

# PRESS RELEASE

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## **Bangladesh Still on Track in Post-Quota Era**

COLOMBO, Sri Lanka, 25 May – Bangladesh has held its own since the end of textile and clothing quotas in early 2005, with the value and volume of Bangladeshi textile and clothing exports even rising a modest 2 percent and 4 percent respectively, the United Nations Development Programme has found.

The European Union, which has been Bangladesh's primary market for such exports, slowed its imports from the country in 2005. But at the same time, Bangladesh succeeded in expanding its exports – especially of ready-made garments – to the United States, the world's other large textile and clothing market.

The new figures are contained the latest quarterly tracking report on the impact of the lifting of quotas, prepared by the UNDP Regional Centre in Colombo. "Sewing Thoughts: How to Realise Human Development Gains in the Post-Quota World" examines the effects on trade flows in 12 selected Asia-Pacific countries during the first full year of the post-quota regime. The full report can be accessed at <http://www.undprcc.lk/publications.asp#trade>.

More than half the Bangladeshi firms surveyed said they had experienced increased price competition and had to accept reduced prices for their products since the expiration of quotas. Pressure was most intense in the US\$3.5-billion woven apparel sector, which provides direct employment to 1.3 million workers, 80 percent of them women.

Overall, Asia-Pacific's share of the U.S. and EU markets for textiles and clothing increased without quotas, "impressive growth ... [that] is testimony to the huge potential the region holds in this sector," according to the report. However, more competitive countries are "pushing smaller players to the brink of collapse," it warned.

In value, Asia-Pacific's share in the United States rose from 41 to 49 percent, while it increased from 47 to 53 percent in the EU. In contrast, regions such as Africa and the Caribbean that have trade agreements with the United States have lost shares of textile and clothing products, despite their preferential market access.

Data show that China and India have been clear winners by expanding their market shares in both the United States and European Union. On the other hand, landlocked countries such as Nepal and Mongolia, along with small island economies such as Fiji and Maldives, have been devastated by the elimination of quotas; these countries' textile and clothing exports fell sharply in 2005. Moreover, further safeguards imposed on Chinese exports of textile and clothing products will be lifted in 2008, which poses a threat even to those countries that have been able to hold onto past gains so far – including Bangladesh.

Increasing price competition, closures of factories, job losses and deterioration of workers' conditions have been reported in countries that lost export orders as well as in countries that managed to keep their export volume.

Data indicate that textile workers are in "dire need of alternative sources of employment," even in competitive countries, the report said. Unskilled and female workers are most at risk.

The report focused on how human development gains could be achieved by increasing and sustaining employment opportunities, particularly for the poor and vulnerable, in the textile and clothing sector. Among other measures, it called for stronger investment in health, education and skills development; reduced trade transaction costs; adoption of innovative strategies for sourcing inputs; and strategic management of export processing zones to enhance efficiency and attract foreign investment. The report further advised that exporters be granted enhanced access to credit; public-private partnerships be pursued; and developing countries extend their cooperation for development of the sector.

In addition, the report said pressure also is increasing to meet different codes of conduct and social standards set by different buyers among Bangladeshi garment producers. To promote human development, the report's authors recommended that labour and social standards be more demand-driven by workers, and that buyers help suppliers meet such standards by guaranteeing longer-term contracts. Governments and non-government organisations, they said, should provide social programmes to improve workers' basic needs on diet, housing, transportation and public safety.

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