

**LDC GRADUATION AND THE WTO: ASSISTING LDCS TO ADDRESS THE TRADE-RELATED IMPLICATIONS OF GRADUATION  
FROM LDC STATUS**

**IMPACT OF LDC GRADUATION ON THE TEXTILES AND CLOTHING SECTOR<sup>1</sup>**

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## Abbreviations

ADB	Asian Development Bank
AGOA	African Growth and Opportunity Act
ASEAN	Association of South-East Asian Nations
CAGR	Compound Annual Growth Rate
CEPA	Comprehensive Economic Partnership Agreement
CMP	Cut, Make, Pack
CSR	Corporate Social Responsibility
CTISU	Cambodia Trade Integration Strategy Update
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
GSP	Generalized Scheme of Preferences
GVCs	Global Value Chains
ILO	International Labour Organisation
LDC	Least Developed Country
MFN	Most Favoured Nation
RoO	Rules of Origin
RTA	Regional Trade Agreement
T&C	Textile & Clothing
WCO	World Customs Organisation
WTO	World Trade Organisation
USA	United States of America
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

## Abstract

The Textile and Clothing sector is the backbone of many LDCs, particularly in Asia. Specifically, clothing is the most dominant sub-sector across the five analyzed LDCs, an industry that has flourished thanks to the unilateral trade preferences granted. The removal of LDC-specific preferences threatens the survival of this industry in those countries, particularly if these are faced with tougher Rules of Origin in their new trading arrangements – such as the stringent double-transformation requirement, which is the rule in the EU’s GSP and GSP+ schemes. However, graduation also presents an opportunity to tackle some of the countries’ most pervasive challenges – such as the limited product and market diversification, weak business environment and high trade costs, thereby aiming to capture greater value addition.

Securing trade preferences should become a top priority for the graduating countries, particularly with the EU, which absorb over half of the graduating LDCs’ T&C exports, either through the accession to the GSP+ scheme if eligibility criteria can be met, or through an appropriate preferential trade agreement. Joining the RCEP should also be a strategic priority for those non-ASEAN Member States. Improving the countries’ connectivity and trade facilitation environment, together with enabling the economic and industrial upgrade, reducing high trade costs, and increase the foreign direct investment attraction efforts, will be crucial to ensure the sector’s competitiveness and therefore it should be a priority for policymakers.

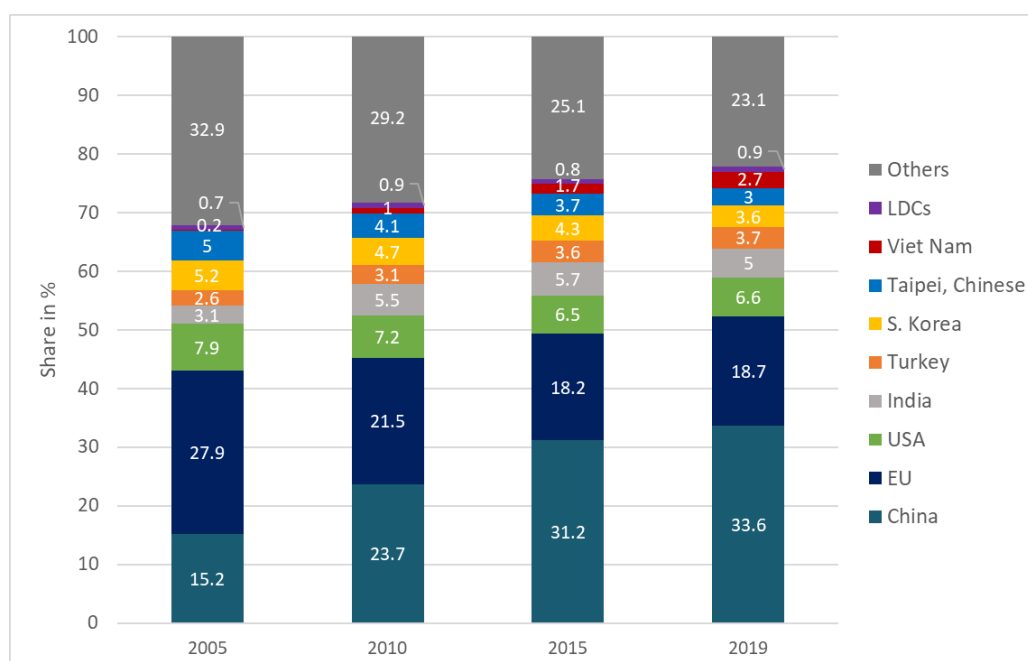
# 1 Trade Trends in the Textiles and Clothing Sector

## 1.1 Sectoral Trends

The market of T&C has experienced an impressive transformation over the years, with total exports increasing from US\$ 361 billion in the early 2000s to US\$ 818 billion in 2019. The biggest actor in the global arena has traditionally been China, whose T&C exports increased by 30% between 2010 and 2019, from US\$ 199.5 billion to US\$ 260.5 billion, equivalent to a compound annual growth rate (CAGR) of 3%. However, emerging economies such as Bangladesh, Poland and Viet Nam are quickly gaining relevance, having increased their exports by 8-13% every year between 2010 and 2019 on an annual basis, driven by low production costs and increased competitiveness.

**Cotton is the largest input for the production of clothing.** Cotton, neither carded nor combed (HS 520110) is the most traded product, with exports in 2019 reaching USD 14.9 billion. However, cotton as a raw material is facing a decline in demand, after reaching a peak in 2012 (USD 20.7 billion), due to the emergence of man-made filaments, such as woven fabrics of yarn containing  $\geq 85\%$  by weight of textured polyester (HS 540752), which emerges as the second most demanded product, with exports in 2019 accounting for USD 9.2 billion. Fabrics have also experienced an increase in demand, with Viet Nam, Cambodia, Indonesia, Hong Kong (China), and Bangladesh being the products top importers of this product, due to their inability to produce yarn competitively within their own countries.

Figure 1 Top Exporters of Textiles in the World, 2019

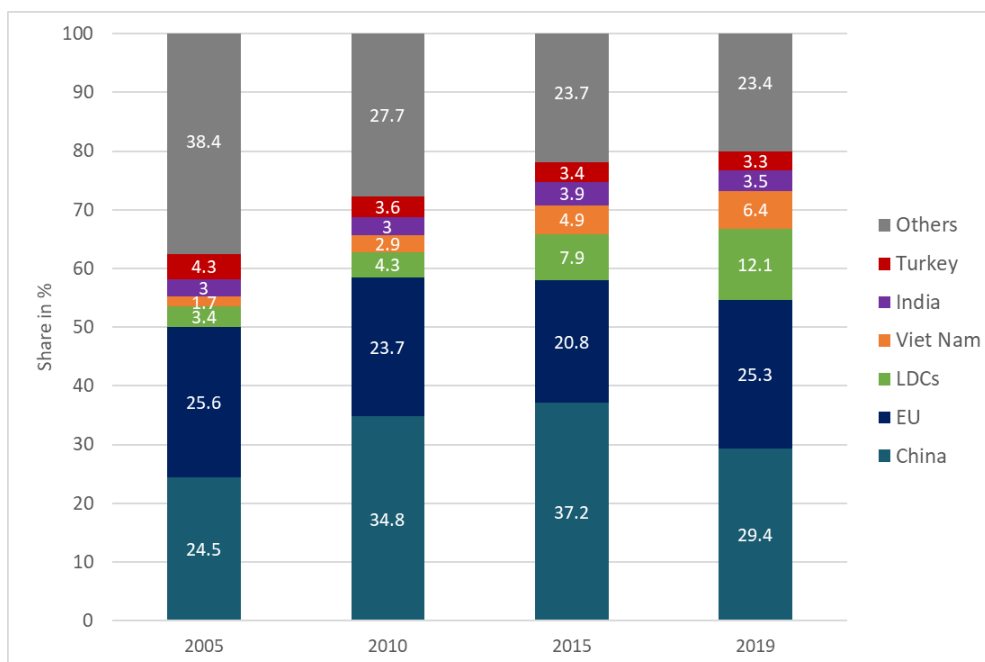


Note: Textiles cover HS50 to HS60. Source: Author's calculations on the basis of ITC Trademap

**Five products dominate the trade in clothing articles: trousers, jerseys & pullovers, t-shirts, blouses and anoraks.** These group of products account for over half of the world's trade in clothing articles, which are mainly exported by China (29.4% of total exports), the European Union (26.8%), Bangladesh, (8.7%), Viet Nam (6.4), India (3.5%) and Turkey (3.3%). Overall, the clothing sub-sector has experienced a significant evolution, with traditional producers, such as Hong Kong (China), Italy, the

United States of America (USA), Germany and the Republic of Korea, experiencing a notable reduction in exports. As seen in Figure 2~~Error! Reference source not found.~~, the world is experiencing a concentration of suppliers, affecting both exports of textile and clothing, as shown by the reduction of market share of “Others”.<sup>2</sup> This trend is explained by the fact that developed countries are moving away from the importation of textile raw material for their ulterior finishing into clothing, and are importing the finished clothing product and other highly specialized technical textiles.

Figure 2 Top Exporters of Clothing in the World, 2019



Source: Author’s calculations on the basis of ITC Trademap

**The T&C sector is facing deep internal transformation, with fashion consumers rethinking their consumption approaches** (Wunsch, Nils-Gerrit, 2020). Most consumers are expecting fashion retail brands to improve processing and production methods in becoming greener, fairer and more sustainable. More broadly, new generation FTAs have been increasingly adding sustainable provisions, which have become the norm rather than the exception. For example, FTAs with countries like Canada, the EU, Japan and the United States usually include provisions on environmental cooperation, protection and respect to human and labour rights, amongst others (Baker P. , 2018). Specifically, common reference is often made to the ILO’s Declaration on Fundamental Principles and 27 Rights at Work and Decent Work Agenda (Engen, 2017). And while most consumers call for the government’s monitoring of social and environmental impacts from the clothing sector, others reiterate the importance of durability of clothing products as well as the need to recycle, repair more and reduce consumption altogether (Sabanoglu, Tugba, 2020).

**Additionally, there are growing corporate social responsibility (CSR) requirements across the value chain by European retail houses.** To improve sustainability of production of T&C products, EU regulators are raising production standards by pushing for removal of toxic chemicals by the fashion industry and production of textiles that can be recycled or repaired. Noting the suppliers are now part

<sup>22</sup> ‘Others’ makes reference to the rest of the world.

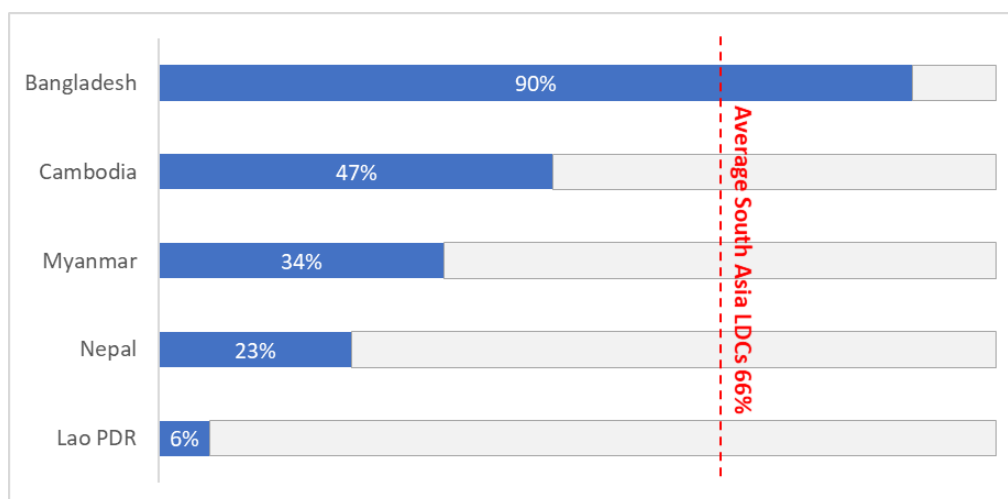
of most European companies' policies, buyers require supplier factories to be inspected and sign a code of conduct.

## 1.2 Trade Profiles for Graduating LDCs

**Overall, LDCs participate in international trade at the margins. In 2019, LDCs, as a group, accounted for only 1% of the world's exports of goods.** This low share is different in the sector of T&C. Bangladesh ranks as the world's second largest exporter of T&C products. It is also the largest exporter of T&C within the LDC group, representing nearly 70% of the group's total exports. Other LDCs have a 2.3% market share in the world's exports.

**The weight of the T&C sector across the South Asian LDCs varies from country to country** (see Figure 3). In Bangladesh, the sector represents 90% of the country's exports of goods and employs over 40 million workers, 60% of whom are women. Despite being the world's second largest producer of T&C products, Bangladesh's production is concentrated around five basic products—trousers, t-shirts, sweaters, shirts and jackets mostly made of cotton. Bangladesh's key markets are also highly concentrated, with two thirds of its exports going to the EU (46%) and the USA (20.6%).

Figure 3 Exports of T&C as a percentage of total trade in goods exports, 2019



Source: Author's calculations on the basis of ITC Trademap.

**Similarly, although to a lesser extent, Cambodia and Myanmar are also reliant on the exports of T&C products, representing 47% and 34% of their total export basket,** equivalent to US\$ 8.5 billion and US\$ 5.1 billion in 2019, respectively. For Cambodia, the top export destinations are the EU, which absorbs one third of the country's textile output, followed by the USA (27.4%), Japan (10%), the UK (9.2%) and Canada (8.6%). Cambodia's main textile and clothing exports are jerseys (HS 6110), women or girl's suits (HS 6104), T-shirts (HS 6109), women's or girl suits (HS 6204) and Men's or boy's suits (HS 6103).

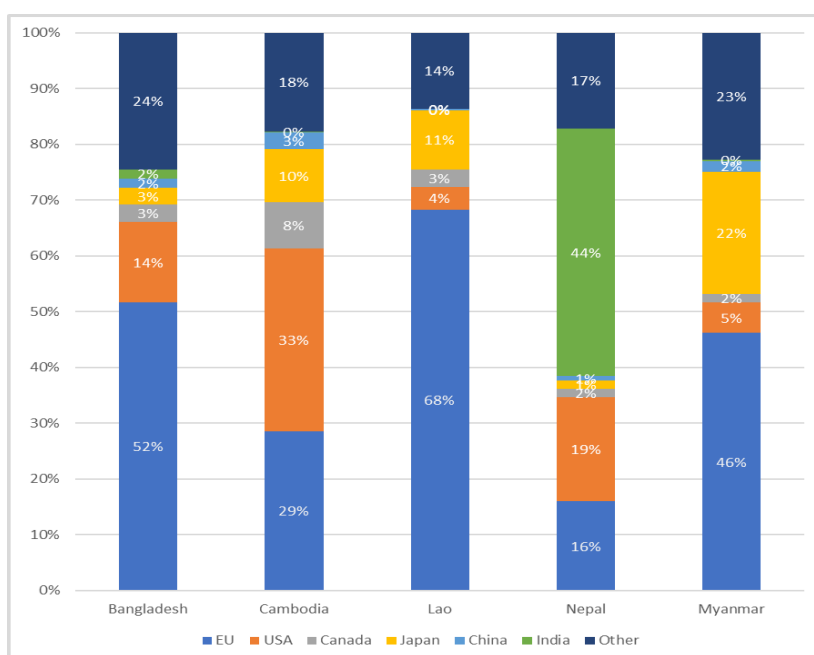
**Myanmar's exports of T&C products are concentrated on a few developed markets,** with the EU accounting for 46.2% of the total share of exports in the sector, followed by Japan (22%), UK (9.3%), Korea (7.6%) and the United States (5.4%). Myanmar's major textile and clothing product exports are Men's or boy's suits (HS 6203), Women or girl's suits (HS 6204) jerseys (HS 6110), men's or boy's shirts (HS 6205) and women's or girl's overcoats (HS 6202). From 2015 to 2019, Myanmar's apparel exports

to the world enjoyed an impressive 57% annual growth. Myanmar’s apparel exports to the EU (97% annual growth) and the United States (78% annual growth) have been growing particularly fast since the lifting of the import ban by the US and the reinstatement of the EBA by the EU.

**As a landlocked LDC, Nepal’s export performance is severely restrained by its limited connectivity to markets.** Its competitiveness was further compromised through the impact of the devastating earthquake of 2015 which saw Nepal’s merchandise exports decline by 27%. Moreover, as reported by textile manufacturers, the government’s decision to annul the VAT refund scheme provided for textile sales led a reduction of the sector’s capacity utilization by 10-12%, already at a low level of 25% (SAWTEE, 2020). Nepal’s T&C exports which account for 36% of the total merchandise exports are valued at US\$ 342 million. The main market destinations for Nepal’s T&C exports are India (44%), United States (19%), EU (16%) Turkey (7%) and the UK (6.8%). Nepal’s top T&C products for exports are yarn of synthetic staple fibres (HS 5509), Carpets and other textile floor coverings (HS 5701), woven fabrics of synthetic filament yarn (HS 5407), woven fabric of jute (HS 5310) and sacks and bags (HS 6305). As of 2018, the textile sector created direct employment to some 26,764 workers while the garment sector employs around 76,223 persons.

**Lao PDR’s clothing sector is its most export-oriented sector,** accounting in 2017 for 15.7% of the total manufacturing value added (source: WDI). The sector, which accounts for 18.5% of total employment in the manufacturing sector, has created jobs for over 31,000 workers (Ministry of Commerce, 2018). Lao PDR’s T&C exports whose total value was estimated at US\$ 219 million in 2019 are mainly exported to the EU (68%), Japan (11%), UK (7%), US (4%) and Canada (3.2%), all markets which provide preferential market access to LDCs. The top textile and clothing export products are Men’s or boy’s suits (HS6203), Men’ or boy’s shirts (HS6205), Women’s or girls suits (HS6204), T-shirts (HS6109) and Men’s or boy’s underpants (6107).

Figure 4 Top export destinations for T&C products for selected LDCs, 2019-2020



Source: Author’s calculations on the basis of ITC Trademap. Note: latest data available. Data for Cambodia is 2020. For other LDCs, 2019.



## 2 Market Access

### 2.1 Market Access Scenario in Major Markets

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**Most of the South Asian LDCs have benefitted significantly from a strong export performance that has been fueled by the high preferential margins from tariffs, and favourable rules of origin** available for the LDCs under the various unilateral initiatives offered. Such a strong causal relationship has been shown by Persson & Wilhelmsson (2013), which highlight that both the EU's GSP and GSP+ have a positive impact on the extensive margin of their beneficiaries. Similarly, Foliano, Cirera, & Gasiorek (2016) identify a positive impact of preferential regimes on exports to the EU arising from lower tariffs and larger preferential margins, highlighting that the greater the depth and range of preferences on offer, the greater the likely effects on trade. Such results are consistent with the analysis undertaken by Sorgho & Tharakan (2019), which highlight that the USA's unilateral programme for African countries, the African Growth and Opportunity Act (AGOA) and the EU's EBA programmes have allowed beneficiary countries to increase their market share in donor's market, with the AGOA having a larger impact than the EBA initiative. Ito & Aoyagi (2019), in an analysis of Japan's unilateral preferences for LDCs, confirm that these countries, especially Asian LDCs, have benefited from the duty-free quota-free market access to the Japanese market, particularly on those tariff lines with higher margins of preferences.

**However, it is worth highlighting that the impacts of trade preferences, while being development friendly and generally benefit women most, can generate unexpected consequences for equality.** Specifically, women are expected to benefit most from additional market access provisions. Women form the bulk of the low-skilled labour force in developing countries, and therefore, as production and exports expand in low-skilled sectors, the relative demand and returns to female labour are expected to increase (i.e. both employment and wage gains) (Baker & Quiles, 2019). However, such an assumption might not always hold. In practice, exporting firms may resort to the use of a cheap female labour force as a source of competitive advantage, thereby trapping them in low-skilled sectors and low-paying jobs. Therefore, the increased share of female employment in export sectors may also lead to downward pressure and a deterioration in both wages and working conditions for all (Shaw & Jobes, 2019).

**Graduation will intrinsically represent losing access to preferences through LDC-specific schemes.** Although graduation does not mean that the newly graduated countries will not have access to tariff preferences, it does mean that the graduating countries will face significantly lower preferences than previously enjoyed, especially if countries have not considered special preferential trade arrangements. As shown in

Table 1, tariff preferences granted through the GSP scheme, where available, are significantly lower than those granted through LDC-specific schemes. Specifically, none of the South and South-East Asian LDCs have trade agreements with Canada, meaning that once they graduate, all of their exports to such countries will be subject to the general GSP or MFN rates. Canada has some of the highest tariffs for clothing products, the most relevant sub-sector for the South Asian LDCs, with GSP tariffs ranging between 10-16.8%.

Table 1 MFN/GSP Rates Applicable to T&C Imports, Simple Average, 2020

HS Code	Description	Canada		China	EU			India	Japan		USA	
		MFN	GSP	MFN	MFN	GSP	GSP+	MFN	MFN	GSP	MFN	GSP*
50	Silk	0	0	7.3	3.1	2.5	0	26.1	4.0	2.3	0.7	0.4
51	Wool, animal hair	0	0	14.2	3.5	2.8	0.3	22.6	2.3	1.5	6.4	5.9
52	Cotton	0.1	0.1	7.4	6.1	4.9	0	22.4	5.6	4.7	8.3	8.2
53	Other vegetable textile fibres	0	0	6.2	2.8	2.2	0	26.3	3.4	1.5	1.0	0.8
54	Man-made filaments	0.1	0.1	6.4	5.9	4.7	0	20.5	6.0	4.8	10.0	9.9
55	Man-made staple fibres	0.1	0.1	6.6	6.2	4.9	0	21.6	6.3	5.0	10.4	10.4
56	Wadding, felt and nonwovens	3.6	3.6	7.0	6.0	4.7	0	23.3	3.6	0.6	3.9	3.5
57	Carpets	11.1	5.9	5.3	7.3	5.8	0	25.0	6.7	4.3	2.8	1.9
58	Special woven fabrics	0.4	0.4	7.9	7.3	5.8	0	25.0	4.9	1.4	8.6	8.6
59	Impregnated textile fabrics	3.0	1.9	7.8	6.0	4.8	0	25.0	3.7	0	3.2	2.6
60	Knitted or crocheted fabrics	0	0	8.0	7.9	6.3	0	25.0	7.6	6.0	10.3	10.3
61	Apparel & clothing, knitted or crocheted	16.8	16.5	6.8	11.7	9.3	0	25.0	9.0	8.9	12.8	12.7
62	Apparel & clothing, not knitted nor crocheted	15.6	15.1	6.8	11.3	9.0	0	25.0	9.1	8.5	10.1	10.0
63	Other made up textile articles	15.5	14.2	6.0	10.1	8.1	0	25.0	5.7	3.3	6.8	6.7

Note: most of the LDC-specific schemes provide duty-free market access to the granting country, except to the USA, in which the GSP rate is the same to that provided to LDCs. Source: WTO Tariff Analysis online.

**In the specific case of the EU, graduating countries have the option to apply to the GSP+ upon graduation.** In 2006, the EU introduced the GSP+ scheme, which was later updated in 2014, aimed at supporting vulnerable developing countries that ratify and effectively implement 27 international agreements and conventions on human rights, labour rights, environmental protection and climate change, and good governance. Attaining GSP+ would provide duty-free market access to T&C products. Failure to do so would see their exports levied with between 9 and 9.3% tariffs through the

GSP scheme (Baker & Quiles, 2019). To qualify to the GSP+ scheme, members must meet the vulnerability criteria:

- The country has a non-diversified economy, defined as the situation where the country's seven largest sections of GSP-covered imports represent more than 75% in value of its total GSP-covered imports to the European Union as an average during the past three consecutive years; and
- The country's GSP-covered imports to the European Union represent less than 7.4% in value of total GSP-covered imports as an average during the past three consecutive years.

As highlighted in Table 2, all analyzed countries, except Bangladesh, would meet the vulnerability criteria to access the EU GSP+ scheme, and therefore could continue to enjoy significant market access preferences upon graduation if they ratify and implement the required international conventions.

Table 2 Analysis of EU GSP+ Vulnerability and Diversification Test

Country	Vulnerability	Diversification
	Share of country's GSP-covered in total GSP-covered to EU (<7.4%) 2017-2019 average	Share of the country's seven largest GSP-covered products to the EU (>75%) 2017-2019 average
Bangladesh	10.1%	98.6%
Cambodia	3.0%	98.4%
Lao PDR	0.1%	88.6%
Myanmar	1.3%	92.1%
Nepal	0.1%	86.1%

Source: Author's calculations on the basis of COMEXT – TARIC – ISDB.

**Preferential access to the Japanese market for the targeted LDCs largely depends on their membership to ASEAN.** Bangladesh and Nepal will also face the GSP or MFN rate in their exports to Japan, as they are not part of ASEAN and therefore have no such preferential trade arrangement with the country. In this context, Bangladesh and Nepal, in the absence of any preferential trade arrangement, will face tariffs on their clothing exports ranging between 8.5-9%. On the other hand, Cambodia, Lao PDR and Myanmar will continue enjoying duty-free market access to the Japanese market through the ASEAN-Japan CEPA, which applies to customs duties to T&C's imports into Japan.

**Graduation will also mean that the South Asian countries will no longer be eligible for LDC schemes maintained by China and India.** Nevertheless, the target countries have signed or benefit from a range of preferential and bilateral trade agreements. Table 3 provides an overview of the key trade agreements in place between the South Asian LDCs and China, India and Japan. Specifically, Cambodia, Lao PDR and Myanmar will continue to enjoy significant trade preferences to the Chinese market through the ASEAN-China FTA and Regional Comprehensive Economic Partnership (RCEP), and to the Indian market through the ASEAN-India FTA, all of which provide preferential market access to T&C imports, with China granting duty-free market access nearly across the board, with some exceptions on textiles, whilst India provides significant tariff reductions across chapters HS50-63 (see Table 4).

Table 3 FTAs signed by South and South East Asian LDCs with selected partners

	China	India	Japan
<b>Bangladesh</b>	Yes (APTA)	Yes (SAPTA, SAFTA, APTA)	-
<b>Cambodia</b>	Yes (ASEAN-China, RCEP)	Yes (ASEAN-India)	
<b>Lao PDR</b>	Yes (APTA, ASEAN-China, RCEP)	Yes (APTA, ASEAN-India)	Yes (ASEAN-Japan, RCEP)
<b>Myanmar</b>	Yes (ASEAN-China, RCEP)	Yes (ASEAN-India)	
<b>Nepal</b>	-	Yes (SAFTA, SAPTA, India-Nepal)	-

Source: WTO RTA Database

Table 4 Tariff Preferential margins in ASEAN-China and ASEAN-India FTAs

HS Code	China				India	
	China MFN	2012 Cambodia	2012 Lao	2012 Myanmar	India MFN	India to ASEAN-5 + CLMV
50	7.3	0	0	0	26.1	0
51	14.2	5.8	5.8	5.8	22.6	1.6
52	7.4	0.7	0.7	0.7	22.4	3.4
53	6.2	0	0	0	26.3	0.4
54	6.4	0.5	0.5	0.2	20.5	0.9
55	6.6	1	1	0.2	21.6	2.6
56	7.0	1	1	0	23.3	0
57	5.3	0	0	0	25.0	0
58	7.9	0	0	0	25.0	0
59	7.8	0	0	0	25.0	0.7
60	8.0	0	0	0	25.0	0
61	6.8	0	0	0	25.0	1
62	6.8	0	0	0	25.0	0.8
63	6.0	0	0	0	25.0	1.3

Note: preference is calculated the difference between the MFN rate and the effectively applied tariff under the FTA. Source: Text of the Agreements

**The RCEP is the region's most recent trade initiative, with the potential of impacting the region's trade in T&C.** The RCEP, signed in November 2020, consists of 15 countries from the Asia-Pacific region aiming to commit to lower tariffs, open markets, and reduced trade barriers. The agreement also includes horizontal provisions around e-commerce, government procurement, intellectual property, SMEs and economic cooperation, amongst others. In terms of trading in goods, more than 90% of tariff lines will eventually be reduced to zero. Each member has a different phase-out period ranging from 20 years to over 36 years.<sup>3</sup>

The T&C sector will be influenced greatly by the agreement. In 2019, RCEP members exported a cumulative amount of T&C worth USD 374 billion, accounting for around 50% of world exports and

<sup>3</sup> Once ratified, the agreement will become the largest trade agreement by economic output in the world. Members of the agreement include 10 ASEAN countries, i.e., Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam; and China, Japan, South Korea, New Zealand, and Australia.

around 20% of world imports (USD 129 billion). Moreover, nearly 73% of the region's imports came from fellow RCEP member states and 40% of the region's exports went to other RCEP members.

In terms of tariffs, certain members have specific tariff schedules for different member states while some have the same schedule for all parties of the agreement. Table 5 gives the average duty after the phase-out period, and the phase-out period duration according to partner for Australia, China, South Korea and Japan.

Table 5 RCEP's Tariff schedule of Australia, China, S. Korea and Japan for T&C

Reporter Country	HS Codes	Partner	Phase-out period	Average Duty after phase-out period
Australia	HS 50-63	All	20 years	0%
China	HS 50-63	ASEAN	21 years	0%
	HS 50-62 (94 out of 1040 tariff lines at HS 8 are exempt from tariff concessions)	Japan	21 years	0%
	HS 50-63 (88 out of 1040 tariff lines at HS 8 are exempt from tariff concessions)	Korea	36 years	0%
	HS 50-63	Australia	21 years	0.1%
	HS 50-63	New Zealand	21 years	0.1%
South Korea	HS 50-63	ASEAN	20 years	0%
	HS 50-63	Australia	35 years	0.6%
	HS 50-63 (220 out of 1230 tariff lines at HS 8 are exempt from tariff concessions)	China	35 years	0.9%
	HS 50-63	Japan	23 years	1.2%
	HS 50-63	New Zealand	20 years	0.6%
Japan	HS 50-63	ASEAN	21 years	0%
		China		0%
		South Korea		0%
		Australia		0%
		New Zealand		0%

Source: Text of the agreement

## 2.2 Rules of Origin

RoO are an essential part of trade agreements, as these define the conditions under which preferential market access is granted to products coming from trading partners (WCO, 2017). RoO are one of the most challenging non-tariff measures (NTMs) faced by exporters whenever they aim to benefit from tariff preferences. During the Ninth Ministerial Conference of the Doha Round, held in December 2013 in Bali, a Ministerial Decision was taken to “[facilitate] market access for LDCs provided under nonreciprocal preferential trade arrangements for LDCs.” This decision was further elaborated in the Nairobi Ministerial in December 2015, calling for the simplification of RoO requirements for LDCs by considering a product as originating in an LDC as non-originating materials do not exceed 75% of the final value of the product (Guillaumont, 2019).

### Box 1 Overview of Types of Rules of Origin

Rules of origin are an essential prerequisite for the utilization of trade preferences. Each preference scheme has its own set of rules of origin, be it an LDC-specific scheme, a general GSP or an RTA. In practice, rules of

origin entail compliance with three components: (i) specific rules prescribing the realization of minimum manufacturing processes, local value addition or change of tariff classification (e.g. minimum 40% regional value content); (ii) specific requirements to prove that such rules have been met (e.g. certificates of origin); and (iii) the non-alteration of the goods during their transit to its preferential destination (i.e. direct consignment or non alteration). If a good complies with the specific preferential origin requirements, it will be eligible for preferential treatment under the respective trade preferences. If it does not comply, it may still be imported but MFN duties will apply. (WTO, EIF, 2020)

**Graduation from the LDC status will also mean that the graduating countries will also face stricter RoO to qualify for the trade preferences under the GSP or RTAs, particularly in their exports of clothing.** Exporting LDCs of clothing are the ones that have benefitted the most from simplification of RoO, particularly in their trade with Canada and the EU.

Until 2011, the EU's RoO for clothing required the so-called 'double transformation' of clothing items as a precondition for preferential market access eligibility. Specifically, for the making of a t-shirt under HS 61, this would require domestically produced fabrics being used in the garment making, a complex process which numerous LDCs cannot undertake. The derogation of the EU's RoO in 2011 allowed single transformation for LDC clothing exports, reinvigorating the supply from the woven garment sector in those countries. Graduation will entail that, irrespective of the graduating LDC's access to the GSP or GSP+ scheme, producers of clothing will need to comply with the double-transformation requirement. Whilst countries like Bangladesh have domestic capacity to produce yarn, that is not the case for all graduating LDCs (Razzaque & Rahman, 2019). It is worth mentioning that, whilst the double-transformation requirement is also present in some of the EU's FTAs, such as the EU-Viet Nam FTA (EVFTA) (see Table 6), such requirement is not present in the EU's Economic Partnership Agreements, which allow for single transformation (see Table 7).

Table 6 RoO requirements for clothing under the EVFTA

HS	Description of the Good	Required Working or Processing
Chapter 61:	Articles of apparel and clothing accessories, knitted or crocheted:	
	- Obtained by sewing together or otherwise assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form; and	Knitting and making-up (including cutting)
	- Other	Spinning of natural or man-made staple fibres or extrusion of man-made filament yarn, in each case accompanied by knitting (knitted to shape products); or dyeing of yarn of natural fibres accompanied by knitting (knitted to shape products).
Chapter 62:	Articles of apparel and clothing accessories, not knitted or crocheted, excluding:	Weaving accompanied by making- up (including cutting); or making-up preceded by printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendering, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47,5 % of the ex-works price of the product.
ex 6202, ex 6204, ex 6206,	- Women's, girls' and babies' clothing and clothing	Weaving accompanied by making- up (including cutting); or manufacture from unembroidered fabric, provided that the value of

6209 and ex 6211	accessories for babies, embroidered.	the unembroidered fabric used does not exceed 40 % of the ex-works price of the product.
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Source: Text of the agreement

Table 7 RoO requirements for selected clothing products under the EU-Eastern and Southern Africa interim EPA

HS	Description of the Good	Required Working or Processing
Chapter 61:	Articles of apparel and clothing accessories, knitted or crocheted:	
	- Obtained by sewing together or otherwise assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form; and	Manufacture from fabric.
	- Other	Manufacture from yarn.
Chapter 62:	Articles of apparel and clothing accessories, not knitted or crocheted, excluding:	Manufacture from fabric.
6213 and 6214	Handkerchiefs, shawls, scarves, mufflers, mantillas, veils and the like:	
	- Embroidered.	Manufacture from yarn. Manufacture from unembroidered fabric provided the value of the unembroidered fabric used does not exceed 40% of the ex-work price of the product.

Source: Text of the agreement

Graduating LDCs will also face tougher rules to access Canada. The country, through its LDC-specific scheme, requires, for apparel products, to undertake a specific process (see Box 2). Upon graduation, goods destined to Canada will be subject to the GSP RoO, which reduces the allowance for non-originating material from 75% to 40% of the ex-factory price of the goods as packed for shipment to Canada.

Box 2 RoO for clothing under Canada's LDC-specific scheme

Apparel goods must be assembled in the LDC, plus:

- a. The fabric used in the assembly of such goods must be cut in that country or in Canada and produced in any LDC or in Canada from yarns spun or extruded in any LDC trade (LDCT) beneficiary, a country included in Schedule 2 (see Annex IV) of the Regulations or in Canada;
- b. If assembled from parts, those parts must be knit to shape in any least developed country or Canada and produced in:
  - i) Any LDC or in Canada from yarns spun or extruded in any LDCT beneficiary, a country included in Schedule 2 of the Regulations or in Canada and the yarns and fabric do not undergo any further processing outside a least developed country, Canada or a country included in Schedule 2 (only in the case of yarns);
  - ii) A country set out in Schedule 2 from yarns spun or extruded in a least developed country, a country set out in Schedule 2 or Canada, and the yarns and fabric do not undergo further processing outside a least developed country, a country set out in Schedule 2 or Canada. Furthermore, the value of any materials, including packing, that are used in the manufacture of the goods, that originate outside the LDC in which the goods are assembled must not be more than 75% of the ex-factory price of the goods as packed for.

Source: Canada Border Services Agency (2017). Rules of Origin Respecting the General Preferential Tariff and Least Developed Country Tariff.

In the United States, RoO are the same for the standard GSP scheme as well as the GSP sub-scheme for least-developed beneficiary countries (LDBC). Since most textiles and clothing products are excluded from US GSP schemes, it is expected that graduation will neither impact tariffs nor RoO on T&C products for LDBCs in the United States.

*Box 3 RoO for clothing under USA's GSP scheme*

The rules further provide that the sum of the cost or value of materials produced in the beneficiary developing country plus the direct costs of processing in the country must equal at least 35% of the appraised value of the article at the time of entry into the United States. Imported materials can be counted towards the 35% value added requirement only if they are “substantially transformed” into new and different constituent materials of which the eligible article is composed (UNCTAD, 2017).

A similar situation is seen for the Asian markets, where Cambodia, Lao PDR and Myanmar for which, by having FTAs with Japan, China and India through ASEAN, LDC graduation might have a limited impact given that bilateral trade between those two sets of countries are governed by their respective agreement. Specifically, India’s LDC-specific RoO for clothing require a change in tariff sub-heading and 30% value added, whilst the RoOs under the ASEAN-India FTA require a change in tariff sub-heading and 35% value added (see Table 8). In the case of China, the country applies the same RoO to ASEAN-China FTA and the LDC-specific preferences, through which products are considered originated if one of the following conditions is met:

- Single Transformation: manufacturing through the processes of cutting and assembly of parts into a complete article (for apparel and tents) and incorporating embroidery or embellishment or printing (for made-up articles) from raw or unbleached fabric or finished fabric;
- Regional Value Content of at least 40%; or
- Change in tariff classification at the 4-digit level.

*Table 8 Specific RoO for Clothing applied by India*

ASEAN-India FTA	LDC-specific preferences granted by India
<p>For the purposes of Rule 2(b), a product shall be deemed to be originating if: (i) the AIFTA content is not less than 35 per cent of the FOB value; and</p> <p>(ii) the non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System, provided that the final process of the manufacture is performed within the territory of the exporting Party.</p>	<p>(1) For the purposes of clause (b) of sub-rule (1) of rule 3, products not wholly obtained or produced shall be considered as originating in the exporting beneficiary country if they fulfil the following conditions:</p> <p>(a) the total value of the non-originating materials used in the manufacture of the export product does not exceed 70% of the FOB value or ex-works value of the product so produced or obtained;</p> <p>(b) the product has undergone a change in tariff classification in sub-heading at the 6-digit level of the Harmonized System nomenclature from the tariff classification in which the non-originating material used in its manufacture are classified; and</p>



	(c) the final process of manufacture is performed within the territory of the exporting beneficiary country.
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Source: Text of the agreements.

**Those countries members to ASEAN will also benefit from relaxed RoO through the RCEP**, which, after the phase-out period, will grant duty-free market access to Australia, China, India, Japan, New Zealand and Republic of Korea. Specifically, the RCEP requires a change in tariff classification at the HS 2-digit level all non-originating materials used in the production of the good.

**Nepal will also continue enjoying its preferential market access to India through its Indo-Nepal Treaty of Trade.** This treaty enabled duty-free access of Nepalese origin products into the Indian market. In terms of rules of origin, Nepalese manufactured products enlisted for duty-free access in the Indian market must fulfil certain criteria: (i) 30% domestic value addition (of ex-factory price of the products); and (ii) require sufficient information on manufacturing process, especially when using third country origin inputs so that it can be confirmed that inputs are adequately transformed (Razzaque M. , 2020).

### 3 Structural and Competitiveness Issues

**A significant part of the success of the analyzed countries rely on their ability to take advantage of the trade preferences available, which allows them to be competitive in low-cost low value-added products.** However, this specialization shows a limited form of industrialization, with manufacturing across South Asian LDCs being concentrated in a few industrial segments which makes them highly vulnerable to changes across industry. Furthermore, Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal have focused their operations on supplying the needs of export markets (UNCTAD, 2020). As such, the trade impacts of losing preferences, where these are significant, such as in the EU and Canada, will have lasting consequences for the LDCs.

In addition, the South Asian LDCs face significant internal challenges that hamper their ability to be more competitive and overcome the challenges that graduation will bring.

**Overall, the persistently high trade costs and high cost of doing business represent a significant barrier to the development of the T&C sector in the selected countries.** *Ad valorem* trade costs are much higher than expected. For example, and despite sharing long land borders, close proximity of maritime transport infrastructure, and feasible connectivity through inland waterways, UNESCAP (2020) highlights that bilateral trade cost between Bangladesh and India are 46% higher than that of Vietnam and India, a comparatively distant trading partner. This situation significantly challenges the ability of the LDCs to benefit from regional opportunities, perpetuating their dependence on western economies.

The countries' weak and inadequate infrastructure, linked to inefficient inland road transport and weak trade logistics contribute to longer lead times and a high cost of doing business, under-mining competitiveness. In the case of Bangladesh, congestion around the country's main economic corridor, the Dhaka– Chattogram highway, limits containerisation and leads to inefficient handling and management of containers, intricate customs processes, and an inadequate port infrastructure all add to trading costs (Razzaque & Rahman, 2019). In the case of Cambodia, the current cost of doing

business is a detriment to domestic investment and entrepreneurship, leading to high levels of informal economy (WB, 2018).

**COVID-19 is also affecting the ability of companies across the world to meet their demand due to the rising transport and logistic costs.** The Freightos Baltic Index shows that, between the end of February 2020 and February 2021, the average cost of sending a forty-foot (40') container has tripled, moving from US\$ 1,331 to US\$ 4,304 over that period. Transport costs have significantly increased across the Asia-Europe route, with the cost of sending a 40' container from China/East Asia to Northern Europe increasing from US\$ 1,600 to US\$ 8,308. This increase will impact particularly those countries relying on the supply of low-cost products, such as the five Asian LDCs under consideration, as it will represent a significant increase in their trade costs as percentage of the final price (*ad-valorem equivalent*). The pandemic has only encouraged the advancement of a de-globalisation movement that was already present pre-pandemic, advocating for the need to move back towards a more regional approach (Enderwick & Buckley, 2020), as seen with the increase of Poland's exports of T&C to the neighbouring European countries.

**Across the Asian LDCs, rising wages and low productivity are common, rather than the exception.** As highlighted in the Cambodia Trade Integration Strategy Update (CTISU) 2019-2023, *“rising wages might risk its position as hub for the production of lower-value added garments, especially in a sector where margins squeeze and there is an increase in competition from neighbouring economies”* (Baker & Auboin, 2019). A similar situation is experienced in Lao PDR, where the low productivity is one of the country's key economic challenges, affecting the quality of jobs, the investment climate, and the development of domestic enterprises (OECD, 2017). As reported by Nakamura, Nitta, & Onishi (2018), the increasing labour costs – which in Cambodia and Lao tripled between 2012 and 2018, whilst in Myanmar increased by 33% between May and October 2018 - linked to a low productivity ratio, might put at risk an industry mostly whose labour productivity gains are so low, and capital productivity has been decreasing over time (see Table 9).

Table 9 Productivity Indices (2000-2019)

	Bangladesh	Cambodia	LAO PDR	Myanmar	Nepal
<b>Total Factor Productivity</b>	1.1	1	1	-	1
<b>Labour Productivity</b>	2.4	1.7	1.6	-	1.6
<b>Capital Productivity</b>	0.4	0.6	0.5	-	0.6

Source: APO 2020 Databook. Note: Base year 2000=1

**Linked to the above, lack of skilled employees is one of the most reported challenges faced by T&C producers across the selected countries.** This situation has led to buyers with large bulk orders shifting their investment to other neighbouring countries, with producers facing skill shortages when deliberating production upgrades. The situation is particularly acute in Myanmar, where 80% of the T&C workers have less than a primary education or, at most, a primary degree (Abe, Kim, & Jahan, 2020).

**Industrial policymakers in developing countries thus see foreign direct investment (FDI) promotion as a powerful tool to accelerate their nations' industrialization through the expansion of GVCs.** And whilst some of the target countries have enjoyed from a significant influx of FDI, such as Cambodia, all must to do more to continue attracting FDI. In the case of Cambodia, factories are unable to

effectively absorb the FDI, with the country being unable to become reliable partners for international companies (OECD, 2018). In the case of Lao PDR, most of the FDI is directed towards extractive industries, with limited investment being done in the manufacturing sector and special economic zones (OECD, 2017). As highlighted by Razzaque (2020), Nepal has not been successful in attracting FDI, which is often a principal driver of export growth and diversification in many developing countries, mainly due to the country's high cost of doing business and weak performance in global competitiveness rankings.

**The economies' low levels of economic complexity and sophistication hampers the countries' ability to upgrade their position in the value chain.** Cambodia is the most diversified economy, amongst the five LDCs, ranking 90<sup>th</sup> in terms of Economic Complexity Index, followed by Lao PDR (96<sup>th</sup>), Bangladesh (108<sup>th</sup>) and Myanmar (111<sup>th</sup>). This limits their ability to move into higher value-added operations, which is further undermined by high trade costs, low productivity and weak connectivity to markets.

## 4 Policy Options

**Noting that the global textile and apparel value chain is likely to change post-pandemic, LDCs will need to adopt new strategies that allow them to seize market opportunities for their products even before graduation from the LDC status.** Such strategies include, amongst others, aim for the diversification of products, targeting high-value added products that require small production runs and timely delivery, and market diversification, venturing into new markets within the region including China, India, Korea and Japan (Knappe, Matthias, 2020).

The EU offers, upon graduation, a three-year grace period before admission of graduated LDCs to standard GSP. However, it is the only country to offer so. Therefore, the graduating countries could, from a unilateral trade preferences perspective, request the adoption of such grace period by the other countries offering LDC-specific preferences. Proposals have been submitted by the LDC Group in the WTO to phase out LDC preferences over a longer period.

In any case, **securing trade preferences should also be a top priority for the graduating countries, particularly with the EU**, which absorb over half of the graduating LDCs' T&C exports. This could be done, in the case of the EU, by acceding to the group's GSP+ scheme, where possible. However, RoO would remain a challenge to meet, as countries would face the double-transformation requirement in their exports of clothing.

Alternatively, **the countries should target to negotiate preferential trade arrangements** with the EU<sup>4</sup>, that would allow for continued DFQF access for their textiles and clothing products as well as single transformation of their clothing exports. Negotiations should also ensure cumulation provisions within regional partners.

Additionally, Bangladesh and Nepal could consider joining the RCEP, which, in addition to preferential market access to China and Japan, it would grant them access to developed markets such as Australia, New Zealand and the Republic of Korea, thereby contributing to their market diversification efforts.

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<sup>4</sup> As a reference, under EPAs, EU intends to remove all tariffs barriers, whilst the developing partners can maintain between 10-15% as sensitive products to be excluded from liberalization, with a six-year grace period before the tariff phase-out starts.

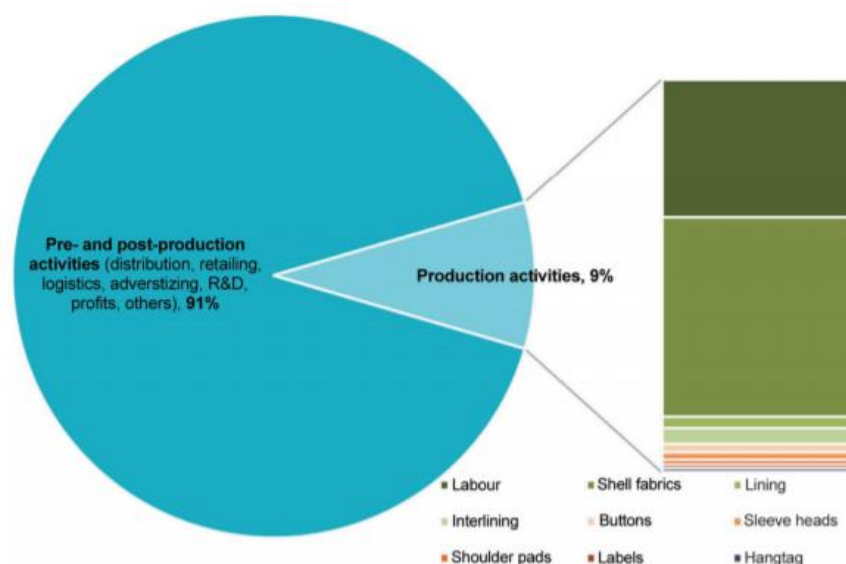
Similarly, the flexible RoO would enable them to meet the origin criteria easily. In the flip side, such processes could potentially limit the ability of graduated LDCs to protect their own domestic markets.

Following the disproportionate impacts of the unprecedented Covid-19 crisis that left borders and factories closed, LDCs need to rethink and reorient their production lines to help them explore and meet local market needs in terms of production of medical textiles and protective gears, a strategic capacity that is not likely to disappear in the near future. (Knappe, Matthias, 2020)

**Improving the countries’ connectivity and trade facilitation environment will be crucial to ensure the sector’s competitiveness.** One of the key initiatives to improve trade facilitation across the countries will be the ratification of UNESCAP’s Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, whilst international donors such as the Asian Development Bank (ADB), the United Nations Conference on Trade and Development (UNCTAD) and the World Customs Organisation (WCO) are implementing customs reforms packages across the region.

**Enabling the economic and industrial upgrade should be a priority for policymakers.** As highlighted by Razzaque & Rahman ( 2019) “[this] may not be feasible on a large scale, but many leading firms will have the necessary capabilities for product and process upgradation. Product upgrading involves producing complex items, while process upgrading requires advancing production methods in combination with using a skilled workforce.” Gereffi, Fernandez-Stark, & Psilos (2011) highlight that, in order to do so, promoting collaboration with training institutions can boost firm-level learning for upgrading. As shown in Figure 5, most of the costs of making a jacket are associated with pre- and post- production activities, with the production *per se* only corresponding to just 9% of the total cost of producing a jacket.

Figure 5 Costs of making a men’s jacket



Source: Abe, Kim, & Jahan (2020)

Linked to the above, **improving the business environment will improve the countries’ effort in attracting FDI**, which in turn will lead to skill upgrading, improving output and productivity, improved transfer of know-how and better managerial practices. Additionally, the spill-over effects can also benefit domestic firms, enabling their industrial upgrading and enhanced participation in GVCs.

**Technology is offering new opportunities for the LDC exporters, due to the rise of e-commerce and omnichannel retail channels** (McKinsey, 2019). This requires shorter production chains, faster delivery times, and small-scale customised approaches to production. It also requires brand development and complex marketing strategies. Nevertheless, these channels are becoming increasingly attractive and powerful, especially for SMEs (ILO, 2020).

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## Annex 1 Top 20 Producers of T&C

2019 Rank	Country	2019		2001		Position in 2001	CAGR 2001-2019
		USD million	Market Share	USD million	Market Share		
1	China	260,574	32%	49,829	14%	1	9.6%
2	Bangladesh	42,932	5%	4,554	1%	19	13.3%
3	Germany	38,179	5%	19,247	5%	5	3.9%
4	Italy	35,974	4%	25,535	7%	3	1.9%
5	India	35,485	4%	10,602	3%	9	6.9%
6	Turkey	27,903	3%	10,397	3%	10	5.6%
7	USA	26,118	3%	19,994	6%	4	1.5%
8	Spain	19,103	2%	5,373	1%	16	7.3%
9	Hong Kong, China	17,993	2%	34,371	10%	2	-3.5%
10	France	17,314	2%	11,627	3%	8	2.2%
11	Netherlands	17,200	2%	4,787	1%	18	7.4%
12	Belgium	15,251	2%	10,304	3%	11	2.2%
13	Indonesia	12,830	2%	7,675	2%	14	2.9%
14	United Kingdom	12,703	2%	8,184	2%	13	2.5%
15	Korea, Rep. of	12,480	2%	15,588	4%	6	-1.2%
16	Taipei, Chinese	9,189	1%	12,633	3%	7	-1.8%
17	Japan	7,746	1%	7,311	2%	15	0.3%
18	Thailand	7,063	1%	5,290	1%	17	1.6%
19	Mexico	6,938	1%	10,169	3%	12	-2.1%
20	Sri Lanka	6,083	1%	2,568	1%	20	4.9%

Source: Author's calculations on the basis of ITC Trademap



## Annex 2 Top 20 Importers of T&C

2019 Rank	Country	2019		2001			CAGR 2001-2019
		USD million	Market Share	USD million	Market Share	Position in 2001	
1	USA	682,006	15.1	68,647	19.7	1	12.2%
2	Germany	102,893	7.1	26,656	7.7	3	7.0%
3	Japan	48,704	4.9	21,744	6.2	4	4.1%
4	China	33,309	4.6	16,225	4.7	7	3.7%
5	United Kingdom	31,703	4.4	20,782	6	5	2.1%
6	France	29,941	4.2	16,576	4.8	6	3.0%
7	Italy	28,493	3.6	13,789	4	8	3.7%
8	Spain	24,780	3.4	7,152	2.1	11	6.4%
9	Viet Nam	23,060	3	1,997	0.6	30	13.0%
10	Netherlands	20,675	2.6	6,241	1.8	13	6.2%
11	Hong Kong, China	17,677	2.3	27,156	7.8	2	-2.1%
12	Korea, Republic of	16,006	2.2	5,355	1.5	14	5.6%
13	Canada	15,178	2	6,950	2	12	4.0%
14	Bangladesh	13,327	1.9	2,123	0.6	28	9.6%
15	Belgium	12,675	1.8	7,982	2.3	10	2.3%
16	Poland	12,029	1.8	3,080	0.9	17	7.0%
17	Russian Federation	11,945	1.6	1,383	0.4	40	11.4%
18	Turkey	10,667	1.5	2,943	0.8	19	6.7%
19	Mexico	9,986	1.5	9,191	2.6	9	0.4%
20	Indonesia	9,891	1.4	2,428	0.7	25	7.3%

Source: Author's calculations on the basis of ITC Trademap

## Annex 3 Top Exports and Imports of LDCs

### Bangladesh

Bangladesh Exports of T&C								
HS Code	Product	% of total	US\$ million	Share of destination markets in product exports (%)				
				EU	USA	Japan	India	UK
61	Articles of apparel and clothing accessories, knitted or crocheted	44.4	21,089.5	59.4	8.0	3.0	0.5	9.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	41.8	19,858.7	57.4	21.4	2.7	1.5	8.4
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	1.5	715.2	12.4	2.4	0.6	21.4	0.9
52	Cotton	1.1	83.8	2.5	0.1	0.0	43.4	0.0
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.1	48.0	1.1	17.2	25.3	40.2	0.9
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	16.9	7,063.9	46.5	24.4	2.7	2.0	6.3
6109	T-shirts, singlets and other vests, knitted or crocheted	16.6	6,937.9	48.9	3.6	2.9	0.4	9.0
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	13.6	5,714.1	59.1	9.3	4.5	0.4	8.2
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	12.9	5,403.4	44.7	18.1	2.6	0.8	11.1
6205	Men's or boys' shirts (excluding knitted or crocheted, nightshirts, singlets and other vests)	5.97	2,498.3	34.7	27.5	3.3	3.1	10.5

Source: Author's calculations on the basis of ITC Trademap

Bangladesh Imports T&C								
HS Code	Product	% of total	US\$ million	Share of destination markets in product imports (%)				
				China	India	Pakistan	Viet Nam	Thailand
52	Cotton	11.1	6,432.1	35.9	25.2	8.9	0.9	0.7
55	Man-made staple fibres	3.1	1,767.1	68.5	9.2	0.2	0.8	3.8
54	Man-made filaments; strip and the like of man-made textile materials	2.6	1,481.9	63.1	12.9	0.1	4.1	3.1
60	Knitted or crocheted fabrics	2.4	1,382.4	72.9	5.4	0.2	1.2	1.0
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.9	487.8	63.9	2.4	0.0	0.6	1.1
5201	Cotton, neither carded nor combed	3.2	1,828.2	0.8	31.8	0.3	0.0	0.0

<b>5209</b>	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m <sup>2</sup>	2.3	1,311.7	42.8	16.9	27.4	1.2	2.9
<b>5407</b>	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	1.7	991.4	67.3	10.9	0.1	1.4	2.1
<b>5208</b>	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m <sup>2</sup>	1.6	919.4	76.8	15.2	3.6	0.5	0.0
<b>5205</b>	Cotton yarn other than sewing thread, containing >= 85% cotton by weight (excluding that put . . .	1.5	860.5	17.9	64.0	7.9	2.4	0.1

Source: Author's calculations on the basis of ITC Trademap

## Nepal

Nepal Exports of T&C								
HS Code	Product	% of total	US\$ million	Share of destination markets in product exports (%)				
				India	USA	Turkey	EU	UK
<b>55</b>	Man-made staple fibres	8.7	83.4	70.6	0.0	28.6	0.0	0.0
<b>57</b>	Carpets and other textile floor coverings	7.1	67.7	1.0	53.3	0.2	23.6	8.5
<b>62</b>	Articles of apparel and clothing accessories, not knitted or crocheted	5.2	50.1	4.1	18.3	0.0	40.7	16.7
<b>53</b>	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	3.4	32.6	99.6	0.2	0.0	0.0	0.0
<b>54</b>	Man-made filaments; strip and the like of man-made textile materials	3.2	30.5	100.0	0.0	0.0	0.0	0.0
<b>5509</b>	Yarn of synthetic staple fibres (excluding sewing thread and yarn put up for retail sale)	8.0	76.9	69.0	0.0	30.4	0.0	0.0
<b>5701</b>	Carpets and other textile floor coverings, of textile materials, knotted, whether or not made . . .	6.8	65.1	0.0	52.4	0.2	24.6	8.8
<b>5407</b>	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	3.2	30.5	100.0	0.0	0.0	0.0	0.0
<b>5310</b>	Woven fabrics of jute or of other textile bast fibres of heading 5303	3.1	29.9	100.0	0.0	0.0	0.0	0.0
<b>6214</b>	Shawls, scarves, mufflers, mantillas, veils and similar articles (excluding knitted or crocheted)	2.4	23.1	5.5	13.1	0.0	51.5	10.5

Source: Author's calculations on the basis of ITC Trademap

Nepal Imports of T&C								
HS Code	Product	% of total	US\$ million	Share of destination markets in product imports (%)				
				China	India	Thailand	Bangladesh	Indonesia
<b>62</b>	Articles of apparel and clothing accessories, not knitted or crocheted	1.7	206.7	66.0	32.1	0.6	0.3	0.9

55	Man-made staple fibres	1.0	124.9	21.2	55.6	13.1	0.0	4.9
61	Articles of apparel and clothing accessories, knitted or crocheted	0.7	80.9	79.6	14.6	2.1	1.8	0.2
52	Cotton	0.6	72.4	26.0	73.1	0.1	0.5	0.0
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0.3	37.4	67.4	6.6	0.0	0.0	0.0
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	0.6	67.5	96.9	2.1	0.0	0.0	0.0
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning	0.5	57.0	7.6	57.1	28.6	0.0	0.2
6211	Tracksuits, ski suits, swimwear and other garments, n.e.s. (excluding knitted or crocheted)	0.3	42.0	6.2	88.8	1.3	0.2	1.6
6109	T-shirts, singlets and other vests, knitted or crocheted	0.3	38.6	86.4	7.1	3.6	1.7	0.2
6210	Garments made up of felt or nonwovens, whether or not impregnated, coated, covered or laminated; . . .	0.3	30.9	73.0	23.9	0.7	0.0	2.0

Source: Author's calculations on the basis of ITC Trademap

## Cambodia

Cambodia Exports of T&C								
HS Code	Product Description	% of Total	USD million	Share of destination markets in product exports (%)				
				USA	Japan	UK	EU	Canada
61	Articles of apparel and clothing accessories, knitted or crocheted	29.3	5,188.1	29.1	6.6	10.0	32.0	9.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	13.0	2,296.7	22.8	18.6	7.9	63.0	6.7
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable . . .	0.3	46.6	88.9	0.0	0.1	0.0	0.0
60	Knitted or crocheted fabrics	0.2	39.8	0.0	0.0	0.0	0.0	0.0
55	Man-made staple fibres	0.1	13.5	0.0	0.0	0.0	0.0	0.0
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	7.0	1,230.9	21.2	6.9	10.7	40.2	8.2
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	5.5	972.8	25.7	6.5	8.0	37.0	12.1
6109	T-shirts, singlets and other vests, knitted or crocheted	4.4	785.1	28.1	7.6	8.2	31.0	11.0

<b>6204</b>	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	4.4	775.0	23.9	18.3	5.9	39.8	7.5
<b>6103</b>	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	2.6	468.6	32.8	6.2	7.9	28.9	6.9

Source: Author's calculations on the basis of ITC Trademap

Cambodia Imports of T&C								
HS Code	Product Description	% of Total	USD million	Share of destination markets in product imports (%)				
				China	Viet Nam	Taipei, Chinese	Hong Kong, China	Thailand
<b>60</b>	Knitted or crocheted fabrics	12.3	2,366.0	57.9	16.8	8.9	7.4	3.2
<b>55</b>	Man-made staple fibres	4.7	896.7	77.0	3.0	9.2	3.4	0.3
<b>52</b>	Cotton	2.3	450.8	79.3	10.1	2.2	4.0	0.1
<b>59</b>	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable . . .	1.2	233.6	66.2	5.7	5.7	4.6	1.2
<b>58</b>	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	1.1	214.1	59.9	6.3	5.5	15.1	5.8
<b>6006</b>	Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics "incl. those . . .	7.4	1,430.8	62.6	1.3	15.9	8.6	2.5
<b>6004</b>	Knitted or crocheted fabrics, of a width > 30 cm, containing by weight >= 5% of elastomeric . . .	4.6	882.7	55.3	31.0	3.5	2.5	0.3
<b>5515</b>	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, other . . .	3.3	642.6	74.4	3.1	11.1	2.2	0.5
<b>5903</b>	Textile fabrics impregnated, coated, covered or laminated with plastics (excluding tyre cord . . .	1.1	211.7	67.7	5.8	2.8	4.5	0.5
<b>5211</b>	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally . . .	0.9	182.2	85.4	0.9	2.2	5.5	0.2

Source: Author's calculations on the basis of ITC Trademap

## Laos

Laos Exports of T&C								
HS Code	Product Description	% of Total	USD million	Share of destination markets in product exports (%)				
				EU	Japan	UK	USA	Canada

62	Articles of apparel and clothing accessories, not knitted or crocheted	2.5	144.6	74.0	12.8	7.2	1.2	2.4
61	Articles of apparel and clothing accessories, knitted or crocheted	1.1	63.1	65.8	4.5	6.0	9.6	5.7
55	Man-made staple fibres	0.1	5.7	3.6	0.2	0.0	0.0	0.0
52	Cotton	0.0	0.4	1.2	49.3	0.0	0.2	0.0
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.0	0.3	0.0	3.6	0.0	27.2	0.0
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	1.5	88.1	80.0	8.8	6.3	0.6	0.9
6205	Men's or boys' shirts (excluding knitted or crocheted, nightshirts, singlets and other vests)	0.3	17.5	59.3	20.7	0.5	4.0	8.9
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	0.2	13.8	57.4	24.8	10.5	3.1	0.0
6109	T-shirts, singlets and other vests, knitted or crocheted	0.2	12.5	74.5	3.3	3.4	14.8	0.2
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar . . .	0.2	11.5	66.8	0.1	0.0	1.4	28.7

Source: Author's calculations on the basis of ITC Trademap

Laos Imports of T&C								
HS Code	Product Description	% of Total	USD million	Share of destination markets in product imports (%)				
				China	Thailand	Japan	Taipei, Chinese	Hong Kong, China
55	Man-made staple fibres	1.2	71.8	21.8	10.8	11.8	10.2	3.4
52	Cotton	0.7	39.1	38.5	30.2	11.3	0.7	3.5
60	Knitted or crocheted fabrics	0.3	19.2	27.5	58.5	0.7	5.1	1.7
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable . . .	0.3	14.7	19.7	23.8	12.4	3.8	22.4
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.2	12.2	56.6	20.6	4.3	0.0	7.0
5514	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed . . .	0.7	39.2	21.5	4.5	13.0	4.0	3.9
5512	Woven fabrics containing >= 85% synthetic staple fibres by weight	0.3	18.3	31.2	8.2	9.0	30.9	4.2
6006	Fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics "incl. those . . .	0.2	13.6	6.0	82.6	0.8	3.2	2.4
5208	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m <sup>2</sup>	0.2	13.1	37.7	40.7	9.9	0.4	0.3

<b>5407</b>	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 decitex and with a cross . . .	0.2	9.9	56.3	16.7	0.4	4.3	0.2
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Source: Author's calculations on the basis of ITC Trademap

## Myanmar

Myanmar Exports of T&C									
HS Code	Product Description	% of Total	USD million	Share of destination markets in product exports (%)					
				Japan	EU	UK	Korea	USA	
<b>62</b>	Articles of apparel and clothing accessories, not knitted or crocheted	21.0	3,776.7	24.3	46.5	8.2	6.9	5.2	
<b>61</b>	Articles of apparel and clothing accessories, knitted or crocheted	7.0	1,250.9	16.5	51.0	13.3	9.6	6.0	
<b>52</b>	Cotton	0.2	26.6	0.0	0.0	0.0	0.0	0.0	
<b>60</b>	Knitted or crocheted fabrics	0.1	16.5	0.0	32.4	1.1	1.7	1.1	
<b>55</b>	Man-made staple fibres	0.1	8.5	0.0	2.0	0.0	0.2	1.8	
<b>6203</b>	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches . . .	7.2	1,296.4	28.0	42.8	10.6	6.4	3.7	
<b>6204</b>	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, . . .	6.1	1,090.2	19.0	54.3	9.0	3.1	6.9	
<b>6110</b>	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding . . .	2.5	450.1	7.6	42.0	24.0	9.0	5.0	
<b>6205</b>	Men's or boys' shirts (excluding knitted or crocheted, nightshirts, singlets and other vests)	1.8	325.1	30.4	42.0	1.8	16.0	3.6	
<b>6202</b>	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, . . .	1.4	245.4	15.0	59.5	7.5	6.8	2.7	

Source: Author's calculations on the basis of ITC Trademap

Myanmar Imports of T&C									
HS Code	Product Description	% of Total	USD million	Share of destination markets in product imports (%)					
				China	Korea	Thailand	Japan	Taipei, Chinese	
<b>55</b>	Man-made staple fibres	4.7	863.4	90.6	2.4	1.2	1.2	1.2	
<b>54</b>	Man-made filaments; strip and the like of man-made textile materials	2.0	368.8	81.3	3.8	2.0	3.7	5.1	
<b>60</b>	Knitted or crocheted fabrics	1.0	179.6	81.4	6.0	3.4	1.6	3.3	
<b>56</b>	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.9	166.5	79.0	2.8	6.3	4.5	0.6	
<b>52</b>	Cotton	0.9	158.3	71.2	2.4	5.3	1.4	0.2	

<b>5514</b>	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed . . .	3.7	692.9	94.7	1.7	0.4	0.7	0.8
<b>5407</b>	Woven fabrics of synthetic filament yarn, incl. monofilament of $\geq 67$ decitex and with a cross . . .	1.8	329.9	81.8	3.6	1.7	3.8	5.7
<b>5513</b>	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed . . .	0.4	81.0	83.1	5.0	1.6	3.4	3.5
<b>5209</b>	Woven fabrics of cotton, containing $\geq 85\%$ cotton by weight and weighing $> 200$ g/m <sup>2</sup>	0.4	79.2	83.8	2.5	2.0	1.3	0.3
<b>5602</b>	Felt, whether or not impregnated, coated, covered or laminated, n.e.s.	0.4	75.4	90.8	0.0	8.2	0.3	0.2

Source: Author's calculations on the basis of ITC Trademap