermore, the new version of the GSP was in force from 2006-2008, which aimed to ensure that the world's poorest nations benefit most (countries that hold more than 15 per cent of EU market share in any industry lost their GSP position). The Chinese textiles having about 30 per cent market share in the EU market were not able to enjoy the new GSP. The EU adopted a regulation on 22 July 2008 and applied a new GSP scheme for the period from 1 January 2009 to 31 December 2011, but China has again not qualified for the current new GSP scheme of EU[2].

It was expected that the US and EU will have significant control over the expansion of Chinese garments in their respective markets because of two prevailing legislative regulations:

(a) The safeguard regulation from 2005-2008

(b) The anti-dumping regulation from 2005-2015

WTO member countries set special safeguard rules for Chinese textiles. In which if Chinese textile export causes disturbance to the market of WTO member countries from 2005 to 2008, the member countries were allowed to impose temporary restrictions over a certain type of products for one year[3]. As a result of the restrictions, Chinese exports to the two major markets of EU and US slowed down significantly. The exports to both the EU and the US rose less than 10%, compared with over 50% during the corresponding

1. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges", Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005, Saman Kelegama is Director of the Institute of Policy Studies, Colombo, Sri Lanka.

2. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges" Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005

3. Report of the Working Party on the Accession of China, 2001, World Trade Organization, Restricted Wt/Acc/Chn/49, 1 October 2001, (01-4679), Working Party On The Accession Of China.

period in 2005. Accordingly, the share of Chinese textile and apparel exports in the EU and the US markets dropped to 26 per cent from 2005's 34 per cent[1].

The US and EU initiated anti-dumping investigations against China and India; therefore the smaller Asian countries have found new opportunities. Due to the re-imposition of limitation on Chinese exports by EU in 2006, the European retailers started importing low-priced products through Hong Kong, Madagascar and Bangladesh which was a great loss to China. From 2008 Chinese textile exports are completely free from quota restrictions; only anti-dumping measures remain valid. Regarding anti-dumping and related measures, Section 15 of the Protocol on China's Accession to the WTO states that anti-dumping provision does not expire until the end of 2016, while Section 16 states that provision on special safeguard remains valid until the end of 2013[2].

China has been badly affected by the large number of Preferential Trade Agreements (PTAs) among World Trade Organization (WTO) members signed during the last couple of years, because it is outside those agreements. It will be able to brace up for the competition arising from quota-free and duty-free access facility foreseen in the agreements[3].

Most of the Chinese enterprises have inputted environmental Standard, but still environmental standard have become a barrier to many Chinese enterprises.

Textile Industry of India

The textile industry of India plays a major role in the Indian economy. Its contribution in the economy is about 4 per cent of GDP, 14 per cent of industrial output, 20 per cent of exports, provider of direct employment to 38 million people[4]. It is considered to be on second number in terms of size all over the world[5]. It works independently from the initial requirement of input (raw material), till the final product is ready for use. It includes spinning, weaving and readymade garment sectors.

1. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges" Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005

2. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges" Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005

3. Ibid

4. Business Daily from The Hindu group of publications, Jun 13, 2007, ePaper, The author is a Faculty Member at the Indian Institute of Foreign Trade, New Delhi

5. 2 "India slaps anti-dumping duty on yarns", March 28 2009, Legal Policy | Copy © 1999-2009, The Information Company Private Limited.

After the implementation of WTO initially the Indian textile industry was at the back in capturing the global market share, but now it is in front in the race with the other developing countries. It took the benefit of its competitive advantage for being the producer of raw material (cotton) to all over the world. In 1999 Government of India launched the Technology Up gradation Fund (TUF) that was a financial tool through which it supported the up gradation of technology for modernization of textile mills located in several regions of the country[1]. During 2002-03 there was a formation of textile research associations that carried out research and provided various services including consultancy, testing, training and research etc. They played an important role in the success of Indian textile industry. Their main sources of earnings include government grants, subscriptions from member-mills, fees for the services provided etc[2].

During 2003-04 several research and development activities were directed towards developing cost effective techniques, product innovation, improving product (yarn/fabric) quality, ensuring utilities (energy and water) conservation, improving productivity, machinery maintenance, instrumentation, technical education, dissemination of technical information and organizing seminars and conferences.. They undertook several R&D projects with industry sponsorship[3].

Indian exports experienced a growth of 20 per cent to UK and 27 percent to US. In the era of trade liberalization India's main rising sector was readymade garments. It had an increase of about 32 per cent during 2005. Suggested import tariffs by the Clothing Manufacturers Association of India were; for fibres 5 per cent, for yarns and fabrics 10 per cent, for made-ups 15 per cent, and for garments 20 per cent. The Cotton Textile Export Promotion Council (TEXPROCIL) argued that the unfavorable exchange rate of the Indian rupee vis-à-vis competing countries like Pakistan, Sri Lanka and Indonesia where the disparity was around 5-6 per cent in the past is over 20 per cent currently and this adversely affects exports[4].

In 2006 the industry found that it requires an investment of US$43.3billion till 2012 to meet the home and global market challenges, in this connection an investment of about US$40bn was made in the last few

1. Kaibin Z., Mehta M., Sinha A. & Inggi B. L., 2007, "Shaping up for the race", ATA, Journal of Asian Textile & Apparel, Feb. 2007, *Zhou Kaibin is Vice Director of the Hubei Provincial Textile Industrial Investment Acceleration Center.

2. Sasi A, 2005, "Asian Textile Nations to Join Hands to Rule Global Markets", Business Line, International Edition, Financial Daily from the Hindu Group of Publications Sunday, Sep. 4, 2005

3. Ibid

4. D'Souza E., "The WTO and the Politics of India's Textile Sector: From Inefficient Redistribution to Industrial Up gradation", Errol D'Souza, Professor, Economics Area, Indian Institute of Management, Ahmedabad 380 015, India.

years to cope up with the global competition. Furthermore, in India the ratio of financing was set at 30 per cent debt and 70 percent equity. India launched a scheme of Integrated Textile Parks from 2006, under which more than 30 textile parks were built in different regions located all over the country for boosting the textile exports. The parks included design center, training center, trade center/display center, warehousing facility, testing laboratory and raw material department. These parks are equipped with the facilities according to the international standard. Indian Government has also assisted textile industry from time to time so that it may be able to meet the international requirements of Environmental standards[1].

India imposed anti-dumping duties on the yarn imported from China, Thailand and Vietnam that remained in force till September 2009. Reason behind this imposition was that the imports from China, Thailand and Vietnam were at below normal value that caused ''material injury'' to the domestic industry[2].

Some of the constraints for the Indian textile industry during the post quota era are:

- Fragmented structure with the dominance of the small scale sector
- Unfriendly labor laws
- Logistical disadvantages in terms of shipping costs
- Time pose serious threats to the growth
- Lack of Foreign investments due to unfriendly overall factors for the foreign investors
- Marketing skills must be improved
- Low standard of hand loom and power loom sectors
- Lack of Budget
- Low exports of value added products
- Low production of mixed products prepared from cotton and man-made fibres, which has high demand globally for being cheap and durable
- Less diversification

There is a high cost of doing business in India. It should also be lowered to compete internationally for the sake of attracting foreign direct investment FDI in this sector. Furthermore, there is a high power costs, rising interest rates, high transaction costs etc.

1. Kaibin Z., Mehta M., Sinha A. & Inggi B. L., 2007, "Shaping up for the race", ATA, Journal of Asian Textile & Apparel, Feb. 2007, *Zhou Kaibin is Vice Director of the Hubei Provincial Textile Industrial Investment Acceleration Center.

2. "India slaps anti-dumping duty on yarns", March 28 2009, Legal Policy | Copy © 1999-2009, The Information Company Private Limited.

Subsidies that were not WTO-compatible have phased out. Benefits of special treatments like Generalized System of Preference (GSP) are no more available.

India is the second recipient of the EU. It accounts for about 11 per cent of imports to the 25-nation bloc. In this connection it was expecting that it would continue to get tariff preferences in textiles under the EU Generalized system of preferences (GSP) under the post-quota era but it was only a dream because the benefits of special treatments like Generalized System of Preference (GSP) are no more available[1].

India was adversely affected by the large number of preferential trade agreements (PTAs) among World Trade Organization (WTO) members signed during the past couple of years, because it was outside those agreements. India may find it hard to brace up for the competition arising from quota-free and duty-free access facility envisaged in the agreements, as the textile sector is saddled with high cost, low productivity, poor fabric base and so on.

Textile Industry of Sri Lanka

The textile industry of Sri Lanka is one of the oldest industries since 257 years BC. The Textile Industry broadly consisted of the organized large scale mill division, of which, the cotton sector was with the state, and the synthetic sector was in the hands of the private sector[2]. From very beginning women were involved in this industry. The "Wellawatta Spinning and Weaving Mill" was established in the late 19th Century[3]. The garment industry in Sri Lanka expanded rapidly after the liberalization of the economy in 1977. During the 1990s, the garment industry grew at 18.5 per cent per annum. The export-led expansion of the industry led to the replacement of tea by garments as the nation's largest foreign exchange earner. Moreover, the industry has been contributing to the livelihood of nearly 1.2 million people[4].

Sri Lanka from the beginning depended on the imported inputs for the production of ready made garments industry that were exported to all over

1. "EU will extend GSP benefits for Indian textiles", The Financial Express, Posted: Saturday, Jan 15, 2005, © 2010: The Indian Express Limited.

2. Tennekoon R. , "labour issues in the textile and clothing industry: a Sri lankan perspective", Workshop Background Papers Express The Views Of Their Authors Only , And Are Provided For Information And To Stimulate Discussion, Workshop Background Paper, International Labour Office Geneva.

3. www.wikepedia.com

4. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges", Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005, Saman Kelegama is Director of the Institute of Policy Studies, Colombo, Sri Lanka.

the world. About 63 percent and 30 percent of Sri Lankan garment exports are destined for the United States and European Union. Furthermore, Sri Lankan garment industrialists have opened factories in Bangladesh, Maldives, Jordan, Kenya and Mauritius, among others, and are performing well[1]. It's a country that has a large export-oriented garment sector, but a small textile industry that has no capacity to supply the quantity or quality of yarn and fabrics required by the garment industry. The competitive strength of the Sri Lankan garment industry has historically been based on cheap labour, high-labour standards, a literate labour force, investment-friendly government policies and strategic shipping lanes[2].

Sri Lanka has been a contracting party to the General Agreement on Tariffs and Trade (GATT) since 1948. It ratified the Marrakesh Agreement in June 1994 to become a founding member of the World Trade Organization (WTO)[3].

Ready-made garments have been biggest export of Sri Lanka. It accounts for half of the nation's exports and close to two-thirds of all industrial exports. The Sri Lankan economy is highly dependent on it, which has been affected in the global trading system and became weaker due to the changing scenario. Textile manufacturing facilities were provided by the Government in 20th century[4].

The quotas on imports from Sri Lanka were removed in March 2001 by the EU. The bound rates of duty on Sri Lankan Textile Industry by WTO were for raw material 0 per cent, fibre and yarn 5 per cent, fabrics 10 per cent, clothing products 17.5 per cent[5]. Sri Lanka expected an increased garment supply to EU market in 2001 under quota-free status. It faced competition in the European Union market from Bangladesh, which had duty and quota-free access to the European Union under the Everything-But-Arms (EBA) scheme.

Sri Lanka is the "only" outsourced apparel manufacturing country which has signed up to 39 of the ILO (International Labor Organization)

1. Ibid

2. Kapuge A. M., Smith M., 2007, "Management practices and performance reporting in the Sri Lankan apparel sector", Managerial Auditing Journal, Volume 22 Number 3 2007 pp. 303-318, Copyright © Emerald Group Publishing Limited ISSN 0268-6902

3. www.wto.org.com

4. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges", Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005, Saman Kelegama is Director of the Institute of Policy Studies, Colombo, Sri Lanka.

5. D'Souza E., "The WTO and the Politics of India's Textile Sector: From Inefficient Redistribution to Industrial Up gradation", Errol D'Souza, Professor, Economics Area, Indian Institute of Management, Ahmedabad 380 015, India.

Conventions in Asia. It has approved all eight of the core labor conventions of the 1998 ILO Declaration on Fundamental Principles and rights at work[1].

Furthermore, The Sri Lankan textile sector has started focusing on the niche segments overseas where it had more advantages over other Asian competitors. And four kinds of products may be targeted: sportswear, casual wear, children's wear and intimates (Kaibin Z, M Mehta, Sinha A & Inggi B, 2007).

Sri Lanka was benefited by a 40 percent duty reduction in the exports to EU. It was basically due to the GSP concessions to Srilankan textile industry. Before these concessions it was lagging behind its competitors in terms of wages and productivity (Weeraratne B).

Export Performance of the Textile and Garment Industry in Sri Lanka: key indicators for 1995-2003, Export Value (Millions of US $) Source: Central Bank of Sri Lank

Year	Textile (T)	Garments(G)	T & G
1995	43.2	1465.5	1852.6
1996	199.2	1688.6	1905.9
1997	306.7	1972.6	2279.3
1998	228.6	2237.8	2466.4
1999	225.2	2205.1	2430.3
2000	271.5	2723.1	2994.6
2001	209.7	2334.6	2544.3
2002	179.1	2246.4	2425.5
2003	175.3	2400.0	2575.3

It can be noticed from the table that textile exports started rising from 1995 as Sri Lanka became the member of WTO but further it started decreasing from 2002, which may not be considered as a down fall of textile industry because the garments exports has an over all increasing trend. The reason behind the change (decrease) in textile exports and (change) increase in garments exports is that Srilanka from 2001 started upgrading and boosting its ready made garments exports internationally which is also one of the major reason behind the success of Sri Lankan textile industry.

1. Kaibin Z. , Mehta, Sinha A., Inggi & B. L., 2007, "Shaping up for the race", ATA, Journal of Asian Textile & Apparel, Feb. 2007, Kaibin Z, is Vice Director of the Hubei Provincial Textile Industrial Investment Acceleration Cente)

Competitive disadvantages for Sri Lankan textiles are readily apparent: long lead times, lack of product development, weak marketing and low labour productivity partly due to outdated technology. Emerging low-labour cost East-Asian countries (e.g. Cambodia and Vietnam) mean that Sri Lanka cannot continue to compete on the basis of low-cost labour, meaning that measures are necessary to secure improvements in the productivity and quality of the sector[1]. Furthermore, some of the major constraints that hinder in the way of success of Sri Lankan textile industry are long lead times, weak marketing skills, lack of product development, low productivity due to outdated technology, lack of strategy or plan for its future expansion. Furthermore, some constraints are also discussed bellow:

Sri Lanka supplies garments to many leading retailers, such as Victoria's Secret, Liz Claiborne, May Department Stores, Marks & Spencer and C & A, but the country does not possess its own well-known local brand names[2].

In Sri Lanka the labour costs amounts to about 15 to 20 per cent of the overall cost which is higher and therefore decreases the profits of the firm. (Fonseka and Fonseka, 1998).

Most of the companies have made little effort to produce high value-added garments and there is a heavy dependence on buyers to channel garments to international markets (about 65 per cent of garment exports)[3].

Until recently, most garment orders were on a No Foreign Exchange (NFE) basis and many garment producers preferred such orders because there was less risk involved.

In Sri Lanka little effort has been made at the firm level to reduce wastage and improve the quality of work[4].

The turn-around time of Sri Lanka's garment industry was close to 90-150 days, the ideal international lead time was around 60 days. "just-in-time" delivery has become an accepted principle and requirement in the global market[5].

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1. Kapuge A. M., Smith M., 2007, "Management practices and performance reporting in the Sri Lankan apparel sector", Managerial Auditing Journal, Volume 22 Number 3 2007, Copyright © Emerald Group Publishing Limited ISSN 0268-6902

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3. Kelegama S., 2005, "Ready-Made Garment Industry in Sri Lanka: Preparing to Face the Global Challenges", Asia-Pacific Trade and Investment Review Vol. 1, No. 1, April 2005, Saman Kelegama is Director of the Institute of Policy Studies, Colombo, Sri Lanka.

4. ibid

5. Kapuge A. M., Smith M., 2007, "Management practices and performance reporting in the Sri Lankan apparel sector", Managerial Auditing Journal, Volume 22 Number 3 2007 pp. 303-318, Copyright © Emerald Group Publishing Limited ISSN 0268-6902

The cost of production has gone higher day by day.

Sri Lanka's electricity charges remain the highest in Asia as a result of poor government policies contributing to mismanagement in the electric power sector.

Textile Industry of Bangladesh

Bangladesh textile Industry has been the main source of growth in Bangladesh's export market. It was started in 1970s and became a prominent player in the economy within a short period of time. The industry has contributed to export earnings, foreign exchange earnings, employment creation, poverty alleviation and the empowerment of women[1]. It employs 2.2 million workers, accounts for 76 percent of its foreign exchange earnings. Only 5 percent of textile factories are owned by foreign investors, with most of the production being controlled by families or Bangladeshi companies[2]. The labor cost as per unit is around 20-30 per cent in Bangladesh and it is 30-40 per cent less than the major competitors like India and China respectively. Over the past 20 years number of manufacturing units has grown from 180 units to over 3,600. The typical firm in Bangladesh employs between 200 to 1200 workers and the average in the country is about 550 to 600 workers[3].

Bangladesh mainly exports to US and EU. Both account for about more than 90 per cent of the country's total earnings from garment exports. Bangladesh was less competitive in US as compared with China and India. It was somewhat competitive in the European Union which can be seen from table 5.2[4]. Two non-market factors have played a crucial role in ensuring the garment sector's continual success. They are Quotas under Multi- Fibre Arrangement (MFA) in the North American market and Preferential Market Access to European markets[5].

1. Haider M. Z., 2007, "Competitiveness of the Bangladesh Ready-made Garment Industry in Major International Markets", Asia-Pacific Trade and Investment Review Vol. 3, No. 1, June 2007

2. www.wikipedia.com

3. Kaibin Z., Mehta M., Sinha A. & Inngi B. L. 2007, "Shaping up for the race", Staff Reporters, ATA, Journal of Asian Textile & Apparel, Feb. 2007, Kabin Z. is Vice Director of the Hubei Provincial Textile Industrial Investment Acceleration Cente

4 Haider M. Z., 2007, "Competitiveness of the Bangladesh Ready-made Garment Industry in Major International Markets", Asia-Pacific Trade and Investment Review Vol. 3, No. 1, June 2007.

5. Bhattacharya, D.; Rahman, M (2001). ""Bangladesh's Apparel sector: Growth trends and the Post-MFA challenges"". Proceedings of a National seminar on ready-made garment industry: 2–26.

Market Position of Bangladesh in the US, EU and Canadian Markets[1]

Year	United States	European Union	Canada
1991	8th Largest	--	9th Largest
1992	7th Largest	Largest T-shirt & Shirt Exporter	--
1993	7th Largest	Largest T-shirt & Shirt Exporter	--
1994	6th Largest	5th Largest T-shirt & Shirt Exporter	--
1995	6th Largest	--	--
1996	6th Largest	--	--
1997	6th Largest	--	--

After the implementation of WTO more industrialized countries consented to export fewer textiles while less industrialized countries enjoyed increased quotas for exporting their textiles[2]. Bangladesh was expected to suffer the most from the ending of the MFA[3] because it was expected to face more competition, particularly from China[4], it has tried to maintain its competitiveness in the post-quota era. In this connection industrialists have built their plants across the borders so as to export goods from different production bases[5].

The WTO deals allows 97 percent of exports from the least developed countries to be exported duty-free, therefore Bangladesh 97 per cent of exports gained duty and quota-free access that the developed nations are allowed only 3 percent of exports. Exports from Bangladesh to European Union have been benefited from GSP arrangements which permit duty free access. Bangladesh has doubled its production of export-quality knit and woven fabrics, reduced its lead times and increased its value added after Quota free era, became more prices competitive. Bangladeshi clothing exports increased ten-fold over the last 15 years and the country is now one of the leading exporters of clothing

1. Absar S. S., 2001, "Problems surrounding wages: the ready made garments sector in Bangladesh, Labour Management in Development Journal, Volume 2, Number 7, Asia Pacific Press 2001,

2. www.wto.org.com

3. MFA was introduced in 1974 as a short measure intended to allow developed countries to adjust to imports from the world.

4. " India slaps anti-dumping duty on yarns", 28 march 2009, Legal Policy | Copy © 1999-2009, The Information Company Private Limited. All rights reserved, online available @ www.domain-b.com

5. Kaibin Z., Mehta M., Sinha A. & Inngi B. L. 2007, "Shaping up for the race", Staff Reporters, ATA, Journal of Asian Textile & Apparel, Feb. 2007, Kabin Z. is Vice Director of the Hubei Provincial Textile Industrial Investment Acceleration Center

in the world[1]. Furthermore, the government of Bangladesh has also realized that it is necessary to comply with the international Labor Laws to ensure the safety of workers in the era of trade liberalization[2].

Throughout the agreement, Bangladesh's economy benefited from quota-free access to European markets and desirable quotas for the American markets[3].

Market Share for Bangladesh T&C in US & EU

Export market	USA (textile)	USA (clothing)	EU (textile)	EU (clothing)
market share in 1995	<3%	4%	<3%	3%
market share in 2004	3%	2%	3%	4%

The above table shows, the market shares for Bangladeshi textiles in both US and EU. It may be noticed that they have changed and increased after the implementation of WTO[4].

Some of the constraints for the textile industry of Bangladesh are factory working environment, social issues related to the RMG industry, International buyers are very particular about compliance with codes of conduct, product and market diversification, upgrading products need to be addressed with special care, need for support from the Government, Development of port and other physical infrastructure, smooth supply of utilities, corruption-free business environment, political instability, Government efforts to attract international buyers and investors[5]

The labor productivity is also very small in comparison; it was calculated by the value added per worker. This small amount of productivity is cause of a several supply restrictions that needs to surmount if Bangladesh wants to improve its competitiveness in the long run.

1. Adhikari R & Yamamoto Y, The textile and clothing Industry: Adjusting to the post-quota world, online available, @ www.un.org/esa/sustdev/publications/industrial.../2_2.pdf

2. www.wikipedia.com

3. "Garment industries in Bangladesh and Mexico face an uncertain future". Textiles Intelligence. 2003-10-15. http://www.textilesintelligence.com/til/press.cfm?prid=317. Retrieved 2009-08-07.

4. Hildegunn Kyvik Nordas (2004). "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing". WTO Secretariat. http://www.wto.org/english/res_e/booksp_e/discussion_papers5_e.pdf. Retrieved 2009-08-07

5. Haider M. Z., 2007, "Competitiveness of the Bangladesh Ready-made Garment Industry in Major International Markets", Asia-Pacific Trade and Investment Review Vol. 3, No. 1, June 2007

Conclusions

It has been observed that the implementation of WTO has brought a change for the countries all over the world. This change is in the form of success and growth for the developed nations as well as those developing countries that prepared themselves for the quota free era or those that received concessions from the major markets of EU and US. However, in the above discussion we had four countries; China, India, Sri Lanka and Bangladesh to highlight the effects of trade liberalization on their textile industries. In this connection it has been found that China is a country with disciplined work force, better information flow, ways to improve productivity and cost-effectiveness, a policy of developing labor-intensive industries for long-term development of the entire country[6], variety of products ranging from low quality to the high quality, plans to overcome the challenges of international trade with diplomacy, a Chinese deepened research on applications of industrial technologies and sciences for energy-saving and eco-friendly materials, highly qualified personnel, equipped with advanced office machine, strictly following the WTO rules, set rules and procedures for daily work, take measures to deal with difficulties, use outside interpretation companies, organize workshops and training courses, even the top brands of the world are now been produced in China.

It seems that any country with such benefits can obviously lead the world. But we may not be right to recognize that China has been benefited only from the liberalization of trade, because from the commencement of quota free era till today China has not obtained any concessions or trade preferences from EU and US, from which the Least Developed Countries (LDCs) like Bangladesh and Sri Lanka were benefited and grown within the last couple of years. Basically the strategy behind the success of Chinese textile industry was competitive price that has stopped working after the appreciation of Chinese currency and the high cost of inputs.

In the quota free regime, the basic advantage for the LDCs is duty free access for the prosperity of textile export business. China does not come under the category of LDCs, therefore it was not permitted the advantage of duty-free access. The European Commission excluded Chinese textiles from Generalized System of Preferences (GSP) and the benefits of new version of GSP that will last till Dec. 2011 were also not permitted to China. Furthermore, for enjoying GSP benefits the textile producers have to move part of their production to other developing countries which still enjoy the GSP benefits.

The antidumping measures were also initiated against China by the US and EU, which provided new opportunities for the smaller Asian

6. Kaibin Z, M Mehta, Sinha A & Inggi B, 2007

countries. It resulted in the low priced exports from Hong Kong, Madagascar and Bangladesh which was a great loss to China. Chinese textile industry was also threatened through special safeguard rules that inputted restrictions, resulting in slow down of Chinese exports to the two major markets of EU and US. These anti-dumping provisions and special safeguard rules are valid until the end of 2016 and 2013 respectively.

Therefore it seems true that the trade liberalization itself has not benefited the Chinese textile industry. It has affected the Chinese textile industry even it would have affected much and more if China wasn't gone under every situation with full preparation. But in the current situation it is difficult for China to compete with rival Asian producers[1].

India has the potential to compete in the quota free regime because of the availability of raw material (Cotton), superior designs, processing capabilities, cheap skilled labor, multi-fibre raw materials, large and growing market, R&D support, the ethnic textiles products like Rajasthani bandhini, Sambalpuri and Kanjeevaram saris, print variety, unique embroidery.[2]

In India the major constraint in the route of success of textile industry is the high cost of doing business. It should be lowered to compete internationally in the era of trade liberalization and for the sake of attracting foreign direct investment FDI.

After comparing the literature of Sri Lankan export performance with other countries from 2000, it was found that there is no valid evidence that the trade liberalization has resulted in significant gains for Sri Lanka. It also appears that the window of opportunities for EU market consolidation was lost because of the relatively late quota-free entry. The major benefit taken by Sri Lankan garment exports was due to the reduction in GSP rates by EU. Furthermore, Sri Lanka has managed to maintain relatively high labor standards in factories to convince EU inspectors that working conditions in factories are relatively satisfactory (Kelegama, 2004). The major reasons behind the competitiveness of Sri Lanka is cheap labour, literate labour force, high labour standards, investment-friendly government policies and strategic shipping lanes.

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