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Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

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Abbreviations and Acronyms

Term	Definition
AAFA	American Apparel & Footwear Association
AEPC	Apparel Export Promotion Council
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
AGOA	African Growth and Opportunity Act
API	Asosiasi Pertekstilan Indonesia (Indonesian Textile Association)
APTMA	All Pakistan Textile Mills Association
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
AVE	ad valorem equivalent
BDC	beneficiary developing country
BFC	Better Factories Cambodia
BGMEA	Bangladesh Garment Manufacturers & Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BTMA	Bangladesh Textile Mills Association
CBP	U.S. Customs and Border Protection
CIA	Central Intelligence Agency (United States)
CMAI	Clothing Manufacturers Association of India
CDDES	Centre for Development Economics and Sustainability
CDPR	Consortium for Development Policy Research
CMT	cut, make, trim
Commission	U.S. International Trade Commission
COVID-19	coronavirus disease 2019, caused by severe acute respiratory syndrome coronavirus (SARS-CoV-2)
CSDDD	Corporate Sustainability Due Diligence Directive (European Union)
DWCP	Decent Work Country Programme
EBA	Everything But Arms
EPZ	export processing zone
ESG	environmental, social, and governance
EU	European Union
EU GSP	EU Generalised Scheme of Preferences
EU GSP+	EU Generalised Scheme of Preferences Plus
FDI	foreign direct investment
FTA	free trade agreement
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GFT	garment, footwear, and travel goods (Cambodia)
GTF	garment, textiles, and footwear (ILO report, industry category)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) GmbH
GLI	Global Labor Institute (Cornell University)
GSP	Generalized System of Preferences
GTAS	Global Trade Analytics Suite (S&P Global)
GVC	global value chain
HS	<i>Harmonized Commodity Description and Coding System (Harmonized System, World Customs Organization)</i>
HTS	<i>Harmonized Tariff Schedule of the United States</i>
ICAC	International Cotton Advisory Committee
IFC	International Finance Corporation

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Term	Definition
ILO	International Labour Organization
IMF	International Monetary Fund
ITA	International Trade Administration (USDOC)
kg	kilogram
kWh	kilowatt-hour
LDC	least-developed country
LEED	Leadership in Energy and Environmental Design (U.S. Green Building Council)
MFA	Multifibre Arrangement (WTO)
MFN	most-favored nation
MMF	manmade fiber
MSMEs	micro, small, and medium-sized enterprises
NCTO	National Council of Textile Organizations
NGO	nongovernmental organization
NICDC	National Industrial Corridor Development Corporation
NTR	normal trade relations
OECD	Organisation for Economic Co-operation and Development
OTEXA	Office of Textiles and Apparel (USDOC, ITA)
PLI	Production-Linked Incentive
PM MITRA	Pradhan Mantri Mega Integrated Textile Regions and Apparel
PRGMEA	Pakistan Readymade Garments Manufacturers & Exporters Association
PTC	Pakistan Textile Council
QIP	Qualified Investment Project
R&D	research and development
RMG	ready-made garment
ROOs	rules of origin
RPO	recreational performance outerwear
RSC	Ready-made garment (RMG) Sustainability Council
SEC	U.S. Securities and Exchange Commission
SEZ	special economic zone
SME	square meter equivalent
TAFTAC	Textile, Apparel, Footwear & Travel Goods Association
TDAP	Trade Development Authority of Pakistan
UCBTA	United States-Cambodia Bilateral Textile Agreement
UFLPA	Uyghur Forced Labor Prevention Act
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	U.S. Agency for International Development
USD	U.S. dollar
USDA	U.S. Department of Agriculture
USDOC	U.S. Department of Commerce
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State
USFIA	U.S. Fashion Industry Association
USITC	U.S. International Trade Commission
USTR	Office of the U.S. Trade Representative
WCO	World Customs Organization
WRAP	Worldwide Responsible Accredited Production
WRO	Withhold Release Order (CBP)
WTO	World Trade Organization
XUAR	Xinjiang Uyghur Autonomous Region

Executive Summary

Patterns of production, trade, and consumption of textile and apparel products changed significantly as a result of the COVID-19 pandemic, which slowed economic activity and disrupted supply chains. In a letter to the U.S. International Trade Commission (Commission or USITC) dated December 19, 2023, the U.S. Trade Representative recognized this disruption and stated that it would be helpful for the current administration to better understand these changes, along with the consequent changing commercial environment and relative competitiveness of certain leading foreign apparel suppliers to the United States. As requested by the U.S. Trade Representative, this report examines the factors underlying the export competitiveness of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan. First, to the extent practicable, the report compares the relative U.S. import market shares of each of the above-listed suppliers in 2013, 2018, and 2023 and analyzes changing patterns in market share and trade, including against other top suppliers. Next, the report provides a literature review of the key determinants driving export competitiveness and summarizes the factors of export competitiveness in the apparel industry. Finally, the report contains country-specific profiles and an assessment of the export competitiveness in the U.S. market of the apparel industries in the above-listed countries.

Scope and Approach

Apparel includes a wide variety of articles such as shirts, trousers, dresses, and underwear, as found in the *Harmonized Commodity Description and Coding System* (HS) Chapters 61 and 62. Apparel is formed from textiles (i.e., fibers, yarns, and fabrics), and the apparel supply chain begins with the production of fibers spun into yarn that is typically woven or knit into fabric. Fabric, the primary and most costly input in apparel manufacturing, is cut, sewn, and finished into garments. This report focuses on apparel production but also considers textile sourcing for the five profiled countries. In some cases, the discussion may include textile production to the extent it relates to the export competitiveness of a country's apparel industry. Textiles, encompassing fibers, yarns, and fabrics, are largely contained in HS Chapters 50 through 56 and 58 through 60.

The Commission prepared its report using data and information from numerous sources, including trade data; a review of relevant literature and reports; and information obtained from industry, government, academic sources, international and regional organizations, nongovernmental organizations, and other sources through virtual and in-person interviews. The Commission held a public hearing on March 11, 2024, and solicited comments from the public. Furthermore, Commission staff conducted fieldwork in Bangladesh, Cambodia, India, and Indonesia.

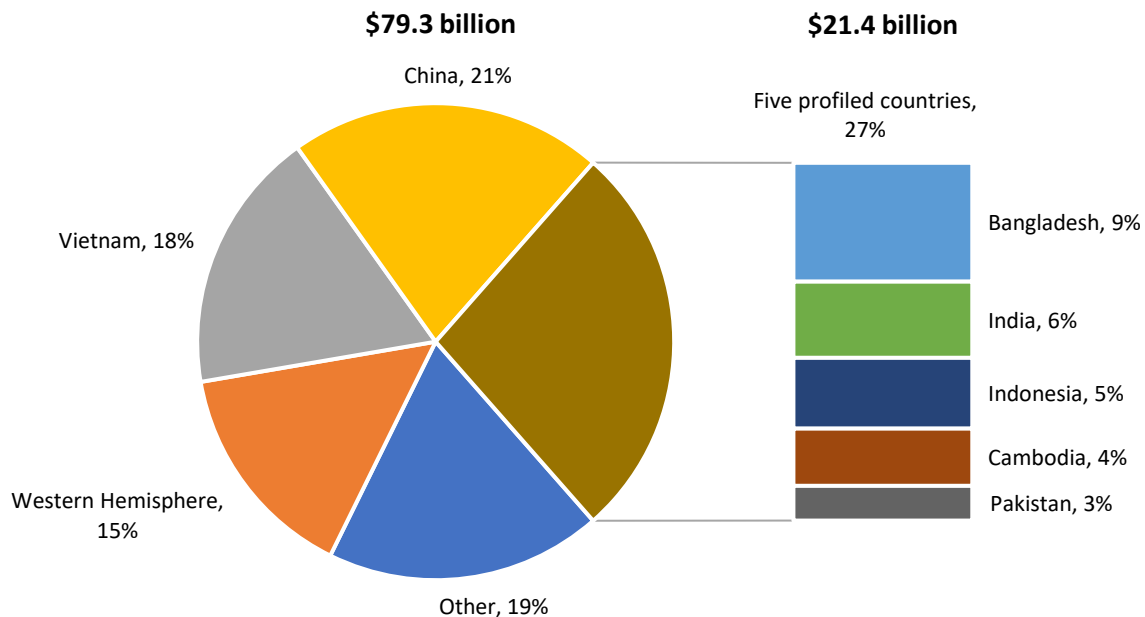
Main Findings

Exports of Apparel to the United States, the Largest Global Market, Remained Steady Until Recent Years

During 2013–23, the United States was the largest single-country apparel importer in the world, sourcing the majority of its apparel from Asia. The United States imported \$79.3 billion worth of apparel in 2023, accounting for about one-fifth of global imports. The two largest sources of U.S. apparel imports by value were China and Vietnam, which together accounted for 39 percent of all U.S. apparel imports in 2023 (figure ES.1). Of the countries profiled in this report, referred to as the “five profiled countries,” Bangladesh was the largest U.S. supplier by value, supplying 9.0 percent of U.S. apparel imports (\$7.1 billion), followed by India (\$4.6 billion, or 5.8 percent), Indonesia (\$4.2 billion, or 5.3 percent), Cambodia (\$3.4 billion, or 4.3 percent), and Pakistan (\$2.1 billion, or 2.6 percent). Other top suppliers of U.S. apparel imports in 2023 were Mexico, Honduras, and Italy.

Figure ES.1 Major sources of U.S. apparel imports, by country or region, 2023

In billions of dollars and percentages. Underlying data for this figure can be found in appendix E, [table E.1](#).



Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

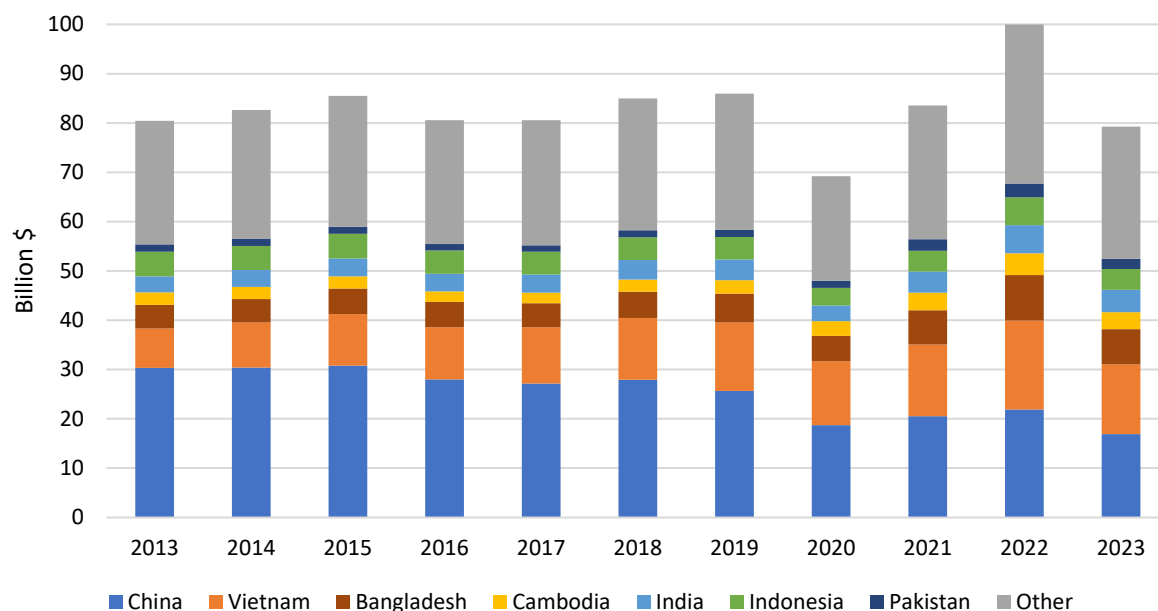
Note: Western Hemisphere countries included are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama.

During 2013–23, overall U.S. apparel imports averaged \$83 billion annually, with values in 2013 and 2023 close to \$80 billion (figure ES.2). Within this 11-year time frame, however, import data reflect two distinct periods, 2013–19 and 2020–23, broadly defining the time before and after the COVID-19 outbreak in late 2019. The period between 2013 and 2019 was one of relative market stability in the

U.S. and global apparel sectors. In the United States, apparel imports grew from \$80.4 billion to \$86.0 billion during this period, about 1 percent annually on average.

Figure ES.2 Value of U.S. imports of apparel by country, 2013–23

In billions of dollars. Underlying data for this figure can be found in appendix E, [table E.2](#).



Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

In contrast, U.S. apparel imports between 2020 and 2023 fluctuated. Imports fell by about 20 percent in 2020 compared to 2019, from \$86.0 billion to \$69.2 billion—the lowest level since 2011—before increasing to \$99.9 billion in 2022—the highest level ever recorded. Imports then dropped sharply to \$79.3 billion in 2023. This market fluctuation stemmed overwhelmingly from the COVID-19 pandemic, which highlighted the interconnected nature of global apparel manufacturing, the complexity of its supply chain networks, and the sensitivity of consumption to macroeconomic forces.

U.S. Import Market Shares of Certain Major Suppliers Changed Significantly during 2013–23

The shares of some major suppliers to the U.S. market changed significantly between 2013 and 2023 (table ES.1). China was the largest supplier to the U.S. market during the entire period, although its share of imports dropped by 16.4 percentage points (37.7 percent to 21.3 percent). Conversely, Vietnam was the second-largest supplier during 2013–23, and its share of U.S. apparel imports rose by 7.8 percentage points (10.0 percent to 17.8 percent) over the same period. Jointly, the five profiled countries accounted for 21.3 percent of total U.S. apparel imports in 2013, growing to 27.0 percent by 2023.

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Table ES.1 Rank of certain foreign suppliers of apparel to the United States, by value of imports for consumption, 2013–23

Rank	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	China	China	China	China	China	China	China	China	China	China	China
2	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam
3	Indonesia	Indonesia	Bangladesh	Bangladesh	Bangladesh	Bangladesh	Bangladesh	Bangladesh	Bangladesh	Bangladesh	Bangladesh
4	Bangladesh	Bangladesh	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	India	India	India
5	Mexico	Mexico	Mexico	India	India	India	India	India	Indonesia	Indonesia	Indonesia
6	India	India	India	Mexico	Mexico	Mexico	Mexico	Cambodia	Cambodia	Cambodia	Cambodia
7	Cambodia	Honduras	Honduras	Honduras	Honduras	Honduras	Honduras	Mexico	Mexico	Mexico	Mexico
8	Honduras	Cambodia	Cambodia	Cambodia	Cambodia	Cambodia	Cambodia	Honduras	Honduras	Honduras	Honduras
9	El Salvador	El Salvador	Sri Lanka	El Salvador	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Pakistan	Pakistan	Italy
10	Sri Lanka	Sri Lanka	El Salvador	Sri Lanka	El Salvador	El Salvador	El Salvador	Jordan	Nicaragua	Nicaragua	Pakistan

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: The five profiled countries are shaded. During 2013–20, Pakistan ranked between 11th and 15th in terms of top U.S. apparel suppliers.

Several factors were behind the drop in China’s market share. First, sourcing from China became more expensive, in part because of rising wage rates. Also, early in the period, particularly between 2016 and 2018, U.S. importers became increasingly aware of the importance of diversifying their sourcing away from China. U.S. firms partially moved away from China as a response to trade tensions between the two countries that ultimately led to the imposition of tariffs in September 2019 under section 301 of the Trade Act of 1974. This shift was also prompted by the demand for China to address human rights violations reported in the Xinjiang Uyghur Autonomous Region (XUAR or Xinjiang), which led Congress to pass the Uyghur Forced Labor Prevention Act (UFLPA) in June 2022 that establishes the rebuttable presumption that goods manufactured in the XUAR or by an entity on the UFLPA Entity List were produced wholly or in part with Uyghur forced labor and are therefore prohibited from U.S. importation. Diversification away from China offered opportunities for other suppliers. Many importers shifted sourcing to Vietnam, which benefits from a highly efficient system of supply chain management and large-scale production, combined with what some importers describe as a business-friendly environment. Some firms also note Vietnam’s economic and political stability gave the country an advantage over potential competitors in Asia.

Also benefiting from China’s drop in market share of U.S. apparel imports were the five profiled countries. Of these countries, Bangladesh’s market share saw the largest increase, growing from 6.0 percent in 2013 to 9.0 percent in 2023. Bangladesh’s increased market share stems from its large production capacity, an abundance of skilled low-cost labor and locally produced inputs, and flexibility to deliver in shorter time frames. India and Pakistan also saw increases in their shares of U.S. apparel imports between 2013 and 2023. India’s share rose from 4.0 percent to 5.8 percent and Pakistan’s from 1.9 percent to 2.6 percent. Concentrating on cotton-based apparel, both countries benefit from vertically integrated production and an abundant and skilled workforce. U.S. apparel imports from Cambodia also increased, rising from a share of 3.2 percent in 2013 to 4.3 percent in 2023. The country’s growth is attributed to its geographical proximity to China and Vietnam and foreign investment from established suppliers.

Export Competitiveness in the Global Apparel Sector

Using information gathered during the investigation and from the relevant literature, the Commission categorized the factors reported by stakeholders in the apparel sector into four broad determinants of export competitiveness: (1) cost, (2) product differentiation, (3) reliability of supply, and (4) social and environmental responsibility. That is, buyers looking to source from a particular country will consider a matrix of factors for a given product including production costs along with quality requirements and product diversity, reliability of suppliers for timely delivery, and compliance with social and environmental standards.

Industry representatives reported that cost—the price buyers pay their suppliers—plays a key role in sourcing decisions, although opinions vary regarding the importance of cost relative to other factors. A number of industry representatives and industry and subject matter experts indicate that cost remains the most significant factor, although some brands and retailers have reported that the importance of cost as a factor has declined in recent years, with other factors increasingly influencing sourcing decisions.

According to research and industry sources, buyers and brands also use product differentiation to evaluate a supplier’s competitiveness. Factors such as existing product quality and product mix may necessitate higher costs to meet the buyer’s quality standards or product specifications. Depending on the product, target consumer, and identity of a brand or buyer, apparel buyers will place varying degrees of importance on product differentiation factors such as quality, specialization, product mix, and full package offerings, which include design services, finishing, packaging, and logistics.

Reliability of apparel supply has become an increasingly important determinant of competitiveness. The emphasis on reliability has particularly grown in response to various recent disruptions to global apparel supply chains such as a global pandemic, geopolitical conflicts, and trade policy. Speed to market, a component of reliability, has long been important to sourcing decisions, but other factors, such as vertical integration, local production of inputs, sourcing diversification, and buyer-supplier relationships, gained prominence as buyers seek to decrease risk exposure in their supply chains.

Over the past decade, consumers and brands have become increasingly aware of and concerned about the social and environmental impacts of the apparel sector, according to various industry sources. Although emerging research suggests that compliance programs concerning wages, social inclusion, and climate change mitigation may increase competitiveness, buyers and brands remain divided on the topic. Some brands and buyers believe social and environmental compliance to be a prerequisite in determining the competitiveness of a supplier, but other brands and buyers are largely skeptical of the producer and consumer commitment to such compliance.

Similarly, some experts have questioned the commitment of brands and retailers and their willingness to pay for social and environmental responsibility initiatives. Thus, the relative importance, or “weight,” of such compliance in sourcing decisions remains a topic of active study and discussion within the industry. Overall, the weights of each of these factors are impossible to ascertain because buyers use a range of considerations, which may vary over time, to evaluate potential suppliers. Among such considerations are the type of garment being sourced, the brand’s image, and preferences of final consumers. As a

result, buyers constantly monitor a matrix of factors and calculate risks across multiple potential suppliers.

Country-Specific Findings

Bangladesh, Cambodia, India, Indonesia, and Pakistan are notable suppliers to the United States and also significant players in the global market (table ES.2). While China is still the largest source of U.S. apparel imports, the five profiled countries all ranked among the top 10 U.S. import suppliers in 2023. The five countries share some similarities in apparel products exported to the United States. Although broad cost comparisons are difficult to calculate across firms and countries, the five profiled countries reportedly have relatively low sourcing costs, including relatively low labor costs, with manufacturing wages in roughly the lowest third globally. Each country differs on other factors of competitiveness that make it attractive to U.S. brands and retailers. When useful for context, comparisons on competitiveness factors are made throughout the report that reflect the information provided by sources. In most cases, comparisons of these five profiled countries were made against other current top Asian apparel suppliers.

Table ES.2 Apparel trade summary of the five profiled countries, 2023

EU = European Union; MMF = manmade fiber; UAE = United Arab Emirates; UK = United Kingdom.

Indicator	Bangladesh	Cambodia	India	Indonesia	Pakistan
U.S. imports (in billions of dollars)	7.1	3.4	4.6	4.2	2.1
Rank (by value of U.S. imports)	3	6	4	5	10
U.S. import market share (in percent)	9.0	4.3	5.8	5.3	2.6
Major products exported to the United States	Cotton trousers, cotton knit and woven shirts, and MMF trousers	Cotton trousers, cotton knit shirts, and babies' garments	Cotton knit and woven shirts, cotton dresses, and babies' garments	Cotton knit shirts, cotton trousers, MMF bras, and MMF trousers	Cotton trousers, cotton knit shirts, and cotton hosiery
Global exports (in billions of dollars)	39.8	12.2	14.5	8.6	7.5
Rank (by value of global exports)	2	11	10	14	15
Other major destination markets	EU, UK, Canada, and Japan	EU, Japan, UK, and Canada	EU, UK, UAE, and Saudia Arabia	EU, Japan, South Korea, and Canada	EU, UK, UAE, and Canada

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024. S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh, Cambodia, and Indonesia export data were calculated by aggregating imports as reported by all other countries.

Bangladesh

Bangladesh Has Become a Major Apparel Supplier, Contributing 9 Percent of U.S. Apparel Imports

- Bangladesh has a large, export-oriented apparel industry that specializes in bulk orders of basic garments, which aligns with general U.S. purchasing practices. Apparel makes up more than 80 percent of Bangladesh's exports, contributing at least 10 percent of the country's gross domestic product (GDP). The industry developed by specializing in jeans and T-shirts, but has evolved to produce a wide variety of garments owing to its size, capacity, and availability of technical skills.
- The United States imported \$7.1 billion of apparel from Bangladesh in 2023, an increase of \$2.3 billion (48.6 percent) from 2013. After China and Vietnam, Bangladesh was the third-largest supplier of apparel to the United States in 2023, providing 9.0 percent of total U.S. apparel imports. In 2023, Bangladesh was also the second-largest global supplier of apparel, with global apparel exports totaling \$39.8 billion. The United States was Bangladesh's largest single-country destination market for apparel, receiving 17.4 percent of apparel exports from Bangladesh in that year. Other important markets include the European Union (EU), having collectively imported \$18.8 billion, or 47.4 percent, during 2023, and the United Kingdom (10.0 percent). Bangladesh's largest export products to the United States in 2023 included cotton trousers, knit shirts, and woven shirts.

Bangladesh Offers Low-Cost Apparel and Has Extensive Capabilities

- Bangladesh competes as a low-cost supplier of apparel to the U.S. market. Low labor costs, relatively low input costs impacted by vertical integration, economies of scale, industry subsidies, and duty-free access to large destination markets aside from the U.S. market contribute to Bangladesh's ability to supply garments at low prices. The size and experience of Bangladesh's apparel industry also allow it to supply a wide range of products in large and small quantities for U.S. buyers. Combined with a skilled workforce, the development of support services led the country to become a one-stop shop for apparel for many buyers.
- The textile industry in Bangladesh supplies a large share of the cotton inputs such as cotton fabrics for its own garment sector. Bangladesh remains dependent on imports for manmade fiber (MMF) inputs, and the country struggles with poor logistics and substandard infrastructure.
- The garment industry is very powerful within Bangladesh as a result of its size and economic importance. Consequently, strong relationships exist among apparel trade industry associations in Bangladesh, the government of Bangladesh, and apparel factory owners. In some instances, factory owners also serve as elected government officials. Some sources report these dual roles have increased stability and growth for the garment sector, but others note such practices may be preventing higher unionization rates and wages as well as increased worker empowerment.
- After the collapse of Rana Plaza in 2013, noted as one of the most significant failures of workplace safety in the global apparel industry, broad improvements were reportedly made to structural, fire, and electric safety standards in Bangladesh's apparel industry. This incident also resulted in international buyers' codes of conduct to protect working conditions in the industry. However, the industry's reputation regarding social compliance remains low, particularly as it relates to labor practices.

Cambodia

Foreign Direct Investment Drives Cambodia's Export-Oriented Apparel Industry with Cut, Make, and Trim Production

- Cambodia's apparel industry is almost entirely export oriented and is predominantly foreign owned. This structure has led to a large proportion of factories using a "cut, make, trim" (CMT) production model, wherein fabric is procured and then cut and assembled into garments. Cambodia produces relatively basic items, such as woven pants and pullovers, but a small number of factories produce more complex items.
- In 2023, Cambodia was the sixth-largest supplier of apparel to the United States, exporting \$3.4 billion. U.S. apparel imports from Cambodia were relatively constant during 2013–18, followed by annual increases to \$4.4 billion in 2022; after which, the imports dropped by 22.2 percent in 2023. As the 11th-largest global exporter of apparel, Cambodia's apparel exports were \$12.2 billion in 2023; the United States was its top single-country export destination (27.7 percent). Other important markets include the EU, receiving 28.6 percent of Cambodia's apparel exports that year, and Japan (9.2 percent). Top U.S. apparel imports by value in 2023 from Cambodia were cotton trousers, cotton knit shirts, and babies' garments.

Cambodia Competes on the Basis of Its Reputation for Social Responsibility and Favorable Investment Policy

- Industry representatives report Cambodia's apparel industry's strongest competitive advantage relative to other top producers in the region is its reputation for social responsibility. The Better Factories Cambodia program was implemented early in the development of the industry, which required third-party labor standards compliance monitoring for firms that export apparel. Industry representatives have often cited Cambodia's high unionization rate as a competitive advantage, although other industry participants have reported that freedom of association is hindered by fragmented unions, as well as by government and employer influence.
- Cambodia offers incentives to foreign investors in export-oriented industries, including certain tax exemptions and duty-free import of manufacturing materials. This reportedly attracted experienced suppliers from China and Taiwan that brought their technical knowledge and set up CMT factories with relative ease. This arrangement makes Cambodia an attractive option for retailers and brands seeking to diversify from China; they can diversify their sources of apparel while benefiting from preexisting supplier relationships.
- Cambodia's apparel industry depends heavily on imported inputs for production, importing almost all its fabrics and yarns from China and Vietnam. The lack of domestic production of apparel inputs limits the industry's agility and increases lead times. Cambodia somewhat mitigates these challenges with its ability to import inputs duty free and the relatively short transport times from neighboring suppliers.
- Cambodia's high labor and production costs relative to other top Asian suppliers and comparatively low productivity weaken its competitiveness. Cambodia has one of the highest minimum wages among top apparel-exporting countries. Furthermore, Cambodia's high energy costs contribute to increased apparel production costs and are reportedly a factor preventing the upstream domestic production of textiles.

India

With a Rich History in Apparel and Textiles, India Remains a Steady Source for U.S. Apparel

- The apparel industry is one of India's oldest sectors; its textiles and apparel have been highly desired since ancient times. The textiles and apparel sector plays an important role in the country's economy, contributing about 2.3 percent of the country's GDP. Approximately 95 percent of Indian garment manufacturers are domestically owned, and the majority of the industry is composed of micro, small, and medium-sized enterprises (MSMEs).
- The United States is India's top export market, accounting for 32.0 percent of India's \$14.5 billion in global apparel exports in 2023. That year, the United States imported \$4.6 billion of apparel from India, up from \$4.0 billion in 2018 and \$3.2 billion in 2013. From 2016 to 2023, India was consistently a top five supplier of apparel to the United States and the tenth-largest supplier of apparel to the world. Its other major markets include the EU (28.0 percent of its apparel exports) and the United Kingdom (9.2 percent). India's top product categories are all cotton products, including knit cotton shirts and cotton dresses.

India Competes on Quality with a Highly Vertically Integrated Apparel Industry

- India's long history in apparel production has contributed to its reputation for detailed, high value-added apparel and full-service design capabilities. Apparel producers in India specialize in value-added products that require higher skill levels, such as items requiring hand embroidery or embellishments.
- Additionally, India's production of nearly every apparel input, from fiber to accessories, has allowed for vertical integration that appeals to buyers looking to mitigate risk in their supply chains and reduce costs. More than 90 percent of the raw material requirements for apparel are sourced domestically. In 2023, India was the second-largest global producer of cotton, polyester, silk, and viscose. The government is also providing incentives for companies to invest more in MMF production.
- India is reportedly a more costly sourcing destination for apparel compared to other regional suppliers. Its large number of MSMEs has hindered efforts to achieve economies of scale. The country's large domestic market makes exporting to the global market less attractive to firms because of the additional costs related to exporting. Additionally, some U.S. brands and retailers have concerns about long transit times to destination for final goods.
- India's reputation for social and environmental responsibility varies, sometimes widely, by region and factory size. Some industry representatives indicate that India's reputation for such compliance and sustainability is improving, which has aided its competitiveness as a supplier in recent years.

Indonesia

Indonesia Exports the Majority of Its Apparel Production to the United States

- Indonesia is a large producer of a wide variety of clothing, including knit and woven garments in both manmade and natural fibers. Indonesia’s apparel industry can produce complex, relatively high-value garments. Although about 30 percent of production is dedicated to its domestic market, Indonesia is a major actor in the global apparel market.
- The United States imported \$4.2 billion worth of apparel from Indonesia in 2023, down from \$4.6 billion in 2018 and \$5.0 billion in 2013. In 2023, Indonesia was the fifth-largest source of apparel imports to the United States, contributing 5.3 percent of U.S. apparel imports. Indonesia was also the 13th-largest global apparel supplier, exporting \$8.6 billion in 2023. The United States is Indonesia’s top export destination, receiving 48.6 percent of Indonesia’s apparel exports in 2023, followed by the EU (12.2 percent) and Japan (9.2 percent). That year, knit cotton tops, cotton trousers, and MMF bras were top product categories of U.S. imports from Indonesia.

A Relatively High-Cost Supplier, Indonesia Produces High-Value, Complex Apparel

- Indonesia’s apparel industry has a competitive advantage in its capacity to produce high-value products. Industry representatives describe Indonesian apparel producers as having a “high-quality needle” to produce business attire and technical wear, including high-end outdoor apparel and athletic wear.
- Industry representatives note Indonesia’s reputation for social responsibility is a competitive strength relative to other top regional suppliers. This reputation is based on national regulations for workplace standards, wages, labor representation, and environmental protection, as well as compliance with International Labour Organization (ILO) labor standards and the industry’s strong, independent labor unions.
- However, comparatively higher wages make Indonesia a higher-cost supplier compared to several regional producers. Moreover, Indonesia’s dependence on imported inputs to produce garments for export is a disadvantage. Indonesia does have a domestic textile industry, but little of its production is used by apparel exporters. The largest source of inputs is China, whose share of imported yarns, fibers, and fabrics has increased since 2013.

Pakistan

Pakistan’s Domestic Cotton Production Supports the Apparel Industry

- Pakistan’s domestic cotton supply and well-established production of cotton yarns and fabrics form the foundation of its apparel industry. Its export-oriented apparel industry is highly concentrated in a small number of large, vertically integrated manufacturers, reportedly producing about 80 percent of its apparel exports.
- Evolving into a major supplier over the last decade, Pakistan’s global apparel exports have nearly doubled, from \$4.0 billion in 2013 to \$7.5 billion in 2023. In 2023, Pakistan was the 15th-largest global supplier of apparel and the 10th-largest supplier of apparel to the United States. The

United States imported \$2.1 billion in apparel products from Pakistan in 2023, which supplied 2.6 percent of total U.S. apparel imports for that year. The United States is Pakistan's top single-country apparel export destination, receiving 32.0 percent of its exports in 2023. Other important markets include the EU, accounting for 43.5 percent of Pakistan's apparel exports in 2023, and the United Kingdom (11.7 percent). Pakistan exports similar garments, namely men's and boys' bottoms, to both the United States and the EU.

Pakistan's Vertical Integration in Cotton is a Competitive Strength

- Pakistan derives its competitive advantage from a vertically integrated supply chain, which allows for traceability of its cotton inputs and shortens lead times. Pakistan grows short and medium staple cotton used in making denim, which has contributed to its expertise in denim jeans production. Despite export-oriented and sector-specific government policies that reduce input costs, various costs remain a challenge for Pakistan's domestic textile and apparel sector.
- Many industry representatives noted the high quality of Pakistan's apparel exports, particularly denim. The high caliber of its products and Pakistan's reputation for flexibility and agility within the apparel supply chain have reportedly increased Pakistan's competitiveness, particularly since 2020.

Buyers Cite Geopolitical Risk as a Deterrent to Sourcing from Pakistan

- Industry representatives reported concerns about geopolitical risk as a key reason that Pakistan is not a larger source of apparel for the U.S. market. The most significant factors cited as negatively affecting the country's competitiveness are concerns about safety in the region and buyer perceptions that travel to the country is difficult and unsafe. Still, some firms that source from and travel to Pakistan report good service and indicated that they have not faced security challenges.

Chapter 1

Introduction

In a letter dated December 19, 2023, the U.S. Trade Representative (Trade Representative) asked the U.S. International Trade Commission (USITC or Commission) to conduct a factfinding investigation and prepare a report under section 332(g) of the Tariff Act of 1930 (19 U.S.C. § 1332(g)) that examines selected factors underlying the export competitiveness of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan (see appendix A). In her letter, the Trade Representative noted that the COVID-19 pandemic led to global economic disruptions that significantly altered the pattern of production, trade, and consumption of textile and apparel products. The letter stated that it would be helpful for the Biden administration to better understand these changes, along with the commercial environment and competitiveness of the five selected foreign apparel suppliers to the United States. More specifically, the Trade Representative asked that the Commission include the following in its report, to the extent that data and information are available:

- A comparison of the relative U.S. market share of each of the above-listed suppliers currently (up to and including calendar year 2023, if available) and five (2018) and ten (2013) years ago; and an analysis of changing patterns in market share and trade including against other top suppliers, noting any significant shifts;
- Country-specific profiles of the apparel industries in the above-listed countries, including an assessment of the export competitiveness of each country in the U.S. market, using available statistical and qualitative information and taking into account major factors of competitiveness, including trade, industry structure, price and costs, product differentiation, and reliability;
 - The profiles should include information on investment, vertical integration, duty-free access to the U.S. market, wages and labor productivity, and sourcing of inputs;
- A review of general literature on the key determinants driving export competitiveness in the global apparel industry, to the extent that it is relevant to conditions in the selected countries; and
- To the degree that additional data relevant to competitiveness are identified by the review of the literature and are available, these should be released as a data appendix accompanying the report.¹

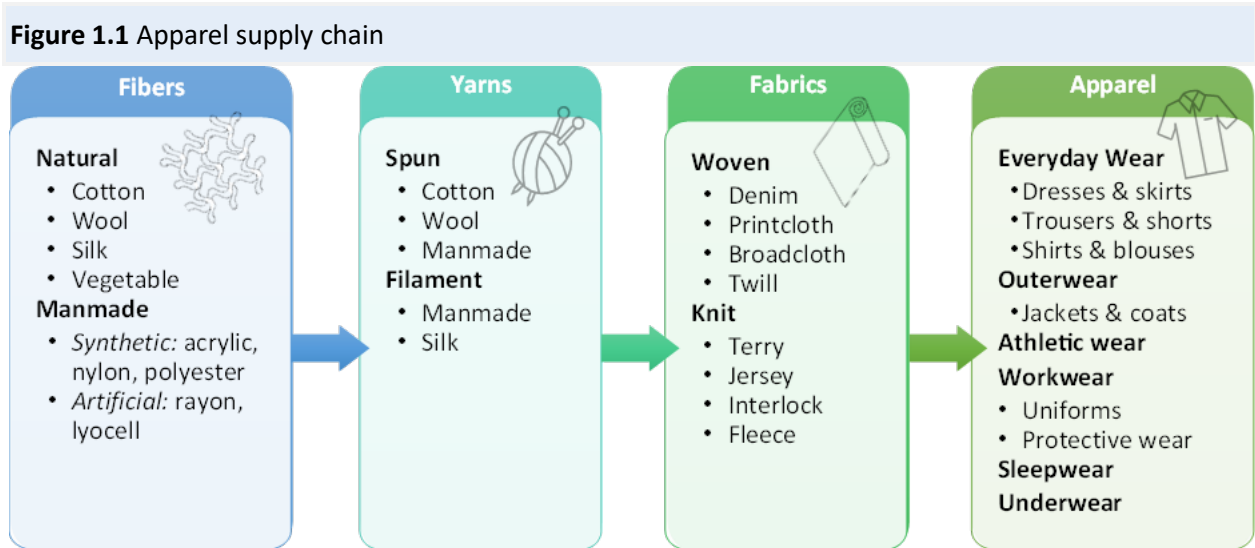
Scope and Approach

Product Coverage

The apparel industry uses inputs from the textiles sector to produce a wide variety of garments that fall within the product descriptions of the *Harmonized Commodity Description and Coding System*

¹ The literature review did not identify additional data relevant to competitiveness in the apparel industry.

(*Harmonized System* or HS) Chapters 61 and 62 (figure 1.1).² The apparel supply chain starts with the production of fibers, which can be from natural raw materials (i.e., cotton, wool or other animal hair, silk, or vegetable fibers, such as flax or hemp) or manmade (i.e., produced through chemical processes). Manmade fibers include synthetic fibers (e.g., polyester), which are typically petrochemical-based, and artificial fibers (e.g., rayon), which are typically cellulose-based.³ Fibers are the inputs into yarn production. Yarn, in turn, is used to make knit or woven fabrics. Fibers, yarns, and fabrics are collectively referred to as “textiles.”⁴



Source: Compiled by USITC staff.

Note: The above figure is illustrative and does not list all types of fibers, yarns, fabrics, and apparel.

Both yarns and fabrics are inputs into apparel manufacturing, the final and most labor-intensive segment of the supply chain. Knit or woven fabric is cut and sewn into apparel. Yarns may also be used to form knit-to-shape garments such as sweaters. Although the term “apparel” is commonly used in the United States, the terms “garments” or “ready-made garments” (RMGs) frequently are used in supplier countries; therefore, the three terms will be used interchangeably to refer to the products covered by this report.⁵

² The World Customs Organization (WCO) maintains the *Harmonized System* (HS) as a tool to facilitate uniform classification of internationally traded goods. The HS is organized by sections that are divided into chapters of broad product categories. Within each chapter, products are classified under four-digit headings and six-digit subheadings, with increasing product specificity at the subheading level. WCO, *Harmonized System (HS) Nomenclature, 2022 Edition*, Section XI, “Textiles and Textile Articles”; WCO, “What Is the Harmonized System (HS)?,” accessed July 3, 2024.

³ USITC, *HTS 2024 Revision 2*, May 31, 2024, section XI, chapter 54, XI-54-1, note 1(a) and (b).

⁴ For the purposes of this report, the term “textiles” will refer to manufacturing inputs used in apparel production only (i.e., not “made up” textiles such as sheets, towels, or other home goods).

⁵ The five countries included in this investigation primarily produce RMGs, or “off-the-rack” apparel, as opposed to custom-tailored clothing.

Apparel Industry

Apparel manufacturing is an important industry in many developing countries and is often a first step toward export-oriented industrialization. The industry provides significant low-wage employment and is therefore attractive to economies with a large labor force. Many apparel industry jobs do not have specific certification or training requirements, allowing access for women and others without formal education and training who might otherwise have limited employment opportunities.⁶ Most apparel produced for the U.S. market is manufactured on sewing machines in factory assembly lines that do not involve significant capital investment.⁷ Production of textiles, by comparison, is more capital and energy intensive and may require certain skills for employment.⁸

In general, the apparel industry is a buyer-driven sector, wherein buyers have greater bargaining power than suppliers, that operates on narrow margins.⁹ The breakdown of the cost of apparel, including inputs, labor, transportation, and business operations, varies widely depending on the garment's complexity (often dictated by style), fabric, and finishing processes.¹⁰ For most top apparel-supplying countries, approximately 40–60 percent of the cost of a specific garment is accounted for by the fabric, with the cost of labor accounting for about 20–30 percent and the remainder representing all other costs (e.g., overhead, manufacturer profit).¹¹ Electricity is estimated to account for a 1–5 percent share of the overall cost of apparel.¹² When looking purely at the costs associated with manufacturing a garment (e.g., eliminating the cost of materials), labor is the largest component, estimated to be about 50 percent of total production costs.¹³

Apparel manufacturers may add value through expanded services or through the production of more complex garments.¹⁴ The most basic levels of apparel production include assembly of imported cut-to-

⁶ Frederick et al., *From Jobs to Careers*, 2022, 86–87; Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 19–21.

⁷ Nayak and Padhye, *Garment Manufacturing Technology*, 2015, 3–4, 11; USITC, hearing transcript, March 11, 2024, 298 (testimony of Robert Antoshak, Gherzi). Some exported apparel is produced in home-based operations, often as subcontracted work. The importance of homework, which occurs outside of a factory, varies by country and will be discussed where relevant in the country-specific profiles. ILO, *Working from Home*, 2021, 17–19.

⁸ USITC, hearing transcript, March 11, 2024, 298 (testimony of Robert Antoshak, Gherzi); Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 53, 162; Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 44.

⁹ Cattaneo, Gereffi, and Staritz, “The Global Apparel Value Chain,” 2010, 172–73; Lee, *Creating Decent Work and Sustainable Enterprises*, 2018, 10–11.

¹⁰ Islam Rajib et al., “Complete Garment Costing with Major Cost Breakdown,” 2023, 115–25.

¹¹ Lee, *Creating Decent Work and Sustainable Enterprises*, 2018, 10; GLI, written submission to the USITC, March 25, 2024, 3; USITC, hearing transcript, March 11, 2024, 59–60 (testimony of Faruque Hassan, BGMEA); industry representative, email message to USITC staff, February 29, 2024; industry representative, interview by USITC staff, February 13, 2024; industry representative, interview by USITC staff, February 29, 2024.

¹² Industry representative, interview by USITC staff, February 29, 2024; International Trade Centre, *The Garment Costing Guide*, August 2022, 25.

¹³ USITC, hearing transcript, March 11, 2024, 279 (testimony of Ken Loo, TAFTAC). See chapter 4 for a more detailed discussion of production costs.

¹⁴ Product complexity is difficult to quantify but is generally considered a function of the number of the components that make up a garment. For example, outerwear is considered complex because it often has multiple layers, ribbed cuffs, zippers, and other features that add challenging steps to the assembly process. Islam Rajib et al., “Complete Garment Costing with Major Cost Breakdown,” 2023, 124–25; Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 50.

shape or knit-to-shape components. “Cut and sew” or “cut, make, trim” production, wherein fabric is procured and then cut and assembled into garments by the apparel factory, is the next step beyond basic assembly. In these models of production, the inputs are “nominated” (selected) and often purchased by buyers and sent to manufacturers. “Full-package” suppliers provide additional value by performing complex activities, including design services, pattern making, selection of fabrics and other inputs, finishing, and packaging and logistics.¹⁵ Manufacturers may also increase value addition by developing production capabilities beyond basic items, such as simple T-shirts or pullovers, to include more complex garments, such as outerwear, brassieres, or lined dresses with pockets.¹⁶

Global Apparel Industry Trade

Globally, the United States plays a major role in the market for apparel. The United States is the largest single-country apparel importer and accounted for about 19 percent of global imports in 2023.¹⁷ During 2013–23, the period covered in this report, U.S. imports were sourced primarily from Asia, led by China and Vietnam. Notably, China’s U.S. market share has decreased in recent years while shares of U.S. apparel imports from other Asian countries, particularly Bangladesh, have increased.¹⁸ Many of the world’s other leading importing countries are in the European Union, which accounted for about 47 percent of global apparel imports in 2023, primarily from China and Bangladesh.¹⁹

Global apparel production for export is concentrated largely in Asia. China is the largest global apparel exporter, accounting for about one-third of global apparel exports during 2013–23.²⁰ Bangladesh, the second-largest global exporter of apparel throughout the period, supplied about 8 percent of total global apparel exports in 2023. While the world’s largest apparel suppliers are located in Asia, on average more than 137 countries reported apparel exports each year between 2019 and 2023.²¹

Information Sources

The Commission prepared its report using data and information from a wide variety of primary and secondary sources. The report does not draw direct comparisons between the profiled countries, but rather provides a description of the industries in each of the five countries and the factors affecting their competitiveness in the U.S. market. The report draws largely from testimony presented at the Commission’s public hearing, written submissions to the Commission during the investigation, fieldwork by Commission staff, and information from governmental and other public sources. The Commission’s public hearing for the investigation was held on March 11, 2024, and 16 witnesses from the United

¹⁵ USITC, *Textiles and Apparel*, January 2004, 3–9; Cattaneo, Gereffi, and Staritz, “The Global Apparel Value Chain,” 2010, 174; USITC, hearing transcript, March 11, 2024, 332 (testimony of Ken Loo, TAFTAC).

¹⁶ Fernandez-Stark, Frederick, and Gereffi, “Workforce Development in the Apparel Global Value Chain,” 2011, 15; Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 50–52; Islam Rajib et al., “Complete Garment Costing with Major Cost Breakdown,” 2023, 124–25.

¹⁷ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

¹⁸ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹⁹ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

²⁰ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

²¹ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

States, Bangladesh, Cambodia, India, Indonesia, and Pakistan testified in person or virtually.²² The witnesses represented a variety of organizations and entities, including foreign governments, civil society organizations, U.S. and foreign apparel industry trade associations, and academia. In addition, interested persons were given the opportunity to submit written submissions for the record. The Commission received more than 18 written submissions, including three prehearing briefs. The Commission used the information received during the hearing and in submissions, as appropriate, throughout this report.

The Commission used trade statistics, including the USITC DataWeb, Global Trade Analytics Suite (GTAS), World Trade Organization (WTO), and the U.S. Department of Commerce’s Office of Textiles and Apparel (OTEXA) data, as well as data gathered from a variety of public and proprietary data sources. Qualitative and quantitative information was also gathered from U.S. government publications, news articles, academic articles, and market and industry reports. As requested in the letter from the Trade Representative, the Commission produced a review of the literature on the key determinants driving export competitiveness in the global apparel industry as relevant to conditions in the profiled countries.

Finally, Commission staff conducted more than 140 interviews in the United States and around the world through in-person and virtual meetings and international fieldwork to gain insight and a greater understanding of the export competitiveness of the apparel industries in the profiled countries. Fieldwork included travel to Bangladesh, Cambodia, India, and Indonesia, where Commission staff interviewed representatives of firms, organizations, and government agencies, including persons at apparel industry trade associations, foreign apparel trade promotion councils, nongovernmental organizations, and labor unions.

Data Availability and Limitations

This report principally includes U.S. trade data from the USITC DataWeb using *Harmonized Tariff Schedule of the United States* (HTS) statistical reporting numbers.²³ The use of HTS statistical reporting numbers for apparel may have certain limitations; in some cases, they may be more specific than needed, requiring aggregation of similar products for meaningful analysis. Aggregation using the structure of the HTS is challenging; similar products may be found across HTS subheadings, and certain HTS subheadings may include more than one garment type. Therefore, the report also uses the U.S. Textile and Apparel Correlation, which concords the Textile Category System to the HTS, to compile

²² The *Federal Register* notice is available in appendix B. The USITC Calendar of Public Hearing is available in appendix C, including a complete list of public hearing witnesses. A list of statements submitted to the Commission in response to the *Federal Register* notice about the investigation, as well as 500-word summaries, is available in appendix D.

²³ The HTS classifies products for import into the United States. The HTS is based on the HS at the 2-, 4-, and 6-digit levels. The HS is maintained by the WCO, while the HTS is maintained by the USITC. The HTS also includes 8-digit subheadings that specify U.S. tariff rates and 10-digit provisions for statistical reporting purposes. USITC, *HTS 2024 Basic Edition*, Preface, January 1, 2024, 1–3; USITC, *HTS 2024 Revision 2*, General Statistical Notes, Note 3, May 31, 2024, GN p.876.

imports for consumption from the USITC DataWeb.²⁴ The Textile Category System, which groups textile and apparel products by shared characteristic or raw material, was developed to monitor quotas under the Multifibre Arrangement (MFA) (see box 1.1). The categories generally specify the garment type, the persons for whom the garment is intended (i.e., men, women, boys, girls, babies) and may include the fiber and fabric construction of the apparel, providing sufficient details to differentiate products yet allowing like products to be combined across HTS subheadings.²⁵

In addition to U.S. trade data, the report presents global trade data from S&P Global's GTAS, which have certain limitations applicable to this report. In certain instances where a country's official trade data are not reported or are not consistently reported over a time period, staff have used "mirror data" to capture a country's trade.²⁶ Moreover, this report uses GTAS data at the international HS 6-digit level, offering less disaggregation than U.S. import data, which are available at the more specific HTS 10-digit level. Therefore, any discussion of the types of garments making up a particular country's global apparel exports may be more generalized than the discussion of U.S. imports from that same country.

Apparel industry data on vertical integration, or the extent to which a country produces inputs domestically, are limited. This report uses international textile machinery shipments data, where applicable, and trade data on fabrics, yarns, fibers, and raw materials to address the Trade Representative's request for this information for the apparel industry in the five profiled countries. The Commission identified headings in HS Chapters 50–56 and 58–60 covering inputs used in the production of yarns, fabrics, and apparel (i.e., raw materials, fibers, yarns, and fabrics) and used trade data in those headings to better understand a country's progress toward upstream activities in the apparel supply chain, such as spinning and weaving. For example, a country with significant imports of raw materials and fibers likely has a more developed textile industry compared to a country with a higher share of fabric imports, which implies limited domestic textile capability. Exports of yarns and fabrics are also indicative of possible domestic upstream production, with the caveat that such products can be intended for non-apparel sectors including home textiles, footwear, and travel goods, or in apparel for domestic or regional markets.

²⁴ For example, category 639, women's and girls' MMF fiber knit shirts/blouses, includes products classified in HTS subheadings 6104.23.00, 6104.29.10, 6104.29.20, 6106.20.20, 6106.90.25, 6106.90.30, 6109.90.10, 6110.30.10, 6110.30.20, 6110.30.30, 6110.90.90, 6112.12.00, 6112.19.10, 6114.30.10, or 6117.90.90, depending on certain characteristics. Analysis at the level of HTS statistical reporting numbers, and even HTS subheadings, could obscure trade trends captured by looking at the broader basket of similar products. OTEXA maintains the U.S. Textile and Apparel Correlation by adding new HTS statistical reporting numbers to and removing discontinued codes from the appropriate category. USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024; USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024.

²⁵ For example, category 347 is "men's and boys' cotton trousers/breeches/shorts." USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024; category 347, USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024.

²⁶ A country's imports and exports are approximately reflected by its trading partners' exports to and imports from that country, respectively. These are referred to as "mirror data." Instances of mirror data use are indicated in notes. Additionally, at the time this report was written, the GTAS database was incomplete for 2023 (full year), with several countries not reporting or reporting preliminary data for 2023 that are likely to be revised. S&P Global, "Data Availability," accessed June 11, 2024.

Box 1.1 Global Textile and Apparel Quotas and the Textile Category System

From 1974 to 1994, the Multifibre Arrangement (MFA) governed most world trade in textiles and apparel. The MFA was a framework negotiated under the General Agreement on Tariffs and Trade that allowed developed countries to establish quotas on imports of textiles and apparel from developing countries through bilateral agreements or unilateral action.^a The MFA was intended to address market disruption in importing countries, while allowing exporting countries to expand their world textile and apparel trade.^b The World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC), which replaced the MFA when the WTO was established in 1995, was the transition mechanism for integrating textiles and apparel into WTO trade rules. Under the ATC, all MFA import quotas were phased out in four stages between January 1, 1995, and December 31, 2004.^c

The Textile Category System was used to monitor U.S. imports under the quota system. The categories group textile and apparel products by raw material (indicated by the first digit of the 3-digit category number, as described below) as well as by certain shared characteristics, such as garment type and/or gender.

200 series are of cotton and/or manmade fiber

300 series are of cotton

400 series are of wool

600 series are of manmade fiber

700 series are of silk

800 series are of silk blends or non-cotton vegetable fiber

The U.S. Textile and Apparel Correlation, which is maintained by the Office of Textiles and Apparel at the U.S. Department of Commerce, provides the HTS statistical reporting numbers that correspond to each 3-digit category in the Textile Category System. Each category also has a specified conversion factor, which allows for conversion of the category unit of measure (e.g., kilograms, units, dozens) to a square meter equivalent (SME), making the various units addable for stating overall trade. For example, for men's and boys' and women's and girls' suits of all fiber types (categories 443, 444, 643, 644, 843, and 844), the conversion factor is 3.76 SMEs per suit. For cotton underwear (category 352) and babies' garments (category 239), which have different units of measure, the conversion factors are 9.20 SMEs per dozen and 6.30 SMEs per kilogram, respectively.^d

^a WTO, "Textiles: Back in the Mainstream," accessed February 15, 2024; USITC, Textiles and Apparel, January 2004, 1-8.

^b USITC, Textiles and Apparel, January 2004, 1-8.

^c WTO, "Textiles: Back in the Mainstream," accessed February 15, 2024; USITC, Textiles and Apparel, January 2004, 1-8. Following the elimination of quotas, the United States and China signed a subsequent memorandum of understanding that reestablished restraint levels for certain textile and apparel products from China exported to the United States during a three-year period beginning on January 1, 2006, and ending December 31, 2008.

^d For the full list of categories, corresponding HTS statistical reporting numbers, and conversion factors, see USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024.

Other data limitations include the inability to infer complexity of the apparel product from trade statistics. For example, trade data can show a country's exports in HS subheadings broadly associated with complex garments (such as outerwear), but complexity that results from detailing, such as embellishments or lining and pockets on a dress, usually does not change a garment's classification. Therefore, trade data may not reveal a country's advancement into higher value-added garments. Furthermore, the primary units of quantity vary across apparel categories, so quantity data are aggregated by converting units into their equivalent in square meters or square meters equivalent (SMEs). The report uses SME data to allow for comparison of product quantities, although the

conversion factors are imprecise and may limit the reliability of aggregate quantity data and any unit value comparison beyond illustrating general trends.

Finally, comparable apparel-specific production, employment, productivity, and investment data are limited among the five profiled countries. For example, variations in reporting practices, particularly for employment data (e.g., combining apparel and footwear workers or including the informal sector), complicate comparisons of productivity measures across countries.²⁷ As a result, the apparel industry often uses imperfect proxies for key industry statistics, a number of which are used in this report, as the best information available. For example, minimum wage data are often used in the apparel industry in lieu of average wage data because the availability of information is limited, but the former generally does not reflect the wages of experienced workers and other worker benefits.²⁸ Finally, investment data, especially foreign direct investment data, specific to the apparel sector are not widely available for the five countries profiled in this report. To the extent practicable, qualitative information, including project-level information on greenfield (new) investments and mergers and acquisitions, is used to overcome data limitations and provide information on foreign direct investment in the report.

Report Organization

The remainder of the report is organized as follows. Chapter 2 presents information on trade and U.S. market share with respect to the five profiled countries—Bangladesh, Cambodia, India, Indonesia, and Pakistan—during 2013–23, including an analysis of changing patterns. Chapter 3 provides a review of literature on key determinants driving export competitiveness in the global apparel industry, to the extent the discussions are relevant to the profiled countries. Chapter 4 explains the factors behind sourcing decisions that are used to evaluate the export competitiveness of the profiled countries. Chapters 5 through 9 profile the apparel sectors in the five countries and assess the export competitiveness of each country in the U.S. market. Appendix A contains the request letter from the Trade Representative. Appendix B reproduces the notices related to this investigation that the Commission published in the *Federal Register*. Appendix C includes a list of the witnesses who appeared at the public hearing. Appendix D presents a list of statements submitted to the Commission in response to the *Federal Register* notice about the investigation. Appendix E provides the underlying data used in the report. Appendix F presents the tariff lines included in product groupings that are not available from a public source.

²⁷ See caveats as described in GLI, written submission to the USITC, March 25, 2024, 2–3; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 21–22.

²⁸ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 24.

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Chapter 2

Changing Patterns of U.S. Apparel Imports, 2013–23

In her letter to the Commission, the U.S. Trade Representative requested that the report contain a comparison of the relative market shares of U.S. apparel imports supplied by Bangladesh, Cambodia, India, Indonesia, and Pakistan in 2013, 2018, and 2023. She also requested an analysis of changing patterns in market share and trade with these countries, including against other top suppliers, such as China and Vietnam, noting any significant shifts. This chapter provides the information that responds to these requests. It begins with a brief description of current U.S. apparel imports based on data for 2023. The chapter then covers trends in U.S. apparel imports for the 11-year period between 2013 and 2023. This discussion is divided into two parts. The first examines the trend in total U.S. apparel imports aggregated across all supplying countries, distinguishing between the periods before and after the outbreak of COVID-19 in late 2019. The second presents a detailed discussion of the individual market shares of major supplier countries, focusing on the five profiled countries.

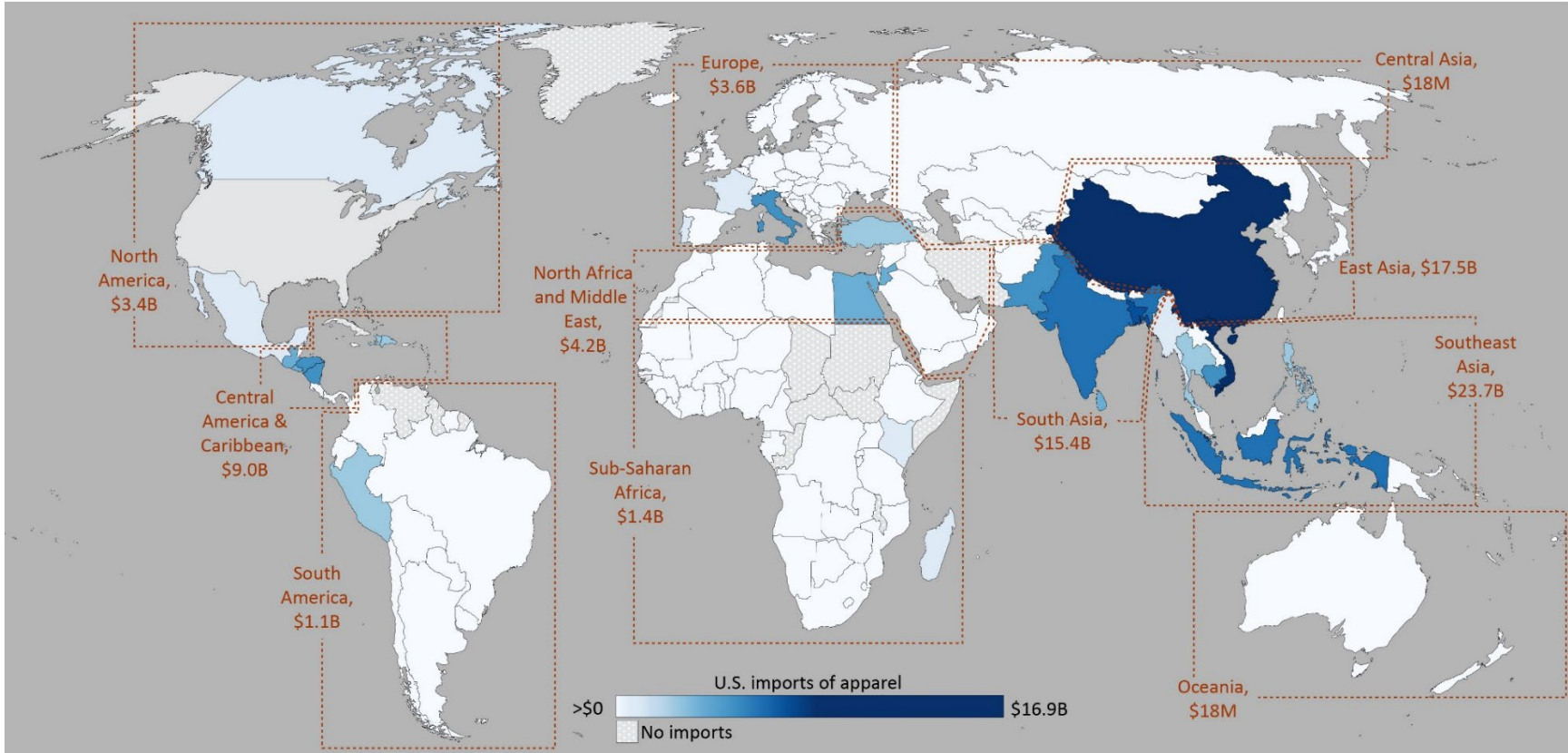
U.S. Apparel Imports in 2023

Between 2013 and 2023, the United States was the world’s leading apparel-importing country, and in 2023, it accounted for about one-fifth of global apparel imports.²⁹ In that year, U.S. imports of apparel were valued at \$79.3 billion and were highly concentrated in terms of supplier region (figure 2.1). About 70 percent of U.S. apparel imports were supplied by Asian countries, mostly from the report’s five profiled countries plus China and Vietnam. Other important supplying regions include countries in Central America and the Caribbean that accounted for about 15 percent of U.S. apparel imports. About 5 percent of imports were sourced from countries in North Africa and the Middle East, with a similar percentage supplied by European countries and North America. All other regions, including sub-Saharan Africa, accounted for less than 2 percent of imports.

²⁹ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

Figure 2.1 U.S. imports of apparel by major supplying region, 2023

In billions of U.S. dollars. Underlying data for this figure can be found in appendix E, [table E.3](#).



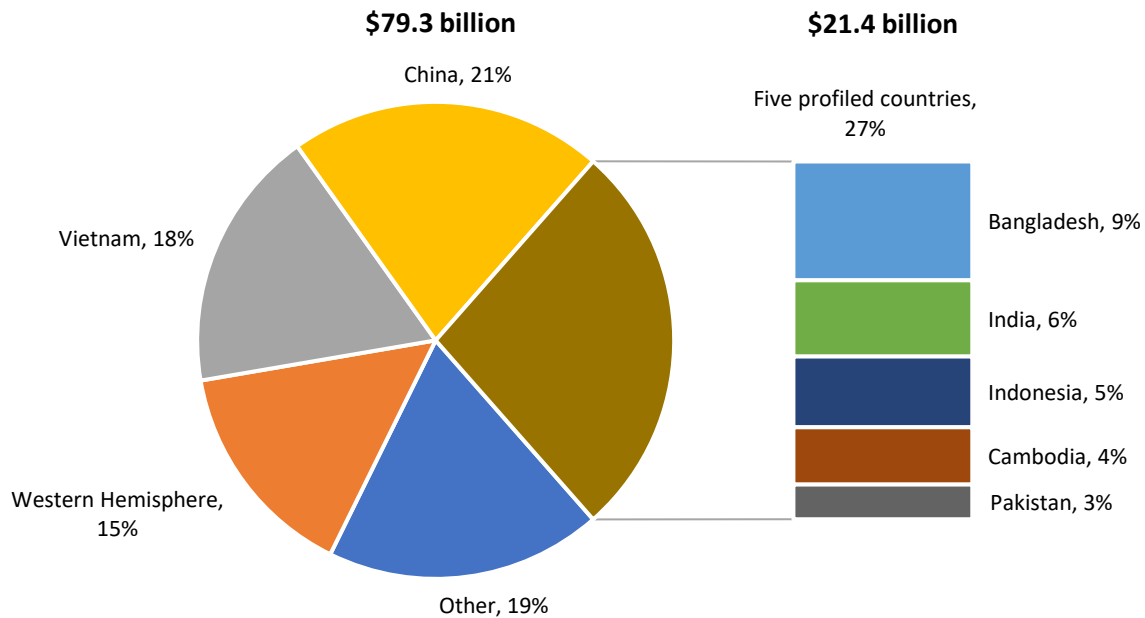
Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: North America includes Canada and Mexico only.

In 2023, the United States imported \$21.4 billion worth of apparel from the five profiled countries, which together accounted for 27.2 percent of total U.S. apparel imports (figure 2.2).³⁰ Of these countries, Bangladesh was the largest supplier, by value, of apparel to the United States, with a 9 percent share of U.S. apparel imports (\$7.1 billion), followed by India (\$4.6 billion), Indonesia (\$4.2 billion), and Cambodia (\$3.4 billion), with shares ranging between 4 percent and 6 percent. Pakistan was the smallest of the five profiled suppliers, with a share of 3 percent (\$2.1 billion) in 2023. Globally, by far, the major sources of U.S. apparel imports in 2023 were China and Vietnam, which together supplied slightly less than 40 percent of all imports. Although its share of total imports has fallen every year since 2013, China remains the largest apparel supplier to the United States. In 2023, China supplied \$16.9 billion worth of U.S. apparel imports and accounted for about 21 percent of U.S. apparel imports. Vietnam, which has been the second-largest supplier each year since 2013, accounted for \$14.1 billion in 2023, or 18 percent of total U.S. apparel imports.

Figure 2.2 Major sources of U.S. apparel imports, by country or region, 2023

In billions of dollars and percentages. Underlying data for this figure can be found in appendix E, [table E.1](#).



Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: Included Western Hemisphere countries are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama.

The types of apparel products imported into the United States are concentrated in a few major product groups, based on the 3-digit product categories established under the Textile Category System and their corresponding *Harmonized Tariff Schedule of the United States* (HTS) statistical reporting numbers (figure 2.3).³¹ Knit cotton tops, including men’s and boys’ knit cotton shirts and women’s and girls’ knit cotton

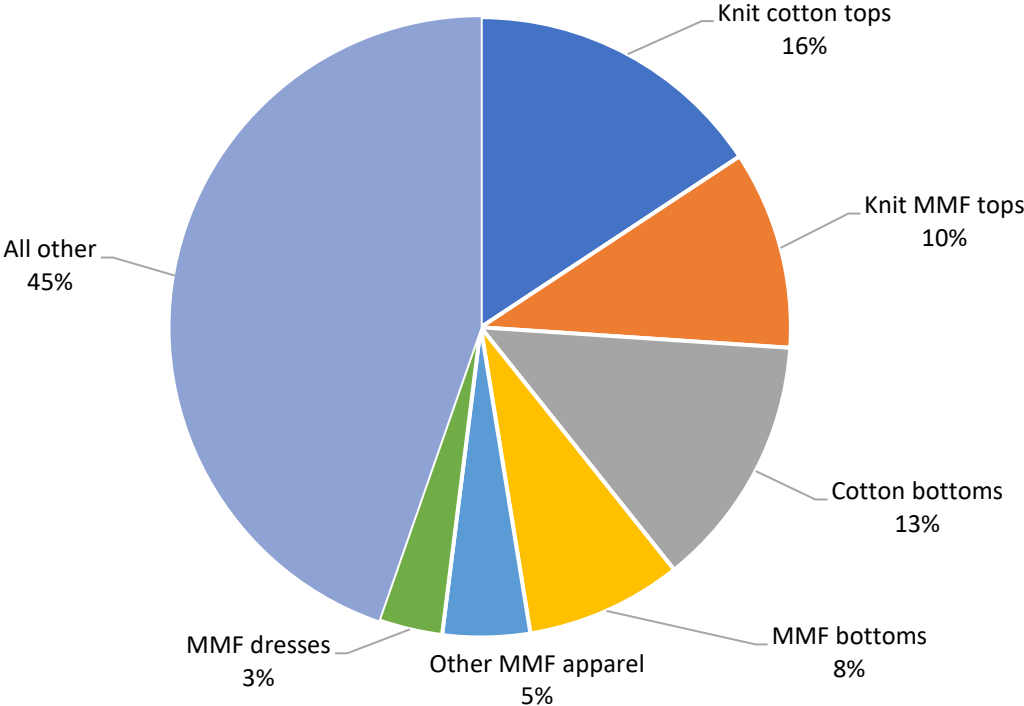
³⁰ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

³¹ In all, 107 apparel product categories concord with HTS chapters 61 and 62. See chapter 1, “Data Availability and Limitations.” Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

shirts and blouses, accounted for 16 percent of apparel imports in 2023, followed by knit and woven tops of manmade fiber (10 percent). Cotton and manmade fiber (MMF) bottoms (e.g., trousers, breeches, shorts, and slacks) jointly made up 21 percent of imports; MMF dresses accounted for 3 percent.

Figure 2.3 U.S. apparel imports by major product category, 2023

In percentages. MMF = manmade fiber. Underlying data for this figure can be found in appendix E, [table E.4](#).



Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: Other MMF apparel includes items such as overalls, vests, swimwear, scarfs, and certain headwear. The “all other” segment comprises 97 separate 3-digit apparel product categories, most individually accounting for less than 1 percent of the total.

Trends in U.S. Apparel Imports and Market Shares of Major Suppliers, 2013–23

Overview

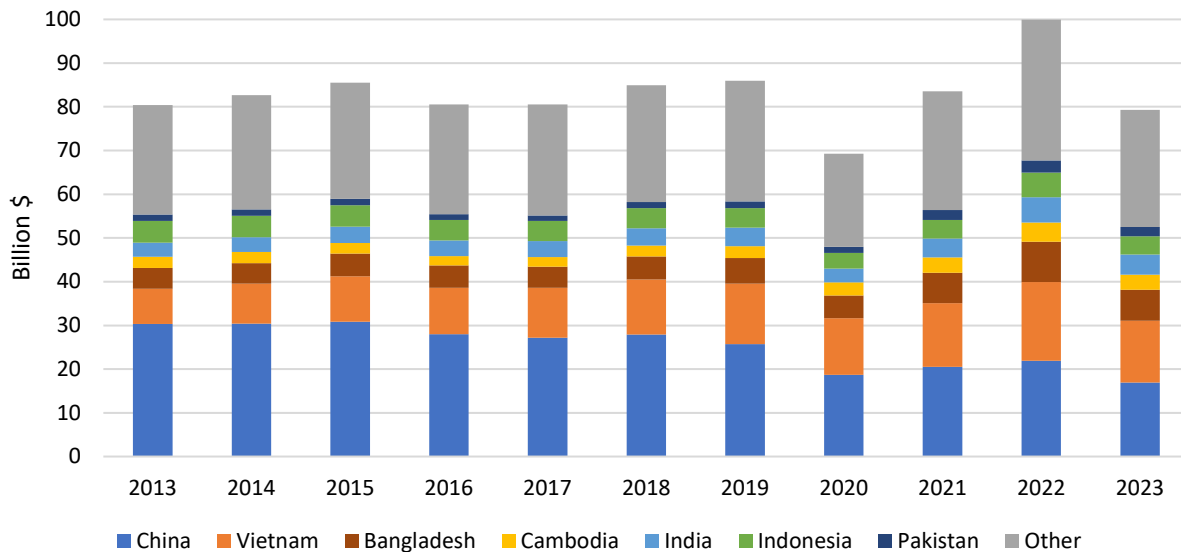
During 2013–23, U.S. apparel imports averaged \$83 billion annually, with values close to \$80 billion in 2013 and 2023 (figure 2.4). Within this 11-year time frame, however, import data reflect two distinct periods—2013–19 and 2020–23—broadly representing before and after the COVID-19 outbreak in late 2019. The period between 2013 and 2019 was one of relative market stability in the U.S. and global apparel sectors. In the United States, apparel imports grew from \$80.4 billion to \$86.0 billion over this period, about 1 percent annually on average. In contrast, U.S. apparel imports between 2020 and 2023

fluctuated. Imports fell by nearly 20 percent between 2019 and 2020, from \$86.0 billion to \$69.2 billion, the lowest level since 2011, before increasing to \$99.9 billion in 2022, the highest level ever recorded. Imports then dropped sharply in 2023 to \$79.3 billion. This fluctuation stemmed overwhelmingly from the COVID-19 pandemic, which highlighted the interconnected nature of global apparel sector manufacturing, the complexity of its supply chain networks, and the sensitivity of consumption to macroeconomic forces, such as income and employment.

The shares of major suppliers to the U.S. market changed significantly between 2013 and 2023 (figure 2.4). Jointly, the five profiled countries supplied 21.2 percent of total apparel imports in 2013, growing to 27.0 percent by 2023. Of the five countries, Bangladesh gained the most in market share over the entire 11-year period, rising from 6.0 percent to 9.0 percent. India’s market share rose by almost 2 percentage points, Cambodia’s and Pakistan’s each rose by about 1 percentage point, while Indonesia’s share fell by about 1 percentage point. China was the largest supplier, although its share of imports dropped by about 16 percentage points (37.7 percent to 21.3 percent), while Vietnam increased its share by about 8 percentage points (10.0 percent to 17.8 percent).

Figure 2.4 Value of U.S. imports of apparel by country, 2013–23

In billions of dollars. Underlying data for this figure can be found in appendix E, [table E.2](#).

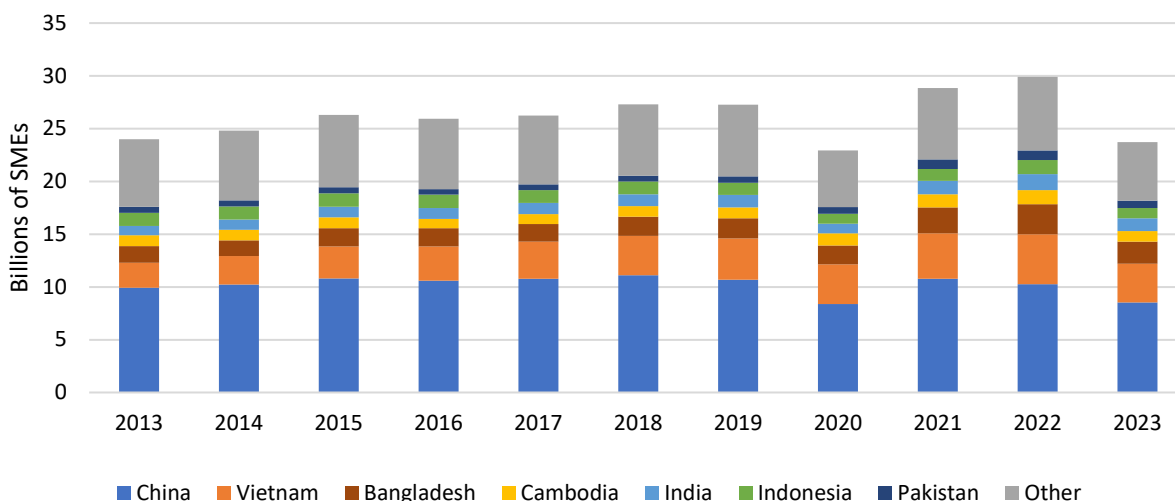


Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

U.S. apparel import trends measured by quantity (square meters equivalent or SMEs) show a broadly similar trend compared to trends measured by value (figure 2.5). Imports began and ended the period at similar quantities, with imports steadily increasing before the pandemic, followed by a period of sharp annual fluctuations. The market shares by quantity of the five profiled countries rose from 22.1 percent of total imports in 2013 to 25.2 percent in 2023, with small increases in the shares of Bangladesh, India, and Pakistan and small decreases in the shares of Cambodia and Indonesia. China’s share of U.S. apparel imports dropped by around 5 percentage points, and Vietnam’s share rose by about 6 percentage points when measured by quantity.

Figure 2.5 Quantity of U.S. imports of apparel by country, 2013–23

In billions of square meters equivalent (SMEs). Underlying data for this figure can be found in appendix E, [table E.5](#).



Source: Compiled by USITC staff. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

The levels of U.S. apparel imports varied during 2013–23, with a notable shift from imports of cotton apparel to MMF garments. As shown in figure 2.6, the major product categories accounted for 53–58 percent of total U.S. apparel imports. Between 2013 and 2023, imports of cotton apparel dropped from 46 percent of U.S. imports to 40 percent, while the share of imports accounted for by MMF apparel increased from 29 percent to 36 percent. This trend is consistent with technological advances in MMF manufacturing, such as development of new types of rayon. This was also a period of rapid expansion of novel functional MMF garments, such as performance sportswear incorporating heat and moisture-wicking fabrics.

Although not evident from the aggregated data in figure 2.6, industry observers noted a shift in the range and types of apparel that consumers began to buy in response to the COVID-19 pandemic.³² Pandemic-related lockdowns and social distancing led to significant lifestyle changes inside and outside the workplace, and large segments of the U.S. workforce shifted to remote work.³³ According to one source, “the shift to work from home made consumers more pragmatic in fashion clothing consumption. Consumers pay more attention to ‘waist-up’ clothing. Also, consumers prefer comfort over styles.”³⁴ Sales of high-end apparel and fashion, on the other hand, were relatively unchanged during the pandemic as consumption patterns of very high-income consumers were relatively unaffected by the economic downturn.³⁵ The pandemic also led to an influx of imported apparel-based personal protective equipment, such as surgical gowns, unisex scrub shirts and pants, and protective gloves.³⁶

³² McKinsey & Company, “The State of Fashion 2021,” accessed February 29, 2024.

³³ For example, between July and September 2021, about 40 percent of private sector establishments had employees teleworking some or all of the time. BLS, “Percentage Distribution of Private-Sector Establishments,” April 19, 2023.

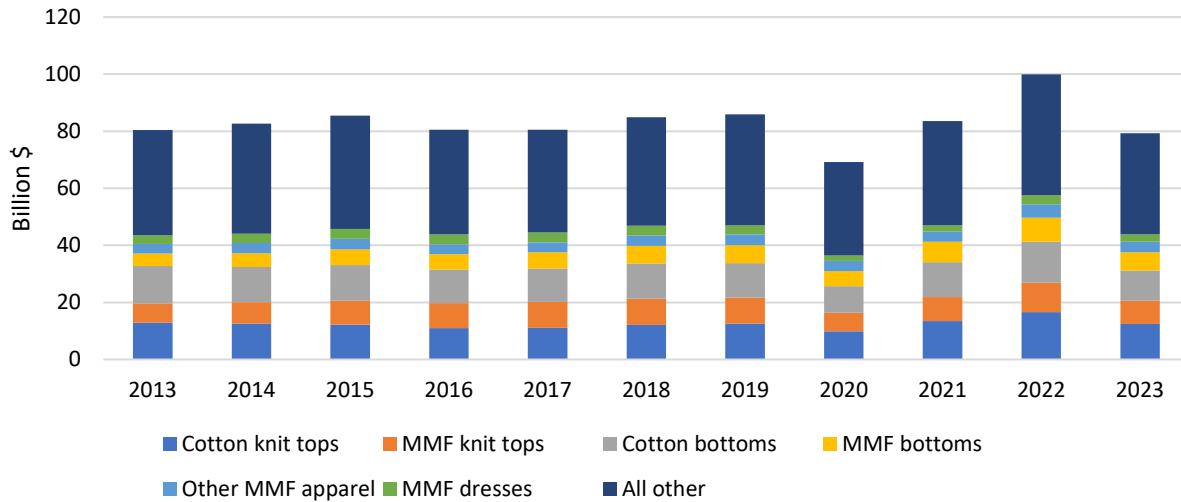
³⁴ Liu, Xia, and Lang, “Clothing Consumption During the COVID-19 Pandemic,” October 2021, 327.

³⁵ McKinsey & Company, “The State of Fashion 2021,” accessed February 29, 2024, 31–35.

³⁶ See USITC, *COVID-19 Related Goods*, December 2020, chapter 4, “Personal Protective Equipment (PPE).”

Figure 2.6 Value of U.S. imports of apparel by major product category, 2013–23

In billions of dollars. Underlying data for this figure can be found in appendix E, [table E.6](#).



Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Trends in Aggregate U.S. Apparel Imports, 2013–23

As noted above, the pattern of aggregate U.S. apparel imports between 2013 and 2023 was one of relative stability before the outbreak of COVID-19, followed by high levels of market volatility (tables 2.1 and 2.2). From 2013 to 2019, total apparel imports into the United States were fairly stable, averaging annual growth of just over 1 percent by value and 2 percent by quantity. This largely reflects a time of settled U.S. macroeconomic forces and stable apparel sector demand and supply conditions compared to the subsequent period. During 2013–19, per capita incomes rose and unemployment rates fell in the United States.³⁷ The Consumer Confidence Index was mostly on an upward trajectory, reflecting consumer optimism about the overall state of the economy and personal financial well-being.³⁸

³⁷ Between 2013 and 2019, the U.S. economy experienced moderate growth, marked by declining unemployment rates, steady per capita GDP expansion, and a gradual recovery from the 2008 financial crisis. GDP growth averaged about 2.0 to 3.0 percent annually during this period, fueled by such factors as increased consumer spending, more business investment, and a rebounding housing market. Job creation was robust, with unemployment falling from about 7.5 percent in 2013 to below 4.0 percent by 2018. World Bank, “World Bank Open Data,” accessed June 10, 2024.

³⁸ The monthly Consumer Confidence Index is based on surveys conducted with consumers regarding their current and future expectations for employment, business conditions, and income. OECD, “Consumer Confidence Index,” accessed June 18, 2024.

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Table 2.1 Value of U.S. apparel imports by major supplier, 2013–23

In millions of dollars.

Supplier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	30,324	30,382	30,816	27,985	27,151	27,935	25,687	18,728	20,526	21,922	16,922
Vietnam	8,030	9,186	10,407	10,609	11,423	12,563	13,840	12,955	14,554	18,033	14,146
Bangladesh	4,791	4,706	5,195	5,105	4,863	5,304	5,848	5,164	6,932	9,202	7,120
India	3,232	3,433	3,671	3,607	3,694	3,963	4,226	3,132	4,296	5,721	4,566
Indonesia	4,994	4,858	4,958	4,706	4,591	4,595	4,514	3,581	4,236	5,647	4,240
Cambodia	2,534	2,493	2,466	2,140	2,162	2,466	2,742	2,992	3,548	4,411	3,431
Mexico	3,815	3,853	3,684	3,513	3,673	3,482	3,251	2,413	2,972	3,278	2,941
Honduras	2,522	2,590	2,691	2,575	2,544	2,670	2,863	1,937	2,758	3,267	2,538
Italy	1,378	1,496	1,396	1,306	1,341	1,513	1,567	1,175	1,607	2,116	2,217
Pakistan	1,491	1,482	1,446	1,283	1,294	1,395	1,523	1,452	2,317	2,773	2,078
Other	17,303	18,183	18,777	17,730	17,814	19,066	19,899	15,712	19,791	23,581	19,093
Total	80,415	82,663	85,507	80,558	80,550	84,951	85,959	69,241	83,537	99,949	79,291

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: Numbers may not sum to the totals shown because of rounding.

Table 2.2 Quantity of U.S. apparel imports by major supplier, 2013–23

In millions of square meters equivalent.

Supplier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	9,931	10,242	10,805	10,590	10,788	11,118	10,677	8,393	10,762	10,263	8,519
Vietnam	2,355	2,675	3,022	3,243	3,494	3,714	3,921	3,732	4,315	4,717	3,689
Bangladesh	1,594	1,507	1,729	1,726	1,688	1,814	1,907	1,809	2,449	2,860	2,093
India	871	956	1,016	1,026	1,057	1,130	1,172	927	1,299	1,498	1,224
Indonesia	1,250	1,243	1,261	1,260	1,226	1,194	1,142	928	1,115	1,338	981
Cambodia	1,017	1,002	1,041	898	926	1,103	1,042	1,137	1,240	1,344	982
Mexico	910	916	896	876	834	843	785	680	811	766	663
Honduras	1,045	1,069	1,093	1,060	1,043	1,005	1,002	684	868	931	691
Italy	47	55	53	48	49	53	60	51	76	85	76
Pakistan	583	588	588	534	529	559	604	628	896	903	690
Other	4,404	4,575	4,799	4,667	4,597	4,865	4,972	3,962	5,011	5,204	4,108
Total	24,007	24,828	26,301	25,927	26,231	27,308	27,285	22,932	28,842	29,909	23,716

Source: Compiled by USITC staff. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024. Note: Numbers may not sum to the totals shown because of rounding.

Favorable macroeconomic conditions coupled with declining apparel retail prices led to steady growth in U.S. retail apparel sales, which rose from \$245 billion to \$267 billion, or slightly less than 1.5 percent annually, during 2013–19.³⁹ Retail sales growth led brands and retailers to steadily build inventories in anticipation of robust sales going forward.⁴⁰ Production in major source countries was also relatively stable during the time period compared with other periods.⁴¹ During 2013–19, no major apparel supplier to the United States experienced significant supply-side disruptions, with production mostly either stable or rising steadily. China, in particular, experienced notably consistent production growth over the period.⁴²

In contrast to 2013–19, U.S. apparel imports during 2020–23 were highly volatile. Instability resulted principally from the COVID-19 pandemic. U.S. apparel imports between 2019 and 2020 dropped sharply from \$86.0 billion to \$69.2 billion. Three major factors led to the sharp drop in U.S. apparel imports in 2020. First, imports fell because of a steep decline in global apparel production in the second quarter of 2020 (figure 2.7). As noted above, this was the result of pandemic-related factory closures that affected all the major global apparel supplier countries, but the duration and the impact of the closures on each country’s industry varied. In China, factories were closed in January 2020, resulting in January and February apparel and textile production dropping by more than a quarter compared to the same months in 2019.⁴³ Because of containment efforts to minimize the effects of the transmission of the virus, however, Chinese factories reopened in April 2020; and, by July, production reportedly had resumed to as much as 95 percent of operational capacity.⁴⁴ China’s rapid return to pre-pandemic levels of apparel production was in large part due to access to domestically produced textiles and its lack of reliance on imported inputs. The reliance on imported inputs made many competitor countries vulnerable to supply chain disruptions. Similarly, lockdowns were imposed on factories in Vietnam in February and March 2020, but by mid-year, firms reopened and were operating at about 90 percent capacity.⁴⁵ The impact on Vietnam’s production was relatively small, with official statistics showing apparel production during January–June 2020 at around 6 percent below the same period in 2019. In Bangladesh, factory closures occurred mainly between March and May 2020; but even though lockdowns ended in June 2020, by August, apparel factories were operating at only 60–80 percent capacity.⁴⁶ In Indonesia, factory utilization fell by 30 percent in early 2020 but recovered quickly, to about 80 percent by the end of the year.⁴⁷

³⁹ As measured by the Consumer Price Index for All Urban Consumers: Apparel in U.S. City Average. Federal Reserve Bank of St. Louis, “Consumer Price Index for All,” accessed February 13, 2024; Census, “Monthly Retail Trade - Time Series Data,” accessed July 3, 2024.

⁴⁰ Lu and USFIA, “2014 U.S. Fashion Industry Benchmarking Study,” June 2014.

⁴¹ UNIDO, “UNIDO Statistics Portal,” accessed July 2, 2024.

⁴² UNIDO, “UNIDO Statistics Portal,” accessed July 2, 2024.

⁴³ Seasonally adjusted. UNIDO, “UNIDO Statistics Portal,” accessed July 2, 2024.

⁴⁴ Langaro and Lu, “Sourcing’s New Order,” April 1, 2021.

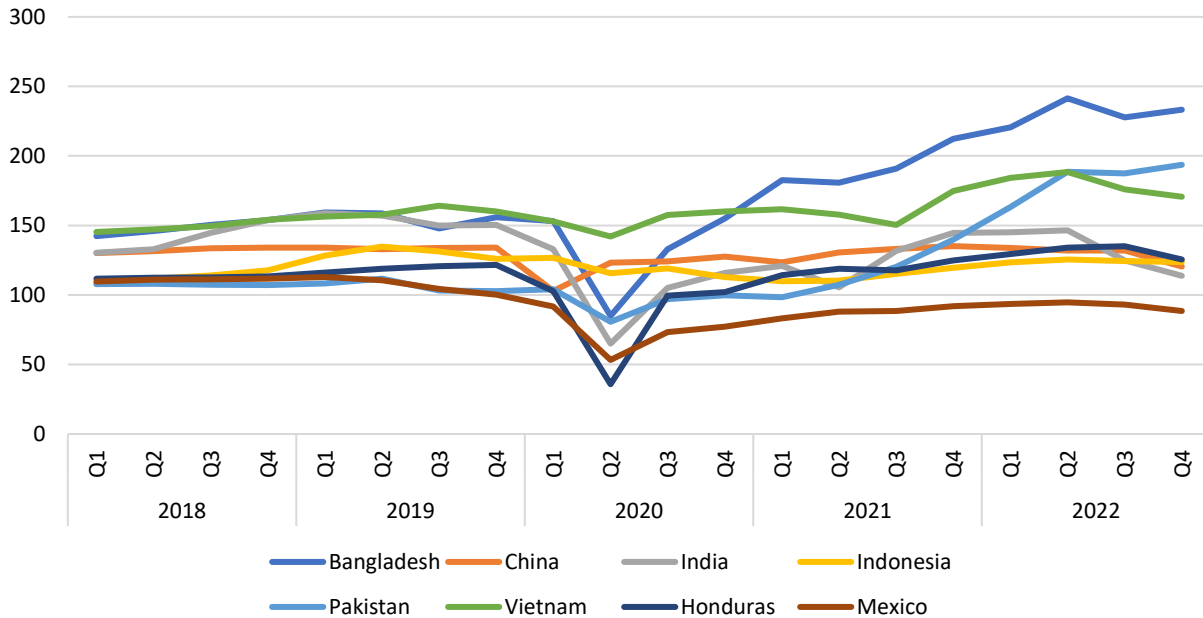
⁴⁵ Langaro and Lu, “Sourcing’s New Order,” April 1, 2021.

⁴⁶ Langaro and Lu, “Sourcing’s New Order,” April 1, 2021.

⁴⁷ USITC, hearing transcript, March 11, 2024, 18 (testimony of Ranitya Kusumadewi, Embassy of Indonesia).

Figure 2.7 Index of apparel production in major U.S. apparel import source countries, quarterly, 2018–22

2013 = 100. Seasonally adjusted. Q = quarter. Underlying data for this figure can be found in appendix E, [table E.7](#).



Source: UNIDO, UNIDO Data Portal, accessed July 2, 2024.

Second, the drop in imports in 2020 was linked to transportation disruptions, including maritime shipping and air freight services. Such disruptions included port delays and canceled sailings and flights.⁴⁸ These significantly reduced shipping capacity and raised the cost of bringing products into the United States.⁴⁹ High COVID-19 infection rates among port workers hindered global port operations, reducing the amount of cargo that could move to and from ships. Consequently, ports became bottlenecks with shipping container backlogs that delayed loading and offloading of merchandise. Furthermore, the pandemic exacerbated container shortages because many ships containing cargo from Asia were offloaded in the United States but could not be reloaded with new products, resulting in containers being stuck at U.S. ports and railway depots.⁵⁰ Shortages in logistics capacity led to increased shipping costs as international shipping lines imposed surcharges.⁵¹ In addition, importers were forced to switch to high-cost routes and modes of transport to avoid lockdowns and capacity limitations at ports.⁵²

Third, imports fell in 2020 owing to the pandemic-related economic recession. Steep income and job losses beginning in early 2020 led to a sharp drop in U.S. consumer demand and apparel imports.⁵³ The COVID-19 containment protocols that began in March 2020 were accompanied by an immediate sharp

⁴⁸ USITC, hearing transcript, March 11, 2024, 202, 207 (testimony of Beth Hughes, AAFA).

⁴⁹ USITC, *COVID-19 Related Goods*, December 2020, 49.

⁵⁰ It is estimated that the end-to-end transit time for China-United States ocean freight increased from about 40 days in late 2018 to about 73 days by the first quarter of 2021.

⁵¹ Grossman, “The Covid Surcharge,” May 22, 2020; Rivero, “A Shipping Container Shortage,” June 30, 2021.

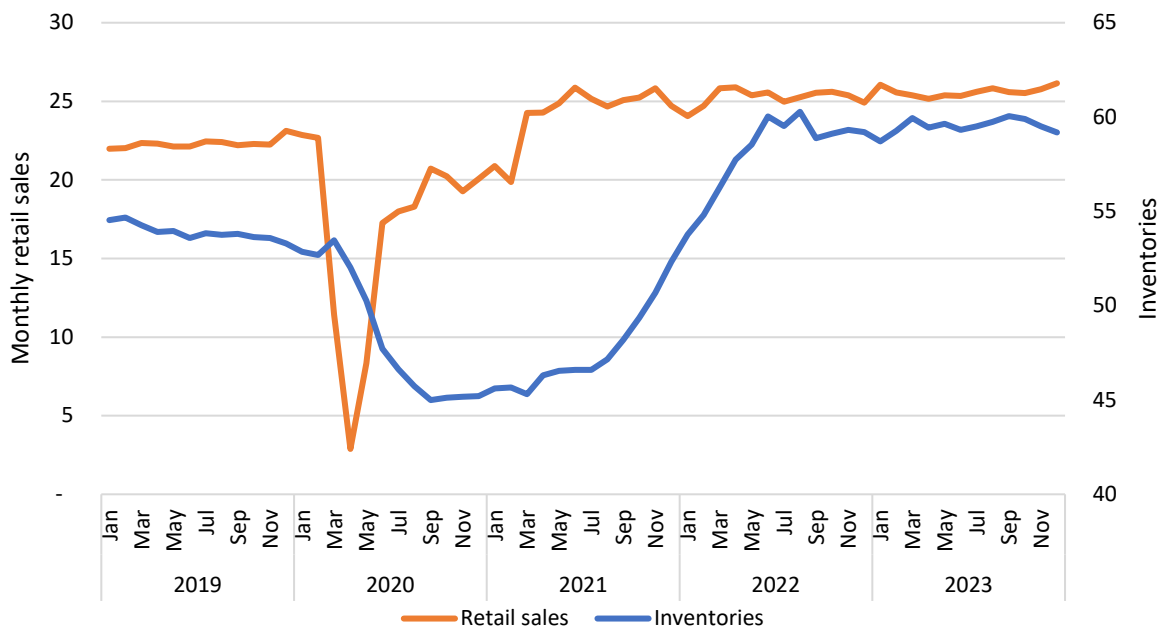
⁵² Friedman, “Flexport Index to Show Ocean Times Along Trade Routes,” January 26, 2022, 11–12; Hamanaka, “Not Quite Smooth Sailing for Shipping Goods,” January 31, 2023, 14.

⁵³ ILO, *COVID-19 and Global Supply Chains*, June 29, 2020, 2.

drop in retail sales as consumers reacted to reduced purchasing power, rising unemployment, lower consumer confidence, and lockdown measures, such as store closures and travel restrictions (figure 2.8).⁵⁴ Between February and April 2020, monthly retail sales of apparel in the United States plummeted from \$22.7 billion to \$2.9 billion, which led to the widespread cancellation of orders for imported apparel by several U.S. fashion firms.⁵⁵ By June and July 2020, sales quickly recovered and were close to the recent annual average for those months. This, in turn, led to a rapid drawdown of inventories of apparel through the remainder of the year and into early 2021.

Figure 2.8 Monthly U.S. retail sales and inventories of apparel, 2019–23

In billions of dollars. Underlying data for this figure can be found in appendix E, [table E.8](#).



Source: Census, “Clothing and Clothing Accessories Stores,” accessed June 24, 2024; Census, *Advance Monthly Retail Trade Report*, accessed June 24, 2024.

Note: Inventories as of the first of each month.

After dropping in 2020 to their lowest level since 2011, U.S. apparel imports rebounded in 2021 and in 2022 reached the highest level ever recorded (tables 2.1 and 2.2). Production for many major suppliers resumed rapidly after lockdowns were lifted and factories reopened, and, in 2021 and 2022, production output was above pre-pandemic levels (figure 2.7). By the first quarter of 2021, production of apparel in China and Vietnam was close to 2019 levels, and production in Bangladesh was significantly higher than before the pandemic. Although transportation and logistical constraints persisted through 2022, the severity of supply chain bottlenecks reportedly had eased somewhat by the end of 2022.⁵⁶

⁵⁴ McKinsey & Company, “The State of Fashion 2021,” accessed February 29, 2024, 25–28; ILO, *COVID-19 and Global Supply Chains*, June 29, 2020, 3.

⁵⁵ Lu and USFIA, “2020 Fashion Industry Benchmarking Study,” July 2020, 1.

⁵⁶ Taylor, “U.S. Imports Retreat Below Key Level,” January 31, 2023, 11–12; Hamanaka, “Not Quite Smooth Sailing for Shipping Goods,” January 31, 2023, 14.

Higher imports were also spurred by growth in retail sales in the second half of 2020 and 2021 (figure 2.8). Monthly sales by May 2021 were almost triple the levels of May 2020. Better employment prospects, an increase in consumer confidence, pent-up demand, and stimulus money all contributed to rapid increases in apparel sales.⁵⁷ Moreover, with the return to more in-person work, school, travel, and social events, customers sought to update their wardrobes, especially with more casual and comfortable workplace attire.⁵⁸ Finally, this was a period of rapid adoption of digital commerce and online shopping, which played a role in bolstering sales.⁵⁹ According to the U.S. Census Bureau, annual e-commerce sales of clothing and clothing accessories increased from \$45.9 billion in 2019 to \$68.4 billion in 2021.⁶⁰

The heavy consumer spending over this period led to a drawdown of apparel inventories, which by December 2020 had a value of about \$45 billion, the lowest level in more than a decade (figure 2.8).⁶¹ Retailers and brands reacted by placing larger-than-normal import orders for 2022 in anticipation of continued consumer demand,⁶² which led to large volumes of imports arriving in the second half of 2021 through 2022. Retail sales abruptly stopped increasing, however, in the second quarter of 2021, reportedly because of inflation⁶³ that slowed consumer discretionary spending on apparel.⁶⁴ As a result, by spring 2022, apparel retailers were struggling with excessively high inventories, worsened by the delayed arrival of products ordered in 2021 that had faced transportation and logistical bottlenecks. According to one report, “by September 2022, retailers were ‘drowning in inventory’...with total retail inventories up 22 percent year-over-year.”⁶⁵

From 2022 to 2023, the value of U.S. apparel imports dropped by 20.7 percent, from \$99.9 billion to \$79.3 billion (table 2.1). Consumer spending on apparel continued to be flat in 2023, as inflation persisted and interest rates remained high, and inventories that year were at record-high levels (figure 2.8).⁶⁶ Brands and retailers responded to the oversupply conditions by canceling orders for delivery in 2023 and purchasing smaller volumes to provide more flexibility to rapidly changing consumption trends.⁶⁷

Between 2013 and 2023, the aggregated unit value (by SME) of U.S. apparel imports across all countries changed very little (table 2.3). The average unit value of apparel from China, however, fell from \$3.05 per

⁵⁷ The U.S. government issued \$931 billion in direct payments to individuals in 2020 and 2021 in response to the economic impacts of the COVID-19 pandemic. The first of these payments was sent out in mid-April 2020, amounting to \$280 billion sent to 168 million recipients. These payments increased purchasing power and supported the rise in apparel retail sales during this period. GAO, *Stimulus Checks*, June 29, 2022; Bain, “US Clothing Sales Are Setting New Records,” July 16, 2021.

⁵⁸ USITC, hearing transcript, March 11, 2024, 202 (testimony of Beth Hughes, AAFA).

⁵⁹ Brewster, “Annual Retail Trade Survey Shows Impact,” April 27, 2022.

⁶⁰ Census, “Quarterly Retail E-Commerce Sales, Time Series Tables,” February 20, 2024.

⁶¹ Census, “Clothing and Clothing Accessories Stores,” accessed June 24, 2024; Census, *Advance Monthly Retail Trade Report*, accessed June 24, 2024.

⁶² Hartmans, “A ‘Returns Tsunami,’” January 7, 2023.

⁶³ The 12-month inflation rate in the United States rose from less than 2 percent in early 2021 to more than 9 percent by mid-2022. BLS, “Consumer Price Index,” accessed March 22, 2024. In efforts to control inflation, the Federal Reserve increased lending rates starting in March 2022, which in turn led to higher cost of borrowing for consumers that put a further chill on retail sales. Foster, “Fed’s Interest Rate History,” March 20, 2024.

⁶⁴ USITC, hearing transcript, March 11, 2024, 202, 207 (testimony of Beth Hughes, AAFA).

⁶⁵ Hartmans, “A ‘Returns Tsunami,’” January 7, 2023.

⁶⁶ Parker, “Sourcing Execs Discuss Operating Amid Today’s Capital Crunch,” November 21, 2023.

⁶⁷ Young, “Inventory Issues Foreshadow Tough Holiday Season,” November 29, 2022.

SME in 2013 to \$1.99 per SME in 2023—a marked drop (table 2.3). The drop in unit values by SME for China was observed across most apparel product categories. In contrast, all five profiled countries as well as Vietnam saw increases in SME unit values. It should be noted that although unit value by SME can illustrate broad trends in apparel trade, it is an imprecise measure and not always indicative of changes in prices of the same basket of apparel products over time.

A review of unit values for individual products is more precise but also has limitations. For example, comparing two of the top apparel items imported from China and Bangladesh shows that the unit value of U.S. imports from China under HTS subheading 6110.30.30 (sweaters, pullovers, and similar articles, knitted or crocheted, of manmade fibers) fell 13.8 percent between 2013 and 2023 (from \$4.37 to \$3.77 per piece), while the unit value for imports from Bangladesh rose 16.2 percent (from \$3.91 to \$4.55). Similarly, between 2016 and 2023, the unit value for U.S. imports from China under subheading 6204.62.80 (women’s or girls’ trousers, shorts, and similar articles, not knitted or crocheted, of cotton) dropped 17.2 percent, while for Bangladesh it increased by 16.9 percent.⁶⁸ Even at the product-specific level, however, each of the above HTS lines covers over a dozen different types of garments classified under narrower 10-digit statistical reporting numbers. Two key factors—the sheer quantity of tariff lines associated with apparel imports and the highly varied product mix from suppliers—pose challenges in creating a large-scale comparison of unit values across suppliers.

Trends in Market Shares of Major Suppliers to the U.S. Market, 2013–23

During 2013–23, sourcing of U.S. apparel imports was highly concentrated in a few major supplying countries (tables 2.4 and 2.5).⁶⁹ Although overall U.S. apparel import levels fluctuated between 2019 and 2023, the major supplier countries remained largely the same during 2013–23. Over this period, China continued to be the top source, followed by Vietnam and Bangladesh, with India and Indonesia trading places as the fourth- and fifth-leading suppliers. There were, however, several significant changes in market shares across the major suppliers, whether measured by value or by quantity. The most important change was twofold: the sharp decline in China’s share of U.S. apparel imports and the increase in the market shares of Vietnam and the five profiled countries.

⁶⁸ Note that each HTS 8-digit subheading may include several statistical reporting numbers (covering various different apparel items) that confound comparisons of unit values across countries large scale.

⁶⁹ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

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Table 2.3 Unit value of U.S. apparel imports by major supplier, 2013–23

In dollars per square meters equivalent.

Supplier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	3.05	2.97	2.85	2.64	2.52	2.51	2.41	2.23	1.91	2.14	1.99
Vietnam	3.41	3.43	3.44	3.27	3.27	3.38	3.53	3.47	3.37	3.82	3.83
Bangladesh	3.01	3.12	3.00	2.96	2.88	2.92	3.07	2.86	2.83	3.22	3.40
India	3.71	3.59	3.62	3.52	3.49	3.51	3.60	3.38	3.31	3.82	3.73
Indonesia	4.00	3.91	3.93	3.73	3.74	3.85	3.95	3.86	3.80	4.22	4.32
Cambodia	2.49	2.49	2.37	2.38	2.33	2.43	2.63	2.63	2.86	3.28	3.50
Mexico	4.19	4.21	4.11	4.01	4.41	4.13	4.14	3.55	3.67	4.28	4.44
Honduras	2.41	2.42	2.46	2.43	2.44	2.66	2.86	2.83	3.18	3.51	3.67
Italy	29.26	27.40	26.40	27.31	27.62	28.36	26.11	23.00	21.02	25.03	29.02
Pakistan	2.56	2.52	2.46	2.40	2.44	2.50	2.52	2.31	2.59	3.07	3.01
Other	3.93	3.97	3.91	3.80	3.88	3.92	4.00	3.96	3.95	4.53	4.65
Total	3.35	3.33	3.25	3.11	3.07	3.11	3.15	3.02	2.90	3.34	3.34

Source: Compiled by USITC staff. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table 2.4 Share of U.S. apparel import value by major supplier, 2013–23

In percentage share of total U.S. apparel imports measured by dollar value.

Supplier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	37.7	36.8	36.0	34.7	33.7	32.9	29.9	27.0	24.6	21.9	21.3
Vietnam	10.0	11.1	12.2	13.2	14.2	14.8	16.1	18.7	17.4	18.0	17.8
Bangladesh	6.0	5.7	6.1	6.3	6.0	6.2	6.8	7.5	8.3	9.2	9.0
India	4.0	4.2	4.3	4.5	4.6	4.7	4.9	4.5	5.1	5.7	5.8
Indonesia	6.2	5.9	5.8	5.8	5.7	5.4	5.3	5.2	5.1	5.6	5.3
Cambodia	3.2	3.0	2.9	2.7	2.7	2.9	3.2	4.3	4.2	4.4	4.3
Mexico	4.7	4.7	4.3	4.4	4.6	4.1	3.8	3.5	3.6	3.3	3.7
Honduras	3.1	3.1	3.1	3.2	3.2	3.1	3.3	2.8	3.3	3.3	3.2
Italy	1.7	1.8	1.6	1.6	1.7	1.8	1.8	1.7	1.9	2.1	2.8
Pakistan	1.9	1.8	1.7	1.6	1.6	1.6	1.8	2.1	2.8	2.8	2.6
Other	21.5	22.0	22.0	22.0	22.1	22.4	23.1	22.7	23.7	23.6	24.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table 2.5 Share of U.S. apparel import quantity by major supplier, 2013–23

In percentage share of apparel imports measured by quantity in millions of square meters equivalent.

Supplier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	41.4	41.3	41.1	40.8	41.1	40.7	39.1	36.6	37.3	34.3	35.9
Vietnam	9.8	10.8	11.5	12.5	13.3	13.6	14.4	16.3	15.0	15.8	15.6
Bangladesh	6.6	6.1	6.6	6.7	6.4	6.6	7.0	7.9	8.5	9.6	8.8
India	3.6	3.9	3.9	4.0	4.0	4.1	4.3	4.0	4.5	5.0	5.2
Indonesia	5.2	5.0	4.8	4.9	4.7	4.4	4.2	4.0	3.9	4.5	4.1
Cambodia	4.2	4.0	4.0	3.5	3.5	4.0	3.8	5.0	4.3	4.5	4.1
Mexico	3.8	3.7	3.4	3.4	3.2	3.1	2.9	3.0	2.8	2.6	2.8
Honduras	4.4	4.3	4.2	4.1	4.0	3.7	3.7	3.0	3.0	3.1	2.9
Italy	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Pakistan	2.4	2.4	2.2	2.1	2.0	2.0	2.2	2.7	3.1	3.0	2.9
Other	18.3	18.4	18.2	18.0	17.5	17.8	18.2	17.3	17.4	17.4	17.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled by USITC staff. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Even though China was consistently the leading supplier throughout the 11-year period, its share of U.S. apparel imports fell from 37.7 percent in 2013 to 21.3 percent in 2023 by value (table 2.4) and from 41.4 percent to 35.9 percent by volume (table 2.5). Three major factors prompted the drop in China's market share. First, the costs of sourcing from China rose throughout the period, largely because of high wages and labor shortages, which led companies to seek alternative suppliers.⁷⁰ Second, particularly during the early part of this period, brands and retailers became increasingly aware of their reliance on China. The country was not only a direct exporter of apparel to the United States, but also a source of textiles to apparel manufacturers in third countries that supplied apparel to the U.S. market. The move to source from countries other than China and diversify the supplier base was seen as crucial in managing financial risk in the supply chain.⁷¹ Several U.S. firms expressed an interest in reshoring and nearshoring manufacturing capacity as a strategy to lessen excessive reliance on China.⁷² Third, concern heightened about the U.S.-Chinese business relationship. This stemmed from ongoing trade tensions between the United States and China and economic and diplomatic uncertainty, adding incentives for U.S. firms to broaden their supply base away from China.⁷³

In particular, two major U.S. trade actions targeting China significantly affected apparel trade.⁷⁴ First, the United States imposed tariffs under section 301 of the Trade Act of 1974 on apparel imports from China beginning September 1, 2019, which remained in effect throughout the period.⁷⁵ These led to higher delivered cost of items purchased from China, weakening its competitiveness in the U.S. market.⁷⁶ Second, China became a risky sourcing option for U.S. brands and retailers because of actions the United States took in response to allegations of forced labor in China's Xinjiang Uyghur Autonomous Region (XUAR).⁷⁷ The XUAR is significant to the U.S. apparel industry because it is the source of 90 percent of China's cotton production and China grew nearly one-quarter of the world's cotton supply in 2023.⁷⁸ In 2020, U.S. Customs and Border Protection (CBP) issued a series of Withhold Release Orders that allowed it to seize at U.S. ports of entry all imported textiles and apparel made from cotton originating from specific firms in the XUAR, unless the firms could prove absence of forced labor in their products' supply

⁷⁰ Nishimura, "After Decades of China Dominance," January 11, 2021, 8–14; Antoshak, "The Great Sourcing Hedge," March 24, 2023; Donaldson, "Rising Chinese Apparel Production Costs Slow Industry Growth," December 3, 2013; Donaldson, "With China No Longer Cheap," April 13, 2017.

⁷¹ The U.S. Fashion Industry Association (USFIA) 2014 U.S. Fashion Industry Benchmarking Study found a higher percentage of respondents saying that "finding new sourcing base other than China" was among their top business challenge for the U.S. fashion industry. Lu and USFIA, "2014 U.S. Fashion Industry Benchmarking Study," June 2014, 5.

⁷² Freund, Roop, and Colby-Oizumi, "Textiles and Apparel: Made In USA . . . Again?," September 2018, 12; McKinsey & Company, "The State of Fashion 2018," accessed February 29, 2024, 32.

⁷³ USITC, hearing transcript, March 11, 2024, 171, 195 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 196 (testimony of Julia Hughes, USFIA); Trade Partnership Worldwide, *Impacts of Section 301 Tariffs*, January 2023, 5.

⁷⁴ USITC, hearing transcript, March 11, 2024, 195 (testimony of Beth Hughes, AAFA).

⁷⁵ Trade Act of 1974, 19 U.S.C. § 2411; USTR, *2024 Trade Policy Agenda*, March 2024, 44–46.

⁷⁶ USITC, *Economic Impact of Section 232 and 301 Tariffs*, March 2023, 150–152.

⁷⁷ See box 4.1, "The Uyghur Forced Labor Prevention Act: Human Rights and Sourcing from Xinjiang."

⁷⁸ USDA, FAS, *Cotton and Products Annual—China*, April 2, 2024, 2, 4; USDA, FAS, "Production, Supply, and Distribution Dataset: Cotton," May 10, 2024.

chains.⁷⁹ These concerns continued through the period and ultimately led to the Uyghur Forced Labor Prevention Act, which entered into force in June 2022.⁸⁰

The movement away from China as a source of U.S. apparel imports offered opportunities for other suppliers to increase their market shares. Many U.S. brands and retailers reported moving their sourcing to Vietnam.⁸¹ Between 2013 and 2023, Vietnam’s share of U.S. apparel imports increased from 10.0 percent to 17.8 percent by value and from 9.8 percent to 15.6 percent by quantity. The *2017 Fashion Industry Benchmarking Study* noted firms’ guiding sourcing strategy changed from “China plus Many,” meaning not relying solely on China but sourcing from China plus various other suppliers, to “China plus Vietnam plus Many.”⁸² According to industry observers, Vietnam offers several competitive advantages. It benefits from a highly efficient system of supply chain management and large-scale production, leading to low costs, flexibility, and rapid speed to market. It also boasts a large and young labor force, efficient transportation infrastructure, and a business-friendly environment.⁸³ Some purchasing firms also note Vietnam’s economic and political stability as an advantage vis-à-vis potential competitors in Asia.⁸⁴

Of the five profiled countries, Bangladesh appears to have benefited the most from the move away from China, with its share of U.S. apparel imports by value increasing from 6.0 percent in 2013 to 9.0 percent in 2023. The rise of Bangladesh as a competitor to China stems from its large production capacity and apparel industry efficiency. Concentrating on cotton knitwear, Bangladesh has an abundance of skilled, low-cost labor and raw materials. In recent years, the country has made considerable improvements in its quality, flexibility, and agility to deliver in shorter time frames.⁸⁵ India and Pakistan also saw increases in their shares of U.S. apparel imports between 2013 and 2023. India’s share rose from 4.0 percent to 5.3 percent, and Pakistan’s from 1.9 percent to 2.6 percent. Both countries concentrate on production of cotton-based apparel and benefit from a high degree of vertical integration, domestically sourced inputs, and large-scale production. They both also have a skilled, abundant, and low-wage labor force. U.S. apparel imports from Cambodia also increased over this time period. Cambodia’s market share of U.S. apparel imports rose from 3.2 percent in 2013 to 4.3 percent in 2023, attributed to its geographical proximity to China and Vietnam as well as favorable sourcing costs compared with Bangladesh and Vietnam.⁸⁶

Between 2013 and 2023, very little changed in the U.S. market share of Western Hemisphere countries, even though certain factors favor them in supplying apparel to the United States. Many have preferential trade agreements with the United States that offer duty-free access. Industry representatives report, however, that those tariff advantages may be diminished because of the trade agreements’ rules of

⁷⁹ China accounts for roughly 50 percent of the world’s textile production capacity, resulting in a large quantity of textile and apparel products that could possibly be made with forced labor. Gale and Davis, *Chinese Cotton*, August 2022, 1–2.

⁸⁰ See box 4.1, “The Uyghur Forced Labor Prevention Act: Human Rights and Sourcing from Xinjiang.”

⁸¹ USITC, hearing transcript, March 11, 2024, 200–201 (testimony of Julia Hughes, USFIA).

⁸² Lu and USFIA, “2017 Fashion Industry Benchmarking Study,” July 2017, 2.

⁸³ Industry representatives, meeting with USITC staff, March 7, 2024.

⁸⁴ Lu and USFIA, “2022 Fashion Industry Benchmarking Study,” July 2022, 23.

⁸⁵ See chapter 5 for more information on Bangladesh’s competitiveness.

⁸⁶ USFIA, written submission to the USITC, February 27, 2024, 8.

origin, which stipulate the origin of inputs required for preferential treatment.⁸⁷ Western Hemisphere countries also have easy access to U.S. cotton and offer speed to market and shorter delivery times due to proximity. In addition, Western Hemisphere suppliers benefited from concerns over Asian sourcing, including labor shortages due to the COVID-19 pandemic, higher freight costs, and uncertainty related to the Uyghur Forced Labor Prevention Act.⁸⁸

Asian countries, however, continue to have a competitive advantage over Western Hemisphere suppliers for several reasons. Asian competitors reportedly generally have lower sourcing costs than Western Hemisphere countries.⁸⁹ The five profiled countries, for example, are lower-cost suppliers, with manufacturing wages in roughly the lowest third globally.⁹⁰ In addition, because of a lack of investment in the Western Hemisphere in new factories and facilities to produce certain yarns and fabrics, these inputs are not made in the Western Hemisphere and must be imported from Asia.⁹¹ Although Asian countries lack preferential trade access to the U.S. market under free trade agreements, countries in Asia do not have limitations on the inputs they can use and also benefit from proximity to many of the world's largest textile producers (e.g., China).⁹²

⁸⁷ For example, U.S. demand is reportedly strong for apparel made with elastomeric yarn, but the sole supplier of elastomeric yarn in the Western Hemisphere reportedly cannot meet demand. This limits the amount of apparel with elastomeric yarn that can be sourced from the Western Hemisphere while meeting the rules of origin required for preferential access. USITC, hearing transcript, March 11, 2024, 199–200 (testimony of Beth Hughes, AAFA).

⁸⁸ Dobrosielski, “Nearshoring Takes Hold,” January 26, 2022, 55–54.

⁸⁹ Fernandez-Stark, Bamber, and Couto, “Analysis of the Textile and Clothing Industry,” December 19, 2022, 110; Antoshak, “China Reclaims US Apparel Market Share,” June 12, 2024; industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, February 21, 2024.

⁹⁰ See table E.9. Data are based on available average monthly manufacturing wages in U.S. dollars for the latest year available for 144 countries. These countries represented more than 95 percent of global apparel exports in 2022. Although not specific to the apparel sector, data are an indicator of manufacturing wages in a country and may be similar to average apparel and related industry wages. The data are compiled by the ILO from country labor force surveys and may differ on the definition of manufacturing as well as the population included in the estimate. ILO, “Labour Force Survey, ‘Average monthly earnings of employees by sex and economic activity,’” accessed August 11, 2024; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 1, 24–25; Goodier, “Best and Worst Countries for Apparel Worker Wages,” March 14, 2022.

⁹¹ USITC, hearing transcript, March 11, 2024, 200 (testimony of Beth Hughes, AAFA).

⁹² USITC, hearing transcript, March 11, 2024, 200 (testimony of Beth Hughes, AAFA).

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Chapter 3

Literature Review

This chapter responds to a request from the U.S. Trade Representative that the U.S. International Trade Commission provide a review of general literature on the key determinants driving export competitiveness in the global apparel industry, to the extent that it is relevant to conditions in the profiled countries.

A large body of literature—ranging from quantitative analyses that use cost and market share to measure competitiveness to qualitative analyses that use a broader range of metrics in addition to cost to assess competitiveness—documents various aspects of export competitiveness for the global apparel industry.⁹³ Many studies were published in the early 2000s and tend to analyze changes in competitiveness resulting from the removal of the Multifibre Arrangement (MFA) quotas.⁹⁴ Furthermore, a large share of more recent competitiveness studies in the apparel sector focus on China and Vietnam and their position as top global suppliers.⁹⁵ In spite of the growth of the five profiled countries as apparel suppliers, there are limited studies that apply these analytical frameworks directly to their apparel sectors. While all profiled countries appear in the literature, some countries like India, Bangladesh, and Pakistan are better represented, with a number of papers that identify and explore top factors contributing to the countries' apparel competitiveness, but others like Indonesia and Cambodia are less of a focus.

Literature on apparel export competitiveness uses both quantitative and qualitative approaches to assess competitiveness. Quantitative measures and comparisons of apparel export competitiveness rely on observable descriptive statistics, including market share, export growth, average wages, and cost of textile inputs, as well as constructed indicators of market dominance, such as revealed comparative advantage.⁹⁶ Alternatively, many qualitative approaches to competitiveness analysis identify features of

⁹³ Throughout this report, export competitiveness is defined in the country context as the ability to deliver products and services at the desired location and in the form as desired by overseas buyers at competitive prices as compared to other potential suppliers. Sharples and Milham, *Long-Run Competitiveness of Australian Agriculture*, December 1990; Balassa, "Trade Liberalisation and 'Revealed' Comparative Advantage," May 1965; Laursen, "Revealed Comparative Advantage," February 5, 2015.

⁹⁴ See box 1.1, "Global Textile and Apparel Quotas and the Textile Category System," for more information on the MFA. See USITC (2004), Hashim (2005), Tewari (2006), and Beresford (2009) for a discussion of the impact of MFA quota removal. USITC, *Textiles and Apparel*, January 2004; Hashim, "Post-MFA," 2005; Tewari, "Adjustment in India's Textile and Apparel Industry," December 2006; Beresford, "The Cambodian Clothing Industry," September 8, 2009.

⁹⁵ Kathuria, "A Study of Competitiveness: RCA Analysis," December 2008; Frederick and Gereffi, "Upgrading and Restructuring in the Global Apparel Value Chain," August 2011; Lu and Karpova, "Comparative Advantages of the Indian and Chinese Apparel Industries," June 16, 2011; Goto, Natsuda, and Thoburn, "Meeting the Challenge of China," 2011; Cao, Berkeley, and Finlay, "Measuring Sustained Competitive Advantage," March 11, 2014; Vu and Pham, "A Dynamic Approach to Assess International Competitiveness," February 27, 2016; Dung Do, "Evaluating the Competitiveness of the Vietnam Textile and Garment Industry," October 11, 2021.

⁹⁶ Balassa, "Trade Liberalisation and 'Revealed' Comparative Advantage," May 1965; Laursen, "Revealed Comparative Advantage," February 5, 2015; Kathuria, "Analyzing Competitiveness of Clothing Export Sector," March

products, suppliers, and consumers, including (1) cost, quality difference, design, availability, and number of competitors; (2) economies of scale, product differentiation, capital requirements, access to distribution, and regulation; (3) loyalty, purchasing power, vertical integration, and access to information; (4) lifestyle changes, environmental sustainability, efficiency, and scarcity; and (5) buyer importance to supplier, vertical integration capability, access to raw materials, concentration of suppliers, and uniqueness of product supplier.⁹⁷

Several studies employ industry interviews or surveys to uncover trends and benchmark apparel-supplying countries on various factors of competitiveness.⁹⁸ These qualitative approaches are also notable for their depth of focus and emphasis on business strategy. This added context is particularly relevant to the apparel sector because it is a buyer-driven sector, wherein buyers have greater bargaining power than suppliers, that involves intangible and difficult-to-quantify characteristics including changing attitudes toward social and environmental sustainability that increasingly factor into buyers' sourcing decisions.⁹⁹

Several studies find that costs are a key driver of competitiveness in the global apparel industry, but a large share of research in the past two decades suggests that there are other factors that also drive the competitiveness of suppliers.¹⁰⁰ Post-MFA, a survey of buyers in Tewari (2008) identified key factors in addition to costs in comparing the top regional suppliers—Bangladesh's mass production, quality, and timely delivery; perceptions of India's compliance with labor standards, design services, consistency, and reliability; and Pakistan's flexibility with large orders.¹⁰¹ Other studies found some of these factors to be

22, 2013; Batra and Khan, "Revealed Comparative Advantage," August 2005; Ahmad and Kalim, "Changing Revealed Comparative Advantage," 2013; Irshad and Xin, "Determinants of Exports Competitiveness," April 23, 2017; Ali, Kabir, and Uddin, "Revealed Comparative Advantage and Competitiveness," June 1, 2019; Tewari, "Deepening Intraregional Trade and Investment," April 2008; Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016; Hasan et al., "Labor Regulations, Employment and Wages," January 2017; Md Samsul Alam, Selvanathan, and Selvanathan, "Determinants of the Bangladesh Garment Exports in the Post-MFA Environment," May 2017.

⁹⁷ In his seminal work, Porter (1979) presents his Five Forces Model, which identifies these factors within industry forces such as threat of new entrants and bargaining power of buyers. Porter further developed the Diamond Model (1990), which has also been utilized to assess the apparel competitiveness of South Asian suppliers through four main attributes: "factor conditions," "demand conditions," "related and supporting industries," and "firm strategy, structure, and rivalry." Porter, "How Competitive Forces Shape Strategy," April 1979; Porter, *Competitive Strategy*, 1980, chap. 1; Mann and Byun, "Assessing Opportunities in Apparel," May 10, 2011; McCann, "China's Textile and Apparel Industry," January 1, 2011; Rizaldy and Supiansyah, "Recognize The Fierce Competition," July 30, 2023, 3; Swazan and Das, "Bangladesh's Emergence as a Ready-Made Garment Export Leader," 2022; Vu and Pham, "A Dynamic Approach to Assess International Competitiveness," February 27, 2016; Dung Do, "Evaluating the Competitiveness of the Vietnam Textile and Garment Industry," October 11, 2021.

⁹⁸ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, chap. 2; Tewari, "Deepening Intraregional Trade and Investment," April 2008;

⁹⁹ Cattaneo, Gereffi, and Staritz, "The Global Apparel Value Chain," 2010, 172–73.

¹⁰⁰ Abernathy, Volpe, and Weil, "The Future of the Apparel and Textile Industries," December 2006; Tewari, "Is Price and Cost Competitiveness Enough," February 2007; Cattaneo, Gereffi, and Staritz, "The Global Apparel Value Chain," 2010, 165, 185–86, 194–96; Ray, "What Explains India's Poor Performance," May 2019; Hossian, Kabir, and Latifee, "Export Competitiveness of Bangladesh Readymade Garments Sector," May 10, 2019; Han and Mah, "Preferential Trade Treatment and Industrial Development," March 1, 2015; Kamal and Yesmin, "Competitiveness of Global Apparel Industry," October 11, 2022; Fernandez-Stark, Bamber, and Couto, "Analysis of the Textile and Clothing Industry," December 19, 2022, 31–33.

¹⁰¹ Tewari, "Deepening Intraregional Trade and Investment," April 2008, 26–32.

important generally within the global industry, including full-package offerings, “just-in-time” flexibility, and speed to market.¹⁰² Lopez-Acevedo and Robertson (2016) provide an updated benchmarking of South Asia’s role in the global apparel industry, identifying structural trends, such as consolidation and growing importance of non-cost factors, while highlighting and ranking the strengths and weaknesses of countries’ export competitiveness.¹⁰³ Arrigo (2020) analyzed the annual reports of fast fashion buyers to find that, along with buyers and retailers of manufacturing products more generally, sourcing criteria has shifted from purely quantitative, cost-based elements to include social and environmental sustainability.¹⁰⁴

More recent country-specific works have also bolstered and extended these findings, often identifying both cost and non-cost factors contributing to apparel export competitiveness. For example, Ray (2019) finds that India’s specialization in high value-added tasks, such as embroidery, and its related use of imported machinery are main factors of its apparel export competitiveness, but its protectionist tariff regime and top-down development of production clusters serve as disadvantages for importing raw materials needed to diversify its product mix.¹⁰⁵ Hossain, Kabir, and Latifee (2019) study Bangladesh’s ready-made garments sector, pointing to a number of criteria that have bolstered the sector’s success. These include abundant low-wage labor, declining reliance on imported intermediates, geographic location, port facilities, the removal of MFA quotas, duty-free treatment of exports, and the predominance of domestic ownership of factories that produce ready-made garments.¹⁰⁶

The literature also investigates other factors, such as logistics, overall economic performance, and energy supply. Siddiqui and Vita (2021) use panel data analysis to study the impact of logistics performance on garment sector trade across Cambodia, India, and Bangladesh, finding that the introduction of e-clearance customs procedures and border/port infrastructure upgrading significantly increase garment sector trade and foreign direct investment (FDI) inflows.¹⁰⁷ Subsequent empirical research by Akhuand and Abbas (2023) into Pakistan’s textile competitiveness, including ready-made garments, suggests that Pakistan’s gross domestic product and world GDP growth—indicators of domestic production capacity and international demand—have significant positive effects on the competitiveness of the selected textile and apparel sectors they analyze.¹⁰⁸ They also point to increases in affordable and consistent energy supply and research and development as critical elements that could improve the country’s competitiveness.¹⁰⁹

Although the removal of MFA quotas opened up competition in the global apparel sector, trade policy has continued to have an impact on the development of the apparel industry across South Asian countries. Han and Mah (2015) find preferential access to the U.S. and European Union (EU) markets and

¹⁰² This flexibility strategy required buyers to forecast demand risk and learning by stock-keeping unit (SKU), pre-positioning of materials, pre-committing of manufacturing and transport capacity, and postponing SKU quantity decisions as late as possible. Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 22.

¹⁰³ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016.

¹⁰⁴ Arrigo, “Global Sourcing in Fast Fashion Retailers,” January 9, 2020, 5, 10; Ellram, Tate, and Petersen, “Offshoring and Reshoring,” 2013.

¹⁰⁵ Ray, “What Explains India’s Poor Performance,” May 2019, 10–14.

¹⁰⁶ Hossain, Kabir, and Latifee, “Export Competitiveness of Bangladesh Readymade Garments Sector,” May 10, 2019, 46.

¹⁰⁷ Siddiqui and Vita, “Impact of Logistics Performance on Trade,” April 1, 2021, 526.

¹⁰⁸ Akhuand and Abbas, “Modeling Determinants of Competitiveness,” January 2, 2023, 27–28.

¹⁰⁹ Akhuand and Abbas, “Modeling Determinants of Competitiveness,” January 2, 2023, 28–29.

significant FDI inflows from China aimed at capturing this preferential access to be main factors contributing to Cambodia's increases in apparel exports to the United States and the EU.¹¹⁰ Conversely, Kamal and Yesmin (2022) shows a significant loss of competitiveness for economies that lack preferential access to top export markets or those, like Bangladesh, that will soon lose preferential access under the EU Generalised Scheme of Preferences when they graduate from least-developed country status.¹¹¹

Research published in the last 10 years has expanded beyond the traditional competitiveness factors to consider additional sourcing factors such as social and environmental responsibility (also referred to as "sustainability").¹¹² Despite increasing focus on social and environmental responsibility, data show a significant "intention-action gap," with many consumers unwilling to pay a premium for social and environmental responsibility.¹¹³ The literature also suggests that buyers may desire some optimum, and likely moderate, level of compliance with social and environmental standards, but that increases above this threshold do little to improve purchase commitments from buyers. For example, Winter and Lasch (2016) find that some consumers expect sustainability—defined as environmental and social criteria—but incremental increases in sustainability do not necessarily result in increases in competitiveness through increases in purchasing orders.¹¹⁴ Additionally, the importance of sustainability varies across firms, with larger firms that have greater resources and reputation-sensitive firms more likely to prioritize these criteria in sourcing decisions.¹¹⁵ From the supplier's perspective, Sarkar et al., (2020) find environmental concerns to be highly crucial to Bangladesh's ready-made garments sector, suggesting that green business strategies are a sustainable solution not only toward remedying environmental degradation but also to achieving long-term competitiveness within the sector.¹¹⁶

Beyond the emergence of social and environmental factors in apparel buyer sourcing decisions, some recent research has explored the cost of compliance with social and environmental standards. Although environmental compliance may imply financial investment on the part of suppliers, scholars have pointed out that it can be associated with cost reductions through the minimization of raw material and natural resource usage, energy consumption, and carbon emissions, as well as through financial government support.¹¹⁷ Boudreau (2020) finds that the enforcement of worker-manager safety committees in Bangladeshi firms—particularly those with good managerial practices—improves compliance with labor law and poses no significant efficiency costs to suppliers.¹¹⁸ Azim et al., (2021) found that compliance with labor standards can improve employee engagement, which is associated with long-term profitability and workforce retention.¹¹⁹

¹¹⁰ Han and Mah, "Preferential Trade Treatment and Industrial Development," March 1, 2015, 126.

¹¹¹ Kamal and Yesmin, "Competitiveness of Global Apparel Industry," October 11, 2022, 4.

¹¹² Abbate et al., "Sustainability Trends and Gaps," February 10, 2023.

¹¹³ White, Hardisty, and Habib, "The Elusive Green Consumer," July 1, 2019; Salfino, "Those Pesky Kids Are Showing Up," January 9, 2020; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 20.

¹¹⁴ Winter and Lasch, "Environmental and Social Criteria in Supplier Evaluation," December 15, 2016, 175, 183–85.

¹¹⁵ Buyers seem to focus on satisfying legal minimums regarding sustainability (employment practices, health and safety conditions, the existence of wastewater treatment systems, etc.) rather than external social criteria (e.g., housing conditions, public services, mobility infrastructure, etc.). Winter and Lasch, "Environmental and Social Criteria in Supplier Evaluation," December 15, 2016, 185.

¹¹⁶ Sarkar, Qian, and Peau, "Overview of Green Business Practices," June 1, 2020.

¹¹⁷ Sarkar, Qian, and Peau, "Overview of Green Business Practices," June 1, 2020, 7.

¹¹⁸ Boudreau, "Multinational Enforcement of Labor Law," May 15, 2020.

¹¹⁹ Azim, Uddin, and Haque, "Does Compliance to Standards in the Ready-made Garments Industry," January 2021.

Nonetheless, given the existing costs associated with compliance with government regulation, suppliers may be reluctant to also implement buyer-driven programs in the absence of certain incentives. In terms of the costs of government regulations, Hasan et al., (2021) find that pro-worker labor regulation in India is associated with lower output for formal, exporting firms because of higher regulation-related costs, more price competition, and a lower ability to replace labor with capital and contract workers.¹²⁰ In terms of private buyer-imposed regulation, Amengual and Distelhorst (2020) find that compliance improves only when penalties of severing business ties are incorporated and that long-term buyer-supplier relationships increase this probability of compliance.¹²¹ From the supplier perspective, Nath et al. (2021) reach similar conclusions, noting that in Bangladesh, costly practices associated with social responsibility are imposed upon suppliers as a requirement through the use of buyer nomination processes, third-party audits, and buyers' consortia. Notably, they find that suppliers and sub-suppliers are unlikely to commit to compliance in the absence of consistent, meaningful enforcement and incentives, such as commitments for production orders from buyers.¹²²

Labor Costs

In the apparel sector, labor costs generally make up the second-largest component of production costs after material inputs. Given that material input costs can be outside the supplier's control, keeping labor costs low can have an important impact on a country's competitiveness.¹²³ Labor costs are generally a function of wages and workforce productivity, though each of these components is itself impacted by specific factors, including industry and firm characteristics, as well as government policies and political influence.¹²⁴ As noted in Huynh (2015), wages for apparel production line workers are often set at the minimum wage, because of the relatively low skill level required and potential weaknesses in collective bargaining for some countries.¹²⁵ While low wages, which are an important component of labor costs, are an indisputable determinant of competitiveness, several papers report that productivity, industry structure, and wage-setting schemes, can also directly or indirectly contribute to these costs.¹²⁶

Although the availability of low-cost labor has clearly resulted in outsourcing of labor-intensive apparel production to various South Asian economies on the whole, Shafiqul (2014) finds that informal incentives provided by apparel firms in Bangladesh, such as the provision of food, transportation, housing and health care services, can improve job satisfaction and reduce employee turnover, which may be linked to increases in productivity and firm performance. Furthermore, Hearle (2016) reports that on-the-job training, higher wages, and a safe working environment have also been shown in some cases to

¹²⁰ Hasan, Mehta, and Sundaram, "The Effects of Labor Regulation," March 1, 2021.

¹²¹ Amengual and Distelhorst, "Cooperation and Punishment in Regulating Labor Standards," August 18, 2020.

¹²² Nath, Eweje, and Bathurst, "The Invisible Side of Managing Sustainability," June 2021, 215–21, 227.

¹²³ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; M. S. Alam et al., "The Apparel Industry in the Post-Multifiber Arrangement Environment," February 2019, 464.

¹²⁴ Van Biesebroeck, *How Tight is the Link between Wages and Productivity?*, April 1, 2015, 11–19.

¹²⁵ A recent report suggests that average and median wages were typically higher than minimum wages for countries with available data between 2015 and 2019. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 24; Huynh, *Employment, Wages and Working Conditions*, November 2015, 11.

¹²⁶ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 21–31.

improve retention, workers' health, and productivity in countries such as Bangladesh, India, and Cambodia.¹²⁷

In considering the role of productivity in labor costs in general, Van Biesebroeck (2015) summarizes the key considerations around measuring and comparing estimates of labor productivity as well as the theoretical issues that impact linkages in trends between wages and productivity.¹²⁸ The paper discusses how distinctions between suppliers—in terms of worker heterogeneity, capital and labor investment, production processes, and vertical integration—require carefully constructed measures of individual worker productivity to enable accurate comparisons across firms, sectors, and countries.¹²⁹ Other measures, such as total factor productivity, may provide advantages when making comparisons because they account for differences in input mixes of labor, capital, and material inputs.¹³⁰ Van Biesebroeck (2015) also surveys research on the deviations in the trends of wages and productivity, noting findings that attribute this gap to unobservable information about worker quality and effort; economic development of and discrimination in the labor market; the costs of searching, matching, and bargaining between workers (or trade unions) and employers; and the level of competition among hiring firms.¹³¹

In the textile and apparel sector specifically, the International Labour Organization (ILO) (2022) also states that a number of factors affect country-specific productivity levels, such as worker skills, access to capital, investment in technology, economies of scale, organizational and process efficiency of factories, quality of infrastructure and logistics, and differences in intermediate inputs.¹³² In particular, the ILO report finds that labor productivity in the sector is relatively low among some of the major producing markets in Asia.¹³³ The report further states that many garment manufacturers, especially small and medium-sized enterprises, are unable to make productivity-boosting investments such as technology adoption and efficient production restructuring.¹³⁴

Levels of both productivity and wages can also be obscured by the existence of an informal sector, which often operates with less oversight, worker agency, and labor supply elasticity, according to the ILO

¹²⁷ Shafiqul, "Informal Labor Incentives and Firm Performance: A Case Study of RMG Industry in Bangladesh," 2014, 22–25; Hearle, *Skills, Employment and Productivity in the Garments and Construction Sectors in Bangladesh and Elsewhere*, October 2016, 3–5, 14–15.

¹²⁸ Labor productivity is calculated as the value of output (in terms of production volume or widgets, total sales or revenue, or value added) that a worker, a firm, an industry, or a country has produced per unit of labor input (in terms of number of workers or total hours worked). The choice of specific numerator and denominator type is determined by the level and nature of productivity comparison. For example, physical output is used in the numerator to strip out currency differences in comparisons across countries and time whereas value added is preferable for comparing production units with varying degrees of vertical integration and intermediate input intensity. Van Biesebroeck, *How Tight Is the Link between Wages and Productivity?*, April 1, 2015, 1–4.

¹²⁹ See also, GLI, written submission to the USITC, March 15, 2024, 1. Van Biesebroeck, *How Tight is the Link between Wages and Productivity?*, April 1, 2015, 1–11; 13–14.

¹³⁰ Total factor productivity is defined as the measure of changes in output that cannot be explained with (weighted) input differences. Van Biesebroeck, *How Tight is the Link between Wages and Productivity?*, April 1, 2015, 1.

¹³¹ Van Biesebroeck, *How Tight is the Link between Wages and Productivity?*, April 1, 2015, 15–18; 22; 25–26.

¹³² ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 21.

¹³³ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 21–23.

¹³⁴ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Hasan et al., "Labor Regulations, Employment and Wages," January 2017, 71, 81–82.

(2022).¹³⁵ In developing economies, the informal apparel sector and subcontractors are often used by suppliers facing increasing pressure from buyers to meet ever shorter lead times, as well as uncertainty over last-minute order changes.¹³⁶ The ILO (2022) cites recent trends in fast fashion and the impact of the COVID-19 pandemic, which have increased this pressure and bolstered the role of informal and temporary work arrangements.¹³⁷ In addition to the impact of demand trends and supply-side shocks, the report also finds the prevalence of informal employment in the apparel industry can be linked to increased job insecurity, anti-union discrimination, and violations of freedom of association.¹³⁸ Despite increases in monitoring and supply chain transparency efforts in recent years, this practice of temporary work arrangements continues and cannot be fully measured, which increases the likelihood and degree of underpayment of workers.¹³⁹ Similar to findings by Van Biesebroeck (2015), the ILO (2022) highlights the measurement issues related to the informal sector's labor costs as well as employment and output reporting, which ultimately biases any measure of labor productivity and related wages for the industry.¹⁴⁰

Compliance with government regulation may also raise costs for firms, which increase with the volume and complexity of such regulations. Hasan et al., (2017) analyze the performance of the Indian apparel sector and the underlying impact of labor regulations on firm size and competitiveness.¹⁴¹ They find that India maintains about 45 central and more than 100 state-level labor regulations.¹⁴² In addition to the sheer administrative burden of compliance, some of these wage regulations apply differently to firms according to their size, with stricter requirements for firms with larger workforces, which has the indirect impact of disincentivizing hiring, keeping firms small, and reducing opportunities for economies of scale and technological investment.¹⁴³ Because smaller firms are less profitable, the overall effect is lower wages for workers.¹⁴⁴

The structure of the economy and industry also influences wages and can result in situations of steady—or even declining—real wages, despite rising labor productivity. Grimshaw and de Bustillo (2016) analyze

¹³⁵ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

¹³⁶ Lead time is defined as the “time between when the order is placed and when the shipment is received by the buyer, but it can also reflect the time between the receipt of raw materials and shipment of the final product,” depending on whether it is discussed from the buyer’s or supplier’s point of view. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 55. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 7–8.

¹³⁷ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, vii, 7–8.

¹³⁸ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 7–8, 24–25, 37–39.

¹³⁹ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 25–29.

¹⁴⁰ In addition to underreporting of output and labor inputs from the informal sector, developing countries often suffer from unmeasured overtime hours and inputs of raw materials, energy, and intermediates in larger firms. Other measurement issues result from aggregation across dissimilar sub-sectors and firms within the wider apparel sector. Van Biesebroeck, *How Tight is the Link between Wages and Productivity?*, April 1, 2015, 10–11; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22–25.

¹⁴¹ Hasan et al., “Labor Regulations, Employment and Wages,” January 2017, 68–70.

¹⁴² Hasan et al., “Labor Regulations, Employment and Wages,” January 2017, 81–82.

¹⁴³ For example, India’s Industrial Disputes Act requires government permission to lay off even one worker in plants with 100 or more workers, thus incentivizing smaller firms. Industry representative, interview by USITC staff, March 18, 2024; Hasan et al., “Labor Regulations, Employment and Wages,” January 2017, 81–82.

¹⁴⁴ Hasan et al., “Labor Regulations, Employment and Wages,” January 2017, 71, 81–82; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Verma, “Export Competitiveness of Indian Textile and Garment Industry,” November 2002, 19.

the impact of wage-fixing institutions in the apparel industry, particularly the role of minimum wage and collective bargaining.¹⁴⁵ Their research acknowledges that the ability of firms to set wages is often determined by the extent to which the apparel sector competes for workers in the domestic labor market. They note that the more important the apparel and textile sector is to a country, the more influence it has over the manufacturing sector as a whole.¹⁴⁶

In surveying the apparel sector across certain global suppliers, Grimshaw and de Bustillo (2016) highlight the variation in wage-setting schemes, which differ not only by country, but also by province, sector, and even job grade in some instances.¹⁴⁷ Similar to the findings of Van Biesebroeck (2015), they find that this variation in labor regulations can result in minimum wages that do not necessarily correspond to labor productivity or adjust with price inflation.¹⁴⁸ Moreover, they note that infrequent wage-setting practices can be detrimental to both workers and firms. A lack of regular processes for increasing the minimum wage can be harmful to workers. This harm is exacerbated when the minimum wage is treated as a “wage ceiling” rather than a floor; such a scenario undermines the setting of wages according to skill, qualification, experience, and responsibility of the job or individual.¹⁴⁹ It can also create uncertainty for suppliers and buyers as well as damage supplier countries’ reputations among buyers.¹⁵⁰

Wage-setting schemes, such as domestic minimum wage levels that governments establish, may also be susceptible to political pressure. Rahman and Langford (2012) study the evolution of labor regulation and unionization in Bangladesh, finding that political pressures and legacies may minimize or exclude the participation of workers and trade unions in wage-setting processes.¹⁵¹ They note that the widespread protests prior to sweeping labor regulation in 2006 highlight the risks governments face with infrequent and inadequate wage-setting practices.¹⁵² These risks include the possibility of worker protests and steep and sudden increases in minimum wage rates.¹⁵³ Though these episodes predate 2013, these past episodes parallel recent violent protests around the 2023–24 elections in Bangladesh concerning infrequent and reportedly inadequate increases to the minimum wage.¹⁵⁴

¹⁴⁵ Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 3.

¹⁴⁶ Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 61.

¹⁴⁷ Countries compared include Bangladesh, Cambodia, China, Pakistan, South Africa, Türkiye, and Vietnam.

Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 66–69.

¹⁴⁸ Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 70.

¹⁴⁹ Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 70–71; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 24.

¹⁵⁰ Grimshaw and de Bustillo, *Global Comparative Study on Wage Fixing Institutions*, September 2016, 68.

¹⁵¹ Rahman and Langford, “Why Labor Unions Have Failed Bangladesh’s Garment Workers,” 2012, 88–97.

¹⁵² Rahman and Langford, “Why Labor Unions Have Failed Bangladesh’s Garment Workers,” 2012, 90–91, 99.

¹⁵³ Rahman and Langford, “Why Labor Unions Have Failed Bangladesh’s Garment Workers,” 2012, 88–91, 96–97, 99.

¹⁵⁴ Varkkey (2015) also finds that minimum wage setting has also been subject to political pressures in India. Varkkey, *Minimum Wages, Collective Bargaining and Economic Development in Asia and Europe*, 2015, chap. India, 124; Lawler, “Fourth Garment Worker Dies,” November 14, 2023; Chua, “Labor Rights Groups Call for ‘Indefinite’ Strike in Bangladesh,” December 28, 2023; Chua, “For Bangladesh’s Garment Sector, the ‘Spotlight Moves,’” February 2, 2024.

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Chapter 4

Factors Affecting Export Competitiveness in the Apparel Sector

The U.S. Trade Representative requested that the Commission provide country-specific profiles of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan, including an assessment of the export competitiveness of each country in the U.S. market, taking into account major factors such as cost, product differentiation, and reliability.¹⁵⁵ This chapter responds to these requests by presenting a framework for assessing export competitiveness in the apparel industry, with the aim of providing a comprehensive view of the relevant factors, including those stated in the request. Using information gathered during the investigation, the Commission has categorized the factors reported by firms and groups involved in the apparel sector into four broad determinants of export competitiveness: cost, product differentiation, reliability of supply, and social and environmental responsibility.

In identifying the main criteria used by buyers to assess the competitiveness of an apparel supplier, the Commission conducted interviews and considered information presented at the public hearing and in written submissions, as well as the relevant literature. Commission staff interviewed a range of firms and groups involved in different aspects of the apparel sector, including brands, retailers, suppliers, trade associations, U.S. and foreign government representatives, nongovernmental organizations, and multilateral organizations. Brands and retailers, who are directly involved in comparing and selecting apparel suppliers, are highly knowledgeable about the factors that make apparel exporters competitive in the U.S. market. However, the Commission also gathered input from foreign producers, industry experts, and nongovernmental organizations with deep experience in the sector to both corroborate information received from buyers and gather varied perspectives on export competitiveness and the importance of the identified factors. When useful for context, comparisons are made throughout the report that reflect the information provided by sources. In most cases, comparisons of these five profiled countries were made against other current top Asian apparel suppliers.

Sources reviewed by the Commission defined the export competitiveness of an industry in a specific country as the industry's ability to deliver products and services at the desired location, in accordance with the specifications buyers desire, and at competitive prices as compared to other potential suppliers.¹⁵⁶ Resources and factor endowments (e.g., raw materials and labor availability) are some observable factors that drive a country's competitiveness, through product specialization and comparative costs, for example. Beyond these types of supply-side factors, sources also note that

¹⁵⁵ See appendix A.

¹⁵⁶ Sharples and Milham, *Long-Run Competitiveness of Australian Agriculture*, December 1990, 1. Several different methods are used to quantitatively measure export competitiveness, such as market share in global exports, the aggregate value and growth rate of exports by an industry over time, and the share and growth rate of such exports as compared to total country exports. However, quantitative measures alone may obscure the relative importance of various factors of competitiveness by collapsing them down into a single value. See, Porter "How Competitive Forces Shape Strategy," (1979); Cattaneo, Gereffi, and Staritz, "The Global Apparel Value Chain," 2010, 172–75.

supplier competitiveness in the U.S. market is affected by the sourcing priorities of major brands.¹⁵⁷ Sourcing decisions of U.S. apparel buyers serve as the benchmark against which certain competitiveness criteria and underlying factors are measured and prioritized in terms of importance. Although buyers are reported to hold outsized power in the global apparel supply chain, they are not monolithic—each is said to have different priorities that result in different sourcing motivations, which can vary over time and even within a single brand according to specific sub-brands or product lines.¹⁵⁸

Buyers, namely brands and retailers, from which information was gathered for this investigation corroborate findings in the literature by reporting that no single factor is the basis of sourcing decisions. They indicated that they balance production costs with quality concerns and product diversity, as determined by consumer demand preferences; reliability of and relationship to suppliers; and responsibility to maintain brand reputation through partnership with socially and environmentally compliant suppliers. The weights they attribute to each of these factors varied by specific product and over time, with buyers constantly monitoring a matrix of factors and risk considerations across multiple potential suppliers.¹⁵⁹ Size of supplier firms, although not a factor of competitiveness itself, is often seen as a characteristic that enables firms to excel across these four major factors described below. Larger firms tend to be better resourced, have wider networks, are more capable of achieving economies of scale, and have better leverage than smaller firms.¹⁶⁰

Sourcing decisions can also be influenced by significant external factors such as trade policy developments and unforeseen economic, political, or other global events. The phaseout of the 1974 Multifibre Arrangement (MFA) in 2005, for example, resulted in the restructuring of the global apparel industry in that sourcing decisions no longer depended on quota availability.¹⁶¹ With greater freedom to source without volume or location constraints, the industry trends were toward consolidation of buyers and suppliers.¹⁶² This consolidation reportedly sustains the dynamic of a buyer-driven value chain, which is also visible in the shift toward just-in-time inventory and direct-to-consumer fast-fashion.¹⁶³

¹⁵⁷ USITC, hearing transcript, March 11, 2024, 221 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 221–2 (testimony of Beth Hughes, AAFA).

¹⁵⁸ For example, some buyers prioritize sourcing lower-minimum-quantity orders with more product variety, while others may specialize in one product type and prefer sourcing large volumes from a single country. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 7–8; USITC, hearing transcript, March 11, 2024, 221 (testimony of Julia Hughes, USFIA).

¹⁵⁹ USITC, hearing transcript, March 11, 2024, 164, 191 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 188 (testimony of Beth Hughes, AAFA); industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, February 23, 2024.

¹⁶⁰ Economies of scale happen when an increase in output quantity reduces the per unit total cost of production. Bennur and Malhotra, “Evaluating Economies of Scale,” Fall 2020, 3; industry representative, interview by USITC staff, March 18, 2024.

¹⁶¹ See box 1.1, “Global Textile and Apparel Quotas and the Textile Category System,” for more information on the MFA. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 21; USITC, hearing transcript, March 11, 2024, 163 (testimony of Julia Hughes, USFIA).

¹⁶² The MFA itself was structured in a way that facilitated, at least in part, the global spread of apparel industries across a wide range of countries by incentivizing investment toward countries with lower export values. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 39; Gereffi and Memedovic, *The Global Apparel Value Chain*, 2003, 20; USITC, *Textiles and Apparel*, January 2004, 2–7; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 6–8, 12.

¹⁶³ USITC, hearing transcript, March 11, 2024, 142 (testimony of Eric Gottwald, AFL-CIO).

Although the trend toward just-in-time inventory pushed sourcing decisions toward low-cost, flexible suppliers with short lead times, unpredictable global disruptions such as the COVID-19 pandemic and the resulting widespread factory closures made reliability of supply even more important to buyers as a top requirement.¹⁶⁴ After 2020, inventories increased significantly because of dampened demand, prompting buyers to seek smaller order volumes.¹⁶⁵ After inventories were drawn down and demand returned to pre-pandemic levels, speed to market became a higher priority.¹⁶⁶ Likewise, sources indicate that the implementation of the Uyghur Forced Labor Prevention Act (UFLPA) and imposition of additional duties resulting from the investigation of China under section 301 of the Trade Act of 1974 effectively increased the cost of sourcing inputs and final products from China and encouraged buyers to diversify their sourcing to avoid risk.¹⁶⁷

As noted above, using the information gathered, the Commission identified four principal criteria that determine the competitiveness of apparel suppliers to the U.S. market—cost, product differentiation, reliability of supply, and social and environmental responsibility.¹⁶⁸ Some buyers referred to these as the four Rs: right product, right cost, right time, and right responsibility (worker safety, worker rights, and environmental sustainability).¹⁶⁹ Others name different combinations of key factors, including quality, speed to market, sourcing costs, supplier flexibility, labor compliance, environmental compliance, and geopolitical risk.¹⁷⁰ Underlying these key factors are a number of additional sub-factors or set of circumstances, facts, or influences that contribute to the direction of a country’s industry either by increasing or decreasing its competitiveness relative to other countries (figure 4.1).

¹⁶⁴ Lead time is defined as the “time between when the order is placed and when the shipment is received by the buyer, but it can also reflect the time between the receipt of raw materials and shipment of the final product,” depending on whether it is discussed from the buyer’s or supplier’s point of view. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 55.

¹⁶⁵ See figure 2.8, “Monthly U.S. retail sales and inventories of apparel, 2019–23.”

¹⁶⁶ Industry representative, interview by USITC staff, February 23, 2024.

¹⁶⁷ One industry expert noted that despite millions of dollars’ worth of textile and apparel products detained under UFLPA, the true impact of the policy may be dampened due to under-resourced enforcement activities and the use of de minimis shipments, which face less scrutiny at the border. For more information on additional duties imposed under section 301, see the section on “Sourcing diversification” below. Trade Act of 1974, 19 U.S.C. § 2411; USITC, *Economic Impact of Section 232 and 301 Tariffs*, March 2023, 150–152; USTR, *2024 Trade Policy Agenda*, March 2024, 44–47, 177–78; USITC, hearing transcript, March 11, 2024, 132–36 (testimony of Kimberly Glas, NCTO); USITC, hearing transcript, March 11, 2024, 195–96 (testimony of Beth Hughes, AAFA).

¹⁶⁸ According to the literature, social and environmental responsibility includes labor standards and employment practices (e.g., fair contracts and compensation, working hours, diversity, discrimination, prevention of child and forced labor), health and safety (e.g., building safety, fire codes, protective wear), and environmental practices (e.g., pollution controls and prevention, environmentally friendly technology and materials, and resource conservation). Winter and Lasch, “Environmental and Social Criteria in Supplier Evaluation,” December 15, 2016, 177–80.

¹⁶⁹ USITC, hearing transcript, March 11, 2024, 170 (testimony of Beth Hughes, AAFA); AAFA, written submission to the USITC, March 25, 2024, 1; industry representative, interview by USITC staff, January 23, 2024.

¹⁷⁰ USITC, hearing transcript, March 11, 2024, 165, 168 (testimony of Julia Hughes, USFIA); GLI, written submission to the USITC, March 15, 2024, 2; Ear, written submission to the USITC, March 24, 2024, 8; Arrigo, “Global Sourcing in Fast Fashion Retailers,” January 9, 2020, 5, 10; Lu and Davis, “Which Apparel Sourcing Factors Matter?,” September 23, 2022, 1–2.

Figure 4.1 Key factors of competitiveness in the apparel sector

Costs	Product differentiation	Reliability of supply	Social and environmental responsibility
<ul style="list-style-type: none"> •Material costs •Labor costs •Capital costs •Other input costs •Logistics costs •Trade costs and tariff treatment 	<ul style="list-style-type: none"> •Quality •Specialization •Product mix •Full package services and suppliers 	<ul style="list-style-type: none"> •Speed to market •Vertical integration •Sourcing diversification •Buyer-supplier relationships 	<ul style="list-style-type: none"> •Labor •Health and safety •Environment

Source: Compiled by USITC staff.

Cost

Industry representatives and experts reported that cost—the price buyers pay their suppliers—plays a key role in sourcing decisions, although opinions vary regarding the importance of cost relative to other factors.¹⁷¹ A number of industry representatives and industry and subject matter experts indicate that cost remains the most significant factor.¹⁷² Several industry representatives reported that several other important factors, including quality, lead time, and compliance with social and environmental standards, affect sourcing decisions and that the importance of cost as a factor has declined in recent years.¹⁷³ These representatives further suggested that other factors such as the cost of losing a trusted supplier sometimes outweighed the savings gained by shifting to another lower-cost producer.¹⁷⁴ Many reported that price sensitivity varies by brand or retailer, with those selling fast-fashion or catering to price-sensitive consumers putting more weight on cost as a factor.¹⁷⁵ In addition, some reported that as a

¹⁷¹ Ear, written submission to the USITC, March 24, 2024, 8; GLI, written submission to the USITC, March 15, 2024, 2; USITC, hearing transcript, March 11, 2024, 170, 198 (testimony of Beth Hughes, AAFA).

¹⁷² USITC, hearing transcript, March 11, 2024, 199 (testimony of Jason Judd, GLI); USITC, hearing transcript, March 11, 2024, 289–91 (testimony of Robert Antoshak, Gherzi); USITC, hearing transcript, March 11, 2024, 281–82, 303–4 (testimony of Ken Loo, TAFTAC); industry expert, interview by USITC staff, March 28, 2024; industry representative, interview by USITC staff, February 23, 2024. *See also* Emran et al., *Shopping for a Bargain*, November 2020, 1.

¹⁷³ USITC, hearing transcript, March 11, 2024, 188, 198 (testimony of Beth Hughes, AAFA); AAFA, written submission to the USITC, March 25, 2024, 1; PTC, written submission to the USITC, March 25, 2024, 3–4; Ear, written submission to the USITC, March 24, 2024, 7–8; USITC, hearing transcript, March 11, 2024, 341–42 (testimony of Musadaq Zulqarnain, PTC); Frederick and Daly, *Pakistan in the Apparel Global Value Chain*, January 2019, 6, 9; industry representatives, interview by USITC staff, March 5, 2024.

¹⁷⁴ Industry representative, interview by USITC staff, March 5, 2024.

¹⁷⁵ Ear, written submission to the USITC, March 24, 2024, 8; industry representative, interview by USITC staff, March 5, 2024.

result of excess global apparel production capacity, brands and retailers are able to dictate the price they pay, pushing suppliers to compete primarily on price.¹⁷⁶

Some of the literature indicates that the buyer-driven structure of the global apparel supply chain gives buyers the power to negotiate based on price, which can push down prices and transfer greater costs to the supplier.¹⁷⁷ For example, suppliers have reported brands and retailers pushing for drastic discounts or delaying receipt of the order at multiple points after an order has been confirmed or production has commenced—citing fluctuations in currency valuation, seasonal demand, and geopolitical disruption—while also extending their timeline for providing payment to the supplier.¹⁷⁸ These practices not only force suppliers to absorb expenses for labor and materials prior to being paid, but also increase storage costs, risk borne by suppliers, and vulnerability of workers to low and unlivable wages, workplace abuse, and furlough.¹⁷⁹ Suppliers are faced with the decision to accept a discounted price or lose the order all together. Thus, they typically agree to the discount to keep factories running as close to capacity as possible and their workforce intact.¹⁸⁰

The cost of a finished product is primarily a function of costs related to inputs, which include materials, labor, capital, logistics, trade costs, and other operating costs for processes such as washing.¹⁸¹ Material inputs are widely recognized as the largest component in the cost of a final apparel product, and these prices are largely determined by the presence of a domestic textile industry or costs of importing textiles. Labor costs make up the second-largest component of the cost of a final good but vary much more widely on the basis of the abundance, skill, and productivity of the workforce. Other input costs such as utilities, rent, and logistics contribute less to the cost of a final product. Nonetheless, they affect suppliers' cost competitiveness because the apparel industry is predicated upon tight margins, making changes in the costs of any input significant.¹⁸²

Costs are difficult to compare across firms and countries and the literature has shown costs to be a weak measure of long-term competitiveness in the apparel industry.¹⁸³ Furthermore, given the economic significance of the apparel sector in each of the profiled countries, governments are strategically

¹⁷⁶ USITC, hearing transcript, March 11, 2024, 290 (testimony of Robert Antoshak, Gherzi); Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 27; industry representatives, interview by USITC staff, March 5, 2024.

¹⁷⁷ Frederick and Daly, *Pakistan in the Apparel Global Value Chain*, January 2019, 19; Kashyap, "Is Your Brand Paying Its Share to Reduce Bangladesh Workers' Wage Despair?," November 16, 2023; Anner, "Predatory Purchasing Practices," December 2019, 706.

¹⁷⁸ Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 13; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 37.

¹⁷⁹ Sheriff Wells and Rosenthal, *A Broken Partnership*, April 2023, 8; Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 29; Anner, "Predatory Purchasing Practices," December 2019, 706; subject matter expert, interview by USITC staff, March 28, 2024.

¹⁸⁰ Sheriff Wells and Rosenthal, *A Broken Partnership*, April 2023, 8; Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 14, 29.

¹⁸¹ Islam Rajib et al., "Complete Garment Costing with Major Cost Breakdown," 2023, 115–16.

¹⁸² USITC, hearing transcript, March 11, 2024, 291 (testimony of Robert Antoshak, Gherzi); U.S. government official, interview by USITC staff, June 4, 2024.

¹⁸³ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 51–54; USITC, hearing transcript, March 11, 2024, 172 (testimony of Beth Hughes, AAFA); Tewari, "Is Price and Cost Competitiveness Enough," February 2007, 1, 3, 7, 9.

prioritizing the apparel industry for productivity-boosting and cost-saving investments, subsidies, and programs that can impact costs in a variety of complex ways.¹⁸⁴

Material Costs

Material inputs, which include yarn, fabric, trim, and accessories, are the largest cost component of apparel production.¹⁸⁵ These inputs can account for 40–60 percent of the production cost of a garment, so minimizing these costs is important for a supplier’s cost competitiveness.¹⁸⁶ However, given that the apparel supply chain is structured on tight margins and in some cases materials sourcing is dictated by the buyers, the opportunity to reduce the costs of material inputs is reportedly constrained.¹⁸⁷

Domestic production of inputs, or vertical integration either within a firm or at the country level, can be a key means of reducing material input costs. It is thus an attribute buyers take into account when considering apparel suppliers.¹⁸⁸ Access to textile inputs, such as cotton and manmade fibers, and downstream products, like accessories and dyes, is also an important direct determinant of overall cost and is most directly affected by the existence (or lack) of a domestic cotton or manmade fiber (MMF) industry.¹⁸⁹

Labor Costs

Labor accounts for a substantial portion of cost in apparel production, often the second-largest after material inputs; it is reportedly one of the largest costs that can be controlled, unlike raw material and energy prices which are generally imposed externally.¹⁹⁰ Although the exact share of labor costs varies in the production of any garment, estimates of labor costs as a percentage of the total cost of producing a

¹⁸⁴ USITC, hearing transcript, March 11, 2024, 17, 19–20 (testimony of Ranitya Kusumadewi, Embassy of Indonesia); USITC, hearing transcript, March 11, 2024, 11 (testimony of His Excellency Masood Khan, Embassy of Pakistan); industry expert, interview by USITC staff, April 03, 2024.

¹⁸⁵ Polaski, written submission to the USITC, March 22, 2024, 1; Islam Rajib et al., “Complete Garment Costing with Major Cost Breakdown,” 2023, 117, 125; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 7, 2024; industry expert, interview by USITC staff, March 26, 2024.

¹⁸⁶ One source reports the cost of material inputs can reach as high as 80 percent in some instances. Tewari, “Deepening Intraregional Trade and Investment,” April 2008, 48; USITC, hearing transcript, March 11, 2024, 280 (testimony of Ken Loo, TAFTAC); industry representative, interview by USITC staff, Bangladesh, May 6, 2024; industry representative, email message to USITC staff, February 29, 2024.

¹⁸⁷ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 53.

¹⁸⁸ Industry representative, interview by USITC staff, May 2, 2024. For more information on the impact of vertical integration, see the related section under “Reliability of supply” below.

¹⁸⁹ The potential for domestic MMF production is less impacted by agricultural elements and land use than it is by access to recycled fibers, necessary feedstocks, and required capital. Fisher, “Industry Challenged to Develop More Sustainable Fibers,” October 13, 2023; USITC, hearing transcript, March 11, 2024, 17 (testimony of Ranitya Kusumadewi, Embassy of Indonesia).

¹⁹⁰ GLI, written submission to the USITC, March 15, 2024, 3; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Polaski, written submission to the USITC, March 22, 2024, 1; Islam Rajib et al., “Complete Garment Costing with Major Cost Breakdown,” 2023, 124–25; industry representative, interview by USITC staff, March 7, 2024; industry expert, interview by USITC staff, March 26, 2024.

garment are reported to be approximately 20–30 percent.¹⁹¹ As a result, wage rates can have a significant impact on the competitiveness of a country’s apparel sector, with lower wages allowing producers to sell products for lower prices.¹⁹² The five profiled countries, for example, are lower-cost suppliers, with manufacturing wages in roughly the lowest third globally.¹⁹³ Positions vary, however, as to how much wages affect sourcing decisions. Some buyers and industry experts report that, despite low-cost labor having been a more important factor in the past, it is currently not the primary factor.¹⁹⁴

A country’s wage rates in the apparel sector can have varying effects on its competitiveness. Low labor costs can improve a country’s competitiveness via lower costs overall, but labor costs that are so low that they do not reflect the true cost of doing business (e.g., via wage suppression) can harm a country’s reputation for social compliance and negatively affect labor productivity.¹⁹⁵ In spite of reports from buyers that they support fair wages, some industry observers and suppliers report that the cost pressures from buyers have prevented suppliers from being able to increase wages and benefits to workers.¹⁹⁶ In addition, government policy on wage setting, union suppression, and anti-union sentiment in some major apparel-producing countries have reportedly helped keep downward pressure on wages.¹⁹⁷

Variations in government calculation and reporting of wage rates as well as the difficulties in measuring productivity make it difficult to compare labor costs across countries.¹⁹⁸ Although labor costs in different countries can be compared quantitatively, industry experts indicate that it is difficult to compare wages across countries as a measure of labor competitiveness.¹⁹⁹ For example, some countries may report an

¹⁹¹ GLI, written submission to the USITC, March 15, 2024, 3; USITC, hearing transcript, March 11, 2024, 280 (testimony of Ken Loo, TAFTAC); Bauer et al., *Higher Ground? Report 2*, September 13, 2023, 24.

¹⁹² USITC, hearing transcript, March 11, 2024, 181 (testimony of Jason Judd, GLI).

¹⁹³ See table E.9. Data are based on available average monthly manufacturing wages in U.S. dollars for the latest year available for 144 countries. These countries represented more than 95 percent of global apparel exports in 2022. While not specific to the apparel sector, data are an indicator of manufacturing wages in a country and may be similar to average apparel and related industry wages. The data are compiled by the ILO from country labor force surveys and may differ on the definition of manufacturing as well as the population included in the estimate. ILO, “Labour Force Survey, ‘Average monthly earnings of employees by sex and economic activity,’” accessed August 11, 2024; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 1, 24–25; Goodier, “Best and Worst Countries for Apparel Worker Wages,” March 14, 2022.

¹⁹⁴ USITC, hearing transcript, March 11, 2024, 172, 198 (testimony of Beth Hughes, AAFA); USFIA, written submission to the USITC, March 25, 2024, 2–3; BGMEA, written submission to the USITC, March 24, 2024, 5–6; Ear, written submission to the USITC, March 24, 2024, 7–8. See also chapter 3.

¹⁹⁵ Verma, “Export Competitiveness of Indian Textile and Garment Industry,” November 2002, 19; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 20–21.

¹⁹⁶ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; USITC, hearing transcript, March 11, 2024, 210 (testimony of Jason Judd, GLI); Kashyap, “Is Your Brand Paying Its Share to Reduce Bangladesh Workers’ Wage Despair?,” November 16, 2023; Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 13–14; industry representative, interview by USITC staff, March 5, 2024.

¹⁹⁷ USITC, hearing transcript, March 11, 2024, 157–58 (testimony of Jason Judd, GLI); subject matter expert, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, March 21, 2024.

¹⁹⁸ For more information, see chapter 3. Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 4, 7–8, 24–25, 37–39.

¹⁹⁹ USITC, hearing transcript, March 11, 2024, 156–57 (testimony of Jason Judd, GLI); BGMEA, written submission to the USITC, March 24, 2024, 1.

average wage and others may report a minimum wage.²⁰⁰ Some countries may also include mandatory bonuses and other additional compensation or payments made to workers.²⁰¹ Further, for some countries a large share of apparel workers are in the informal sector for which minimum wage or salaries in the formal sector do not apply. In addition, because productivity rates vary across countries, countries with the lowest wages cannot be assumed to be the most competitive on labor costs.²⁰²

Capital Costs

Although apparel manufacturing is very labor intensive with lower capital costs than in textile production, capital costs are relevant when considering opportunities where automation and artificial intelligence can be utilized for financial and time savings. Apparel production requires garment workers to use fine motor skills and dexterity for sewing and assembling garments from fabrics with varying textures and pliability—tasks that robots typically cannot perform as well as their human counterparts.²⁰³ In contrast, textile production takes raw material inputs and utilizes large yarn spinning mills, vast weaving looms, and finishing machinery, all of which are operated by a fraction of the number of workers employed in an apparel factory.²⁰⁴

Beyond the standard capital costs, many large apparel producers are investing in technological advancements that improve accuracy, save time, and reduce waste in the production process. Technology usage includes computer-aided design (CAD) and digital garment printing, and digital samples, all of which allow for greater “full package” offerings and reduce the time required for coordination between multiple vendors providing iterative design and planning services.²⁰⁵ Automation in apparel manufacturing reportedly remains limited, but automation and artificial intelligence are beginning to be used for real-time tracking of inventory and inputs, to increase production speed, and to target improve forecasting.²⁰⁶ In addition to design, apparel manufacturers can invest in assistive and innovative technologies such as automatic fabric rollers and cutters, sew-free machinery, and waste recovery and recycling technology. These technologies not only improve accuracy and reduce lead time

²⁰⁰ USITC, hearing transcript, March 11, 2024, 342 (testimony of Musadaq Zulqarnain, PTC).

²⁰¹ USITC, hearing transcript, March 11, 2024, 342 (testimony of Musadaq Zulqarnain, PTC).

²⁰² Ear, written submission to the USITC, March 24, 2024, 5–6. For more information, see “Labor Costs” in chapter 3.

²⁰³ Frederick and Daly, *Pakistan in the Apparel Global Value Chain*, January 2019, 13; Bissinger, *The Impact of Technological Change in the Textile and Garment Sector on Sustainable Development in Asia*, November 2019, 7.

²⁰⁴ Labor costs are reported to account for about 2–3 percent of the total textile manufacturing cost in Bangladesh, India, and Pakistan, for example. *Knitting Industry*, “Tracing Production Costs,” June 15, 2022; industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

²⁰⁵ One factory has noted that 3D design and sampling has allowed it to shrink its lead time from 35–40 days to 3–4 days. Industry representative, interview by USITC staff, Bangladesh, May 6, 2024; Sarkar et al., “Advanced Technology in Apparel Manufacturing,” 2023.

²⁰⁶ Industry representative, interview by USITC staff, Bangladesh, May 6, 2024. Some industry experts report that automation in the industry is limited because producers have access to large and relatively low-cost labor and because labor can be laid off during slower periods or if the business fails, whereas payments for the loan for machinery must continue. Industry expert, interview by USITC staff, March 26, 2024.

and labor costs, but also feature state-of-the-art construction techniques that raise the quality of their garments.²⁰⁷

Other Input Costs

Other input costs in apparel production that can impact the competitiveness of a country's sector include costs of consistent access to energy and its use, as well as costs associated with water use and wastewater treatment.²⁰⁸ These costs do not make up as large a portion of overall costs as raw materials and labor, but the small margins associated with apparel production mean that an entire sector's competitiveness can be affected by small differences in these other input costs. Energy costs are most often cited as an important factor in competitiveness and reported to be the third-largest cost component, after material inputs and labor.²⁰⁹ The installation and use of renewable energy sources is one way that suppliers in some producing countries have adapted to lower these costs while raising their reputation for environmental compliance.²¹⁰

Logistics Costs

Geography directly impacts not only the cost and availability of material inputs, but also the cost of delivering final goods to export markets, a key element of export competitiveness. Logistics costs in the apparel industry include transport services between facilities (e.g., factories, warehouses, distribution centers, ports, etc.), security costs, and customs costs (which may be lower in Export Processing Zones or Special Economic Zones).²¹¹ Reliance on imported inputs necessarily increases transport costs, and ultimately reduces competitiveness relative to a supplier that can affordably source its inputs domestically. Shipping costs generally rise with distance to consumer markets, but these costs can be mitigated by factors such as the quality of logistics and transport infrastructure (e.g., effective traffic management, ports, telecommunications, customs procedures, and testing facilities), and eligibility for trade preferences in the destination market.²¹² Government policy supporting investment in infrastructure has the ability to improve a country's competitiveness, including through tax incentives or

²⁰⁷ Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; industry representative, interview by USITC staff, Bangladesh, April 30, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024. Current and expected consumer demand also affects the competitiveness of top and emerging suppliers by directing the flow of existing and new investments. Growing product categories include coats, athletic apparel, and dresses/skirts, which can be made from cotton and wool, or manmade fiber, depending on a country's access to various textile inputs of domestic or imported origin. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 48.

²⁰⁸ Akhuand and Abbas, "Modeling Determinants of Competitiveness," January 2, 2023.

²⁰⁹ Industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 26, 2024; industry expert, interview by USITC staff, April 10, 2024.

²¹⁰ Industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

²¹¹ Industry expert, interview by USITC staff, April 3, 2024.

²¹² Primiana et al., "Improvement Strategy for Supply Chain Performance of the Garment Industry to Decrease Logistics Costs and Enhance Competitiveness," January 1, 2016, 123; Siddiqui and Vita, "Impact of Logistics Performance on Trade," April 1, 2021.

subsidized interest rates for projects.²¹³ In some cases, larger, more profitable firms may self-fund private infrastructure (e.g., helipads to improve connections between production facilities and airports).²¹⁴

Trade Costs and Tariff Treatment

Preferential duty treatment for both imported inputs to the supplier country and exports of finished goods to the consumer market decreases costs and can improve a country's cost competitiveness.²¹⁵ Conversely, import duties on inputs can increase costs of apparel made with those inputs or in some cases discourage their use.²¹⁶ Import duties on inputs have, in some cases, hindered product diversification at the early stages of apparel industry development by stunting demand for products made of relatively costlier inputs and any associated investments that would use those inputs.²¹⁷ In addition to duty-free or reduced tariff imports of inputs, governments can introduce other policy tools for suppliers aimed at reducing trade frictions, such as bonded warehouses, letters of credit, and cash incentives for export-oriented producers that use local inputs.²¹⁸ In examining the development of Bangladesh's textile and apparel industry, for example, the combined reduction of average tariffs and introduction of bonded warehouses and letters of credit helped to reduce costs of textile imports for the growing apparel industry.²¹⁹

Preferential access to export destinations also offers another important cost advantage to apparel-producing countries.²²⁰ This access has helped several current major supplying countries expand their apparel sectors and create efficiencies that offer cost advantages to buyers compared to countries without any duty preferences.²²¹ Both Bangladesh and Cambodia serve as examples in which certain provisions of the EU's Generalised Scheme of Preferences (EU GSP) program improved the

²¹³ Tewari, "Deepening Intraregional Trade and Investment," April 2008, 50.

²¹⁴ Industry representatives, interview by USITC staff, Bangladesh, May 6, 2024; industry representatives, interview by USITC staff, Bangladesh, May 6, 2024.

²¹⁵ USITC, hearing transcript, March 11, 2024, 172, 199 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 310 (testimony of Ken Loo, TAFTAC).

²¹⁶ Tewari, "Deepening Intraregional Trade and Investment," April 2008, 41, 44.

²¹⁷ For example, India's high duties on imports of fabric produced on fine-gauge knitting machines (which often serve as inputs for certain knit and woven garments with higher profit margins) have been cited as a factor contributing to the low demand for these goods by domestic consumers and, in turn, to the low investment in such machines by Indian apparel manufacturers. Tewari, "Deepening Intraregional Trade and Investment," April 2008, 41; Ray, "What Explains India's Poor Performance," May 2019, 10–14.

²¹⁸ Tewari, "Deepening Intraregional Trade and Investment," April 2008, 47–49; USITC, hearing transcript, March 11, 2024, 24, 26 (testimony of Tapan Ghosh, Government of Bangladesh); industry representative, interview by USITC staff, Bangladesh, May 5, 2024.

²¹⁹ Tewari, "Deepening Intraregional Trade and Investment," April 2008, 50; Han and Mah, "Preferential Trade Treatment and Industrial Development," March 1, 2015, 131.

²²⁰ Industry representatives, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, February 23, 2024.

²²¹ Han and Mah, "Preferential Trade Treatment and Industrial Development," March 1, 2015; USITC, hearing transcript, March 11, 2024, 26 (testimony of Tapan Ghosh, Government of Bangladesh); USITC, hearing transcript, March 11, 2024, 310 (testimony of Sajid Saleem Minhas, PRGMEA); Kamal and Yesmin, "Competitiveness of Global Apparel Industry," October 11, 2022, 4.

competitiveness of the countries' apparel sectors—for Bangladesh, through the creation and expansion its domestic textile industry and for Cambodia, through increased eligibility for preferential treatment.²²²

Apparel from the five profiled countries does not receive preferential tariff treatment in the U.S. market. The U.S. Generalized System of Preferences (GSP), which lapsed in 2020, affords duty-free access to U.S. imports of certain products from designated beneficiary developing countries; however, apparel is largely excluded from the U.S. GSP program. Cambodia, Indonesia, and Pakistan are among the designated beneficiary countries, while Bangladesh (see box 5.1) and India lost eligibility in 2013 and 2019, respectively.²²³

Product Differentiation

Product differentiation covers a number of factors that relate to the ability of the source country to offer the type of product desired by buyers. A primary factor within this category is quality: whether the supplier can provide the level of quality demanded, meet product specifications—which includes style and color—and the volume required. Another important factor is the supplier's ability to offer a broad range of products to the buyer and respond to requests for changes in production.

Quality

Buyers and industry representatives report that quality is an important factor of competitiveness, and that buyers rely on the manufacturer's ability to produce apparel that consistently meets quality expectations.²²⁴ The quality of garment construction is directly linked to the quality of the textile inputs, skill level of labor, sophistication of technology, and availability of capital.²²⁵ As a result, higher quality can drive up the cost of the garment. For example, industry representatives noted that quality, in addition to speed, have made the five profiled countries competitive despite not having duty-free access to the U.S. market.²²⁶ High-cost apparel producers may also strategically compete on quality, choosing to invest in expanding capabilities or product offerings.²²⁷

²²² The EU GSP program's double transformation rule, which requires the conversion of yarn to fabric and fabric to clothing in order for imports to be considered originating and thus eligible for duty-free treatment, led to the development of fabric production capacity in Bangladesh. At the same time, the EU's relaxation of this rule in January 2011 has also been cited as having significantly increased participation of other EU GSP-eligible LDCs, including Cambodia, which does not have a domestic textile sector. UNCTAD, *Generalized System of Preferences*, 2013, 4, 6; Tewari, "Deepening Intraregional Trade and Investment," April 2008, 50; Han and Mah, "Preferential Trade Treatment and Industrial Development," March 1, 2015, 131.

²²³ USITC, *HTS 2024 Revision 2*, General Note 4, "Generalized System of Preferences (GSP)," May 31, 2024, GN pp. 1–4; USTR, "U.S. Trade Representative Michael Froman," June 27, 2013; USTR, "United States Will Terminate," March 4, 2019.

²²⁴ PTC, written submission to the USITC, March 25, 2024, 3; Ear, written submission to the USITC, March 24, 2024, 8; Rahman and Moazzem, "Enhancing Global Market Competitiveness," March 14, 2022, 26; industry expert, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, April 4, 2024.

²²⁵ Industry representative, interview by USITC staff, April 4, 2024.

²²⁶ USITC, hearing transcript, March 11, 2024, 226 (testimony of Julia Hughes, USFIA).

²²⁷ Industry representative, interview by USITC staff, February 29, 2024; industry representative, interview by USITC staff, April 4, 2024.

Several producers have also begun investing in quality assessment procedures and facilities, including labs to conduct various tests necessary to comply with international standards.²²⁸ Quality is reportedly one of the principal reasons behind China's sustained large share of the global apparel industry. A 2016 report found that buyers' perception of quality ranked China first among Asian producers, followed by Vietnam, Indonesia, Cambodia, Bangladesh, and India.²²⁹ In 2023, an industry survey found that China remains an important exporter of apparel because of quality, as well as production capacity, although a majority of brands were diversifying sourcing away from China.²³⁰

Specialization

Several countries, particularly those with long experience in apparel and garment manufacturing, have developed considerable expertise in specific product categories. According to representatives of U.S. brands, specialization is one of the primary reasons for considering a specific apparel exporter because the skill and productivity of workers in these countries has been honed on their specialized products and the associated production tasks.²³¹ Industry representatives note the specialty of a country or region when discussing sourcing decisions, especially for higher-end fashion garments and those with proprietary finishes such as easy care, wrinkle-free, durable water repellent, and silky finished fabrics.²³² These high-end products include jeans, outerwear, and business and formal attire, as well as apparel finishes (e.g., embroidery, beading).²³³

²²⁸ From most broad to most specific, industry standard testing includes general consumer goods safety regulations in force in the EU and United States (REACH and CPSIA, respectively), international quality guidelines by the International Organization for Standardization (ISO) on quality management systems (ISO 9001), CARE labeling (ISO 3758), Global Organic Textile Standard (GOTS), and yarn quality testing for fiber length, perimeter, strength, trash particles, etc. (particularly in vertically integrated factories with spinning capability). Cutting edge quality and tracing assessment tests include Bluescan, which uses Light Sensitive Fabric testing to provide a complete report within minutes on site about a fabric's laundry viability, resource uptake, and chemical profile, and FibreTrace, which embeds a traceable and indestructible pigment into any fiber, allowing for tracking of a fiber ID from raw fiber to factory, to finished product (and beyond, if yarns are recycled). Industry representative, interview by USITC staff, Bangladesh, May 6, 2024; USITC, hearing transcript, March 11, 2024, 42 (testimony of Parthasarathi Jha, Shahi); Banerjee, "20 Certifications and Standards for Textile Industry Businesses," accessed June 12, 2024; Nishimura, "SGS India Gets ZDHC Approval," May 5, 2023.

²²⁹ The report noted that, overall, Bangladesh, India, and Pakistan lagged behind Southeast Asia in quality as well as other determinants of competitiveness like input availability, lead times, reliability, and social compliance. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 166.

²³⁰ Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 28. Other industry representatives have corroborated the competitiveness of apparel products produced in China, while noting the growth in quality of technical garments produced in Vietnam and Cambodia. Industry representative, interview by USITC staff, April 4, 2024.

²³¹ USITC, hearing transcript, March 11, 2024, 251 (testimony of Sajid Saleem Minhas, PRGMEA).

²³² USITC, hearing transcript, March 11, 2024, 176 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 41 (testimony of Bala Parameswaran, Shahi Exports).

²³³ Ray, "What Explains India's Poor Performance," May 2019, 10–14.

Product Mix

Contrary to the benefits of specialization, the capacity to produce a wide mix of apparel increases an exporter’s competitiveness, given industry-wide trends toward consolidation of suppliers.²³⁴ Some countries’ competitiveness is strengthened by offering a wide variety of garment types, as occurs in Bangladesh and India.²³⁵ As brands increasingly seek to consolidate sourcing, suppliers with the ability to produce different types of garments or garments made of different materials for multiple market segments are more desirable to buyers. As a result, many major producers are looking to expand their product offerings to include a broader mix of products. For example, Bangladesh, India, and Pakistan are all known for their strength in cotton apparel but there is a need to expand beyond that as the global apparel industry moves toward more MMF garments.²³⁶

The literature indicates that the presence of a domestic market for apparel often has a direct effect on the diversity of product mixes. Countries with large and growing populations, such as India and Indonesia, are known to have a broader variety of product offerings, due in part to strong domestic demand. Such countries can leverage economies of scale and even upgrade into higher value-added activities like branding, marketing, and retail. On the other hand, countries with smaller populations tend to focus more on satisfying foreign demand preferences, which some buyers consider to be advantageous.²³⁷

Full Package Services and Suppliers

Commission interviews and the literature indicated that global apparel buyers increasingly associate increased competitiveness with “full package” suppliers, particularly firms that provide services such as design, input sourcing, garment assembly, and product sampling.²³⁸ Historically, by offering full package services to buyers, producers gained more autonomy and opportunities for innovation.²³⁹ More recently some industry observers have reported that adding these services can help suppliers retain competitiveness or move toward higher value-added apparel production.²⁴⁰ One U.S. buyer noted that the best producers have full, highly skilled design and sampling teams as well as advanced technical

²³⁴ Cattaneo, Gereffi, and Staritz, “The Global Apparel Value Chain,” 2010, 182.

²³⁵ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 166–67.

²³⁶ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 13, 24–25, 44, 46, 48, 58–59; Rahman and Moazzem, “Enhancing Global Market Competitiveness,” March 14, 2022, 21; industry representative, interview by USITC staff, February 23, 2024.

²³⁷ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 50; Tewari, “Textile and Clothing Industry,” 2009, 63.

²³⁸ The transition up the apparel value chain toward lower-volume, higher-value product categories necessarily requires a shift in demand for labor that is capable of providing product development and design services. Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 55; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 12; industry representative, interview by USITC staff, February 23, 2024.

²³⁹ See Gereffi and Memedovic, *The Global Apparel Value Chain*, 2003.

²⁴⁰ USITC, hearing transcript, March 11, 2024, 337 (testimony of Musadaq Zulqarnain, PTC); Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 55.

capability such as pattern design and drafting abilities, which not only help them save sampling time and costs but garner trust from new buyers.²⁴¹

Reliability of Supply

Industry representatives state that while cost remains a significant determinant for sourcing decisions, reliability of apparel supply has become increasingly important.²⁴² Reliability of supply includes speed to market, which often directs sourcing decisions, and in recent years, diversification in suppliers in order to decrease risk.²⁴³ In addition to potentially reducing costs, the degree of vertical integration and domestic sourcing of inputs in any market can offer competitive advantages in lowering lead times for the sourcing of inputs and decrease a market's dependence on other countries' supply, protecting it from global shocks.²⁴⁴ Diversifying sourcing by producing in multiple countries and regions can protect buyers from shocks in any specific country or region, ensuring a more reliable supply chain. Both domestic sourcing of inputs and sourcing diversification, however, have drawbacks; domestic sourcing can expose suppliers to respective risks from acute, concentrated disruptions, while diversification bears risk each time an imported intermediate good crosses a border.

Speed to Market

The ability to produce and deliver apparel to the buyer in desired volumes as quickly as possible is reported to be a requirement of brands and retailers when sourcing from abroad.²⁴⁵ Industry representatives report that some of their products, like those that do not change significantly over time, allow for longer lead times.²⁴⁶ Many brands and retailers, however, attempt to source many products as quickly as possible to take advantage of new trends in fashion. One supplier noted that this distinction in terms of the relative importance assigned to lead time also depended on the product's target market, suggesting that U.S. consumers represent a more homogenous market favoring single items in large quantities. More fashion-oriented EU consumers prefer fewer quantities with shorter lead times.²⁴⁷ The shift in consumer demand toward rapidly changing trends and concerns about holding excess inventory are reported to have increased the importance of speed to market, with buyers requesting much shorter turnaround times, such as shipments within 15–21 days from ordering, and requiring flexibility to

²⁴¹ Industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

²⁴² Industry representative, interview by USITC staff, March 5, 2024; USITC, hearing transcript, March 11, 2024, 172 (testimony of Beth Hughes, AAFA).

²⁴³ Supply reliability refers not only to that of tier 1 suppliers (i.e., factory where final product is assembled), but also that of their tier 2 (i.e., subcontractors or major component suppliers, such as fabrics), tier 3 (e.g., yarn spinners, finding and trimming suppliers), and tier 4 suppliers (e.g., raw material suppliers, hides, cotton, wool, goose down, minerals/metals, chemicals). Some sources group tiers 3 and 4 together. OECD, *Introductory Paper on SMEs in the Garment and Footwear Sector*, 2021, 35.

²⁴⁴ Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 12, 44.

²⁴⁵ USITC, hearing transcript, March 11, 2024, 220 (testimony of Julia Hughes, USFIA); PTC, written submission to the USITC, March 25, 2024, 4; industry representative, interview by USITC staff, February 23, 2024.

²⁴⁶ Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, February 21, 2024.

²⁴⁷ Industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

respond quickly to changes in orders.²⁴⁸ As a result, source countries that are able to produce apparel products within these short timelines may have a competitive advantage, even if the shorter lead time comes with higher prices.²⁴⁹

A number of factors have been cited to impact the ability of suppliers to provide their products quickly, including the location of their industry within a country, access to ports, quality and availability of domestic infrastructure to transport goods, domestic regulations that speed or slow international movement of goods, vertical integration in the supply chain at the country or firm level that offers quick access to raw material inputs, and flexibility to accommodate changes to orders.²⁵⁰ For example, a country's inefficient ports and airport management or its onerous certifications and standards can contribute to higher lead times for importing raw materials relative to its competitors.²⁵¹ Industry representatives also note that the larger the industry is in a country, the more likely that shipping companies can provide faster sailings, allowing for an increased speed to market.²⁵² Speed to market is also dependent on the workforce's ability to deliver high-quality products within a given time frame.²⁵³ Furthermore, even though certain advantages can be generalized for a country, to some extent, the location of the supplier may be less important than the manufacturing capabilities of that individual supplier firm.²⁵⁴

Vertical Integration

For the purposes of this report, vertical integration is defined in two ways, reflecting the way the term is used within the industry.²⁵⁵ First, it is used at the country level, where firms can access domestically produced inputs. Second, it is used at the firm level, where firms perform multiple stages of the production process internally. Vertical integration, both at the country and firm level, can improve reliability of supply, through both speed to market as well as in response to market shocks. Timelines as tight as 15–21 days, as noted above, especially for large orders, cannot be satisfied without domestically produced yarns and fabrics, which ultimately gives vertically integrated countries a competitive edge.²⁵⁶ Verticality is also important because a vertical supply chain offers a higher degree of accountability with regard to the origin of inputs. For example, fiber traceability in the apparel supply chain has become

²⁴⁸ USITC, hearing transcript, March 11, 2024, 287–88 (testimony of Musadaq Zulqarnain, PTC); PTC, written submission to the USITC, March 25, 2024, 3; Ear, written submission to the USITC, March 24, 2024, 8; industry representative, interview by USITC staff, March 5, 2024.

²⁴⁹ USITC, hearing transcript, March 11, 2024, 219 (testimony of Beth Hughes, AAFA); Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 18.

²⁵⁰ USITC, hearing transcript, March 11, 2024, 288 (testimony of Musadaq Zulqarnain, PTC); AAFA, written submission to the USITC, March 25, 2024, 1; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9.

²⁵¹ Hossain, Kabir, and Latifee, "Export Competitiveness of Bangladesh Readymade Garments Sector," May 10, 2019, 48–49.

²⁵² USITC, hearing transcript, March 11, 2024, 220 (testimony of Julia Hughes, USFIA).

²⁵³ USITC, hearing transcript, March 11, 2024, 226 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 226 (testimony of Beth Hughes, AAFA).

²⁵⁴ USITC, hearing transcript, March 11, 2024, 165 (testimony of Julia Hughes, USFIA).

²⁵⁵ For example, the term was used both ways by participants at the Commission's public hearing and in written submissions to the investigation. See USITC, hearing transcript, March 11, 2024, and appendix D.

²⁵⁶ USITC, hearing transcript, March 11, 2024, 288 (testimony of Musadaq Zulqarnain, PTC).

increasingly necessary because of the UFLPA.²⁵⁷ As a result, many buyers report that being able to source inputs within a country or region is an important factor in choosing a supplier and, through that, to a country's competitiveness.²⁵⁸

Given that textile production (upstream activities) and apparel manufacturing (downstream activities) are both highly concentrated in Asia, the entire region is vulnerable to geographically concentrated shocks.²⁵⁹ The degree to which a country's apparel industry is vertically integrated can, however, mitigate harm to its competitive stance in the face of such regional shocks. For example, a cotton-producing country reduces its apparel sector's reliance on imported raw material inputs and improves its competitiveness compared to those apparel-producing countries that do not have a vertically integrated value chain and thus face disruptions when its input suppliers are threatened.²⁶⁰ By the same token, when a country's apparel producers are reliant on domestic cotton production, they are relatively more vulnerable to shocks to their domestic cotton industry than apparel producers with more diversified cotton sources.²⁶¹

Concentration, whether geographically or through vertical integration, can serve as both an advantage and disadvantage to a supplier's reliability. On one hand, extreme concentration of supply chain vendors or complete vertical integration can increase exposure to domestic shocks such as protectionist trade actions or localized natural disasters. On the other hand, the degree to which suppliers in tiers 1–4 are spread across borders, increases buyers' vulnerability to imported input supply disruptions.²⁶² In markets without a local textile industry, the infrastructure, the development of its transport and logistics sectors, and the accessibility of its customs procedures further impact not only its ability to reliably import needed inputs, but also to export finished apparel products in accordance with satisfactory lead times.²⁶³

²⁵⁷ See box 4.1. Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan); USITC, hearing transcript, March 11, 2024, 195–196 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 196–197 (testimony of Julia Hughes, USFIA).

²⁵⁸ USITC, hearing transcript, March 11, 2024, 198 (testimony of Beth Hughes, AAFA); Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 23; industry representative, interview by USITC staff, February 28, 2024; industry representatives, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 24, 2024; industry expert, interview by USITC staff, March 25, 2024; industry representative, email message to USITC staff, February 29, 2024.

²⁵⁹ The Asia and Pacific region "accounts for 60 percent of the world's total apparel exports – a fact that has led it to be labeled the 'clothing factory of the world.'" ILO, *The Supply Chain Ripple Effect*, October 2020, 2.

²⁶⁰ USITC, hearing transcript, March 11, 2024, 31–35 (testimony of Mithileshwar Thakur, APEC).

²⁶¹ USITC, hearing transcript, March 11, 2024, 11–12 (testimony of His Excellency Masood Khan, Embassy of Pakistan).

²⁶² Tier 1 suppliers are apparel producers (i.e., factory where final product is assembled); tier 2 are subcontractors or major component suppliers, such as fabrics; tier 3 are yarn spinners, finding and trimming suppliers; and tier 4 suppliers are raw material suppliers, hides, cotton, wool, goose down, minerals/metals, chemicals. Some sources group tier 3 and 4 together. ILO, *The Supply Chain Ripple Effect*, October 2020, 4; OECD, *Introductory Paper on SMEs in the Garment and Footwear Sector*, 2021, 35.

²⁶³ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 55.

Sourcing Diversification

Industry representatives report buyers have increasingly sought to diversify sourcing across countries and suppliers in order to mitigate a variety of sourcing risks, including global shocks, changes in government policies, and geopolitical instability.²⁶⁴ In particular, the recent duties on imports from China imposed under section 301 of the Trade Act of 1974 and the enactment of the UFLPA (see box 4.1) accelerated a shift of sourcing away from China.²⁶⁵ Given the variability of and unpredictability of potential disruptions, buyers report that they generally aim to diversify their sourcing locations by prioritizing one to two alternatives for core products. Diversifying sourcing is reported to be easier for larger buyers that have wider networks.²⁶⁶ Although many of these recent changes have been driven by buyers' attempt to avoid certain inputs from China, having a diverse sourcing structure for apparel is reported to offer broader competitiveness advantages through providing buyers agility and flexibility in response to a number of types of risks.²⁶⁷

²⁶⁴ USITC, hearing transcript, March 11, 2024, 165 (testimony of Julia Hughes, USFIA); PTC, written submission to the USITC, March 25, 2024, 3; Ear, written submission to the USITC, March 24, 2024, 8; USFIA, written submission to the USITC, March 25, 2024, 3–4; industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, February 27, 2024; industry expert, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, February 23, 2024.

²⁶⁵ Following its section 301 investigation findings and at the direction of the President, the United States began imposing additional tariffs on a list of products from China, starting in July 2018. In all, five lists of products were identified, although ultimately additional tariffs were imposed on only four of the lists. List 4A contained textiles, clothing, shoes, and other back-to-school items, valued at \$112 billion. The list was announced on August 20, 2019, and duties came into effect on September 1, 2019. The initial additional duty on these items was 15 percent ad valorem, although the duty was reduced to 7.5 percent, effective February 14, 2020. USTR received about 8,800 requests for exclusions, of which 575 were granted. Notice of Modification of Section 301 Action, 84 Fed. Reg. 43304 (August 20, 2019); USITC, hearing transcript, March 11, 2024, 166, 196 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 171, 195–96 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 311 (testimony of Sajid Saleem Minhas, PRGMEA); Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 10; USTR, “\$34 Billion Trade Action (List 1),” accessed January 19, 2024; USTR, “\$16 Billion Trade Action (List 2),” accessed January 19, 2024; USTR, “\$200 Billion Trade Action (List 3),” accessed January 23, 2024; USTR, “\$300 Billion Trade Action (List 4),” accessed January 19, 2024; USTR, “Economic and Trade Agreement,” January 15, 2020; industry representative, interview by USITC staff, March 12, 2024.

²⁶⁶ Industry representative, interview by USITC staff, March 7, 2024.

²⁶⁷ USITC, hearing transcript, March 11, 2024, 196 (testimony of Julia Hughes, USFIA).

Box 4.1 The Uyghur Forced Labor Prevention Act: Human Rights and Sourcing from Xinjiang

Signed into law by President Biden on December 23, 2021, the Uyghur Forced Labor Prevention Act (UFLPA) prohibits importation into the United States of goods that were mined, produced, or manufactured using forced labor in the Xinjiang Uyghur Autonomous Region (XUAR) of China.^a The law also directs a task force to develop a strategy for enforcing the ban and supporting the human rights of the Uyghur people.^b U.S. Customs and Border Protection (CBP) began implementing the act on June 21, 2022, which has included detaining shipments connected to the XUAR unless importers can prove that the goods were not produced with forced labor.^c

U.S. fashion companies are reducing sourcing from China as a result of the UFLPA, especially for cotton products.^d This is because China produces about one-quarter of the world's cotton supply, and about 85 percent of it comes from the XUAR and is reportedly grown and processed using forced labor.^e Moreover, many Chinese cotton textile inputs are part of the regional supply chain, extending the scope of UFLPA to sources beyond China.^f For example, according to CBP, between June 2022 and June 2024, China and Vietnam were the top countries of origin for detained Apparel, Footwear and Textile (AFT) cargo. The two countries had 812 denied AFT shipments with a value \$15.5 million and another 169 shipments valued at nearly \$10.6 million pending release or denial.^g Vietnam accounted for the vast majority (\$11.4 million) of denied AFT shipments, by value. The number of denied shipments from Vietnam likely stems from its close bilateral trade relationship and dependency on China for raw materials.^h China supplied almost two-thirds (nearly \$9.6 billion by value) of Vietnam's total fabric imports in 2023.ⁱ

Buyers and suppliers report an increased emphasis on traceability, particularly in response to the potential for destruction, seizure, and forfeiture of products found in violation of the UFLPA.^j The UFLPA has required firms to apply close scrutiny to their supply chains to ensure the fabrics, accessories, yarns, and fibers used in production do not contain raw materials produced in the XUAR.^k In response, companies report investing in additional supply chain tracing, including developing in-house testing, hiring outside consultants specializing in trade compliance, and using technology platforms that help track product origin, monitor suppliers, and assess risk factors.^l Therefore, countries that are dependent on cotton and cotton inputs from China may be less attractive as a source for cotton apparel. By contrast, countries with a strong domestic textile industry, domestic cotton production, or low reliance on Chinese sourcing may have a competitive advantage.^m

^a USTR, "USTR Announces the Development of a Focused Trade Strategy," accessed March 6, 2024; Uyghur Forced Labor Prevention Act of 2021, Pub. L. No. 117-78, 135 Stat. 1529 (December 23, 2021); Friedman, "Year in Trade," October 29, 2021.

^b Uyghur Forced Labor Prevention Act of 2021 (UFLPA), Pub. L. No. 117-78, § 4, 135 Stat. 1529 (December 23, 2021).

^c USDOS, "Implementation of the UFLPA," June 21, 2022.

^d Lu and USFIA, "2022 Fashion Industry Benchmarking Study," July 2022, 19–20.

^e Carlson and Weaver, "Disentangling the Knot," October 2022, 18.

^f Industry expert, interview by USITC staff, April 01, 2024; Lu and USFIA, "2022 Fashion Industry Benchmarking Study," July 2022, 19–20, 22–25.

^g CBP provides a dashboard with statistics on shipments reviewed and enforcement actions taken under the UFLPA. CBP, "UFLPA Statistics Dashboard," accessed April 2, 2024; CBP, "Uyghur Forced Labor Prevention Act Statistics," accessed June 11, 2024.

^h Fox, "Impact of the Uyghur Forced Labor Prevention Act," July 6, 2022, 3.

ⁱ S&P Global, GTAS database, Fabrics, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F; Yang and Fang, "China's Textile Export to Vietnam Based on RCA Index Analysis," December 9, 2023, 3.

^j USITC, hearing transcript, March 11, 2024, 332 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 332 (testimony of Ken Loo, TAFTAC); CBP, *Uyghur Forced Labor Prevention Act*, June 13, 2022, 7–9, 15–16; industry representative, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, March 12, 2024.

^k Uyghur Forced Labor Prevention Act of 2021 (UFLPA), Pub. L. No. 117-78, § 3(a), 135 Stat. 1529.

^l Industry expert, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; industry representatives, "2023 Apparel Imports Trade and Transportation Conference," November 8, 2023; USITC, hearing transcript, March 11, 2024, 196 (testimony of Julia Hughes, USFIA).

^m Industry representative, interview by USITC staff, January 23, 2024; industry expert, interview by USITC staff, March 25, 2024.

The initial outflow of sourcing away from China went mainly to Vietnam and then Bangladesh. Industry representatives, however, report that Vietnam has been operating at full capacity, leading to increased sourcing from other countries, both within the region and elsewhere.²⁶⁸ The COVID-19 pandemic-related shutdowns, geopolitical events, and shipping bottlenecks have also reportedly exposed the risks of overconcentration in one region.²⁶⁹ Some industry representatives report that the need to diversify sourcing is so great that buyers are willing to compromise on certain factors, like cost or speed to market, to avoid an overly concentrated sourcing portfolio.²⁷⁰ Geopolitical risks that might limit the mobility of goods and people can also impact buyers' sourcing decisions. Security concerns in particular can negatively impact competitiveness. Some buyers reported that when they are unable to visit manufacturing facilities because of real or perceived limitations on travel, the brand's management lacks confidence in the reliability of the suppliers because they cannot verify the quality of the operation directly and recourse is limited if problems arise.²⁷¹

Buyer-Supplier Relationships

Buyers report that maintaining long-term relationships with suppliers is an important factor in their sourcing decisions, in large part because of the cost and time associated with finding new suppliers and establishing relationships with them.²⁷² Industry representatives noted that building relationships with new suppliers has become a longer process over time because, instead of having to meet cost and quality specifications, suppliers now also need to meet a number of standards, including labor and safety standards.²⁷³ Brands and retailers also reported that to increase transparency and traceability throughout the supply chain, they need suppliers who will act in line with their brand's values.²⁷⁴ Large buyer and retailer brands that specialize in cost-conscious value products, however, have a tendency to fluctuate order volumes or switch their international suppliers altogether based on price.²⁷⁵ In other cases, buyer-supplier relationships are so important that some industry representatives report that

²⁶⁸ USITC, hearing transcript, March 11, 2024, 297, 301 (testimony of Robert Antoshak, Gherzi); industry representative, interview by USITC staff, March 5, 2024.

²⁶⁹ USITC, hearing transcript, March 11, 2024, 296, 301 (testimony of Robert Antoshak, Gherzi); USITC, hearing transcript, March 11, 2024, 303, 332 (testimony of Ken Loo, TAFTAC); ILO, *The Supply Chain Ripple Effect*, October 2020, 5; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, February 23, 2024.

²⁷⁰ USITC, hearing transcript, March 11, 2024, 282, 303 (testimony of Ken Loo, TAFTAC); industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, March 5, 2024.

²⁷¹ Industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, February 23, 2024.

²⁷² Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, February 23, 2024; Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 21.

²⁷³ USITC, hearing transcript, March 11, 2024, 192 (testimony of Julia Hughes, USFIA); industry representative, interview by USITC staff, February 23, 2024.

²⁷⁴ Industry representative, interview by USITC staff, March 5, 2024.

²⁷⁵ One industry representative noted that some brands will prioritize establishing long-term relationships with fewer, larger factories that produce the majority of their orders, while focusing less on their relationships with smaller suppliers. Industry representative, interview by USITC staff, March 5, 2024. Another industry expert similarly stated that reputation-sensitive brands tend to follow an 80/20 rule, whereby they source 80 percent of their product from 20 percent of their suppliers. USITC, hearing transcript, March 11, 2024, 211 (testimony of Jason Judd, GLI); Uluskan, Godfrey, and Joines, "Impact of Competitive Strategy and Cost-Focus," August 3, 2017, 1312–16.

decisions to source from a particular country might be made because a buyer knows or is referred to a particular supplier in a new source country.²⁷⁶ For example, buyers may seek out suppliers that have well-established experience producing specific types of garments, even if those suppliers' previous success was in a different country.²⁷⁷

Furthermore, some buyers reported that long-standing buyer-supplier relationships also benefit suppliers because promises of future orders or loans help enable suppliers to invest in technology and compliance programs to improve the suppliers' competitiveness.²⁷⁸ In addition, as a result of their long-standing relationships, some buyers will guarantee suppliers a profit of a certain percent to ensure they are able to stay in business.²⁷⁹ Some buyers also reportedly gain deep understanding of their apparel suppliers' cost structures, which allows them to calculate the costs of compliance with different standards and to help suppliers lower costs where possible.²⁸⁰ Long-term relationships are reported to also make buyers less inclined to leave a long-term supplier over small differences in price, although some have reported incidents where this has not been the case.²⁸¹ Finally, some suggest that worker conditions may be better at factories with long-term buyer-supplier relationships.²⁸²

Underlying the buyer-supplier relationships, however, is the consistent practice of subcontracting in the apparel sector that allows suppliers to flexibly adjust to changes in demand.²⁸³ Apparel orders can fluctuate significantly across seasons, and suppliers cannot afford to permanently hire additional workers and purchase machinery to meet the capacity required for their busiest periods, knowing that they will also have slower periods during the year. To meet buyer expectations for speed and quantity during peak demand, manufacturers often need to subcontract parts of orders to outside factories in addition to increasing overtime and output targets for existing workers or workers that have been moved from permanent to contract work.²⁸⁴ This is considered to be a necessary part of the industry to ensure reliable supply of apparel, but the use of subcontractors has raised concerns related to social responsibility. Although industry experts report that authorized subcontractors are held to the same standards as the supplier responsible for the order, others reported instances where unauthorized

²⁷⁶ Industry representative, interview by USITC staff, March 12, 2024; industry expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, March 7, 2024; Anner, "Predatory Purchasing Practices," December 2019, 724.

²⁷⁷ Industry representative, interview by USITC staff, April 4, 2024; Transformers Foundation, *Ending Unethical Brand and Retailer Behavior*, 2020, 22.

²⁷⁸ Industry representatives, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, April 1, 2024.

²⁷⁹ One supplier noted the importance of strong, decades-long buyer-supplier relationships in weathering unprecedented global disruptions such as the COVID-19 pandemic. Industry representative, interview by USITC staff, Bangladesh, May 2, 2024. Another supplier, however, mentioned that challenges posed by the COVID-19 pandemic increased buyers' willingness to change suppliers so long as they could produce the desired product at an attractive price while maintaining compliance with social and environmental standards. Industry representative, interview by USITC staff, Bangladesh, May 2, 2024; industry expert, interview by USITC staff, March 7, 2024.

²⁸⁰ Industry representative, interview by USITC staff, March 5, 2024.

²⁸¹ USITC, hearing transcript, March 11, 2024, 211 (testimony of Jason Judd, GLI); industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 28, 2024.

²⁸² USITC, hearing transcript, March 11, 2024, 211 (testimony of Jason Judd, GLI).

²⁸³ Industry expert, interview by USITC staff, March 7, 2024.

²⁸⁴ Such practices may ultimately result in wage and severance theft from workers. Industry expert, interview by USITC staff, June 24, 2024.

subcontractors did not maintain the same standards.²⁸⁵ The extent of use of these unauthorized subcontractors is unknown in the industry, even to buyers.²⁸⁶ For many brands, discovery of the use of an unauthorized subcontractor will reportedly end even a long-standing relationship.²⁸⁷

Social and Environmental Responsibility

Industry experts and representatives have reported greater weight given to factors related to social and environmental responsibility and noted a competitive advantage for countries with a reputation for compliance with such standards. Social and environmental responsibility encompasses a range of issues, including labor and employment standards, health and safety, and environmental practices. Standards related to social and environmental responsibility may be put in place by governments, nongovernmental organizations, or companies themselves, and they vary widely by type, lead organization, coverage, and enforcement activities (box 4.2). However, it is unclear to what extent voluntary social and environmental responsibility programs and associated auditing practices have impacted outcomes, particularly for worker rights.²⁸⁸ Some suggest that these are primarily expectations for some larger brands and that cost is still the primary basis of buyer decision-making.²⁸⁹ Yet, brands and retailers report that they have also increased focus on these factors because of increased consumer awareness and concerns about social and environmental responsibility.²⁹⁰ The proliferation of smartphones and use of social media to document and publicize noncompliance with standards between inspections have bolstered the attention that buyers, brands, and suppliers say they pay to social and environmental responsibility.²⁹¹

Additionally, industry sources noted that the impacts of climate change in apparel-producing regions—such as increased frequency of flooding or high heat—have resulted in a greater focus on environmental standards by both governments and some suppliers.²⁹² Although the degree to which these factors are important to buyers can vary significantly, some industry experts and representatives suggest that they have become so important that suppliers that cannot meet specified labor and environmental standards will not be considered at all, and that suppliers that can meet these standards will become more

²⁸⁵ USITC, hearing transcript, March 11, 2024, 209 (testimony of Sophal Ear); industry expert, interview by USITC staff, April 01, 2024; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 8.

²⁸⁶ Industry expert, interview by USITC staff, March 7, 2024; industry expert, interview by USITC staff, April 1, 2024.

²⁸⁷ Industry expert, interview by USITC staff, March 7, 2024.

²⁸⁸ USITC, hearing transcript, March 11, 2024, 206–207 (testimony of Jason Judd, GLI); Jackson, Burger, and Judd, *Mapping Social Dialogue in Apparel*, January 2021, 3; Fashion Act, “Backgrounder,” accessed August 9, 2024; Changing Markets Foundation, *Licence to Greenwash*, March 2022, 6–12; Remake, *Remake Fashion Accountability Report 2024*, May 1, 2024, 18.

²⁸⁹ USITC, hearing transcript, March 11, 2024, 289–90 (testimony of Robert Antoshak, Gherzi); USITC, hearing transcript, March 11, 2024, 303–4 (testimony of Ken Loo, TAFTAC); industry expert, interview by USITC staff, June 24, 2024.

²⁹⁰ Subject matter expert, interview by USITC staff, April 10, 2024; Transformers Foundation, *Towards a Collective Approach*, 2023, 24; McKinsey & Company, “The State of Fashion 2021,” 2020; Winter and Lasch, “Environmental and Social Criteria in Supplier Evaluation,” December 15, 2016, 175.

²⁹¹ USITC, hearing transcript, March 11, 2024, 277 (testimony of Musadaq Zulqarnain, PTC).

²⁹² These concerns include sourcing and buying decisions of tier 1–4 suppliers. USITC, hearing transcript, March 11, 2024, 290 (testimony of Robert Antoshak, Gherzi); Ear, written submission to the USITC, March 24, 2024, 8; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, April 1, 2024.

competitive over time.²⁹³ In light of recent government policies, such as the UFLPA, the EU's Corporate Sustainability Due Diligence Directive (CSDDD), and supplier-country environmental regulations, some buyers report that adherence to these types of standards is becoming a requirement.²⁹⁴

Box 4.2 Social and Environmental Standards in the Global Apparel Industry

No single set of global standards exists for apparel production. Instead, a myriad of regulations, best practices, certifications, and guidelines may apply to firms along the apparel manufacturing supply chain. The standards and practices that buyers may expect or require their supplier to meet vary depending on the buyer. Few prominent and globally known agreements or programs govern social and environmental responsibility.

In October 2021, the International Labour Organization (ILO) adopted the first ILO code of practice specifically on safety and health in textiles, clothing, leather and footwear, which promotes practical advice for multi-stakeholder collaborative efforts to eliminate, reduce and control all major hazards and risks.^a This code builds upon a host of ILO Conventions, Protocols, and Recommendations related to freedom of association and collective bargaining; elimination of forced labor and discrimination; abolition of child labor; occupational safety and health; protection from specific risks, such as radiation, cancer, asbestos, chemicals, major industrial accidents, and working environment; and other standards related to work hours and benefits, labor inspections, and employment injury benefits.^b

The ILO has also collaborated with the International Finance Corporation to create the Better Work program, which brings together all levels of the garment industry (industry management, workers, unions, and government) to promote alignment with ILO labor standards and national laws and regulations in the country in which it operates.^c Factories enrolled in the Better Work program receive announced and unannounced assessments, advisory sessions, industry seminars and training. The program also gathers unique quality data on compliance, working conditions, and enterprise performance to support and inform data-driven policy engagement.^d

In addition to voluntary national and firm-specific programs supported by international organizations, the apparel industry has a host of third-party monitoring and certification firms that promote social and environmental compliance through private-sector models of certification. The Worldwide Responsible Accredited Production (WRAP) is one social compliance certification program that bases its 12 key assessment criteria on ILO conventions, the UN Guiding Principles on Business and Human Rights, and the OECD's Guidelines for Multinational Enterprises.^e Other examples of apparel sector certification programs include the Fair Labor Association, which focuses on worker health and safety compliance, and the LABS Initiative, which focuses on worker rights.^f By comparison, Leadership in Energy and Environmental Design (LEED) focuses on environmental standards and is the world's most widely used green building rating system certification. In particular, LEED has been growing in popularity among suppliers in Bangladesh.^g

Similarly, multi-stakeholder initiatives (MSIs) or membership organizations composed of worker organizations, factory management, buyers, brands, retailers, and activists exist to support the continued

²⁹³ AAFA, written submission to the USITC, March 25, 2024, 1; PTC, written submission to the USITC, March 25, 2024, 4; USITC, hearing transcript, March 11, 2024, 277, 304–6 (testimony of Musadaq Zulqarnain, PTC); USFIA, written submission to the USITC, March 25, 2024, 3, 5; industry representatives, interview by USITC staff, March 5, 2024.

²⁹⁴ Industry representative, interview by USITC staff, March 5, 2024; Transformers Foundation, *Towards a Collective Approach*, 2023, 91.

development of social and environmental compliance via a shared platform. Organizations such as the Clean Clothes Campaign and Fair Wear exist as global networks connecting stakeholders across the apparel industry with the goal of identifying problems, solutions, and building support for worker empowerment.^h Other examples of these MSIs include the Ethical Trading Initiative, Readymade Garment Sustainability Council (RSC) in Bangladesh, and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

The 2013 Rana Plaza building collapse in Bangladesh resulted in the death of about 1,200 factory workers.ⁱ In the aftermath, large, mostly European buyers partnered with two global trade unions on the Accord on Fire and Building Safety, a legally binding agreement between the groups committing them to conducting independent inspections and to develop strong worker-management committees in factories.^j Importantly, the Accord also included financial obligations by buyers to help compensate suppliers for expenses for safety upgrades. A similar initiative, the Alliance for Bangladesh Worker Safety (the Alliance), was formed with mostly North American buyers. This agreement expired in 2018.^k

Finally, the governments of supplier countries maintain their own social and environmental regulations that apply to firms operating within their borders and governments in the destination markets maintain laws and regulations that apply to imports entering their markets. Domestic supplier country regulations include regulations addressing labor standards and pollution and wastewater treatment, while the more notable destination market policies include the United States' UFLPA and the EU's Corporate Sustainability Due Diligence Directive (CSDDD).^l

^a ILO, *ILO Code of Practice on Safety and Health*, April 26, 2022.

^b ILO, "Conventions, Protocols and Recommendations," January 28, 2024.

^c Better Work, "The Programme," accessed June 12, 2024; Better Work, "Better Work's Global Compliance Assessment Tool," June 5, 2023.

^d Better Work, "Factory Engagement," accessed June 12, 2024; Better Work, "Policy Engagement," accessed June 12, 2024.

^e WRAP, "12 Principles," accessed June 12, 2024.

^f Fair Labor Association, "About Us," accessed July 11, 2024; LABS Initiative, "LABS Initiative," January 20, 2019.

^g U.S. Green Building Council, "LEED Rating System," accessed May 20, 2024.

^h Clean Clothes Campaign, "About," accessed July 11, 2024; Fair Wear, "Get to Know Fair Wear," accessed July 11, 2024.

ⁱ Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 165.

^j Lopez-Acevedo and Robertson, *Stitches to Riches?*, 2016, 165.

^k See box 5.1, "Rana Plaza and Workplace Safety in Bangladesh." Alliance, *An Industry Transformed*, 2018; BHRRC, "Bangladesh: Accord Due to Expire," August 12, 2021; BHRRC, "Bangladesh: Alliance for Bangladesh Workers Safety," January 1, 2019.

^l Uyghur Forced Labor Prevention Act of 2021, Pub. L. No. 117-78, 135 Stat. 1529 (December 23, 2021); EU, "Corporate Sustainability Due Diligence Directive," June 13, 2024.

Increased compliance with different social and environmental standards are accompanied by higher supplier costs, which can have a negative impact on cost competitiveness.²⁹⁵ Additional costs in these areas come not only from short- and long-term alterations to the physical working environment, but also to business management processes that oversee associated audits, as well as management's engagement with their suppliers, workers, and labor unions. Many stakeholders also report that demands for increased responsibility from brands and consumers do not tend to be accompanied by a price premium paid to suppliers, even though such demands may be accompanied by increased costs that suppliers absorb.²⁹⁶ Furthermore, some experts suggest that the sector is buyer driven but that

²⁹⁵ USITC, hearing transcript, March 11, 2024, 227 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 227 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 278–79 (testimony of Ken Loo, TAFTAC).

²⁹⁶ USITC, hearing transcript, March 11, 2024, 279, 307 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 305–6 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 307 (testimony of Robert Antoshak, Gherzi); industry expert, interview by USITC staff, March 28, 2024; industry expert,

buyers do not always use their purchasing power in ways that allow suppliers to be compliant.²⁹⁷ In spite of this, some suppliers report long-term efficiency increases from compliance programs that may partially offset costs, noting examples such as initiatives that improve worker satisfaction and reduce turnover, or investment in water treatment facilities that are increasingly required by regulations in destination markets.²⁹⁸

There is significant variation among buyers regarding the importance of compliance with social and environmental standards in sourcing decisions. The strategies buyers use to identify compliant suppliers also vary. For example, reputation-sensitive brands with a strong brand identity rooted in the outdoors, community, or activism are more likely to emphasize compliance,²⁹⁹ but brands catering more to the value market are less likely to go beyond basic compliance.³⁰⁰ One buyer seeking to improve supply chain transparency has developed multi-factory production plans of suppliers that are pre-certified for quality, labor, and environmental compliance.³⁰¹ Another major global buyer is even capitalizing on this work by packaging its supplier network as a service for sale to the rest of the industry.³⁰² The result of this work is a consolidated number of larger suppliers that are better able to assume the additional compliance costs and trusted to be compliant at some acceptable level.³⁰³ Conversely, some brands and smaller and mid-tier retailers still use importers that have a reputation for lacking compliance.³⁰⁴

Labor

Higher labor standards, such as those that lead to better wages, working hours, overtime pay, and leave policies; effective unionization; collective bargaining; and fair conditions of employment greatly improve working conditions. These improvements also tend to raise labor costs because of wage increases and associated purchases of materials and capital (safety supplies, worker's compensation, and

interview by USITC staff, April 1, 2024; Winter and Lasch, "Environmental and Social Criteria in Supplier Evaluation," December 15, 2016, 175, 183–85.

²⁹⁷ USITC, hearing transcript, March 11, 2024, 208 (testimony of Eric Gottwald, AFL-CIO); industry expert, interview by USITC staff, April 1, 2024.

²⁹⁸ Industry representative, interview by USITC staff, March 5, 2024.

²⁹⁹ Some experts note that the reputation-sensitive brands are not responsible for the bulk of global apparel production, and that their suppliers make up around 20 percent of the sector. USITC, hearing transcript, March 11, 2024, 211, 234–35 (testimony of Jason Judd, GLI); Winter and Lasch, "Environmental and Social Criteria in Supplier Evaluation," December 15, 2016, 185.

³⁰⁰ Industry expert, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, April 10, 2024; USITC, hearing transcript, March 11, 2024, 234–35 (testimony of Jason Judd, GLI).

³⁰¹ Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 12.

³⁰² Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 12.

³⁰³ The 2021 Fashion Industry Benchmarking Study reported that U.S. fashion companies planned to work with fewer vendors in their sourcing countries, including Bangladesh. This may result in larger factories having a competitive advantage over smaller factories, if buyers are trying to reduce the number of factories that they work with but maintain their ability to source the same products. Lu and USFIA, "2021 Fashion Industry Benchmarking Study," July 2021, 34–35; Faruque, "The Impact of Minimum Wages," November 14, 2023; USITC, hearing transcript, March 11, 2024, 277 (testimony of Musadaq Zulqarnain, PTC). USITC, hearing transcript, March 11, 2024, 277 (testimony of Musadaq Zulqarnain, PTC); industry representative, interview by USITC staff, March 18, 2024.

³⁰⁴ USITC, hearing transcript, March 11, 2024, 277 (testimony of Musadaq Zulqarnain, PTC).

technology).³⁰⁵ However, this increase in labor costs could be mitigated by an increase in worker retention and productivity.³⁰⁶ Governments in buyer markets have taken a more active role over the last two decades to increase transparency in supply chains and, more recently, to mandate and enforce compliance with internationally recognized labor standards. Such mandates add to a global private regime of labor governance consisting of codes of conduct, framework agreements, and multi-stakeholder initiatives.³⁰⁷

Reputation for compliance with labor standards is also a factor of competitiveness that cascades down the tiers of suppliers through a supplier nomination process. For example, U.S. brands nominate tier 2 suppliers for their tier 1 manufacturers, requiring the tier 1 manufacturer to use the specified suppliers, using reputation as well as the terms of the contract (cost, lead time, etc.).³⁰⁸ As such, buyers may also be forced to consider the unpredictability and reputational damage of not maintaining standards in each specific country context. Predictability and comprehensive application of labor standards translates into administrative efficiencies in terms of factory operation, as well as long-term buyer-supplier relationships and reputational value.³⁰⁹

Several sources reported that the right to organize and regulations regarding unionization have become increasingly important in the apparel industry, especially for reputation-sensitive brands. Research shows that labor compliance rates are 10–30 percent higher in ILO Better Work factories where unions and bargaining agreements are present.³¹⁰ Higher unionization rates are generally associated with higher costs; but these costs may also be offset by the benefits, which include efficiency gains from reduced turnover and better cooperation between workers and management, as well as improved worker safety.³¹¹

Perceptions of labor compliance and its importance as a factor of competitiveness vary across buyers and suppliers. One participant at the Commission’s hearing said that improved labor conditions could be a competitive advantage for retailers and are often cited as such by them, though in reality, making these improvements does not seem to directly result in increased orders from buyers.³¹² One expert suggested that those supplying countries that have higher levels of compliance with labor standards and worker

³⁰⁵ Hasan, Mehta, and Sundaram, “The Effects of Labor Regulation on Firms and Exports,” March 1, 2021, 183.

³⁰⁶ Azim, Uddin, and Haque, “Does Compliance to Standards in the Ready-made Garments Industry,” January 2021.

³⁰⁷ Pike, “Voice in Supply Chains,” August 2020, 914.

³⁰⁸ USITC, hearing transcript, March 11, 2024, 287 (testimony of Musadaq Zulqarnain, PTC).

³⁰⁹ Subject matter expert, interview by USITC staff, March 7, 2024.

³¹⁰ Industry experts have noted, however, that data on compliance with labor and social standards can be subject to quality concerns given intentional misreporting by factories, the wide variation in the quality of audits, and the inherent difficulty in measuring relatively less visible violations related to discrimination, child labor, forced labor, and freedom of association. USITC, hearing transcript, March 11, 2024, 206–7 (testimony of Jason Judd, GLI); USITC, hearing transcript, March 11, 2024, 207 (testimony of Julia Hughes, USFIA); GLI, written submission to the USITC, March 15, 2024, 2; Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 42.

³¹¹ GLI, written submission to the USITC, March 15, 2024, 2; Azim, Uddin, and Haque, “Does Compliance to Standards in the Ready-made Garments Industry,” January 2021, 53.

³¹² USITC, hearing transcript, March 11, 2024, 157–58 (testimony of Jason Judd, GLI); Amengual, Distelhorst, and Tobin, “Global Purchasing as Labor Regulation,” 2020, 817.

rights are scored lower by buyers and retailers as a result of the activities of their unions.³¹³ Some industry experts also report that buyer pressure to meet cost and unrealistic turnaround times may prompt suppliers to violate labor standards of their direct employees or to engage in informal subcontracting.³¹⁴ The informal sector thrives in countries with low union density through avenues including fixed-term contracts, casual labor, home-based work, and other nonstandard forms of employment.³¹⁵ Informal subcontracting may weaken the bargaining power of formal workers, in turn increasing intimidation, legal action, violence, and other forms of anti-union discrimination.³¹⁶ Finally, even in countries where unionization is common, the effectiveness of collective bargaining can be limited by political manipulation and the absence of technical capacity of union leadership. In an extreme case, a proliferation of multiple unions in single factories can also result in the dilution of worker demands and less effective engagement with management.³¹⁷ Violations of labor standards that keep wages low can increase worker turnover, which can damage the industry's productivity and reputation and, therefore, its attractiveness to certain buyers.³¹⁸

On the other hand, industry representatives also report that they have found that any additional cost of implementing labor compliance programs focused on wages or worker empowerment results in increased efficiencies and lower turnover in the factory.³¹⁹ Similarly, others note that even though worker voice programs had been viewed as a cost in the past, they are more frequently viewed instead as an investment.³²⁰ One industry representative noted that countries that relegate women to certain occupational types—often basic sewing and noncapital-intensive tasks—suffer a competitive disadvantage for not fully utilizing their female workforces.³²¹ One study suggests that management efforts toward increasing productivity and thus competitiveness require genuine efforts on the part of management to acknowledge worker voice and their workers' complete well-being.³²² Similar research notes that improved compliance benefits from investing in comprehensive skill development and meaningful incentives while creating opportunities to delegate and empower workers.³²³

³¹³ USITC, hearing transcript, March 11, 2024, 159 (testimony of Jason Judd, GLI). Beyond the existence of a union or a brand code of conduct, it can be unclear how brands consider substantive union activities, such as the submission of a charter of demands and publicization of anti-union behavior like union busting. Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; BHRRC, *Just for Show: Worker Representation*, June 2024, 8, 27.

³¹⁴ Industry expert, interview by USITC staff, March 28, 2024; USITC, hearing transcript, March 11, 2024, 142 (testimony of Eric Gottwald, AFL-CIO); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 7–8.

³¹⁵ Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 8.

³¹⁶ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37.

³¹⁷ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37.

³¹⁸ Judd and Jackson, *Repeat, Repair or Renegotiate?*, July 2021, 42–43; industry expert, interview by USITC staff, Bangladesh, May 7, 2024; Li and Kuruvilla, "Corporate Codes of Conduct," 2023, 1.

³¹⁹ Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 7, 2024; USITC, hearing transcript, March 11, 2024, 189 (testimony of Julia Hughes, USFIA).

³²⁰ USITC, hearing transcript, March 11, 2024, 305 (testimony of Musadaq Zulqarnain, PTC); industry representative, interview by USITC staff, March 5, 2024; Azim, Uddin, and Haque, "Does Compliance to Standards in the Ready-made Garments Industry," January 2021.

³²¹ Industry expert, interview by USITC staff, March 25, 2024; industry expert, interview by USITC staff, April 1, 2024.

³²² Boudreau, "Multinational Enforcement of Labor Law," May 15, 2020.

³²³ Azim, Uddin, and Haque, "Does Compliance to Standards in the Ready-made Garments Industry," January 2021; Pike, "Voice in Supply Chains," August 2020.

The emphasis of labor compliance programs like Better Work is on building an inclusive forum for social dialogue. The dialogue is aimed at supplementing union-based collective action through institutional activities like performance improvement consultative committees. This long-term view prioritizes maintaining competitiveness, while including labor in every level of design, implementation, monitoring and evaluation.³²⁴ Studies on the efficacy of Better Work programs internationally have shown positive effects on wages, human resource innovation, factory survival, reduction of verbal abuse and sexual harassment, profit maximization, factory performance, communication and relations between workers and managers, the public labor inspectorate system, compliance within factories supplying to reputation-conscious buyers, and women’s empowerment at the workplace and household levels.³²⁵

Health and Safety

Tragedies like the 2013 Rana Plaza building collapse in Bangladesh served as both the culmination of lagging compliance with building safety standards, as well as the impetus for a global spotlight to be shone on safety standards in the global apparel sector. Following that tragedy, buyers, suppliers, and public actors, including representatives of the ILO, formalized their commitment to improving worker health and building safety through accountable participation in the Alliance (U.S. led), Accord (EU led), and more recently, the RMG Sustainability Council (RSC).³²⁶ The cost associated with the remediation of tragedies like Rana Plaza have been shown to be larger for reputation-sensitive buyers, especially those operating in developed countries.³²⁷ In addition, the COVID-19 pandemic highlighted the failure of factories to provide personal protective equipment necessary to protect workers from contracting the COVID-19 virus, beyond broader failures to protect them from daily exposure to harsh chemicals, dust inhalation, and other unsanitary conditions.³²⁸

In 2022, the ILO enshrined workplace health and safety in its core labor standards.³²⁹ The recent addition of workplace health and safety to core standards represents an important step to enforcement of these standards. This new designation means that all ILO member states are expected to follow and incorporate the core standards into national law, whether or not they have ratified the convention addressing worker safety and health.³³⁰ Practically, these broad conventions carry standards for heat stress (indoor heat and ventilation), hygiene (clean drinking water), and general worker health (breaks,

³²⁴ Pike, “Voice in Supply Chains,” August 2020, 919.

³²⁵ Pike, “Voice in Supply Chains,” August 2020, 920.

³²⁶ See box 5.1 for more information.

³²⁷ Even with the collaborative approach of the Accord and Alliance, which involved longer-term order commitments from buyers, some Bangladesh-based organizations assert that 90 percent of the costs and investments associated with these programs were paid by suppliers. It may take 10–15 years for suppliers to recoup the cost of new building safety and green investments, but typically they only have 3–6 months’ worth of orders committed to keep their factories running at full capacity. Rather than asking for investment funding from brands, suppliers have voiced the need for order commitments to help plan their own initiatives in a more long-term fashion. Industry expert, interview by USITC staff, Bangladesh, May 7, 2024; Kayser, “The Cost of Corporate Social Responsibility,” May 5, 2015, 21–22.

³²⁸ ILO, *The Supply Chain Ripple Effect*, October 2020, 12–14; Clean Clothes Campaign, “Unsafe Workplaces,” accessed August 2, 2024.

³²⁹ ILO, *Declaration on Fundamental Principles and Rights*, June 10, 2022; Judd et al., *Higher Ground? Report 1*, September 13, 2023, 42.

³³⁰ ILO, *Declaration on Fundamental Principles and Rights*, June 10, 2022. All profiled countries are ILO member states. ILO, “Member States,” accessed August 9, 2024.

paid breaks, paid work stoppage, and paid sick leave), although South Asian countries, reportedly, still lag far behind in compliance with these standards, and governments, buyers, and initiatives often delegate measurement and enforcement to employers.³³¹

Environment

Environmental compliance, sometimes referred to as sustainability, covers a broad range of practices but includes adherence to domestic and export market environmental regulations, use of renewable energy, programs to minimize the use of natural resources, conservation and recycling of water, and recycling of fabrics. Environmental compliance is reported to be increasingly desired by consumers but reportedly does not correspond to consumer or buyer willingness to pay a higher price.³³² Additionally, industry representatives report that the current approach ignores the fact that emissions are unevenly distributed along the supply chain, placing much of the up-front investment costs of environmentally friendly production on suppliers.³³³ Sentiment among suppliers remains split, with some perceiving sustainable production as a cost-saving investment and an effective marketing tool for Western buyers, and others reporting discontent with overburdensome processes.³³⁴

Industry experts report an increased urgency to act on the impacts of climate change, particularly in major South Asian production centers.³³⁵ Anecdotally, workers and managers have shared that high heat and humidity have significantly harmed worker productivity and health, which ultimately results in declining output.³³⁶ Models of high heat and flooding scenarios in Bangladesh, Cambodia, and Pakistan

³³¹ Bauer et al., *Higher Ground? Report 2*, September 13, 2023, 39.

³³² USFIA, written submission to the USITC, March 25, 2024, 5; Salfino, “Those Pesky Kids Are Showing Up,” January 9, 2020; Transformers Foundation, *Towards a Collective Approach*, 2023, 56, 66; industry expert, interview by USITC staff, March 25, 2024; industry expert, interview by USITC staff, March 25, 2024.

³³³ High costs from “greening” production reportedly also disproportionately disadvantage small and medium-sized enterprises and smaller, tier two and three factories that lack the ability to scale production, to access financing and renewable energy, and to impact buyer-driven targets relative to big factories. Industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, June 24, 2024; Transformers Foundation, *Towards a Collective Approach*, 2023, 7, 10–11, 13–14, 24, 26, 29–44.

³³⁴ Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; USITC, hearing transcript, March 11, 2024, 275 (testimony of Robert Antoshak, Gherzi); industry expert, interview by USITC staff, March 25, 2024. Existing programs for financial assistance with environmental sustainability projects are insufficient to reach decarbonization goals and also tend to be debt-based, which exacerbate the burden placed primarily on suppliers for long-term or “no-return” projects. Transformers Foundation, *Towards a Collective Approach*, 2023, 51–53, 56, 60–62; Lu and Davis, “Which Apparel Sourcing Factors Matter?,” September 23, 2022, 2.

³³⁵ Industry experts noted how severe weather events, such as flooding in Pakistan, have had significant impacts on various parts of the apparel supply chain including cotton production, factory production and transportation. Industry expert, interview by USITC staff, April 01, 2024; USITC, hearing transcript, March 11, 2024, 321 (testimony of Musadaq Zulqarnain, PTC).

³³⁶ Severe climate events impact workers in both their homes and factories resulting in fainting, bloodshot eyes, fever, and dehydration, and can be compounded by employer pressure to meet production quotas. In the event of flash floods, women can be disproportionately affected because they are expected to stay home in households where both men and women are employed. Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; Judd et al., *Higher Ground? Report 1*, September 13, 2023, 14.

project losses in export earnings of 19–31 percent in 2030 and 66–81 percent in 2050.³³⁷ In response, some of the largest, most profitable suppliers have increased the generation and use of renewable energy and fabric recycling. Some suppliers have not only realized cost savings, but have also extracted value from these activities by selling energy back to the national grid or specializing in the mechanical recovery of pre- and postconsumer waste.³³⁸ Some experts expect that compliance with environmental standards will become increasingly required for countries to maintain competitiveness in the future.³³⁹

Firm-level and national compliance initiatives supplement the requirements imposed by large buyer markets, including the United States and the EU.³⁴⁰ The EU’s CSDDD, finalized in 2024, “requires large lead firms to conduct and report on human rights and environmental due diligence activities along their value chains.”³⁴¹ As a priority sector outlined in the directive, the textiles sector will be required to comply with industry-specific reporting requirements beginning one year after incorporation into the relevant EU member state’s law. The directive calls for financial fines for noncompliance.³⁴²

In the United States, the U.S. Securities and Exchange Commission (SEC) has adopted rules on climate-related disclosures.³⁴³ These SEC rules require disclosure of climate-related risks; potential impact on the registrant’s business; any mitigation activities undertaken as well as related expenditures; the business’ climate-related targets or goals; capitalized costs, expenditures expensed, and losses related to severe weather events, carbon offsets and renewable energy credits or certificates.³⁴⁴ In comparison to the EU’s CSDDD, the SEC rules focus on disclosure of climate-related risks to increase transparency for investors and do not directly seek to require companies to conduct due diligence for compliance with environmental and social compliance along their supply chain.³⁴⁵ However, industry representatives have voiced concerns about the implementation of the rule, noting that the SEC disclosure rule will increase costs and be difficult for firms to implement.³⁴⁶ While many of these standards raise the importance of environmental compliance for suppliers looking to access the major EU and U.S. export markets, they allow suppliers to define their own approaches, terms, and targets.³⁴⁷

³³⁷ Judd et al., *Higher Ground? Report 1*, September 13, 2023, 7–8; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 4.

³³⁸ Industry representative, interview by USITC staff, February 20, 2024; industry representative, interview by USITC staff, Bangladesh, April 30, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; USITC, hearing transcript, March 11, 2024, 291–92 (testimony of Robert Antoshak, Gherzi).

³³⁹ USITC, hearing transcript, March 11, 2024, 291–92 (testimony of Robert Antoshak, Gherzi).

³⁴⁰ USITC, hearing transcript, March 11, 2024, 13–14 (testimony of His Excellency Masood Khan, Embassy of Pakistan).

³⁴¹ EU, “Corporate Sustainability Due Diligence Directive,” June 13, 2024; Bauer et al., *Higher Ground? Report 2*, September 13, 2023, 37; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 10.

³⁴² Textile sector-specific reporting requirements will reportedly not be published until 2026. Bauer et al., *Higher Ground? Report 2*, September 13, 2023, 38; Lüttin, “Textile Brief: ESRS E1 Climate Reporting for the CSRD,” June 20, 2024; McGarry, Hauman, and Lartey, “Mind the Gap,” July 8, 2024.

³⁴³ SEC, “SEC Adopts Rules,” March 6, 2024.

³⁴⁴ SEC, “SEC Adopts Rules,” March 6, 2024.

³⁴⁵ Judd et al., *Higher Ground? Report 1*, September 13, 2023, 39.

³⁴⁶ SEC, “SEC Adopts Rules,” March 6, 2024; Forrest, “US Apparel Sector Voices Concern on Proposed Climate-Related Disclosures,” June 21, 2022.

³⁴⁷ Bauer et al., *Higher Ground? Report 2*, September 13, 2023, 39.

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Chapter 5

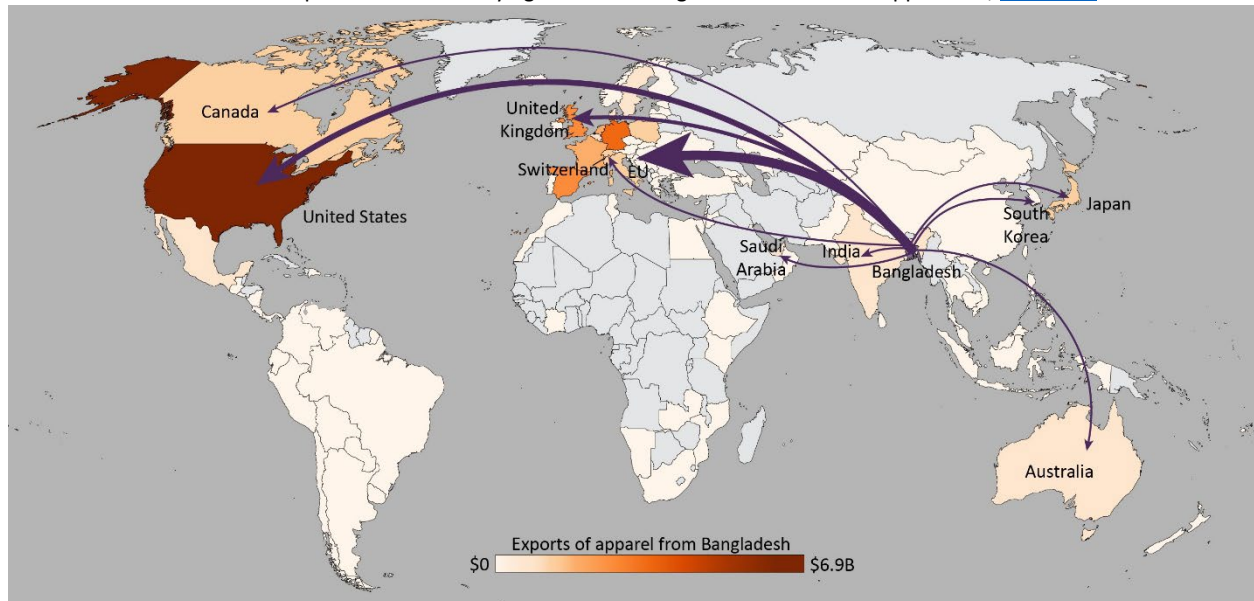
Bangladesh

Summary

Bangladesh's apparel industry has grown significantly over the past four decades and is now one of the largest in the world. In 2023, the country ranked as the second-largest global exporter (behind China) and the third-largest apparel supplier to the United States, supplying \$7.1 billion of apparel to the United States in 2023 (figure 5.1). The apparel sector, which accounted for about 85 percent of the country's exports in 2023 and an estimated 11 percent of gross domestic product (GDP) in 2022, employs more than 4 million workers and supports multiple ancillary industries, such as upstream textiles, logistics, engineering, and design.

Figure 5.1 Bangladesh: Exports of apparel, 2023

In billions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.10](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh export data were calculated by aggregating imports from Bangladesh as reported by all other countries.

Historically, the industry focused on supplying large orders of good quality, low-value items, such as T-shirts and basic denim jeans, but it is increasing its ability to produce a wider variety of cotton and manmade fiber (MMF) garments. Bangladesh has a developed domestic textile industry that can almost entirely support the apparel industry's requirements for knitted fabric and almost half its woven fabric needs. Bangladesh's textile industry primarily produces cotton yarns and fabrics, relying on imports for MMF textiles. Its domestic textile capacity, however, reduces lead times and allows for more agility and flexibility in fulfilling orders.

Bangladesh is a low-cost supplier to the U.S. market. It benefits from low labor and low input costs. Duty-free access to the European Union (EU), Canada, and most other large destination markets (excluding the United States) for apparel has greatly benefited Bangladesh's apparel sector. In 2026, however, Bangladesh is expected to graduate from least-developed country (LDC) status and thus lose duty-free access to its largest apparel market, the EU. In an effort to offset the loss of the preferential access, apparel producers and the Bangladeshi government have invested in new technologies to increase efficiencies; initiated projects focused on minimizing and recycling textile waste; begun environmentally friendly production; and increased exports to a broader range of destination markets such as Canada, Japan, and Switzerland.

Industry Profile

Bangladesh began to develop its apparel, or ready-made garment (RMG), industry as a means of providing jobs, particularly for women, and reducing the large share of the population living below the poverty line in the aftermath of its war for independence from Pakistan in 1971.³⁴⁸ As with many top global suppliers, Bangladesh's export-oriented apparel industry grew as a result of foreign investors searching for additional countries where they could install new capacity when Multifibre Arrangement (MFA)-era quotas in traditional markets were filled.³⁴⁹ In the 1970s and 1980s, investors from South Korea and Taiwan, among other sources, began investing in Bangladesh's apparel manufacturing and purchasing from those factories.³⁵⁰ Bangladesh was also able to establish domestically funded and owned apparel companies that focused on apparel production for export.³⁵¹

Industry Structure

The apparel industry in Bangladesh has grown consistently, and it is the country's largest export sector, accounting for 85.1 percent of the country's exports in 2023 and an estimated 11 percent of the country's GDP in 2022.³⁵² Approximately 3,500 factories are currently reported to be operating in the

³⁴⁸ RMG refers to "off-the-rack apparel" as opposed to custom-tailored clothing and is used interchangeably with apparel. Sajjad, "Bangladesh at 50," March 12, 2021; Government of Bangladesh, written submission to the USITC, March 11, 2024, 1; RMG Bangladesh, "RMG, Remittance Lead Country towards Growth," November 17, 2021; CIA, "Bangladesh," May 28, 2024.

³⁴⁹ See box 1.1, "Global Textile and Apparel Quotas and the Textile Category System," for more information on the MFA. Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 213.

³⁵⁰ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 214.

³⁵¹ As an example, the company Reaz Garments exported bulk shirts to a French buyer as early as 1978. RMG Bangladesh, "Reazuddin," February 3, 2021; USITC, hearing transcript, March 11, 2024, 22 (testimony of Tapan Kanti Ghosh, Government of Bangladesh).

³⁵² Reports vary on the share of GDP accounted for by the garment sector, ranging from 11 percent to 35 percent. The garment, footwear, and travel goods sector accounted for 44 percent of manufacturing value added in 2017, the most recent year for which data are available. Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; BGMEA, "The Odyssey of Bangladesh," January 2024, 19; S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024; IMF, World Economic Outlook Database, October 2023; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 4.

garment and textiles sector, clustered around Dhaka and the Chittagong port.³⁵³ Nearly all 3,500 factories are export oriented.³⁵⁴ The number of workers varies significantly across factories. About one-quarter of factories have fewer than 500 workers, and about 5 percent of factories have more than 4,800 workers.³⁵⁵ At least one factory has as many as 16,300 garment workers.³⁵⁶

One of the most significant failures of workplace safety in the global apparel industry occurred in Bangladesh in 2013, when a commercial complex that housed multiple garment factories collapsed, resulting in more than 1,100 deaths (box 5.1).³⁵⁷ In the aftermath of that event, the sector became a focus for changes to increase worker safety through multi-stakeholder efforts. The collaboration between the Bangladesh industry and foreign buyers to adopt new safety measures altered the development of the apparel industry. In order to support the industry's development of the new safety initiatives, many global brands and retailers committed to long-term orders, and apparel exports from Bangladesh to the world increased by more than 60 percent between 2013 and 2023.³⁵⁸

Box 5.1 Rana Plaza and Workplace Safety in Bangladesh

In 2013, Rana Plaza, a multistory commercial complex in Dhaka that housed a number of businesses, including five garment factories employing about 5,000 workers, collapsed, killing 1,134 garment workers and injuring 2,500 others.^a The collapse was caused by problems with the structural integrity of the building, which was compromised for a variety of reasons. First, substandard materials were used for the structure, which was built on a filled-in pond. Additional floors that were not approved as part of its original design were added to the building, and the building was originally intended for commercial rather than industrial use. Factory owners and managers were made aware of the compromised structure the day before the collapse, and some workers were sent home as a result of safety concerns. Despite these concerns, workers were called back into the building the following day.^b

In response to the tragedy, the United States suspended Bangladesh's eligibility for tariff benefits under the GSP program.^c Global brands and retailers, particularly those in the United States and the EU, responded by establishing two initiatives—the Accord on Fire and Building Safety in Bangladesh (the Accord), primarily supported by EU brands and retailers, and the Alliance for Bangladesh Worker Safety (the Alliance), made up of U.S. brands and retailers.^d These initiatives were unique in the way they established best practices for building and fire safety using international standards and included the power to audit and enforce the agreed-upon standards; typically, these functions are government responsibilities. Both programs were funded by international buyers, although the cost of building

³⁵³ The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) reported 3,500 active factories in December 2023. In August 2023, the Center for Policy Dialogue reported 3,752 active factories. The number of garment factories in Export Processing Zones (EPZs) only accounted for 1.5 percent of all factories in 2019. Foreign government official, interview by USITC staff, March 15, 2024; BGMEA, "The Odyssey of Bangladesh," January 2024, 19; New Age, "RMG Workplace Accidents Rising amid Falling Monitoring," May 31, 2024; Moazzem, "New Dynamics in Bangladesh's Apparels Enterprises," May 20, 2019, 68.

³⁵⁴ USITC, hearing transcript, March 11, 2024, 66 (testimony of Faruque Hassan, BGMEA).

³⁵⁵ Asian Center for Development, *A Survey Report on the Garment Workers of Bangladesh*, December 2020, 9.

³⁵⁶ One company reported as many as 30,000 employees engaged in RMG production across its factories. Industry representative, interview by USITC staff, Bangladesh, May 6, 2024; Asian Center for Development, *A Survey Report on the Garment Workers of Bangladesh*, December 2020, 9.

³⁵⁷ Paton, "Fears for Bangladesh Garment Workers," May 28, 2021.

³⁵⁸ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024; Paton, "Fears for Bangladesh Garment Workers," May 28, 2021.

improvements identified through the inspections fell to suppliers.^e On average, small factories invested \$677,500 in remediation work for fire and safety upgrades. Factories that moved to new locations invested as much as \$1.25 million.^f

The Accord was initially signed by more than 200 brands and established an inspection program covering fire, electrical, and building safety. It focused on three primary programs: inspections and remediation, safety committees and safety training programs, and complaint mechanisms.^g The commitment between these brands and their Bangladeshi sourcing partners was legally binding, and all results from the inspections were made public.^h After its first expiration in 2018, the program was renewed three times, though in various iterations, with the most recent occurring in 2023. Since its inception, the structure of the Accord has changed with the formation of a tripartite organization called the RMG Sustainability Council (RSC), which is governed by brands and retailers, trade unions, and manufacturing associations. The mandate of the RSC is to carry on the responsibilities of the Accord.ⁱ

The Alliance also focused on remediation for safety issues, training, and empowerment initiatives in its affiliated factories in Bangladesh.^j It did not include labor organizations in its signatories like the Accord, but it appointed labor leaders to its Board of Advisors after it was founded.^k Additionally, the provisions of the Alliance exempted signatories from binding obligations under the program. For example, brands were not mandated to contribute to a loan program intended to help factories finance renovations.^l Some reports highlighted that the Alliance did not have the same reporting standards as the Accord, leading to critiques of the program's transparency.^m This program ended in 2018, but many buyers subsequently began working with an organization called Nirapon, which formed as an evolution of the Alliance and works toward maintaining workers' safety in the factories.ⁿ

The Alliance and the Accord significantly increased the number of audits conducted on factories. Through the initiatives of the government of Bangladesh, the International Labour Organization, and the international brand platforms (the Accord and the Alliance), approximately 3,800 factories have been inspected for fire, electrical, and structural safety since 2013.^o Between June 2020 and June 2023, the RSC conducted 11,219 inspections.^p More than three-fourths of apparel factories in 2023 were covered by the RSC, Nirapon, or the government of Bangladesh's Department of Inspection for Factories and Establishments' (DIFE) Industrial Safety Unit, which performs inspections.^q The number of DIFE inspections dropped to 3,560 in 2022 from 6,227 in 2021. Additionally, there are concerns that the quality of inspection conducted by DIFE officials does not meet the industry standard and the agency does not report all accidents and injuries identified in the apparel industry.^r

Some reports credit the Accord and the Alliance for the apparel industry's improvement in workplace safety compliance and the decline in the number of workplace safety incidents.^s According to a Solidarity Center report from 2019, 169 fire and other safety incidents occurred in the Bangladesh garment sector between November 2012 and April 2019, with more than 100 of those incidents reported after Rana Plaza. Those 169 incidents resulted in 3,877 injuries and 1,304 deaths, including those from the Rana Plaza collapse.^t The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) recognized 86 of the 169 incidents in the Solidarity Center report. Of those 86 incidents, it noted that 44 occurred in the two-year period of 2012 through 2013, and 42 incidents were reported during the following five years between 2014 and 2019.^u The number of deaths due to safety-related incidents has fallen since the initiation of the Accord and the Alliance. Between 2005 and 2012, there were a reported 500 worker deaths in the apparel industry.^v Since Rana Plaza, the number of workplace-related deaths in the apparel industry is reported to be between 30 and 48.^w More recent data from the Centre for Policy Dialogue reported 13 deaths due to workplace-related accidents in the apparel sector in 2021, an increase from 1 death in 2020.^x

- ^a Pal, “Rana Plaza Disaster 11 Years On,” April 23, 2024; Chua, “Eight Years After Rana Plaza,” April 24, 2021; Safi and Rushe, “Rana Plaza, Five Years On,” April 24, 2018.
- ^b Holland, “10 Years after Rana Plaza,” April 24, 2023.
- ^c Apparel is largely ineligible for preferences under U.S. GSP. No changes were made to Bangladesh’s eligibility for benefits under EU GSP, which does include apparel. USTR, “U.S. Trade Representative Michael Froman,” June 27, 2013.
- ^d ACCORD, *Annual Report 2022*, November 2023, 6–7; Alliance for Bangladesh Worker Safety, *An Industry Transformed*, 2018, 3.
- ^e BGMEA, written submission to the USITC, February 26, 2024, 8; industry representative, interview by USITC staff, Bangladesh, May 7, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024.
- ^f BGMEA, written submission to the USITC, February 26, 2024, 8.
- ^g ACCORD, *Annual Report 2022*, November 2023, 7.
- ^h ACCORD, *Annual Report 2022*, November 2023, 7.
- ⁱ Unlike the Accord, the RSC has no legal authority. It releases monthly data covering the number of inspections conducted and the number of discrete factories visited. RSC, “About Us,” accessed April 9, 2024; ACCORD, *Annual Report 2022*, November 2023, 7; Paton, “Fears for Bangladesh Garment Workers,” May 28, 2021; Moazzem, Ahmed, and Saraf, “Workplace Safety in the Bangladeshi RMG Industry,” January 2024, 2.
- ^j Alliance for Bangladesh Worker Safety, *An Industry Transformed*, 2018, 11, 21.
- ^k Alliance, *Protecting the Lives and Livelihoods*, July 2014, 2; Worker Rights Consortium, “Questions and Answers on the Alliance,” accessed August 6, 2024, 3.
- ^l Worker Rights Consortium, “Questions and Answers on the Alliance,” accessed August 6, 2024, 2.
- ^m Kayser, “The Rise and Role of the ‘Accord,’” April 16, 2016; International Labor Rights Forum, et al., “Dangerous Delays on Worker Safety,” November 2016.
- ⁿ Alliance for Bangladesh Worker Safety, *An Industry Transformed*, 2018, 3; Nirapon, “About Us,” accessed May 13, 2024; industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, Bangladesh, May 4, 2024.
- ^o BGMEA, written submission to the USITC, March 24, 2024, 3; USITC, hearing transcript, March 11, 2024, 270–71 (testimony of Robert Antoshak, Gherzi); industry expert, interview by USITC staff, Bangladesh, May 5, 2024.
- ^p As of 2018, when the Alliance ended, the program covered 714 factories, including 178 that were suspended because of noncompliance. ACCORD, *Annual Report 2022*, November 2023; RSC, “RSC | Updates Details,” accessed June 7, 2024; Alliance for Bangladesh Worker Safety, *An Industry Transformed*, 2018, 9.
- ^q Moazzem, Ahmed, and Saraf, “Workplace Safety in the Bangladeshi RMG Industry,” January 2024, 6, 9.
- ^r Moazzem, Ahmed, and Saraf, “Workplace Safety in the Bangladeshi RMG Industry,” January 2024, 6, 9.
- ^s Moazzem, “New Dynamics in Bangladesh’s Apparels Enterprises,” May 20, 2019, 6; Paton, “Fears for Bangladesh Garment Workers,” May 28, 2021; Asian Center for Development, *A Survey Report on the Garment Workers of Bangladesh*, December 2020, 5–6; subject matter expert, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024.
- ^t Solidarity Center, “Fire and Other Health and Safety Incidents,” 2019, 1–25; GLI, written submission to the USITC, March 25, 2024, 1.
- ^u BGMEA reported some challenges verifying all of the incidents included in the Solidarity Center report, in part due to misspellings of factory names. BGMEA, written submission to the USITC, March 24, 2024, 3.
- ^v IHRB & Chowdhury Center for Bangladesh, “The Weakest Link in the Global Supply Chain,” May 2021, 9.
- ^w Global Labor Justice, “Bangladesh Factory Explosion Shows Need,” July 4, 2017; BGMEA, written submission to the USITC, March 24, 2024, 3; Solidarity Center, “Fire and Other Health and Safety Incidents,” 2019, 1–25.
- ^x Moazzem and Ahmed, “Emerging Concerns of Occupational Safety and Health,” April 2023, 2.

Trade associations play an important role in organizing and advocating for the large apparel industry, both on a local level and globally.³⁵⁹ The largest association, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), was established in 1983 and represents the apparel industry, including the woven garment and knitwear sectors.³⁶⁰ Another prominent industry association, the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), was established in 1996 in an effort to represent the diversity of views within the garment sectors in Bangladesh, particularly for the knitwear industry.³⁶¹ The BKMEA represents about 2,000 knitwear manufacturers and exporters.³⁶² In 2022, nearly three-quarters of factories in Bangladesh were BGMEA or BKMEA members.³⁶³

³⁵⁹ Industry representative, interview by USITC staff, Bangladesh, May 5, 2024; industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

³⁶⁰ The BGMEA reports that the group engages in policy advocacy, provides services to members, and ensures workers’ rights and social compliance at member factories. BGMEA, “BGMEA at a Glance,” accessed February 15, 2024.

³⁶¹ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

³⁶² BKMEA, “BKMEA at a Glance,” accessed February 15, 2024.

³⁶³ The Business Standard, “Bangladesh Lists 3,723,” March 15, 2022.

Eight Export Processing Zones (EPZs), employing about 7 percent of apparel workers, are active across Bangladesh, including multiple locations near the capital city, Dhaka.³⁶⁴ The oldest, the Chattogram EPZ, was established in 1983.³⁶⁵ It is located near the Chittagong sea port, which simplifies logistics for companies.³⁶⁶ In 2018, construction on a ninth export zone, the Bangladesh Export Processing Zone Authority (BEPZA) Economic Zone (EZ), began in Mirsharai, Chattogram, about 40 miles from the Chittagong sea port. Three companies have started commercial production in the BEPZA EZ, one of which is making apparel products.³⁶⁷ EPZs in Bangladesh offer fiscal incentives, such as temporarily reducing or eliminating government taxes for investments and duty-free imports of raw materials; non-fiscal benefits, like having no foreign investment cap; and direct access to customs and other support services.³⁶⁸ The EPZs are also attractive to local manufacturers because the infrastructure provides uninterrupted energy that is separate from energy used in the residential sector.³⁶⁹ EPZs offer additional security guards and cameras to factories located inside the zones, a feature that is important to some foreign investors.³⁷⁰ Although the EPZs house a variety of sectors, the garment sector accounts for a large share.³⁷¹ For example, in 2022–23, the Dhaka EPZ employed more than 79,000 workers, down from a high of almost 95,000 in 2018–19, nearly all of whom were garment workers.³⁷²

Employment, Wages, and Productivity

Bangladesh is a densely populated country with 171 million people over an area of only 55,598 square miles, about the size of the state of Iowa.³⁷³ Therefore, the labor-intensive apparel industry is viewed by the government of Bangladesh as attractive because the industry employs a significant number of workers.³⁷⁴ The large population in Bangladesh provides a stable workforce. Additionally, given the relatively large size of the industry compared to other manufacturing industries in Bangladesh, competition for labor between the garment industry and other industries is not significant.³⁷⁵ According to the government of Bangladesh, the apparel industry employs 4 million workers.³⁷⁶ Figures differ with

³⁶⁴ Foreign government official, interview by USITC staff, Bangladesh, April 30, 2024.

³⁶⁵ BEPZA, “Bangladesh Export Processing Zone Authority,” accessed April 5, 2024; Hossain and Akter, *Mapping Social Dialogue in Apparel: Bangladesh*, January 2021, 11.

³⁶⁶ Foreign government official, interview by USITC staff, Bangladesh, April 30, 2024.

³⁶⁷ As of June 2024, 29 companies have signed agreements to invest in the BEPZA EZ. The Business Standard, “Bepza Economic Zone,” October 8, 2023; The Daily Star, “Chinese Company Alpen Banyan,” June 25, 2024.

³⁶⁸ Government of Bangladesh, *Annual Report 2021–22*, accessed May 31, 2024, 16.

³⁶⁹ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024; foreign government official, interview by USITC staff, Bangladesh, May 2, 2024.

³⁷⁰ Foreign government official, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

³⁷¹ Despite the importance of the apparel industry to the country, the EPZs prioritize sector diversification when considering new investments. Foreign government official, interview by USITC staff, Bangladesh, April 30, 2024; Government of Bangladesh, *Annual Report 2021–22*, accessed May 31, 2024, 44, 48, 56, 64, 68, 72.

³⁷² BEPZA, “Bangladesh Export Processing Zones Authority,” accessed April 5, 2024; foreign government official, interview by USITC staff, Bangladesh, May 2, 2024.

³⁷³ Government of Bangladesh, written submission to the USITC, March 11, 2024, 1.

³⁷⁴ Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

³⁷⁵ Faruque, “The Impact of Minimum Wages,” November 14, 2023.

³⁷⁶ Government of Bangladesh, written submission to the USITC, March 24, 2024, 1.

respect to the share of women workers in the industry, ranging from 50 percent to 85 percent,³⁷⁷ though multiple sources report that the share is on a long-term downward trend because of changing cultural preferences and economic incentives in the country.³⁷⁸

The minimum wage for the apparel industry in Bangladesh is organized on a graded system.³⁷⁹ Following a reevaluation of the minimum wage in January 2024, wages for the lowest-grade worker rose by 56.3 percent from 2018 levels, the last time wages increased.³⁸⁰ About a quarter of garment workers in Bangladesh are in the lowest grade, earning at least 12,500 taka (about \$111) per month, while 10 percent of workers are at the top grade, earning at least 15,035 taka (about \$133) per month.³⁸¹ Garment workers move up grades based on their time and experience in the position.³⁸² The minimum wage is calculated using two values, a basic wage and a set of allowances. Overtime pay, a maximum of two hours per day, is paid at a rate of twice the basic wage, excluding allowances. The basic wage used to calculate overtime pay ranges from 6,700 taka to 8,390 taka (about \$59–\$74) per month, about half the total minimum wage, depending on the worker’s grade.³⁸³ According to the BGMEA, the average gross wage of a garment worker is about \$125 per month.³⁸⁴ When taking into account overtime allowances, festival bonuses, attendance bonuses, and earned leave payments, the average take-home pay is \$180 per month.³⁸⁵ Bangladesh labor laws require that the minimum wage be reevaluated every five years.³⁸⁶

³⁷⁷ USITC, hearing transcript, March 11, 2024, 173 (testimony of Beth Hughes, AAFA); Rahman et al., *Study on the Decline of Women Workers*, January 2023, 10; Government of Bangladesh, written submission to the USITC, March 24, 2024, 1; industry expert, interview by USITC staff, Bangladesh, May 7, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

³⁷⁸ For example, many female garment workers are moving from Dhaka to rural communities to live with family and focus on maintaining a household. Additionally, oftentimes the wages earned by garment workers are not sufficient to support families, so workers look for other work. Rahman et al., *Study on the Decline of Women Workers*, January 2023, 92; industry expert, interview by USITC staff, Bangladesh, May 7, 2024; industry representative, interview by USITC staff, Bangladesh, May 7, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

³⁷⁹ Stuart, “Workers’ Minimum Wage Awareness,” February 13, 2024.

³⁸⁰ BGMEA, written submission to the USITC, February 26, 2024, 6–7.

³⁸¹ BGMEA, written submission to the USITC, March 24, 2024, 4–5.

³⁸² Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

³⁸³ BGMEA, written submission to the USITC, March 24, 2024, 4–5.

³⁸⁴ BGMEA, written submission to the USITC, March 24, 2024, 5.

³⁸⁵ BGMEA, written submission to the USITC, March 24, 2024, 5.

³⁸⁶ Bangladesh has two labor laws in the country, one that dictates labor requirements for workers outside EPZs and a second labor law that covers requirements for workers inside EPZs. While the Bangladesh Labour Act requires the minimum wage be reevaluated every five years, the Bangladesh EPZ Labour Act only specifies a periodical review of minimum rates of wages. The minimum wage of EPZ workers was increased to 12,800 taka in December 2023, 300 taka more than garment workers outside EPZs. Other large producers like Vietnam and Cambodia have wage-setting processes that occur every year. In 2023 during the Bangladesh minimum wage reevaluation, many U.S. companies encouraged the government of Bangladesh to reevaluate the minimum wage on an annual basis. GLI, written submission to the USITC, March 15, 2024, 1–2; Act No. XLII of 2006 (October 11, 2006), 1, 75; Act No. II of 2019 S.R.O. No. 257-Law/2021 (July 27, 2021), 1, 28; The Business Standard, “Minimum Wage of Tk12,800 Finalised for EPZ Workers,” December 21, 2023; AAFA, “Urgent Action Needed Regarding Minimum Wage in Bangladesh,” October 11, 2023.

Additionally, since 2018, garment workers have received a mandatory annual 5 percent increase in wages, though the increase is applied to the base pay of a worker's salary only.³⁸⁷

According to the BGMEA, working conditions have improved through regulatory changes since 2013.³⁸⁸ It points to changes in 2018 that included a decrease in the threshold of worker participation required to form a union (down from 30 percent to 20 percent), a mandatory safety committee and elected participation committee for every factory, and a permanent health center required at every factory employing more than 500 workers.³⁸⁹ Nonetheless, experts report the continued presence of unfair labor practices that affect workers, including withheld wages, excessive overtime, union suppression and lack of freedom of association, and instances of child and forced labor in the Bangladesh garment sector.³⁹⁰

According to the ILO and other sources, Bangladesh's apparel industry has a low unionization rate, although the exact number is disputed among stakeholders. According to Bangladesh's Ministry of Labour, Bangladesh's apparel sector has 1,248 registered trade unions.³⁹¹ The BGMEA reported that 1,400 of its approximately 3,000 member apparel factories in Bangladesh have unions, equivalent to a 47 percent unionization rate for its membership, which the BGMEA estimates covers around half of all apparel exporters in the country.³⁹² However, the ILO reported in 2017 that only 4–5 percent of all garment workers were members of trade unions, and another source reported that unions existed in 1.0 to 3.7 percent of apparel factories in Bangladesh.³⁹³

A variety of reasons impact the unionization rate in the Bangladesh garment sector. First, industry representatives allege that the benefits of unions are misunderstood among workers, reportedly stemming from perceptions that unionization efforts led to the decline of the promising export-oriented Bangladeshi jute industry in the 1980s.³⁹⁴ In addition, EPZs do not allow the formation of unions; rather, EPZs mandate workers' welfare associations, which are registered with the BEPZA rather than the Ministry of Labour, and do not have collective bargaining rights under the law like trade unions, although

³⁸⁷ Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; The Business Standard, "Tk12,500 Minimum Wage Finalised," November 26, 2023; FLA, "Toward Fair Compensation in Bangladesh," April 2018, 7.

³⁸⁸ BGMEA, written submission to the USITC, February 26, 2024, 8.

³⁸⁹ BGMEA, written submission to the USITC, February 26, 2024, 8.

³⁹⁰ AFL-CIO, written submission to the USITC, March 5, 2024, 2–3; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024.

³⁹¹ Government of Bangladesh, written submission to the USITC, March 24, 2024, 3.

³⁹² These figures may include the total number of trade unions despite many of those not having collective bargaining agreements. USITC, hearing transcript, March 11, 2024, 63–64 (testimony of Faruque Hassan, BGMEA); industry representative, interview by USITC staff, Bangladesh, April 28, 2024.

³⁹³ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37; Moazzem and Azim, "Workers' Organizations in RMG Enterprises," August 2018, 3.

³⁹⁴ Industry representative, interview by USITC staff, Bangladesh, April 28, 2024.

they can negotiate with employers.³⁹⁵ Also, while the minimum membership requirement to form a trade union outside of EPZs is 20 percent of workers in an enterprise, some have reported this share to be sufficiently high that it discourages the formation of unions.³⁹⁶

Additional factors limit the number of unions in Bangladesh and the number of workers that join them. Some workers are reportedly surveilled, receive threats of violence, or can be falsely charged for criminal activity to dissuade collective action.³⁹⁷ Union workers and leadership in garment factories reportedly may also lose their jobs for engaging in unionization and be blacklisted from working at other factories.³⁹⁸ Collusion has been reported among factory managers, labor inspectors, and union leaders to keep unions from forming or to prevent effective organization of the union. For example, to prevent the legal formation of trade unions, employers reportedly misclassified workers as managers, ensuring the 20 percent threshold was not reached.³⁹⁹ Lastly, the union application process is reported to be administratively burdensome, and applications for union recognition are said to be rejected by the relevant government authority nearly 50 percent of the time.⁴⁰⁰

A number of reports examine the range of labor violations in the Bangladesh apparel sector. In 2022, multiple textile goods from Bangladesh were on the U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor. Textiles, jute, and garments were identified as products made in Bangladesh using child labor, and garments were identified as products made in Bangladesh using forced labor.⁴⁰¹ Use of child labor is most often reported in small garment shops that use informal workers that produce apparel for the domestic market and do not have contracts.⁴⁰² Indicators of forced labor identified in the Bangladesh garment industry were excessive working hours, forced overtime, physical

³⁹⁵ Government of Bangladesh, “Information for Investors,” accessed April 6, 2024, 46. Approximately 500,000 people work in EPZs, and an estimated one-half of those workers are in apparel production. Worker Welfare Associations (WWAs) form Worker Participation Committees (WPC), which are composed of half workers and half managers. Issues discussed in WPCs include extra leave days/timing of leave (e.g., extra day around Eid), production quota practicality, food availability, and any wage concerns (other than the national minimum wage). Industry stakeholders have identified barriers to forming WWAs, as well, such as requiring an approval to form a WWA from BEPZA. Fewer issues are reported with timely payments of wages and adhering to minimum wages in EPZs than in factories outside EPZs, likely because of the importance of the EPZs’ image to investors. Industry representative, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, Bangladesh, April 28, 2024; Stein, “No Trade Union,” October 23, 2014; USITC, hearing transcript, March 11, 2024, 144–45 (testimony of Eric Gottwald, AFL-CIO).

³⁹⁶ BGMEA representatives reported that the minimum rate of participation to form a union is expected to drop further to 15 percent. USITC, hearing transcript, March 11, 2024, 103–4 (testimony of Faruque Hassan, BGMEA); AFL-CIO, written submission to the USITC, March 5, 2024, 2–3.

³⁹⁷ Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024.

³⁹⁸ Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024.

³⁹⁹ USITC, hearing transcript, March 11, 2024, 145 (testimony of Eric Gottwald, AFL-CIO).

⁴⁰⁰ AFL-CIO, written submission to the USITC, March 5, 2024, 3.

⁴⁰¹ USDOL, *2022 List of Goods Produced by Child Labor or Forced Labor*, 2022, 24. This report did not separate out child labor identified in garment manufacturing intended for exports and garment manufacturing intended for domestic consumption.

⁴⁰² Industry expert, interview by USITC staff, Bangladesh, May 7, 2024.

or verbal violence, and withheld compensation.⁴⁰³ In addition, it has been reported that not all factories implement the graded wage system, pay their workers the mandatory 5 percent annual wage increase, or give timely grade promotions.⁴⁰⁴

Worker productivity measurements indicate an increase in apparel industry productivity in Bangladesh, making it comparable to other countries in the region.⁴⁰⁵ For example, an increase in capital investment in the sector has led to substantial growth in gross value-added per worker in the garments, textiles, and footwear (GTF) sector.⁴⁰⁶ In 2017, gross value-added per worker in Bangladesh was \$3,816, on par with India and Indonesia.⁴⁰⁷ One analysis of the standard minute value, the primary unit of efficiency measurement for garment workers conducting a specific task or operation, found an improvement in production line efficiency in the Bangladesh apparel sector, although the efficiency levels were still lower than those of Vietnam and China.⁴⁰⁸

Domestic and Foreign Direct Investment

Bangladesh has limited foreign direct investment (FDI) in apparel manufacturing compared to some other countries, despite the critical impact of FDI on initial development of the industry.⁴⁰⁹ About 20 percent of large apparel supplier factories in Bangladesh were foreign owned in 2017–18, and investors from locations that were active in the early days of the industry’s development such as South Korea and Hong Kong are still present in Bangladesh.⁴¹⁰ There were five greenfield investments, a type of FDI in which there is new construction rather than investment in existing facilities, in Bangladesh between 2020 and 2023 in the apparel industry, which totaled roughly \$100 million. FDI was directed toward manufacturing, research and development, sales, marketing, and support.⁴¹¹ The largest investing countries were China, South Korea, Germany, Spain, and the United Kingdom.⁴¹²

⁴⁰³ The U.S. Department of Labor report also highlighted the vulnerability of women in the Bangladesh garment sector who experience physical and sexual abuse when production targets are not met. USDOL, *2022 List of Goods Produced by Child Labor*, 2022, 21–22, 36.

⁴⁰⁴ Moazzem, Ahmed, and Kabir, *Revision of the Minimum Wage of RMG Workers in 2023*, March 2024, 10–16.

⁴⁰⁵ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

⁴⁰⁶ Embassy of Bangladesh, written submission to the USITC, March 11, 2024, 2; Moazzem, “New Dynamics in Bangladesh’s Apparels Enterprises,” May 20, 2019, 143; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

⁴⁰⁷ Gross value-added represents the contribution of labor and capital to a production process in an economy. It is defined as the value of output less the value of intermediate consumption. Gross value-added per worker in the GTF sector was \$3,504 for India in 2018 and \$3,378 for Indonesia in 2015. Data limitations may affect the accuracy of productivity estimates. See chapter 1, “Data Availability and Limitations.” The year 2017 is the most recent for which gross value-added per worker measurements are available for Bangladesh. Additionally, the productivity calculations were averaged over the entire GTF sector, which can hide significant sector- and firm-specific variation. ILO, “Decent Work Indicators,” December 2013, 227; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

⁴⁰⁸ Moazzem, “New Dynamics in Bangladesh’s Apparels Enterprises,” May 20, 2019, 152–53.

⁴⁰⁹ Total FDI inflows for all sectors in Bangladesh were 0.4 percent of GDP in 2022. Dannaoui, Lee, and Lemoine, *Freedom and Prosperity in Bangladesh*, April 2024, 29.

⁴¹⁰ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8–9.

⁴¹¹ Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024, 2020–23.

⁴¹² Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024, 2020–23.

In 2022, 58 percent of enterprises in the Bangladesh EPZs were 100 percent foreign owned, 14 percent were joint ventures among domestic and foreign owners, and 28 percent were local ventures.⁴¹³ After Bangladesh, China is the second-largest investor in Bangladesh EPZs.⁴¹⁴ Of recent greenfield investments, the largest occurred in the Mongla EPZ and the BEPZA Economic Zone.⁴¹⁵ Although sector-specific information on overall foreign investment and source is limited, one of the EPZ greenfield investments was from a Chinese company in December 2023 that committed to invest \$89 million to produce fabrics, garments, and garment accessories. This company expects to employ nearly 5,500 Bangladeshi workers when the project is completed.⁴¹⁶

Infrastructure and Logistics

Bangladesh is rated relatively low for its transport-related infrastructure in the World Bank’s Logistics Performance Index.⁴¹⁷ It scored higher in 2023 (2.6 out of 5) than in 2014 (2.56), but its score in 2023 was lower than its score in 2016 (2.66).⁴¹⁸ The apparel industry primarily uses port access in Dhaka and Chattogram, but neither port has deep-sea access that would allow the largest cargo ships to dock there. According to the Logistics Performance Index, the median turnaround time at port in Bangladesh was 3.0 days in 2022, much slower than China (0.8 days), Vietnam (0.8 days), and India (0.9 days).⁴¹⁹ Logistics are reportedly more efficient in EPZs, which helps reduce lead times. For example, every EPZ has its own customs office, reducing the amount of time to process documents to as little as 24 hours.⁴²⁰ In 2024, Bangladesh approved its first logistics policy, the National Logistic Policy. Its goal is to increase trade and investment through the construction of an updated logistics system.⁴²¹

Historically, lead times for apparel sourced from Bangladesh were 120–150 days because all raw materials had to be imported.⁴²² Many apparel producers are now, however, able to offer lead times

⁴¹³ BEPZA, “Bangladesh Export Processing Zones Authority,” accessed April 5, 2024.

⁴¹⁴ Until 2005, FDI in Bangladesh was not permitted outside EPZs. Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 221; Government of Bangladesh, *Annual Report 2021–22*, accessed May 31, 2024, 78.

⁴¹⁵ Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024.

⁴¹⁶ USITC, hearing transcript, March 11, 2024, 113 (testimony of Kimberly Glas, NCTO); *Financial Times*, fDi Markets Database, accessed February 5, 2024, 2023.

⁴¹⁷ The Logistics Performance Index is a benchmarking tool that identifies the challenges and opportunities countries face in their trade logistics performance. World Bank, “Home | Logistics Performance Index (LPI),” accessed July 17, 2024; World Bank, “Logistics Performance Index (LPI) | DataBank,” accessed April 5, 2024.

⁴¹⁸ The most recent LPI reports were released in 2014, 2016, 2018, and 2023. World Bank, *Connecting to Compete 2023*, 2023, 34; World Bank, *Connecting to Compete*, 2014, 36; World Bank, *Connecting to Compete*, 2016, 39.

⁴¹⁹ Turnaround times were not reported on in the 2018 World Bank LPI Report. World Bank, *Connecting to Compete 2023*, 2023, 36–38.

⁴²⁰ Foreign government official, interview by USITC staff, Bangladesh, April 30, 2024.

⁴²¹ Barua, “Govt Formulates Maiden Logistics Policy,” May 1, 2024; industry representative, interview by USITC staff, Bangladesh, May 5, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024; subject matter expert, interview by USITC staff, Bangladesh, May 1, 2024.

⁴²² One industry representative noted that some buyers require lead times of 20 days, which requires full vertical integration from design to finishing supported by market research to anticipate trends. Industry representative, interview by USITC staff, Bangladesh, May 6, 2024; Government of Bangladesh, written submission to the USITC, March 11, 2024, 2.

below 90 days, an industry standard.⁴²³ The improved lead times are the result of improvements to infrastructure in Bangladesh and the increased access to local textiles.⁴²⁴ Industry representatives report that the 300 kilometer, 4–6 lane highway between Dhaka and the Chittagong port, the main thoroughfare for exported garments, has improved, although it can take seven hours by car.⁴²⁵ An ongoing project to establish a deep-sea port at Matarbari is expected to be completed by about 2026.⁴²⁶ A deep-sea port would not only allow greater export capacity but also decrease shipment times for imports of raw cotton for textile production.⁴²⁷

Sourcing of inputs is an important component of lead times, and Bangladesh producers have reduced the lead times for sourcing inputs in a number of ways. The average time for Bangladeshi garment factories to import fabrics ranges from 10 to 25 days.⁴²⁸ By comparison, when buying yarn or fabric from a Bangladesh manufacturer, the product can be obtained in three days.⁴²⁹ Investments in technology can also help reduce lead times. One manufacturer reported that by implementing new sampling software, it reduced the time to approve samples with a buyer from 35–40 days to 3–4 days.⁴³⁰ The amount of garment input customization may also increase lead times in the apparel sector. For example, the lead time for a standard polyester yarn from China to Bangladesh ranges from 15 to 17 days, but more customized yarns from India take 25 days to arrive in Bangladesh.⁴³¹

Production

Bangladesh apparel production increased between 2013 and 2022 despite significant production drops in 2020 due to declines in consumer demand for garments, order cancellations, and delays in payments caused by the COVID-19 pandemic.⁴³² Following the sharp drop in production in early 2020, production grew rapidly as consumer demand rose and factories returned to business as usual (figure 5.2).

⁴²³ Berg et al., *What's Next for Bangladesh's Garment Industry*, March 2021, 4; industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

⁴²⁴ BGMEA, "The Odyssey of Bangladesh," January 2024, 34; BGMEA, written submission to the USITC, March 24, 2024, 6; industry representative, interview by USITC staff, Bangladesh, May 5, 2024.

⁴²⁵ Foreign government official, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, Bangladesh, April 15, 2024.

⁴²⁶ AAFA, written submission to the USITC, March 25, 2024, 1; subject matter expert, interview by USITC staff, April 15, 2024.

⁴²⁷ USITC, hearing transcript, March 11, 2024, 75 (testimony of Faruque Hassan, BGMEA).

⁴²⁸ Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024; industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴²⁹ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

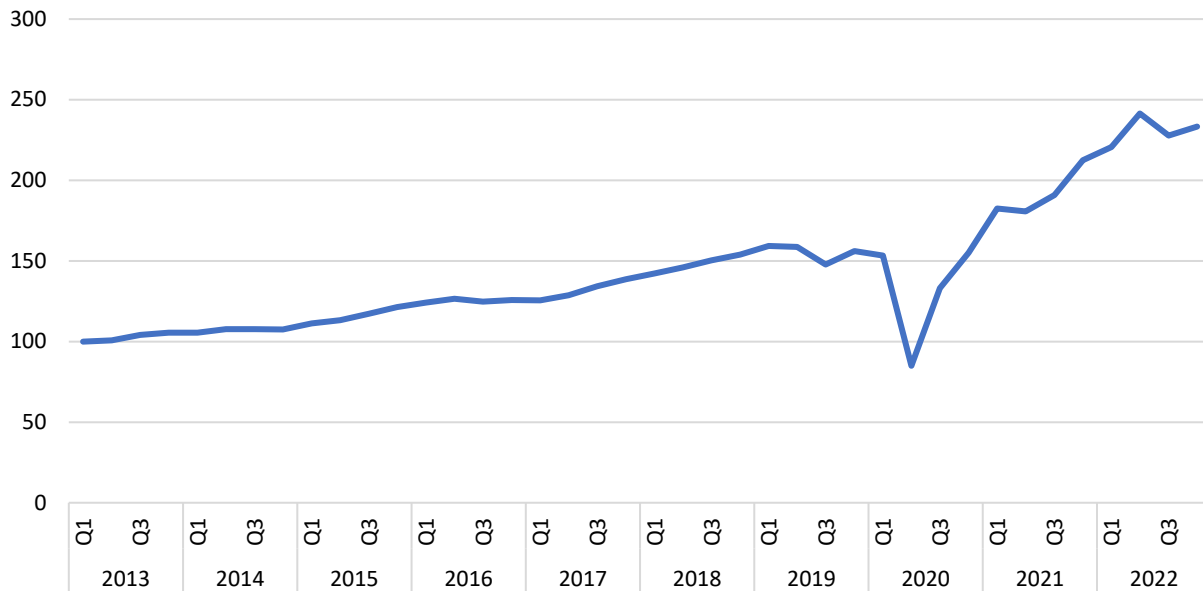
⁴³⁰ Industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

⁴³¹ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴³² IHRB & Chowdhury Center for Bangladesh, "The Weakest Link in the Global Supply Chain," May 2021, 19–20; Clean Clothes Campaign, *Still Un(der)paid*, 2021, 17; UNIDO, "UNIDO Statistics Portal," accessed July 2, 2024.

Figure 5.2 Index of apparel production in Bangladesh, 2013–22

2013 = 100. Seasonally adjusted. Q = quarter. Underlying data for this figure can be found in appendix E, [table E.11](#).



Source: UNIDO, UNIDO Data Porta, accessed July 2, 2024.

Bangladesh is recognized globally for its ability to supply good quality products and large order sizes, particularly for the value and lower-mid market.⁴³³ Production capability includes a wide range of garment types including suits, underwear, and denim products, although the industry specializes in basic garments such as T-shirts and jeans.⁴³⁴ Bangladesh is one of the largest denim producers in the world and has been the largest supplier of denim products to the United States since 2020.⁴³⁵ The industry has invested in the technology and machinery required to produce a wide range of denim products, including denim with spandex, colored denim, and knit denim, creating a niche for large-scale production of denim products. The industry has also invested in washing capacity, which is critical for traditional denim.⁴³⁶ Aside from denim, Bangladesh is reportedly the only country other than China that can make

⁴³³ Government of Bangladesh, written submission to the USITC, March 11, 2024, 2; industry representative, interview by USITC staff, February 23, 2024.

⁴³⁴ AAFA, written submission to the USITC, March 4, 2024, 4; *Denimhunters*, “What Is Servedge Denim?,” accessed July 1, 2024. Jeans production ranges from low-cost basic jeans for the value market to expensive high-fashion designer jeans, the latter characterized by better quality fabric, more detailing, and other features.

⁴³⁵ Categories 237-D, playsuits, sunsuits, etc., blue denim; 333-D, men’s/boys’ blue denim suit-type coats; 342-D blue denim skirts, 347-D, men’s/boys’ blue denim trousers; and 348-D, women’s/girls’ blue denim trousers. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁴³⁶ Washing can be considered the final process in denim processing. This type of finishing impacts the sizing, coloration, quality, and value of the jeans. Rathore, “Washing Techniques for Denim Jeans,” February 9, 2022; USITC, hearing transcript, March 11, 2024, 102–3 (testimony of Faruque Hassan, BGMEA); Berg et al., *What’s Next for Bangladesh’s Garment Industry*, March 2021, 4; industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

knit-to-shape sweaters at scale.⁴³⁷ Sweater production in Bangladesh tends to use rougher yarns, like wool, which caters to the EU market.⁴³⁸ EU buyers prefer sweaters made with wool, while U.S. buyers prefer softer sweaters made with more synthetic fibers.⁴³⁹

Bangladesh's industry is diversifying its product offerings, trying to produce more value-added products in addition to basic items.⁴⁴⁰ It is increasingly able to produce more complex garments like outerwear, tailored items, and lingerie because of the skilled workforce in Bangladesh.⁴⁴¹ Compared to T-shirts, pullovers with additional details like zippers or trims are more complicated to construct, and buyers often look to suppliers such as Bangladesh for those items.⁴⁴² The industry has also added finishing capabilities, including new and different fabric washes, prints, and laser finishings.⁴⁴³ Although Bangladesh still largely produces cotton products, it is also increasingly striving to diversify to meet buyer and consumer demand for apparel with a range of fiber types, including manmade fibers, which often go into the production of technical garments.⁴⁴⁴ For example, in 2023, Bangladesh became the fourth-largest supplier of recreational performance outerwear (RPO) to the United States after China, Vietnam, and Mexico.⁴⁴⁵ RPO garments are generally more technical in nature because they are made from performance fabrics⁴⁴⁶ and may be water resistant, have insulation for cold weather protection, zippered pockets or other pocket closures, venting, or other garment technologies.⁴⁴⁷

⁴³⁷ Scale refers to economies of scale, which happens when an increase in output quantity reduces the per unit total cost of production. Knit-to-shape sweater production is more expensive than making sweaters from knit fabric. Knit-to-shape production is slow, with machines able to produce only one sweater at a time. The factory setup for these garments is very different than factories making cut-and-sew garments. Bennur and Malhotra, "Evaluating Economies of Scale," Fall 2020, 3; industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, March 5, 2024.

⁴³⁸ Industry representative, interview by USITC staff, February 23, 2024.

⁴³⁹ Industry representative, interview by USITC staff, February 23, 2024.

⁴⁴⁰ USITC, hearing transcript, March 11, 2024, 91 (testimony of Faruque Hassan, BGMEA); foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁴⁴¹ Berg et al., *What's Next for Bangladesh's Garment Industry*, March 2021, 4; industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

⁴⁴² Industry representative, interview by USITC staff, February 28, 2024.

⁴⁴³ Finishing is any dyehouse process, except for bleaching or dyeing, that imparts useful characteristics to a material. For example, stonewashing is a finishing process. Berg et al., *What's Next for Bangladesh's Garment Industry*, March 2021, 4; Cottonworks, "Finishing," accessed July 7, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

⁴⁴⁴ In 2023, the United States imported \$4.5 billion of cotton apparel and \$1.9 billion of MMF apparel from Bangladesh. That year 70.1 percent of U.S. apparel imports from Bangladesh were cotton apparel and 29.9 percent were MMF apparel. In 2013, 81.7 percent were cotton apparel and only 18.3 percent were MMF apparel. Categories 31, cotton apparel; and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁴⁴⁵ See appendix F for the list of HTS subheadings covering RPO. USITC DataWeb/Census, HTS chapter 62, imports for consumption, accessed June 6, 2024.

⁴⁴⁶ Performance fabric is a type of fabric that is specially designed to enhance performance and functionality for specific applications such as sportswear and outdoor gear. Jameson, "What Is Performance Fabric," April 12, 2024.

⁴⁴⁷ See Additional U.S. Note 3(a)–(c) of the *Harmonized Tariff Schedule of the United States, Revision 1 (2004)*, 62-3–4, for characteristics of RPO, as used in the HTS.

Industry representatives report that some production costs within the sector remain high. The cost of diesel fuel, one of the most widely used forms of energy, increased 68 percent between 2016 and 2022, resulting in more price pressure on manufacturers. Similarly, the cost of electricity and natural gas has increased over the 2013–23 period.⁴⁴⁸ Many factories experience energy disruptions and most have backup generators to supplement energy from the grid.⁴⁴⁹ The government reportedly has initiatives to diversify its electricity supplies because the cost of electricity, diesel, and gas in Bangladesh has risen in recent years.⁴⁵⁰ Some factories are investing in solar energy, particularly those with Leadership in Energy and Environmental Design (LEED) certification and those working toward LEED certification status.⁴⁵¹ Additionally, water availability affects the cost of garment and textile production, particularly in the wet processing methods used by many denim producers.⁴⁵² Given the importance of the domestic textile industry to the apparel industry and the high volume of water usage in the textile industry, water scarcity has impacted the Bangladesh apparel industry as well.⁴⁵³ Lastly, Bangladeshi monetary authorities have raised interest rates in an effort to curb inflation, making capital more expensive to investors.⁴⁵⁴

The cost of investing in sustainable initiatives can be prohibitive for factories, but Bangladesh has reportedly prioritized sustainability.⁴⁵⁵ Generally, the cost of setting up a green factory is 25–30 percent more than a traditional factory because of the additional infrastructural and technological differences.⁴⁵⁶ To encourage companies to continue investing in environmental initiatives, Bangladesh’s government in 2020 committed to sustainability actions through its Vision 2041 Plan, which includes strategies, policies, and investment programs aimed to improve water and land management while accounting for the environment and climate change.⁴⁵⁷ Additionally, as part of the Sustainability Strategic Vision 2023, the Bank of Bangladesh mandated that 5 percent of all loans disbursed by banks must be allocated toward green financing initiatives.⁴⁵⁸

⁴⁴⁸ BGMEA, written submission to the USITC, February 26, 2024, 4–6.

⁴⁴⁹ USITC, hearing transcript, March 11, 2024, 105–6 (testimony of Faruque Hassan, BGMEA).

⁴⁵⁰ USITC, hearing transcript, March 11, 2024, 47 (testimony of Faruque Hassan, BGMEA); Islam, Al-Amin, and Sarkar, “Energy Crisis in Bangladesh,” August 1, 2021, 10.

⁴⁵¹ LEED is a widely used green building rating system that rates buildings based on characteristics that affect climate change, human health, water resources, the green economy, and communities and natural resources. U.S. Green Building Council, “LEED Rating System,” accessed May 20, 2024. The government of Bangladesh has prioritized investment in alternative energy sources, including solar and nuclear. Two nuclear power reactors are under construction, one of which is scheduled to be commissioned in 2024. Industry representative, interview by USITC staff, Bangladesh, May 6, 2024; World Nuclear Association, “Nuclear Power in Bangladesh,” May 13, 2024; Sajid, “Rooppur Power Generation,” December 29, 2022.

⁴⁵² Arup, “An Analysis of Industrial Water Use,” January 2024, 4.

⁴⁵³ Restiani, “Water Governance Mapping Report,” accessed May 17, 2024, 2.

⁴⁵⁴ BGMEA, written submission to the USITC, February 26, 2024, 10.

⁴⁵⁵ BGMEA, written submission to the USITC, February 26, 2024, 9; BGMEA, written submission to the USITC, March 24, 2024, 10.

⁴⁵⁶ Despite higher costs of production, interest rates for investments in green factories are, through the availability of government incentives, lower than traditional factories. Additionally, the corporate tax rate is 2 percent lower for green factories. BGMEA, written submission to the USITC, March 24, 2024, 9; USITC, hearing transcript, March 11, 2024, 69 (testimony of Faruque Hassan, BGMEA).

⁴⁵⁷ Government of Bangladesh, “Making Vision 2041 a Reality,” March 2020, xv.

⁴⁵⁸ BGMEA, written submission to the USITC, February 26, 2024, 9.

Sourcing of Inputs

The Bangladesh textile industry can produce many of the yarns and fabrics needed for domestic apparel production—about 85 percent of yarns for knit apparel and 40 percent of woven fabric for woven products (including 100 percent of all denim fabrics needed for exported denim apparel).⁴⁵⁹ Moreover, the fabric made in Bangladesh is export quality, meaning that it meets the quality standards set by U.S. buyers.⁴⁶⁰ One industry representative noted that, historically, Bangladesh had to import much of its fabric, much of which came from China. In recent years, however, Bangladesh developed a textile industry, and the apparel industry is able to source fabrics domestically, especially for products that they specialize in, like denim.⁴⁶¹ The presence of yarn and fabric mills in Bangladesh makes it easier for apparel manufacturers to source inputs.⁴⁶² The industry is consuming nearly all its textile production domestically, both for local and export-oriented production, which leads to high domestic value added in the sector.⁴⁶³ In 2020, 75 percent of the value of the exported apparel was added domestically in Bangladesh, making it the sector with the highest share of domestic value added in the country.⁴⁶⁴ Industry representatives have noted that one strategic goal is to produce enough yarns and fabrics to supply export markets as well.⁴⁶⁵

Despite expansion of vertical integration and increased domestic yarn and fabric capacity, the country is still heavily dependent on imported garment inputs, particularly with respect to synthetic yarns and fabrics.⁴⁶⁶ China was Bangladesh's top source of inputs in 2023, supplying \$7.2 billion of yarns and fabrics. The next-largest suppliers were India and Pakistan, which supplied \$2.0 billion and \$497 million in yarns and fabrics, respectively.⁴⁶⁷ Access to MMF products is critical to Bangladesh's garment sector. Industry stakeholders are working with foreign suppliers of MMF products to ensure Bangladesh has access to these critical inputs.⁴⁶⁸ Although Bangladesh maintains normal trade relations (NTR) duties on

⁴⁵⁹ USITC, hearing transcript, March 11, 2024, 25, 49, 74 (testimony of Faruque Hassan, BGMEA); industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴⁶⁰ Industry representative, interview by USITC staff, March 5, 2024.

⁴⁶¹ USITC, hearing transcript, March 11, 2024, 74 (testimony of Faruque Hassan, BGMEA); industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

⁴⁶² Yarn and fabric factories are sometimes owned by garment factories, but some specialized mills make only textiles that are then sold to apparel producers. Mills that are vertically integrated are typically integrated between fabric and garment, while yarn mills are separately owned. The government of Bangladesh also offered incentives to businesses investing in upstream apparel industries to increase the industry's verticality. USITC, hearing transcript, March 11, 2024, 76 (testimony of Faruque Hassan, BGMEA).

⁴⁶³ OECD, *ICIO-TIVA Highlights*, November 2023, 1; USITC, hearing transcript, March 11, 2024, 75 (testimony of Faruque Hassan, BGMEA); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 4.

⁴⁶⁴ OECD, *ICIO-TIVA Highlights*, November 2023, 1.

⁴⁶⁵ USITC, hearing transcript, March 11, 2024, 74–75 (testimony of Faruque Hassan, BGMEA).

⁴⁶⁶ OECD, *ICIO-TIVA Highlights*, November 2023, 2; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁴⁶⁷ S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials, fibers, yarns, and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials, fibers, yarns, and fabrics, see appendix F.

⁴⁶⁸ Safaya, "BGMEA Discusses Bilateral Trade Opportunities with Indonesia," February 13, 2024.

textile inputs, most textiles can be imported duty free by apparel factories producing for export, whether or not located inside EPZs.⁴⁶⁹

Textile Raw Materials

To support the country's yarn and fabric production, Bangladesh depends on imports for raw materials and fibers, which doubled during 2013–23 as apparel production increased, totaling \$2.7 billion in 2023 (table 5.1).⁴⁷⁰ Bangladesh produces and gins a very small amount of cotton.⁴⁷¹ Imports supply 96 percent of domestic demand for cotton, most of which are used in cotton yarns and fabrics, making Bangladesh the second-largest global importer of raw cotton behind China.⁴⁷² The largest suppliers of cotton fiber to Bangladesh in 2023 were India (25.9 percent of Bangladesh's cotton imports), Brazil (18.3 percent), and Benin (18.2 percent), respectively.⁴⁷³ The United States was the fourth-largest supplier to Bangladesh in 2023, accounting for 15.7 percent of cotton fiber imports.⁴⁷⁴

Table 5.1 Bangladesh: Imports of textile raw materials and fibers, by source, 2013 and 2018–23
In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
India	714	850	588	753	1,427	1,010	577
Brazil	23	167	315	316	431	492	399
Benin	17	215	228	325	425	406	391
United States	118	387	389	332	320	477	343
Australia	111	164	56	8	60	220	247
All other sources	359	1,005	1,050	603	827	818	732
Total	1,343	2,789	2,627	2,336	3,491	3,423	2,689

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

Note: Bangladesh import data were calculated by aggregating exports to Bangladesh as reported by all other countries.

Yarn

To meet the needs of Bangladesh's apparel industry, production and imports of yarn increased in 2013–23, although the fabric and apparel industries in Bangladesh consume much more domestically spun cotton yarns than imported cotton yarns. The Bangladesh Textile Mills Association (BTMA) reported in

⁴⁶⁹ Government of Bangladesh, *Annual Report 2021–22*, accessed May 31, 2024, 16; Government of Bangladesh, "Bonded Warehouse," accessed May 31, 2024; Government of Bangladesh, "Harmonised Tariff of Bangladesh Customs," accessed April 2, 2024; BIDA, "FAQ, Taxation," October 12, 2021; USITC, hearing transcript, March 11, 2024, 24 (testimony of Tapan Kanti Ghosh, Government of Bangladesh); Government of Bangladesh, written submission to the USITC, March 11, 2024, 2.

⁴⁷⁰ S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

⁴⁷¹ In 2023, Bangladesh produced 155,000 480-pound bales compared to neighboring India, which produced 25.5 million 480-pound bales in the same year. USDA, FAS, *Cotton and Products Annual—Bangladesh*, April 15, 2022, 1; USDA, FAS, "Production, Supply, and Distribution Dataset: Cotton," May 10, 2024.

⁴⁷² USDA, FAS, *Cotton and Products Annual—Bangladesh*, April 15, 2022, 14; USDA, "Cotton: World Markets and Trade," March 2024, 17; USDA, FAS, "Production, Supply, and Distribution Dataset: Cotton," May 10, 2024.

⁴⁷³ The Business Standard, "Ticfa Meeting," September 20, 2023; USITC, hearing transcript, March 11, 2024, 27 (testimony of Tapan Kanti Ghosh, Government of Bangladesh).

⁴⁷⁴ S&P Global, GTAS database, HS headings 5201 and 5203, cotton fiber, mirror data, accessed June 17, 2024.

2023 that Bangladesh can produce 4.4 billion kilograms (kg) of cotton yarn annually.⁴⁷⁵ By comparison, Bangladesh imported a total of 479.8 million kg of cotton yarn in 2022, equivalent to 10.9 percent of Bangladesh's installed spinning capacity, with 378.9 million kg imported from India alone, its largest supplier by far.⁴⁷⁶ The number of yarn spinning mills grew from 394 in 2012 to 519 in 2022.⁴⁷⁷ As a result, Bangladesh ranked third, behind China and India as of 2021, in terms of installed capacity (with 13.8 million spindles).⁴⁷⁸ Bangladesh reports that it can produce 85–90 percent of the yarns required to produce knit apparel for export and 35–40 percent of yarns for woven apparel.⁴⁷⁹ The industry is known for making coarser yarns, often used in denim.⁴⁸⁰ More recently, however, the industry began to add finer yarns used in weaving and shirt making.⁴⁸¹

Bangladesh's synthetic yarn industry is small and cannot meet domestic demand for MMF yarns; thus, the country imports most of the manmade yarns and fibers used in its apparel exports. As of 2023, Bangladesh had 19 synthetic spinning mills, including 8 acrylic spinning mills.⁴⁸² The synthetic yarn industry commonly imports pellets for mixing and blends synthetic fiber with natural fibers to create blended yarns.⁴⁸³ Industry representatives expect the demand for these yarns to increase in the future.⁴⁸⁴ To meet this demand, entrepreneurs are working to increase the domestic supply of MMF yarns. In 2022 alone, the industry more than doubled its 10-year cumulative shipments of draw texturing machines used in the production of certain MMF yarns.⁴⁸⁵

⁴⁷⁵ BTMA, *Annual Report 2022*, May 18, 2023, 6.

⁴⁷⁶ In 2023, Bangladesh imported \$1.6 billion of cotton yarn, with 77.2 percent of all cotton yarn imports coming from India, followed by China (10.1 percent). S&P Global, GTAS database, HS headings 5204, 5205, 5206, and 5207; cotton yarns, mirror data, accessed June 17, 2024.

⁴⁷⁷ This estimate only accounts for BTMA members. BTMA, *Annual Report 2022*, May 18, 2023, 6; USITC, hearing transcript, March 11, 2024, 25 (testimony of Tapan Kanti Ghosh, Government of Bangladesh).

⁴⁷⁸ A spindle is a narrow rod onto which yarn is spun. Because the number of spindles varies by machine, the number of installed spindles is commonly used measure of installed capacity. 2021 was the most recent year for which data were available. Total shipments of spindles to Bangladesh totaled nearly 1.3 million in 2022, with cumulative shipments between 2013 and 2022 totaling 5.2 million spindles. The installed spindle capacity in 2021 for China and India was 84.0 million and 55.8 million, respectively. Data collected cover short-staple spindles. "Shipment" refers to machinery produced by the participating manufacturers of the ITMF survey for both the domestic market and export and physically shipped during the year under review. ITMF, *ITMSS*, June 2023, 2, 18.

⁴⁷⁹ USITC, hearing transcript, March 11, 2024, 25 (testimony of Tapan Kanti Ghosh, Government of Bangladesh); BTMA, *Annual Report 2022*, May 18, 2023, 6.

⁴⁸⁰ The Bangladeshi textile industry can produce enough denim fabric domestically to meet the needs for the Bangladeshi denim apparel industry. Industry expert, interview by USITC staff, April 1, 2024; USITC, hearing transcript, March 11, 2024, 25 (testimony of Tapan Kanti Ghosh, Government of Bangladesh).

⁴⁸¹ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴⁸² BTMA, *Annual Report 2023*, 2023, 6.

⁴⁸³ Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁴⁸⁴ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴⁸⁵ Draw texturing machines texturize synthetic yarns, imparting stretchability and bulkiness to the yarn, which is desirable for manufacturing fabrics that require stretch. This process aims to produce synthetic yarns that have properties as similar to natural cotton as possible. Oerlikon, "Exploring Draw Texturized Yarn (DTY)," April 23, 2024. Although installed capacity is not available for draw texturing machines, the cumulative number of shipments over the 10-year period is much lower for Bangladesh (18,636 machines) than for other major MMF yarn suppliers such as China (3.7 million machines), Japan (310,236 machines), India (101,338 machines), and Vietnam (102,924 machines). ITMF, *ITMSS*, June 2023, 30.

To supplement its domestic yarn industry, Bangladesh imported \$2.9 billion worth of yarn in 2023 (table 5.2). About 56 percent (\$1.6 billion) of total yarn imports in 2023 were cotton products, and India accounted for more than three-quarters (77.2 percent) of Bangladesh's cotton yarn imports. China was the largest supplier of MMF yarns, accounting for 77.5 percent (\$842 million) in the same year.⁴⁸⁶

Table 5.2 Bangladesh: Imports of yarns, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
India	578	917	666	775	1,970	1,581	1,323
China	777	1,261	1,132	886	1,436	1,502	1,166
Vietnam	38	92	76	67	238	214	107
Indonesia	57	107	67	58	183	182	97
Pakistan	112	90	75	57	142	152	76
All other sources	210	182	165	128	247	177	101
Total	1,771	2,649	2,180	1,971	4,216	3,809	2,870

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60; yarns, accessed June 17, 2024. For a list of HS headings included in yarns, see appendix F.

Note: Bangladesh import data were calculated by aggregating exports to Bangladesh as reported by all other countries.

Fabric

Bangladesh's imports of fabric increased by about 50 percent during 2013–23, even as domestic production of fabric increased. In 2023, total fabric imports reached \$8 billion, with China supplying nearly three-quarters of those imports (table 5.3). China supplied all types of fabrics, including woven cotton fabric (\$1.8 billion, or 838 million linear meters), woven MMF fabric (\$1.5 billion, or 1.2 billion linear meters), and knit fabric (\$1.5 billion, or 1.1 billion linear meters).⁴⁸⁷ India and Pakistan trailed behind China, supplying \$691 million and \$421 million, respectively.⁴⁸⁸

Bangladesh's fabric industry supports the apparel industry with woven and knit fabrics. In 2023, Bangladesh had 930 fabric mills, with a total manufacturing capacity of 9 billion meters, nearly evenly divided between knit and woven fabric.⁴⁸⁹ The knit fabric industry developed before the woven fabric industry in Bangladesh, primarily because the government offered cash incentives for exported garments made from locally produced textiles in the 1990s. Because knit fabric mills were less expensive to install than woven fabric mills, paired with other government incentives like subsidized rates for land and electricity, the knit fabric industry grew quickly.⁴⁹⁰ Bangladesh now has one of the largest knit fabric industries in the world. Cumulative shipments of large circular knitting machines to Bangladesh between

⁴⁸⁶ Bangladesh imported \$162 million of cotton yarns from China in 2023, accounting for 10.1 percent of the country's cotton yarn imports. S&P Global, GTAS database, HS Chapters 50–56, 58–60; yarns, mirror data, accessed June 17, 2024. For a list of HS headings included in yarns, see appendix F. Cotton yarns are classified in HS chapter 52; MMF yarns are classified in HS Chapters 54 and 55.

⁴⁸⁷ S&P Global, GTAS database, HS headings 5208, 5209, 5210, 5211, 5212, woven cotton fabrics; HS headings 5407, 5408, 5512, 5513, 5514, 5515, 5516, woven MMF fabrics; HS Chapter 60, knitted or crocheted fabrics, mirror data, accessed June 17, 2024.

⁴⁸⁸ S&P Global, GTAS database, HS Chapters 50–56, 58–60; fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F.

⁴⁸⁹ Annual production of fabric totaled 7 billion meters in 2023. Total installed capacity in 2022 was 4.4 million meters for woven fabric and 4.8 billion meters for knit fabric. BTMA, *Annual Report 2022*, May 18, 2023, 6.

⁴⁹⁰ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 228.

2013 and 2023 totaled 14,000, about half the number of shipments to India and about the same number as to Vietnam.⁴⁹¹ Bangladesh received the second-largest number of shipments of flat knitting machines between 2013 and 2023 (102,620 machines), behind China, which received 648,061 shipments during the same period.⁴⁹²

Table 5.3 Bangladesh: Imports of fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	3,323	5,376	5,208	4,221	6,790	7,344	6,017
India	511	694	740	538	821	919	691
Pakistan	465	492	505	379	527	568	421
Taiwan	164	203	201	162	231	274	196
Hong Kong	422	492	411	348	394	227	166
All other sources	473	623	669	537	713	774	538
Total	5,358	7,879	7,733	6,185	9,476	10,106	8,029

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60; fabrics, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F.

Note: Bangladesh import data were calculated by aggregating exports to Bangladesh as reported by all other countries.

The woven fabric industry developed more recently.⁴⁹³ With an installed capacity of 45,000 weaving machines in 2021, it was the seventh-largest in terms of global capacity.⁴⁹⁴ Bangladesh can produce about 40 percent of the fabric required for its woven apparel production,⁴⁹⁵ and as of the end of 2022, could fully supply 100 percent of its denim fabric needs via 42 denim fabric mills, which can produce 73.2 million meters of denim fabric per month (over 45,000 miles, almost enough fabric to circle the world twice).⁴⁹⁶

Exports of Apparel

Exports to Major Markets

The apparel industry in Bangladesh has been export oriented since inception, and exports grew considerably during 2013–23, increasing by more than 60 percent from \$24.1 billion to \$39.8 billion (figure 5.3 and table 5.4).⁴⁹⁷ During that time, however, the share of Bangladesh’s total exports accounted for by apparel has not changed significantly, consistently accounting for 82–86 percent of all exports.⁴⁹⁸ In 2023, the United States was Bangladesh’s largest single-country export market for apparel, totaling \$6.9 billion and representing 17.4 percent of exports.⁴⁹⁹ The EU is another important destination

⁴⁹¹ China received the most shipments by far with almost 154,000 large circular knitting machines, illustrating the scale of fabric production in China. ITMF, *ITMSS*, June 2023, 54.

⁴⁹² ITMF, *ITMSS*, June 2023, 64.

⁴⁹³ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 228.

⁴⁹⁴ ITMF, *ITMSS*, June 2023, 41; industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁴⁹⁵ USITC, hearing transcript, March 11, 2024, 49 (testimony of Faruque Hassan, BGMEA).

⁴⁹⁶ BTMA, *Annual Report 2022*, May 18, 2023, 6; USITC, hearing transcript, March 11, 2024, 25 (testimony of Faruque Hassan, BGMEA).

⁴⁹⁷ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

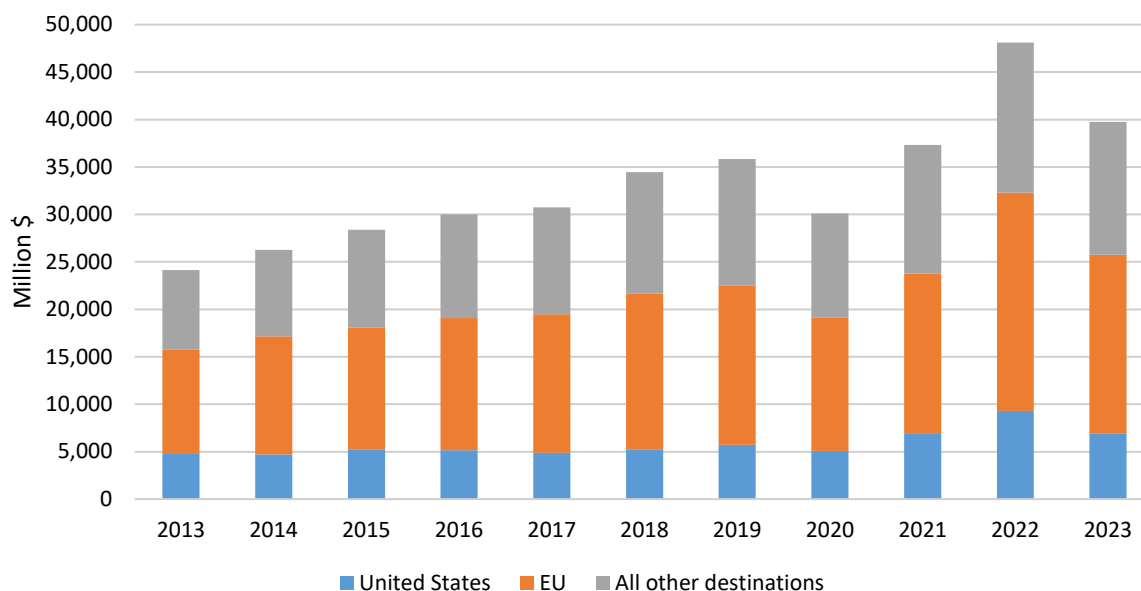
⁴⁹⁸ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁴⁹⁹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

for Bangladesh’s exports, with those exports totaling \$18.8 billion in the same year. Many of Bangladesh’s top destination markets saw increased apparel imports from Bangladesh between 2013 and 2023, growing in the United Kingdom by 51.5 percent, in Canada by 31.9 percent, and in Japan by 123.0 percent.⁵⁰⁰

Figure 5.3 Bangladesh: Exports of apparel, 2013–23

In millions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.12](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh export data were calculated by aggregating imports from Bangladesh as reported by all other countries.

Table 5.4 Bangladesh: Exports of apparel, by major market, 2013 and 2018–23

In millions of dollars. * = not reported.

Trade partner	2013	2018	2019	2020	2021	2022	2023
European Union	10,902	16,449	16,759	14,064	16,875	22,991	18,827
United States	4,835	5,238	5,724	5,092	6,883	9,293	6,935
United Kingdom	2,616	3,485	3,648	2,773	3,019	4,541	3,964
Canada	1,034	1,122	1,296	1,016	1,285	1,736	1,438
Japan	564	1,123	1,168	1,033	1,165	1,340	1,257
Switzerland	314	546	573	679	958	1,048	1,049
Australia	410	632	697	650	795	897	838
India	87	343	399	299	475	711	651
South Korea	144	271	335	324	445	559	561
United Arab Emirates	182	432	417	337	502	645	*
All other destinations	3,065	4,804	4,814	3,835	4,914	4,348	4,237
Total	24,153	34,444	35,829	30,102	37,316	48,109	39,757

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh export data were calculated by aggregating imports from Bangladesh as reported by all other countries. Top 10 trade partners in 2022, ranked by value in 2023. United Arab Emirates had not reported 2023 data as of June 17, 2024.

⁵⁰⁰ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

U.S. Imports of Apparel from Bangladesh

U.S. imports of apparel from Bangladesh increased by 92.0 percent between 2013 and 2022, from \$4.8 billion in 2013 to \$9.2 billion in 2022 before dropping to \$7.1 billion in 2023 (table 5.5). Historically, U.S. imports accounted for a larger share of total Bangladesh's apparel exports, almost 50 percent in the early 1990s, but that share fell to 17.4 percent in 2023 as the Bangladesh industry identified new destination markets and exports shifted to countries offering duty-free access for apparel.⁵⁰¹

Table 5.5 U.S. imports of apparel from Bangladesh, by category, 2013 and 2018–23

In millions of dollars. Category numbers in parentheses. MMF = manmade fiber.

Category	2013	2018	2019	2020	2021	2022	2023
Men's/boys' cotton trousers/breeches/shorts (347)	1,352	1,462	1,565	1,203	1,619	2,120	1,576
Women's/girls' cotton trousers/slacks/shorts (348)	654	782	863	764	1,008	1,254	867
Men's/boys' cotton knit shirts (338)	273	329	376	344	629	921	689
Men's/boys' cotton woven shirts (340)	633	571	586	424	390	624	579
Men's/boys' MMF trousers/breeches/shorts (647)	178	247	260	233	347	552	451
Women's/girls' cotton knit shirts/blouses (339)	144	205	230	223	344	398	280
Cotton underwear (352)	227	230	212	189	278	315	275
Babies' garments/clothing accessories (239)	207	193	205	203	248	286	214
Other men's/boys' MMF coats (634)	77	98	125	109	151	179	180
Other MMF apparel (659)	80	62	83	91	131	228	155
All other categories	966	1,123	1,344	1,380	1,787	2,325	1,854
Total	4,791	5,304	5,848	5,164	6,932	9,202	7,120

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Bangladesh is a significant apparel supplier to the United States, accounting for 9.0 percent (\$7.1 billion) of total U.S. apparel imports in 2023, an increase from its share of 6.0 percent (\$4.8 billion) of the U.S. import market in 2013.⁵⁰² The U.S. import mix has changed very little between 2013 and 2023. Men's and boys' cotton trousers and shorts, women's and girls' cotton trousers and shorts, men's and boys' woven cotton shirts, and men's and boys' cotton shirts have remained the four largest apparel categories of products imported from Bangladesh.⁵⁰³ In 2023, men's and boys' cotton trousers and shorts and women's and girls' cotton trousers and shorts together accounted for a little over one-third of U.S. apparel imported from Bangladesh. The United States also imported a variety of cotton and MMF knit and woven items, including sweaters, jackets, underwear, brassieres, and baby garments from Bangladesh.⁵⁰⁴

⁵⁰¹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024; BGMEA, written submission to the USITC, February 26, 2024, 2.

⁵⁰² USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁵⁰³ Categories 347, men's and boys' cotton pants and shorts, 348, women's and girls' cotton pants and shorts, 338, men's and boys' knit cotton shirts, and 340, men's and boys' woven cotton shirts. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁵⁰⁴ All products listed above were in the top 20 products exported to the United States at the 8-digit HTS subheading level in 2023. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

During 2013–23, U.S. imports of woven apparel from Bangladesh were greater than imports of knit apparel, although the share of knit products increased from 24.2 percent of total U.S. apparel imports in 2013 to 32.7 percent in 2023. Imports of both knit and woven garments increased in absolute values during the period, by 31.8 percent for woven apparel and by 101.4 percent for knit apparel.⁵⁰⁵ In contrast to the trend in U.S. imports, Bangladesh exports higher shares of knit garments relative to woven garments to the EU.⁵⁰⁶

With respect to fiber type, cotton garments account for the majority of U.S. imports by value and share, although the product mix between cotton and synthetic garments changed gradually between 2013 and 2023. In 2013, for example, MMF garments made up 17.0 percent of U.S. imports of apparel from Bangladesh, but by 2023, that share had grown to 25.3 percent.⁵⁰⁷ This shift toward a larger share of MMF garment exports compared to cotton products to the United States is similar to the global trend in apparel exports (see chapter 2).

Tariffs and Trade Preference Programs

Duty reductions and duty-free access have affected trade flows for many apparel-producing countries, including Bangladesh. Apparel exports from Bangladesh have no preferential duty access to the U.S. market.⁵⁰⁸ U.S. imports of apparel from Bangladesh are subject to NTR duty rates, with ad valorem rates that range from free to 32.0 percent for apparel in HTS chapters 61 and 62.⁵⁰⁹ U.S. apparel imports from Bangladesh were on average subject to a 16.9 percent applied duty in 2023.⁵¹⁰ Several significant trade partners offer duty-free market access to Bangladesh's apparel through their Generalized System of Preferences or similar programs.⁵¹¹ The additional benefit for access to the EU market through its

⁵⁰⁵ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁵⁰⁶ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁵⁰⁷ Categories 31, cotton apparel, and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁵⁰⁸ Bangladesh's eligibility for the U.S. GSP was suspended in 2013 for not meeting the program's standards requirements for worker rights and worker safety. Its eligibility had not been renewed before the preference program lapsed in December 2020. Apparel is largely excluded from preferences under the U.S. GSP. USTR, "U.S. Trade Representative Michael Froman," June 27, 2013; USTR, "U.S. Generalized System of Preferences Guidebook," November 2020, 6, 14.

⁵⁰⁹ USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024.

⁵¹⁰ This average was calculated by dividing duties paid on imports of apparel from Bangladesh by dutiable value of imports of apparel from Bangladesh. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁵¹¹ In addition to the duty-free access through countries' GSP programs, Bangladesh has a number of trade agreements in force. They address both tariff and nontariff barriers to trade. WCO, "WCO Trade Tools," accessed March 27, 2024. Bangladesh will graduate from least-developed country (LDC) status on November 24, 2026, at which point it will move into a three-year transition period. Under this transition period, Bangladesh will still receive duty-free access to the EU. Bangladesh has requested a six-year transition period. After this, Bangladesh may qualify for an EU GSP+ status, under which it will be able to export to the EU market duty-free as long as apparel exports comply with a double transformation rule of origin, requiring that two phases of production occur in Bangladesh (i.e., formation of both the fabric and garment for woven garments, or the yarn and garment for knit-to-shape tops, etc.). Apparel exports to the EU would carry duties of 9–11.7 percent once Bangladesh graduates

Generalised Scheme of Preferences (EU GSP), in particular, led to the EU becoming one of Bangladesh's largest apparel export destinations.⁵¹² Bangladesh also has duty-free access to Japan and Canada under their similar programs. As such, the United States is the only country in the top 10 destination markets for Bangladesh apparel that does not offer preferential market access.⁵¹³

Apparel Sector Competitiveness

Bangladesh is considered by many in the U.S. industry to be one of the top global apparel sourcing destinations for U.S. buyers.⁵¹⁴ In recent years, sourcing from Bangladesh has increased both in terms of the number of apparel brands and retailers that source from the country as well as the volume each firm sources from the country. Between 2017 and 2019, 60 percent of U.S. brands and retailers increased their sourcing from Bangladesh, but only 10 percent of them reported placing more than 30 percent of their orders in the country. By 2022–23, however, both shares had increased: 80 percent of brands and retailers reported increased sourcing from Bangladesh, and more than 20 percent of respondents reported sourcing more than 30 percent of their orders from Bangladesh.⁵¹⁵

The competitiveness of Bangladesh's apparel industry lies in its ability to provide high-quality, low-cost apparel for the value and low-mid markets. In addition, the country's access to locally produced inputs has contributed to its growth as a global apparel supplier. At the same time, Bangladesh's apparel industry has improved with respect to certain factors of workplace safety but still struggles with social responsibility, particularly regarding labor issues. U.S. buyers have noted that news coverage of violations of labor standards can deter companies from sourcing from Bangladesh.⁵¹⁶

Bangladesh Has a Reputation as a Low-Cost Apparel Supplier

Numerous aspects of the apparel industry contribute to Bangladesh's low cost of production, including low labor costs, low input costs as a result of domestic sourcing of inputs, and other industry characteristics that reduce overall costs, such as economies of scale, industry subsidies, and duty-free

from LDC status, possibly reducing total apparel exports from Bangladesh by more than 14 percent. Bangladesh announced negotiations on a preferential trade agreement with Japan in March 2024, signaling Bangladesh's importance as a low-cost supplier for Japan. USITC, hearing transcript, March 11, 2024, 78–79 (testimony of Faruque Hassan, BGMEA); UN, "Graduation of Bangladesh from the LDC Country Category," November 24, 2021, para. 4; WTO, *Textiles and Clothing in Asian Graduating LDCs*, 2022, 13, 17.

⁵¹² BGMEA, written submission to the USITC, March 24, 2024, 5.

⁵¹³ The government of Bangladesh has requested duty-free access to the U.S. market for apparel made in Bangladesh from U.S. cotton. See Sourcing of Inputs section in this chapter for more information on Bangladesh's imports of raw cotton from the United States. Until the expiration of the Multifibre Arrangement (MFA), the United States imposed import restraint limits on certain apparel products from Bangladesh. These quotas ended in 2004. Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 215; The Business Standard, "Ticfa Meeting," September 20, 2023.

⁵¹⁴ USITC, hearing transcript, March 11, 2024, 166 (testimony of Julia Hughes, USFIA); Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 221; industry representative, interview by USITC staff, February 23, 2024.

⁵¹⁵ USFIA, written submission to the USITC, February 27, 2024, 5.

⁵¹⁶ Industry representative, interview by USITC staff, January 23, 2024.

access to large destination markets.⁵¹⁷ Owing to these advantages, Bangladesh is one of the few countries that can compete with China on a cost basis for large orders of bulk items. Its large apparel production capacity and low costs of production have led the country to be viewed as a promising sourcing alternative to China and Vietnam.⁵¹⁸

Even with recent wage increases, Bangladesh is reported to have one of the lowest minimum-wage rates for apparel workers in the world, which lowers overall production costs and increases the country's competitiveness.⁵¹⁹ Some observers have attributed Bangladesh's low wages in the country's apparel industry, which they suggest are an important factor in the industry's cost competitiveness, to low unionization rates.⁵²⁰ Additionally, some identified the five-year review of the minimum wage as a practice that may keep workers' wages low compared to changing macroeconomic factors, such as inflation.⁵²¹ At the same time, wages in the apparel industry are reportedly higher on average than wages in other manufacturing sectors in Bangladesh.⁵²²

As noted above, Bangladesh has a competitive strength in vertical integration and domestic production of textiles. This results in lower trade costs because shipping costs and other expenses such as import taxes make importing textiles to a manufacturing country more expensive.⁵²³ In addition, in Bangladesh, many local textile producers are willing to accept lower margins from Bangladeshi buyers because they have a steady consumer base, making slow, consistent growth sustainable.⁵²⁴ This allows apparel producers to access domestic textiles at a lower cost.

Bangladesh's apparel industry has large factories that have the capacity to fill big orders, reducing the overhead cost per item and increasing economies of scale.⁵²⁵ According to one U.S. brand, it is the only country other than China that can make sweaters at scale, indicating Bangladesh can produce enough

⁵¹⁷ Industry representative, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, email message to USITC staff, February 29, 2024; AAFA, written submission to the USITC, March 4, 2024, 4; BGMEA, written submission to the USITC, March 24, 2024, 5; BGMEA, written submission to the USITC, February 26, 2024, 6, 8, 10.

⁵¹⁸ Industry representative, interview by USITC staff, March 5, 2024.

⁵¹⁹ USITC, hearing transcript, March 11, 2024, 180–81 (testimony of Jason Judd, GLI); industry representative, interview by USITC staff, February 20, 2024; industry representative, interview by USITC staff, March 5, 2024; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; USITC, hearing transcript, March 11, 2024, 186 (testimony of Julia Hughes, USFIA).

⁵²⁰ Industry expert, interview by USITC staff, March 7, 2024; IndustriALL, "Asian Garment Unions Push for Higher Wages," August 3, 2016.

⁵²¹ The Fair Labor Association found that, despite wage increases of 42.5 percent in 2019 after a wage reevaluation, apparel workers' monthly average net wage increased by less than 1 percent because inflation over the same period increased at a much greater rate. FLA, *Wage Trends: Bangladesh*, January 2024, 1; AAFA, "Urgent Action Needed Regarding Minimum Wage in Bangladesh," October 11, 2023.

⁵²² Government of Bangladesh, written submission to the USITC, March 24, 2024, 2; *Business Standard*, "Gazette Issued with Tk10,000 Minimum Wage," March 3, 2024; industry representative, interview by USITC staff, February 20, 2024.

⁵²³ Industry representative, email message to USITC staff, February 29, 2024.

⁵²⁴ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁵²⁵ Sources reported that some of Bangladesh's small and medium-sized factories are closing because they do not have the economies of scale to cover the cost of doing business. Government of Bangladesh, written submission to the USITC, March 11, 2024, 2; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024; industry expert, interview by USITC staff, Bangladesh, May 7, 2024.

sweaters to reduce production costs enough to compete with China.⁵²⁶ Although scale is one of Bangladesh's strongest competitive advantages, it can also make the industry more vulnerable to global shocks, because scale is achieved through concentration in basic apparel categories. This vulnerability has been somewhat alleviated by the industry's efforts to produce a wider variety of higher value-added and higher-priced items.⁵²⁷

Duty-free access to most large non-U.S. destinations, including the EU, Canada, and Japan, gives Bangladesh's manufacturers a cost advantage as global suppliers, particularly because apparel can have relatively high NTR duty rates in some markets.⁵²⁸ Duty-free benefits are particularly attractive to large retailers looking to source bulk orders of basic items, because the margins on those items are very low. Many factories in Bangladesh export to both the United States and the EU, and because costs are spread over sizeable production runs for the global market as a whole, apparel exports to the United States indirectly benefit from duty reductions on apparel exports to the EU.⁵²⁹

The garment sector in Bangladesh grew rapidly as a result of two critical government actions that support export-oriented apparel factories by lowering costs and increasing competitiveness. One was the creation of bonded warehouses, which allow firms to delay or avoid paying the tariffs on imported apparel inputs used to make apparel for export. The other, the creation of special credit lines, allows exporters to use export orders as collateral to pay for apparel inputs.⁵³⁰ The banks handle all payments for these goods, so exporters have fewer financial responsibilities in the process.⁵³¹ These actions offer factory owners lower rates and easier access to raw materials and equipment. Additionally, export-oriented firms benefit from tax incentives paid by the Bangladeshi government. The government, however, is said to be rolling back some of these tax incentives and it is unclear whether this will affect the sector's costs and competitiveness.⁵³²

Bangladesh Produces a Wide Range of High-Quality Products and Provides Valuable Services

Bangladesh was identified as a competitive supplier in its ability to meet buyers' demands for an array of order types, including large and small orders of basic and complex garments. Bangladesh is a one-stop

⁵²⁶ The Bangladesh industry makes both cut-and-sew sweaters and knit-to-shape sweaters. Knit-to-shape sweater production is more expensive than sweaters made from knit fabric because knit-to-shape production is slower as a machine only produces one sweater at a time, whereas cut-and-sew sweaters are made on assembly lines similar to other CMT garments. Industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, March 5, 2024.

⁵²⁷ BGMEA, written submission to the USITC, March 24, 2024, 5.

⁵²⁸ BGMEA, written submission to the USITC, March 24, 2024, 5; industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, March 5, 2024.

⁵²⁹ USITC, hearing transcript, March 11, 2024, 26 (testimony of Tapan Kanti Ghosh, Government of Bangladesh); Government of Bangladesh, written submission to the USITC, March 24, 2024, 4; industry representatives, interview by USITC staff, March 5, 2024.

⁵³⁰ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 215–16; industry representative, interview by USITC staff, February 20, 2024.

⁵³¹ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 215–16.

⁵³² BGMEA, written submission to the USITC, February 26, 2024, 8.

shop for buyers looking to source a variety of products.⁵³³ The apparel industry is made up of factories that produce basic garments, like T-shirts and basic denim jeans, as well as factories that specialize in more complex technical garments, such as coats, underwear, and military gear.⁵³⁴ Technical and more complex garments may have more pieces to assemble in one garment, requiring longer production lines and more intricate sewing skills needed for a particular garment.⁵³⁵ Similarly, a complex item like a brassiere may require a molding machine that shapes the material used in the cups.⁵³⁶ The Bangladesh industry includes factories that offer these products, allowing buyers to source a variety of garments from the same country.⁵³⁷

Bangladesh's large, skilled labor force is a primary impetus behind the industry's ability to provide diverse and high-quality items to buyers.⁵³⁸ Industry representatives identified Bangladeshi workers' willingness to learn new skills as a competitive advantage compared to apparel industries in other countries. Workers are not limited to certain types of stitches or skills; rather, workers are offered the opportunity to diversify their skills on production lines, making production more flexible in a factory.⁵³⁹ The workforce is also experienced in apparel production—many employees are technically trained in sewing.⁵⁴⁰ However, the industry is lacking skilled workers in technology and automation.⁵⁴¹ The largest skill gaps identified were those in computer design and machine operating.⁵⁴²

The ability of a factory not only to supply the garment, but also to offer full-package services, including quality control for inputs, auditing through a third party, and shipping, is becoming more important to some buyers working with vendors. Bangladesh had some success upgrading within the apparel sector by providing services, in addition to products. Many cut-and-sew garment manufacturers have been able to offer services including textile sourcing and financing, garment finishing, and packaging for delivery to retail or the end consumer.⁵⁴³ Some firms also offer product development, design, merchandising, and marketing services.⁵⁴⁴ The best factories have full design staff and full technical capabilities; they are able

⁵³³ Additionally, the size of the industry allows factories to subcontract for production if they do not have the capacity to fulfill an order. Industry expert, interview by USITC staff, Bangladesh, May 2, 2024; industry expert, interview by USITC staff, April 1, 2024; industry representative, interview by USITC staff, Bangladesh, May 5, 2024.

⁵³⁴ USITC, hearing transcript, March 11, 2024, 74 (testimony of Faruque Hassan, BGMEA).

⁵³⁵ For example, a pair of military cargo pants could require more than 90 pieces with as many or more sewing steps to assemble the garment. Industry representative, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

⁵³⁶ Industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

⁵³⁷ Industry representative, interview by USITC staff, Bangladesh, May 2, 2024; industry representative, interview by USITC staff, Bangladesh, May 6, 2024; industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

⁵³⁸ Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024; industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

⁵³⁹ Industry representative, interview by USITC staff, Bangladesh, May 2, 2024.

⁵⁴⁰ USITC, hearing transcript, March 11, 2024, 23 (testimony of Tapan Kanti Ghosh, Government of Bangladesh); Government of Bangladesh, written submission to the USITC, March 24, 2024, 1.

⁵⁴¹ Subject matter expert, interview by USITC staff, Bangladesh, May 1, 2024; foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁵⁴² Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁵⁴³ USITC, hearing transcript, March 11, 2024, 49 (testimony of Faruque Hassan, BGMEA); Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 222.

⁵⁴⁴ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 222; industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

to perform not only pattern drafting but complete design and drafting, as well as 3D capabilities for samples. These services reduce costs and increase transparency, making the industry more competitive to buyers. Bangladesh has made strides in developing design capabilities, but it is not as far along as Vietnam and requires more support from buyers on design elements.⁵⁴⁵

Finally, Bangladesh's apparel industry has improved in terms of its flexibility and adaptability, which helps the industry respond not only to fashion trends but also to global supply chain disruptions. Some U.S. brands and retailers are focusing on smaller runs because the COVID-19 pandemic left many buyers holding large inventories they were unable to sell; as a result, many factories have adjusted their production setups to accommodate the smaller order sizes.⁵⁴⁶ Between 2019 and 2023, Bangladesh moved from having flexibility and agility rated as a competitive weakness by U.S. sourcing professionals to having an average rating, on par with major suppliers other than China and Vietnam.⁵⁴⁷ This is due to many factories adapting their production process to allow for smaller order sizes, which the industry is increasingly able to accommodate.⁵⁴⁸

Bangladesh suppliers are reported to be accommodating to order changes requested by buyers after production begins. For example, if a buyer wants to change the price listed on a price tag that has already been attached to a garment, industry reports that Bangladesh meets these requests free of charge, whereas a Chinese supplier would charge for this change.⁵⁴⁹

Vertical Integration Helps Speed to Market

As noted above, vertical integration in the industry offers Bangladesh an important competitive cost advantage, but it also equates to faster lead times compared to sourcing textiles from other countries.⁵⁵⁰ Bangladesh made significant investments in domestic yarn and fabric mills to supply the domestic apparel industry over the past 20 years.⁵⁵¹ The industry also supplies trims, such as zippers, and accessories, including those the buyer specifies in garment designs, reducing the lead times for factories to supply orders.⁵⁵² Bangladesh also has the advantage of access to denim wash houses.⁵⁵³

⁵⁴⁵ Industry representative, interview by USITC staff, February 23, 2024.

⁵⁴⁶ AAFA, written submission to the USITC, March 4, 2024, 4; industry representative, interview by USITC staff, March 5, 2024.

⁵⁴⁷ Compiled by USITC staff. Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 16; Lu and USFIA, "2018 Fashion Industry Benchmarking Study," July 2018, 12.

⁵⁴⁸ USITC, hearing transcript, March 11, 2024, 174 (testimony of Beth Hughes, AAFA).

⁵⁴⁹ Industry representative, interview by USITC staff, Bangladesh, May 6, 2024.

⁵⁵⁰ Government of Bangladesh, written submission to the USITC, March 11, 2024, 2; USITC, hearing transcript, March 11, 2024, 198 (testimony of Beth Hughes, AAFA).

⁵⁵¹ See Sourcing of Inputs section. Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁵⁵² USITC, hearing transcript, March 11, 2024, 75–76 (testimony of Faruque Hassan, BGMEA). One manufacturer reported sourcing locally for 99 percent of their garment accessory needs. Industry representative, interview by USITC staff, Bangladesh, April 30, 2024.

⁵⁵³ The industry does not, however, have sufficient access to wash houses for all denim products and exports some denim to India and Pakistan for further processing. Denim wash house operations can include a variety of services that process the denim garment in different ways such as stone washing, which wears down the fabric to give it a

The Size and Importance of the Apparel Sector Provide Stability for Buyers

Bangladesh's garment industry is powerful because of its size and economic importance. Consequently, it has close ties with the government of Bangladesh. Many members of Parliament are also garment factory owners, so officials have incentive to enact pro-business policies.⁵⁵⁴ Parliament members who are factory owners also hold leadership positions within the trade association bodies in Bangladesh.⁵⁵⁵ Some report that this industry structure has increased stability and growth for the garment sector, but others note that this has played a role in preventing higher unionization rates and worker empowerment.⁵⁵⁶

The stability of Bangladesh as an apparel supplier is evidenced by investment in the textile sector. Spinning facilities can take three years to build. For textile manufacturers to have the confidence to invest in domestic production, apparel buyers must ensure continued orders, and trade policies must be agreeable and predictable. The fear that policies can change quickly means large investments with a long-term payoff are not attractive to investors.⁵⁵⁷ U.S. industry representatives and Bangladeshi industry representatives note that the presence of the Alliance and the Accord have led to consistent and long-term apparel orders, giving manufacturers the confidence to invest in long-term projects such as increasing textile capacities or investing in automation in garment production.⁵⁵⁸

Improvements in Health and Safety and Environmental Responsibility; Concerns Remain, Especially Regarding Labor

After the Rana Plaza collapse, the Bangladesh garment industry invested heavily in building safety, focusing on compliance with structural, electrical, and fire safety standards (see box 5.1).⁵⁵⁹ The

"broken-in" appearance. Industry representative, interview by USITC staff, March 5, 2024; Kiron, "Garments Washing Techniques Used in Bangladesh," October 13, 2015.

⁵⁵⁴ Asadullah and Chakravorty, "Growth, Governance and Corruption in Bangladesh," May 4, 2019, 13.

⁵⁵⁵ Hossain, "All the RMG Owners Elected," January 9, 2024.

⁵⁵⁶ In addition, recent events suggest that close ties between the garment industry and the government could negatively impact buyers' confidence in the country as a supplier. On August 5, 2024, after a series of violent protests that closed factories and delayed shipments, Prime Minister Sheikh Hassina resigned. An interim government led by Muhammad Yunus, a former Nobel laureate, was established on August 6. Subsequently, a group of BGMEA members demanded the resignation of BGMEA board members, including current President SM Mannan Kochi, who is affiliated with the former prime minister's party, the Awami League. Bangladeshi garment manufacturers noted that the country's image of instability may weaken buyers' confidence. Chua, "Violence Breaks Out Over BGMEA Leadership," August 7, 2024; Mashal et al., "Bangladesh's Leader Fleed," August 6, 2024; Billah, "Bangladesh Garment Factories Fear Unrest," July 25, 2025; industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 7, 2024.

⁵⁵⁷ One U.S. company reported that its partners have invested more than \$500 million in upstream manufacturing to support apparel production. Industry representative, interview by USITC staff, March 5, 2024.

⁵⁵⁸ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁵⁵⁹ USITC, hearing transcript, March 11, 2024, 198 (testimony of Julia Hughes, USFIA); industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

perception of compliance was identified as a competitive advantage for Bangladesh.⁵⁶⁰ Many buyers committed to orders from Bangladesh as signatories of the Accord and the Alliance, resulting in high export growth. These programs improved building safety to such an extent that some industry representatives called the apparel industry in Bangladesh the safest in the world.⁵⁶¹ Some factories could focus on compliance with the Accord and the Alliance's worker safety requirements because of U.S. buyers' commitment to future orders, allowing the industry to improve.⁵⁶² Although these initiatives made the industry more competitive with respect to responsibility, it also increased the cost to factories to adopt changes and comply with multiple audits.⁵⁶³

Despite significant improvements to workplace safety, reports highlight that social compliance issues persist, particularly surrounding labor.⁵⁶⁴ As mentioned earlier, the Bangladesh apparel industry faces issues with union suppression and was identified by the U.S. Department of Labor as having instances of child labor, forced labor, and unsafe working conditions from both environmental factors and gender-based violence.⁵⁶⁵ Some industry experts report that the complex structure of the minimum wage system in Bangladesh leads to misunderstandings and inaccurate wage distributions, while many factories do not use a graded wage structure at all.⁵⁶⁶ For example, according to a recent survey, only about half of all garment workers knew which of the four pay grades they were in and therefore did not know what their basic salary was or how much they should be earning when working overtime hours.⁵⁶⁷ In a separate survey, it was found that 42.1 percent of factories did not pay wages on a graded system.⁵⁶⁸ One industry representative reported that wages and timely payment of workers were a concern for buyers when sourcing from Bangladesh.⁵⁶⁹ Particularly during the COVID-19 pandemic, when U.S. buyers deferred payments for orders and many Bangladesh factories accepted orders that were below their cost of production, wage theft in the garment sector was widely reported.⁵⁷⁰

⁵⁶⁰ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024; industry representative, interview by USITC staff, February 23, 2024.

⁵⁶¹ One large U.S. company with an apparel segment reportedly said that it would not source from Bangladesh prior to the Accord but eventually began working with factories in Bangladesh that participated in the Better Work Bangladesh program, Nirapon, or the RSC and achieved a 100 percent remediation completion rate. Industry representative, interview by USITC staff, Bangladesh, April 30, 2024; USITC, hearing transcript, March 11, 2024, 92 (testimony of Faruque Hassan, BGMEA); subject matter expert, interview by USITC staff, March 7, 2024.

⁵⁶² It is easier for large, well-organized factories to meet safety standards. This typically pays off by having more flexibility choosing buying partners. One such factory had been working with large global retailer H&M for over 15 years because of its high compliance for safety and social standards in the factory. Industry representative, interview by USITC staff, March 7, 2024; USITC, hearing transcript, March 11, 2024, 189, 197 (testimony of Julia Hughes, USFIA).

⁵⁶³ Foreign government official, interview by USITC staff, Bangladesh, April 29, 2024.

⁵⁶⁴ Moazzem, Ahmed, and Kabir, *Revision of the Minimum Wage of RMG Workers in 2023*, March 2024, 5–6; Anker Research Institute, "Living Wage Update Report," 2023, 3.

⁵⁶⁵ USDOL, *2022 List of Goods Produced by Child Labor*, 2022, 21–22, 36.

⁵⁶⁶ Moazzem, Ahmed, and Kabir, *Revision of the Minimum Wage of RMG Workers in 2023*, March 2024, 11.

⁵⁶⁷ Stuart, "Workers' Minimum Wage Awareness," February 13, 2024.

⁵⁶⁸ Moazzem, Ahmed, and Kabir, *Revision of the Minimum Wage of RMG Workers in 2023*, March 2024, 11.

⁵⁶⁹ Industry representative, interview by USITC staff, February 28, 2024.

⁵⁷⁰ USITC, hearing transcript, March 11, 2024, 143 (testimony of Eric Gottwald, AFL-CIO); Clean Clothes Campaign, *Still Un(der)paid*, 2021, 17.

Poor labor practices reportedly persist in the sector partially due to a lack of enforcement of Bangladesh’s labor laws.⁵⁷¹ Bangladesh has ratified 36 ILO Conventions and one Protocol as well as a law making gender-based violence a crime, but some report that the enforcement of these standards is low and the law covering gender-based violence is often misinterpreted.⁵⁷² The labor court, established in 2006 by the Labour Act, is reportedly flawed, and of the dozens of cases that have been brought to the court, none has been finalized.⁵⁷³ Subject matter experts report that factory commitments and the high court ruling on gender-based violence in the workplace, in practice, have little effect on workers.⁵⁷⁴ The presence of labor governance programs like the Accord, the Alliance, and the RMG Sustainability Council (RSC) have reportedly mitigated some of the disadvantages to workers in areas with low unionization rates.⁵⁷⁵ Between 2018 and 2023, Bangladesh improved in its ranking for labor, social, and environmental compliance risk, increasing from a 1.5 (on a scale of 1 to 5) rating from U.S. fashion brands and retailers, to 2.5.⁵⁷⁶

The importance of social compliance for U.S. brands and retailers is evidenced by buyer-initiated labor programs in their partner factories, particularly those that support female workers. Some buyers work with social programs that focus on gender-based violence and harassment in the workplace, women’s rights and empowerment, and training female workers to move into supervisory positions that help with salary and breaking hierarchal stereotypes in the industry.⁵⁷⁷ For example, one U.S.-based brand, GAP, has a women’s program in Bangladesh to improve working conditions for female workers.⁵⁷⁸ Despite a larger compliance cost for these programs, they reportedly result in less absenteeism and higher efficiencies at the factories.⁵⁷⁹

Bangladesh is investing in environmentally friendly technologies to mitigate the apparel industry’s impacts on the environment.⁵⁸⁰ One growing trend is the number of factory buildings in Bangladesh that are certified in the LEED system, a certification that rates factory elements that affect climate change, human health, water resources, biodiversity, the green economy, and community and natural

⁵⁷¹ USITC, hearing transcript, March 11, 2024, 144 (testimony of Eric Gottwald, AFL-CIO); Akter, Teicher, and Alam, “Gender-Based Violence and Harassment,” March 4, 2024, 1; USDOL, *2022 List of Goods Produced by Child Labor or Forced Labor*, 2022, 16; Moazzem, Ahmed, and Saraf, “Workplace Safety in the Bangladeshi RMG Industry,” January 2024, 8–9.

⁵⁷² ILO, “Ratifications for Bangladesh,” accessed July 17, 2024; USITC, hearing transcript, March 11, 2024, 27 (testimony of Tapan Kanti Ghosh, Government of Bangladesh); Government of Bangladesh, Directives on Sexual Harassment and Violence at Workplace, May 14, 2009, 30; industry representative, interview by USITC staff, Bangladesh, May 7, 2024; Akter, Teicher, and Alam, “Gender-Based Violence and Harassment,” March 4, 2024, 1.

⁵⁷³ Islam and Rakib, “Labour Laws in the Garment Sector of Bangladesh,” August 23, 2019, 473–81; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; Act No. XLII of 2006 (October 11, 2006), 1, 13.

⁵⁷⁴ Subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024; subject matter expert, interview by USITC staff, Bangladesh, April 28, 2024.

⁵⁷⁵ GLI, written submission to the USITC, March 25, 2024, 2.

⁵⁷⁶ Lu and USFIA, “2018 Fashion Industry Benchmarking Study,” July 2018, 12; Lu and USFIA, “2023 Fashion Industry Benchmarking Study,” July 2023, 16.

⁵⁷⁷ Industry representative, interview by USITC staff, March 4, 2024.

⁵⁷⁸ Gap, Inc., “Fashion Industry’s Four Largest,” March 7, 2023.

⁵⁷⁹ Akter, Teicher, and Alam, “Gender-Based Violence and Harassment,” March 4, 2024, 16; industry expert, interview by USITC staff, Bangladesh, May 7, 2024; industry representative, interview by USITC staff, February 9, 2024.

⁵⁸⁰ Industry expert, interview by USITC staff, April 1, 2024.

resources.⁵⁸¹ LEED certification is attractive to buyers looking to source apparel because it provides a foundation of good production practices and can serve as an indicator of brand due diligence.⁵⁸² In Bangladesh, 211 factories are LEED certified, the highest number of factories in any country, with 500 factories in the certification process.⁵⁸³ Many Bangladesh factories noted the positive effect of LEED factory requirements (e.g., room temperatures below 26 degrees Celsius, neatness/cleanliness) on worker health and safety and, consequently, productivity.⁵⁸⁴

In addition to LEED-certified buildings, Bangladesh companies have undertaken various initiatives with respect to climate action; circularity, such as the Circular Fashion Partnership; and organic verifications through the Global Organic Textile Standard.⁵⁸⁵ The Bangladesh industry also has state-of-the-art facilities and factories, with sustainable technology built into the systems. They can make denim using recycled water technologies, using only 3–4 liters of water to make a pair of jeans, which historically took about 7,500 liters.⁵⁸⁶ Some factories are investing in solar panels to displace gas- or coal-fired electricity with solar electricity.⁵⁸⁷ Other initiatives to increase textile waste recycling are growing in the industry, as well.⁵⁸⁸

⁵⁸¹ U.S. Green Building Council, “LEED Rating System,” accessed May 20, 2024.

⁵⁸² Industry expert, interview by USITC staff, April 1, 2024.

⁵⁸³ USITC, hearing transcript, March 11, 2024, 48 (testimony of Faruque Hassan, BGMEA).

⁵⁸⁴ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

⁵⁸⁵ Circularity is achieved when goods are made and consumed in a way that minimizes use of the world’s resources, cuts waste, and reduces carbon emissions. Masterson and Shine, “What is the Circular Economy,” June 14, 2022; Howlett, “Easy Being Green?,” March 2024; USITC, hearing transcript, March 11, 2024, 173–74 (testimony of Beth Hughes, AAFA).

⁵⁸⁶ UN News, “UN Launches Drive to Highlight Environmental Cost of Staying Fashionable,” March 25, 2019; industry representative, interview by USITC staff, February 23, 2024.

⁵⁸⁷ Industry representative, interview by USITC staff, February 23, 2024.

⁵⁸⁸ Industry representative, interview by USITC staff, Bangladesh, May 7, 2024.

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Chapter 6

Cambodia

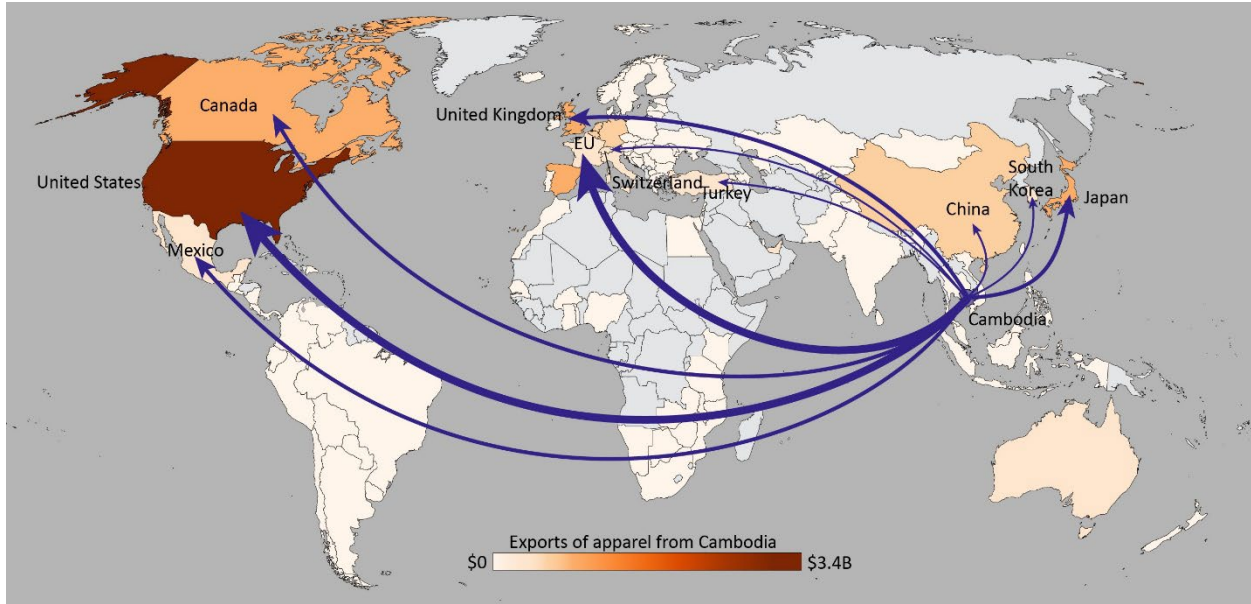
Summary

Cambodia's apparel industry has grown significantly since it began supplying major markets in the late 1990s. Exports grew from \$6.9 billion in 2013 to more than \$12.2 billion in 2023 (figure 6.1). The country was the sixth-largest supplier of apparel to the United States in 2023, with U.S. imports totaling \$3.4 billion, up from \$2.5 billion in 2018. The combined garment, footwear, and travel goods (GFT) industry employs more than 750,000 workers, predominantly women, and is the largest formal employer in the country. Apparel factories are concentrated in Phnom Penh and almost all are export-oriented, with virtually no apparel production for the domestic market. Its high rate of foreign ownership lends itself to a large proportion of factories producing under a "cut, make, trim" production model. As such, Cambodia produces relatively basic items, such as woven pants and pullovers, with a small number of factories producing more complex items.

Cambodia has relatively high labor costs for the region but has a strong reputation for labor compliance, which is facilitated by the Better Factories Cambodia (BFC) program. The compliance rate is high because BFC certification is mandatory for all factories to export. Aside from the United States, Cambodia has preferential trade access to most of its top export destinations, making it competitive with other top apparel-exporting countries. The industry is founded on foreign direct investment (FDI) from China, positioning it as a desirable location from which to source apparel while continuing to rely on Chinese expertise and inputs. A disadvantage for Cambodia is that apparel production is not vertically integrated; it imports almost all apparel inputs duty free from China and Vietnam.

Figure 6.1 Cambodia: Exports of apparel, 2023

In billions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.13](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Cambodia export data were calculated by aggregating imports to Cambodia as reported by all other countries.

Industry Profile

Cambodia's garment industry began with small-scale silk and cotton garment production during the French colonial period, which continued until Cambodia's independence in 1953.⁵⁸⁹ Shortly afterward, the state-owned textile firm, SONATEX, was established. The textile and apparel industry experienced a short period of expansion before industrial-scale production halted and remained largely inactive during the Khmer Rouge regime and decades of civil war.⁵⁹⁰ After the Paris Peace Accords in 1991 and Cambodia's subsequent transition to a free market economy, foreign investment from markets including Hong Kong, Taiwan, Malaysia, and Singapore catalyzed the virtually nonexistent export-oriented garment industry.⁵⁹¹ Because Cambodia's sector was small and newly developed at the time, it was not a party to the Multifibre Arrangement (MFA) and thus not subject to quotas.⁵⁹² As a result, investors sought to take

⁵⁸⁹ Bargawi, "Cambodia's Garment Industry," October 2005, 4.

⁵⁹⁰ Bargawi, "Cambodia's Garment Industry," October 2005, 4; Government of Cambodia, *Industrial Transformation Map*, March 2023, 1.

⁵⁹¹ Government of Cambodia, written submission to the USITC, March 22, 2024, 1; Asuyama and Seiha, "How Has the Cambodian Garment Industry Evolved," March 2012, 2; UN, "Framework for a Comprehensive Political Settlement," October 23, 1991; USITC, hearing transcript, March 11, 2024, 147 (testimony of Sophal Ear); Polaski, "Combining Global and Local Forces," May 2006, 3.

⁵⁹² See box 1.1, "Global Textile and Apparel Quotas and the Textile Category System," for more information on the MFA. Bargawi, "Cambodia's Garment Industry," October 2005, vii; USITC, hearing transcript, March 11, 2024, 148 (testimony of Sophal Ear).

advantage of Cambodia's quota-free access to the U.S. market and were enabled through increased political stability and business-friendly investment policies.⁵⁹³

Growth in the Cambodian industry was further facilitated by preferential trade access to major apparel markets.⁵⁹⁴ Sudden sizable growth in U.S. apparel imports from Cambodia led to the United States-Cambodia Bilateral Textile Agreement (UCBTA), which brought Cambodia under the MFA quota system in 1999.⁵⁹⁵ The agreement granted Cambodia progressively higher quotas for apparel, contingent upon the improvement of labor conditions vis-à-vis national labor laws and international labor rights standards.⁵⁹⁶ The International Labour Organization (ILO) served as a third-party monitor for the UCBTA, and the labor monitoring component evolved into BFC in 2001.⁵⁹⁷ Although the UCBTA ended with the expiration of the quota system at the end of 2004, the success of the BFC program in improving working conditions and attracting buyers led to the renewal of the BFC program after the agreement ended.⁵⁹⁸

The removal of MFA quotas was projected to cause the collapse of the Cambodian garment industry because of increased competition from larger exporters like China and India, which had been constrained under the quota system.⁵⁹⁹ However, Cambodia continued to experience export gains during 2005–14, except for a temporary decline during the 2009 global financial crisis.⁶⁰⁰ Since 2013, Cambodia moved up three in rank to become the 14th-largest supplier of apparel to the world in 2022.⁶⁰¹ Apparel products accounted for more than 40 percent of Cambodia's total merchandise exports in 2022.⁶⁰² The combined garment, footwear, and travel goods (GFT) sector contributed 11 percent of GDP in 2022 and is reported to account for about two-thirds of the country's manufacturing value added.⁶⁰³

⁵⁹³ Bargawi, "Cambodia's Garment Industry," October 2005, vii; Asuyama and Seiha, *How Has the Cambodian Garment Industry Evolved*, March 2012, 3–4, 6.

⁵⁹⁴ To Extend MFN Treatment to the Products of Cambodia, Pub. L. No. 104-203, §2, 110 Stat. 2872.

⁵⁹⁵ Cambodia became a member of the WTO in October 2004. Upon its accession, quota growth rates from the Agreement on Textiles and Clothing (ATC) were applied and all quota growth rates ended with the termination of the ATC. Polaski, "Combining Global and Local Forces," May 2006, 3; USITC, hearing transcript, March 11, 2024, 148 (testimony of Sophal Ear); USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); Bargawi, "Cambodia's Garment Industry," October 2005, 5; "U.S.-Cambodia Bilateral Textile Agreement," 1999; WTO, "What Cambodia Has Promised," accessed August 7, 2024; WTO, "Cambodia and the WTO," accessed August 7, 2024.

⁵⁹⁶ Stanford Law School, "Monitoring in the Dark," February 2013, iii; USITC, hearing transcript, March 11, 2024, 310 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); USAID, *Measuring Competitiveness and Labor Productivity*, June 2005, 3; Kolben, "Trade, Monitoring, and the ILO," February 18, 2014, 80.

⁵⁹⁷ The BFC program was established jointly by the ILO, the government of Cambodia, and the Garment Manufacturers of Cambodia and Trade Unions (now TAFTAC). Stanford Law School, "Monitoring in the Dark," February 2013, iii; Polaski, "Combining Global and Local Forces," May 2006, 3; Münch, *Sourcing Practices in the Garment Industry*, 2022, 7.

⁵⁹⁸ Stanford Law School, "Monitoring in the Dark," February 2013, iii; Münch, *Sourcing Practices in the Garment Industry*, 2022, 7.

⁵⁹⁹ See chapter 1.

⁶⁰⁰ OECD, "Competitiveness and Diversification in Cambodia," January 9, 2019, 56.

⁶⁰¹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁶⁰² S&P Global, GTAS database, mirror data, accessed June 17, 2024.

⁶⁰³ Some data for the apparel industry in Cambodia are only available at the GFT sector level. When used, GFT data are specifically noted throughout the report. RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 2*, September 2023, 6; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 4.

Industry Structure

The Cambodian GFT sector is presently composed of over 1,500 factories, an estimated 500 of which produce apparel.⁶⁰⁴ GFT factories vary in size from about 400 to 15,000 workers.⁶⁰⁵ Most Cambodian apparel factories are concentrated in the capital region for proximity to supporting infrastructure and labor availability, with a minority located in special economic zones (SEZs), which are closer to major ports in Vietnam and Thailand.⁶⁰⁶

SEZs were established in Cambodia in 2005 to diversify the country's export mix by facilitating investment in manufacturing sectors that typically do not attract FDI.⁶⁰⁷ They are not widely utilized by apparel producers because the sector receives similar benefits outside of SEZs.⁶⁰⁸ An industry representative estimated that only about 10 percent of apparel-producing factories are located in SEZs.⁶⁰⁹

The two main advantages of operating within SEZs in Cambodia are tax incentives and streamlined regulation through on-site administrators.⁶¹⁰ Firms in SEZs are initially exempt from paying taxes on profits as well as on purchases of construction and production machinery, which they import duty-free.⁶¹¹ Firms within SEZs receive partial or full exemptions from value-added, corporate, and dividend taxes.⁶¹² With on-site registration, SEZs were designed to give firms streamlined access to administration services.⁶¹³ Because the country shifted to online registration in 2020, these same services can be easily accessed remotely, which has diminished the advantage of being located in an SEZ.⁶¹⁴ Cambodia also offers similar incentives, including a value-added tax exemption and duty-free imports of inputs and equipment for production to all export-oriented factories under its Qualified Investment Project (QIP)

⁶⁰⁴ The number of formal factories and total GFT workers vary by source. The number of total factories varies from 1,500 to 1,680. Foreign government official, interview by USITC staff, April 26, 2024; USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); Government of Cambodia, *Industrial Transformation Map*, March 2023, 4; CDC, "Textile and Apparel," accessed April 23, 2024; TAFTAC, "Our Members," accessed June 26, 2024.

⁶⁰⁵ Estimates of workers in the GFT sector vary from 600,000 to 918,000. CDC, "Textile and Apparel," accessed April 23, 2024; USITC, hearing transcript, March 11, 2024, 147 (testimony of Sophal Ear); USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 338 (testimony of Ken Loo, TAFTAC); RBH, Cambodia Garment, Footwear and Travel Goods, Issue 2, September 2023, 9–10.

⁶⁰⁶ The capital region includes Phnom Penh, Kandal Province, Kampong Speu Province and Kampong Chhnang Province, and Kampong Cham Province. Government of Cambodia, *Industrial Transformation Map*, March 2023, 4.

⁶⁰⁷ EuroCham Cambodia, *Alternative Manufacturing and Special Economic Zones*, 2024, 36–37; Warr and Menon, "Cambodia's Special Economic Zones," October 2015, 1; Government of Cambodia, *Industrial Transformation Map*, March 2023, 10.

⁶⁰⁸ EuroCham Cambodia, *Alternative Manufacturing and Special Economic Zones*, 2024, 36–37.

⁶⁰⁹ Industry representative, interview by USITC staff, March 13, 2024.

⁶¹⁰ EuroCham Cambodia, *Alternative Manufacturing and Special Economic Zones*, 2024, 36–37; CDC, "SEZ Smart Search," accessed June 11, 2024.

⁶¹¹ Brussevich, "The Socio-Economic Impact of Special Economic Zones," August 2020, 4; Ministry of Public Works and Transport Government of Cambodia, "Special Economic Zones," accessed June 11, 2024.

⁶¹² Brussevich, "The Socio-Economic Impact of Special Economic Zones," August 2020, 4; General Department of Customs and Excise Government of Cambodia, "Qualified Investment Project," accessed June 11, 2024.

⁶¹³ Government of Cambodia, *Industrial Transformation Map*, March 2023, 10.

⁶¹⁴ Industry representative, interview by USITC staff, March 13, 2024.

policy.⁶¹⁵ As such, each factory can have many of the benefits associated with being located in an SEZ anywhere in the country.⁶¹⁶ According to one industry representative, operating in an SEZ can now even act as a hindrance because goods must be cleared both at the port and at the SEZ, while factories outside of SEZs only have to clear their goods at the port.⁶¹⁷

Cambodia has one prominent trade association for the apparel industry—the Textile, Apparel, Footwear and Travel Goods Association in Cambodia (TAFTAC), which is the largest trade association in the country.⁶¹⁸ In order to export, Cambodian GFT firms must be members of TAFTAC.⁶¹⁹ TAFTAC represents over 700 members.⁶²⁰ The average TAFTAC factory employs about 1,100 workers.⁶²¹

Employment, Wages, and Productivity

Employment in Cambodia’s apparel sector is estimated to be more than 700,000 workers, with TAFTAC members alone employing 500,000 workers in their factories.⁶²² The GFT sector reportedly accounts for an estimated 50–60 percent of Cambodia’s formal workforce and accounts for 72 percent of manufacturing employment in the country.⁶²³ Furthermore, industry representatives report that because each worker in the Cambodian GFT sector supports an estimated three to four family members, nearly 3

⁶¹⁵ Other incentives include income tax exemption for up to nine years or special depreciation, export tax exemption, and a 150 percent tax deduction for research and development, innovation, training, employee welfare activities and services, and machinery upgrading. CDC, “Conducive Investor Climate,” accessed April 23, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 10; Government of Cambodia, General Department of Customs and Excise, “Qualified Investment Project,” accessed June 11, 2024; USDOS, “2020 Investment Climate Statements,” accessed June 21, 2024; OECD, *OECD Investment Policy Reviews*, 2018, 16, 34; industry representative, interview by USITC staff, February 29, 2024; foreign government official, interview by USITC staff, Cambodia, April 29, 2024.

⁶¹⁶ USITC, hearing transcript, March 11, 2024, 317 (testimony of Ken Loo, TAFTAC).

⁶¹⁷ Industry representative, interview by USITC staff, March 13, 2024.

⁶¹⁸ Industry representatives report the existence of some smaller, less formal industry associations as well. Industry representative, interview by USITC staff, January 23, 2024; industry representative, interview by USITC staff, April 1, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 9.

⁶¹⁹ USITC, hearing transcript, March 11, 2024, 264 (testimony of Ken Loo, TAFTAC).

⁶²⁰ It is likely that non-TAFTAC factories are subcontractors for larger exporting factories, but staff were unable to confirm. Government of Cambodia, *Industrial Transformation Map*, March 2023, 9; USITC, hearing transcript, March 11, 2024, 264, 324 (testimony of Ken Loo, TAFTAC); industry representative, interview by USITC staff, Cambodia, April 30, 2024.

⁶²¹ USITC, hearing transcript, March 11, 2024, 339 (testimony of Ken Loo, TAFTAC).

⁶²² TAFTAC members directly employ about 650,000 total workers. Approximately 100,000 are employed by travel goods factories, whereas about 22,000 are employed in footwear production. USITC, hearing transcript, March 11, 2024, 262 (testimony of Ken Loo, TAFTAC); RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 13; Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 42.

⁶²³ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 33; USITC, hearing transcript, March 11, 2024, 265 (testimony of Ken Loo, TAFTAC); RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 2*, September 2023, 31; industry expert, interview by USITC staff, April 1, 2024.

million of Cambodia's population of 17 million rely on employment in the sector.⁶²⁴ Women make up about 76 to 80 percent of workers in GFT production.⁶²⁵

The minimum wage in Cambodia has been negotiated and fixed through a tripartite mechanism since 2014.⁶²⁶ The statutory minimum wage has increased each year from 2003 to 2022, with an average annual increase of 12.7 percent.⁶²⁷ The minimum wage rate is currently set at \$204 a month, though with mandatory benefits, the monthly minimum pay in the sector is reported to be between \$221 and \$232 per month.⁶²⁸ By one report, the average wage for workers in the apparel sector is \$236 a month.⁶²⁹ One industry expert stated, however, that the value of the minimum wage fell in real terms between 2002 and 2012 as a result of government pressure to minimize increases.⁶³⁰ At its current rate, the statutory minimum wage is reported to be considerably lower than the estimated cost of living, \$701 a month.⁶³¹ Many workers in the sector relied on overtime to meet costs of living, but overtime availability has reportedly dropped significantly since the COVID-19 pandemic.⁶³² Despite the relatively high wages for the industry, the Cambodian apparel industry has low labor productivity compared to other top apparel-exporting countries.⁶³³ However, labor productivity reportedly increased from 2016 to 2022.⁶³⁴

⁶²⁴ USITC, hearing transcript, March 11, 2024, 265 (testimony of Ken Loo, TAFTAC); RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 3.

⁶²⁵ RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 3; USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 33; Government of Cambodia, *Industrial Transformation Map*, March 2023, 1.

⁶²⁶ Minimum wage was set through the Minimum Wage Law of 1997, though increases were somewhat irregular until the formation of the tripartite Labour Advisory Committee in 2013. The 2018 Law on Minimum Wage established a formal tripartite body with legal authority, the National Council on Minimum Wage, composed of government officials, employers, and workers. However, independent unions reportedly make up a small proportion of employee representatives. USITC, hearing transcript, March 11, 2024, 265–66 (testimony of Ken Loo, TAFTAC); Human Rights Watch, *Only "Instant Noodle" Unions Survive*, November 2022, 15; Government of Cambodia, MLVT and ILO, "Minimum Wage Setting in Cambodia," 2016, 2–4; OHCHR, *A Human Rights Analysis of the Draft Law on Minimum Wage*, June 2018, 14; Arbitration Council, "Minimum Wage Determination," accessed July 9, 2024; Cambodian Labor Law, § 1 (January 10, 1997); Nop, "Cambodia," May 4, 2021; Government of Cambodia, MLVT, "Background - General Secretariat of the National Council for Minimum Wages," accessed July 10, 2024.

⁶²⁷ RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 12–13.

⁶²⁸ USITC, hearing transcript, March 11, 2024, 148 (testimony of Sophal Ear); USITC, hearing transcript, March 11, 2024, 157–58 (testimony of Jason Judd, GLI); USITC, hearing transcript, March 11, 2024, 266 (testimony of Ken Loo, TAFTAC); Socheata, "New Minimum Wage in Effect," accessed July 10, 2024; industry representative, interview by USITC staff, February 27, 2024.

⁶²⁹ Average wage for GFT workers reportedly increased from 2016 to 2021 but declined from \$255 in 2021 to \$236 in 2022. RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 2*, September 2023, 34.

⁶³⁰ USITC, hearing transcript, March 11, 2024, 157 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 183–84 (testimony of Sophal Ear).

⁶³¹ 2022 estimate of living wage. Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 20; Asia Floor Wage, *Key Findings*, June 9, 2023, 10.

⁶³² Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 25; Asia Floor Wage, *Key Findings*, June 9, 2023, 13.

⁶³³ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Government of Cambodia, *Industrial Transformation Map*, March 2023, 14.

⁶³⁴ RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 2*, September 2023, 34.

The unionization rate among GFT factories is reportedly about 85 percent.⁶³⁵ Unions reportedly played an important role in advocating for worker rights in the apparel sector.⁶³⁶ A local union can be established with the participation of 10 workers of a given enterprise.⁶³⁷ An average of 8 to 10 unions are reported per factory, and an industry expert noted one instance where as many as 29 unions operate in one factory.⁶³⁸ Some suggest that the unionization rate is not as high as reports may indicate because of the reporting of a high number of “false” unions, that is, unions that are not actually independent because they are backed by the government and employers.⁶³⁹ Using public health justifications associated with the COVID-19 pandemic, the government reportedly intensified a crackdown on independent unions, impeding freedom of association in Cambodia.⁶⁴⁰ One industry representative, however, said most employers today embrace unionization, reporting that fostering a positive working relationship with unions is mutually beneficial. However, the presence of many unions within a factory has been reported to impede working relationships and contribute to fragmentation in the trade union movement.⁶⁴¹

In addition to representing exporting firms, TAFTAC plays a prominent role in negotiating tax and labor issues with the Cambodian government and offers apparel production and management skill training to its members.⁶⁴² Under its previous name, Garment Manufacturing Association of Cambodia (GMAC), TAFTAC played an instrumental role in negotiating with the U.S. government to receive market access under the UCBTA.⁶⁴³ The legacy of the labor compliance stipulation under UCBTA is that all TAFTAC member factories must be certified by the ILO’s BFC program.⁶⁴⁴

Domestic and Foreign Direct Investment

The apparel industry in Cambodia is dominated by foreign-owned firms, a result of the country’s favorable investment environment, long-standing business relationships with Chinese firms, political stability, and the ability to utilize Cambodia’s preferential trade access to top apparel markets.⁶⁴⁵

⁶³⁵ Industry representative, interview by USITC staff, April 29, 2024.

⁶³⁶ Human Rights Watch, *Only “Instant Noodle” Unions Survive*, November 2022, 1.

⁶³⁷ ODC, “Law on Trade Unions,” accessed April 23, 2024; USITC, hearing transcript, March 11, 2024, 324 (testimony of Ken Loo, TAFTAC).

⁶³⁸ USITC, hearing transcript, March 11, 2024, 324–25 (testimony of Ken Loo, TAFTAC).

⁶³⁹ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37; USITC, hearing transcript, March 11, 2024, 182–83 (testimony of Sophal Ear); Human Rights Watch, *Only “Instant Noodle” Unions Survive*, November 2022, 1, 13–14; industry representative, interview by USITC staff, April 1, 2024; industry expert, interview by USITC staff, March 21, 2024; subject matter expert, interview by USITC staff, April 30, 2024; subject matter expert, interview by USITC staff, June 25, 2024; Center for Alliance of Labor and Human Rights, *Barriers to Representation*, June 2024, 7.

⁶⁴⁰ COVID-19-pandemic-related laws passed in 2021 reportedly allow authorities to restrict freedom of association under broad public health provisions. Human Rights Watch, *Only “Instant Noodle” Unions Survive*, November 2022, 1–3, 13–14.

⁶⁴¹ USITC, hearing transcript, March 11, 2024, 324 (testimony of Ken Loo, TAFTAC); BHRRC, *Just for Show: Worker Representation*, June 2024, 10.

⁶⁴² Government of Cambodia, *Industrial Transformation Map*, March 2023, 9.

⁶⁴³ USITC, hearing transcript, March 11, 2024, 263 (testimony of Ken Loo, TAFTAC).

⁶⁴⁴ USITC, hearing transcript, March 11, 2024, 264 (testimony of Ken Loo, TAFTAC).

⁶⁴⁵ USITC, hearing transcript, March 11, 2024, 223 (testimony of Sophal Ear); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9; USITC, hearing transcript, March 11, 2024, 317 (testimony of Ken Loo, TAFTAC); industry expert, interview by USITC staff, March 26, 2024; foreign government official, interview by USITC staff, Cambodia, April 29, 2024.

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Furthermore, the allowance of 100 percent ownership for noncitizens and low foreign exchange risk allow foreign investors to set up production with relative ease.⁶⁴⁶ Reportedly, FDI makes up about 90 percent of investment in the sector.⁶⁴⁷ Estimates vary on the extent of Chinese ownership of firms in Cambodia's apparel sector, but by all accounts the level is high.⁶⁴⁸ One witness reported approximately 60 percent of investors in the sector were from mainland China.⁶⁴⁹ By another account, 88 percent of large, export-oriented garment factories were owned by Chinese parent companies.⁶⁵⁰ Other important sources of FDI in the sector include Hong Kong, Taiwan, South Korea, Southeast Asia, and Japan.⁶⁵¹ The share of investors from mainland China has reportedly doubled in the past 10 years, whereas the number of investors from Hong Kong and South Korea has declined.⁶⁵² Cambodia had 20 greenfield investment projects in its GFT sector during the 2013–23 period, 8 of which were reported in 2023. All 2023 projects were funded by Chinese investors, while projects in previous years were funded by a combination of investors from Japan, Hong Kong, Taiwan, South Korea, Indonesia, the United States, and Brazil.⁶⁵³

Apparel, footwear, and travel goods projects meet the criteria of Qualified Investment Projects (QIPs) as a priority sector.⁶⁵⁴ QIPs are able to import inputs duty-free so long as they are intended for export production. Foreign investors receive benefits such as no restrictions on foreign equity ownership, up to a 20 percent profit tax break for nine years, the ability to repatriate profits, and are granted depreciation allowances to incentivize reinvestment.⁶⁵⁵

The ease of foreign investment coupled with the high cost of borrowing in Cambodia and low profit margins on “cut, make, trim” (CMT) operations has limited domestic ownership in apparel manufacturing. An industry representative reported the average industry net profit is currently about 6

⁶⁴⁶ Cambodia's highly dollarized economy and stable exchange rate between the U.S. dollar and Cambodian riel contribute to low foreign exchange risk. Furthermore, U.S. dollars are the primary currency for large transactions. USDOS, “2023 Investment Climate Statements: Cambodia,” accessed March 13, 2024; USITC, hearing transcript, March 11, 2024, 317 (testimony of Ken Loo, TAFTAC); USDOS, “2020 Investment Climate Statements,” accessed June 21, 2024; industry expert, interview by USITC staff, March 26, 2024; foreign government official, interview by USITC staff, Cambodia, April 26, 2024; foreign government official, interview by USITC staff, Cambodia, April 29, 2024.

⁶⁴⁷ USITC, hearing transcript, March 11, 2024, 315 (testimony of Ken Loo, TAFTAC); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8.

⁶⁴⁸ USITC, hearing transcript, March 11, 2024, 315 (testimony of Ken Loo, TAFTAC); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8–9; industry representative, interview by USITC staff, February 29, 2024.

⁶⁴⁹ USITC, hearing transcript, March 11, 2024, 315 (testimony of Ken Loo, TAFTAC).

⁶⁵⁰ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9.

⁶⁵¹ USITC, hearing transcript, March 11, 2024, 315 (testimony of Ken Loo, TAFTAC); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9; industry representative, interview by USITC staff, February 29, 2024.

⁶⁵² Industry representative, interview by USITC staff, February 29, 2024.

⁶⁵³ During 2013–23, 10 projects were funded by investors from China; 3 from Japan; 2 from Hong Kong, and 1 each from Brazil, Indonesia, the United States, Taiwan, and South Korea. Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024.

⁶⁵⁴ RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 11; Government of Cambodia, *Industrial Transformation Map*, March 2023, 9–10.

⁶⁵⁵ Government of Cambodia, written submission to the USITC, March 22, 2024, 2; RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 11; USDOS, “2020 Investment Climate Statements,” accessed June 21, 2024.

percent in Cambodia, while the cost of domestic borrowing is about 7 percent.⁶⁵⁶ As a result, the cost of a domestic loan would be more than its projected profit.⁶⁵⁷ Another industry expert explained that the high rate of foreign ownership contributes to minimal domestic capture of profit.⁶⁵⁸ Factories in Cambodia serve as a “CMT workhorse,” in which sourcing companies reportedly pay factories just enough for production, and the bulk of profits for the value-added activities goes to parent companies outside Cambodia.⁶⁵⁹

Infrastructure and Logistics

Cambodia has high transportation costs, attributed to inadequate transportation systems, lack of transport vehicles, and lack of road maintenance.⁶⁶⁰ Although Cambodia has a deep-sea port, an industry representative reported its trade volume is not large enough to ship directly to major markets. Instead, shipments from Southeast Asia are consolidated in Singapore, with some direct sailings from Vietnam.⁶⁶¹ Shipping from Cambodia is thus slower than from regional competitors, resulting in longer lead times.⁶⁶² One industry representative estimated that ship time for fabric inputs from China to Cambodia was about 10 days, and ship time for apparel items from Cambodia to the United States was about 45 days.⁶⁶³

Although infrastructure is considered a constraint, significant improvements have been made in recent years.⁶⁶⁴ The government of Cambodia initiated a plan in 2022 to improve its transportation infrastructure and expand its deep-sea port and container terminal capabilities.⁶⁶⁵ It aims to reduce apparel export lead times and transportation costs with a new logistics center in Phnom Penh and a Vietnam border checkpoint.⁶⁶⁶ Despite reports of improving infrastructure, Cambodia’s World Bank Logistics Performance Index score declined from 2.74 in 2014 and 2.58 in 2018 to 2.4 to 2023. This was lower than the 2023 East Asia Pacific regional score of 2.53.⁶⁶⁷

⁶⁵⁶ USITC, hearing transcript, March 11, 2024, 316 (testimony of Ken Loo, TAFTAC).

⁶⁵⁷ USITC, hearing transcript, March 11, 2024, 315 (testimony of Ken Loo, TAFTAC).

⁶⁵⁸ Government of Cambodia, *Industrial Transformation Map*, March 2023, 14; subject matter expert, interview by USITC staff, March 26, 2024.

⁶⁵⁹ Subject matter expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, May 9, 2024.

⁶⁶⁰ Government of Cambodia, *Industrial Transformation Map*, March 2023, 18.

⁶⁶¹ Industry representative, interview by USITC staff, March 13, 2024; industry representative, interview by USITC staff, March 12, 2024; industry representative, interview by USITC staff, June 6, 2024.

⁶⁶² Government of Cambodia, *Industrial Transformation Map*, March 2023, 18; industry representative, interview by USITC staff, March 12, 2024.

⁶⁶³ Industry representative, interview by USITC staff, Cambodia, April 29, 2024.

⁶⁶⁴ Industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, March 12, 2024; OECD, *OECD Investment Policy Reviews*, 2018, 16.

⁶⁶⁵ Government of Cambodia, *Industrial Transformation Map*, March 2023, 27.

⁶⁶⁶ Government of Cambodia, *Industrial Transformation Map*, March 2023, 27; Asia News Network, “Vietnam Seeks Investment,” November 9, 2021.

⁶⁶⁷ The Logistics Performance Index is a benchmarking tool that identifies the challenges and opportunities countries face in their trade logistics performance. World Bank, *Connecting to Compete 2023*, 2023, 34.

Production

Cambodia does not publish production data on the apparel sector, but because the country produces apparel primarily for export with very little consumed domestically, export values are generally reflective of overall production.⁶⁶⁸ In 2023, Cambodia exported \$12.2 billion worth of apparel products, largely women's and men's knit sweaters, women's woven and knit trousers, and children's clothing.⁶⁶⁹ Cambodia's largest product categories consist of bulk manufacturing of basic knit items like pullovers and woven bottoms, including denim and chinos.⁶⁷⁰

Cambodia's apparel production is predominantly CMT or basic production using imported fabrics. With the majority of factories running under a CMT model, foreign-owned companies outsource the labor and downstream production to Cambodia, while maintaining the higher value-added activities in their respective countries.⁶⁷¹ During the 2013–18 period, both the government and private sector founded vocational training programs, including the Cambodian Garment Training Institute, which provides specialized textile and garment training. The intent of these initiatives is to give the Cambodian workforce the necessary skills to move from CMT to full package, free on board apparel manufacturing.⁶⁷²

Most factories in Cambodia reportedly produce mid-tier items of relatively good quality.⁶⁷³ The majority of exports are composed of mass market products, such as knit sweaters, denim, and chinos, made of paneled knit fabric and woven cotton fabric from China.⁶⁷⁴ This means Cambodia's apparel industry can fulfill large orders, but also sets large minimum orders, somewhat limiting agility.⁶⁷⁵ Cambodia reportedly does not produce very basic apparel items, such as T-shirts, at a large scale because the profit margin is too low.⁶⁷⁶ At the aggregate level, Cambodia does not produce very complex items; but a small number of factories produce higher-value items, such as performance wear, outerwear, intimates, and medical apparel.⁶⁷⁷ Industry representatives attributed the availability of workers with the high skillset necessary to produce performance apparel and outerwear products to the presence of experienced foreign

⁶⁶⁸ The strong incentives for export-oriented industries were reported as a factor contributing to the lack of production for domestic consumption. Foreign government official, interview by USITC staff, Cambodia, April 26, 2024; industry representative, interview by USITC staff, Cambodia, April 30, 2024.

⁶⁶⁹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁶⁷⁰ Industry representative, interview by USITC staff, May 9, 2024.

⁶⁷¹ Industry representative, interview by USITC staff, May 9, 2024; subject matter expert, interview by USITC staff, March 26, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 14.

⁶⁷² The "free on board" apparel production model includes activities such as order processing, input procurement, and merchandizing in addition to garment assembly. Roughly 70 percent of factories are reported to operate on a CMT basis, 30 percent free on board. Government of Cambodia, *Industrial Transformation Map*, March 2023, 3, 8.

⁶⁷³ Industry representative, interview by USITC staff, January 23, 2024.

⁶⁷⁴ Industry representative, interview by USITC Staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024.

⁶⁷⁵ Industry representative, interview by USITC staff, March 18, 2024.

⁶⁷⁶ USITC, hearing transcript, March 11, 2024, 282 (testimony of Ken Loo, TAFTAC); industry representative, interview by USITC staff, February 29, 2024.

⁶⁷⁷ Industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, February 27, 2024.

suppliers in Cambodia and the job training provided to their local teams.⁶⁷⁸ Despite the reported shift toward producing higher-valued apparel products, both government and industry representatives reported limitations in increasing value-added production that would result from “full package” or free on board manufacturing.⁶⁷⁹ Industry representatives reported potential for investment into dyeing and finishing facilities in Cambodia, which would also add value to production.⁶⁸⁰

Sourcing of Inputs

The nature of being a CMT-based industry, encompassing only the more straightforward processes of the apparel supply chain, necessitates apparel producers to source inputs abroad.⁶⁸¹ Cambodia has virtually no domestic spinning or fabric mills.⁶⁸² Some inputs for apparel production are made domestically at a small scale, including buttons, tags, and packaging, mainly by small, local firms.⁶⁸³ These components are used in the footwear and travel goods sectors in addition to apparel.⁶⁸⁴

Cambodia imported \$5.6 billion worth of textile and apparel inputs in 2023, with fabric accounting for the vast majority of imports (92.6 percent) and yarn accounting for an additional 7.1 percent share (table 6.1).⁶⁸⁵ Inputs are largely sourced from neighboring China and Vietnam.⁶⁸⁶ China was the top supplier of inputs to Cambodia during the 2013–23 period, supplying 70.9 percent of Cambodia’s imports of apparel

⁶⁷⁸ Industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, March 25, 2024.

⁶⁷⁹ Government of Cambodia, written submission to the USITC, March 22, 2024, 2; industry representative, interview by USITC staff, Cambodia, April 26, 2024.

⁶⁸⁰ Industry representative, interview by USITC staff, Cambodia, April 29, 2024; industry representative, interview by USITC staff, February 29, 2024; industry representatives, interview by USITC staff, February 27, 2024.

⁶⁸¹ Fabric used for CMT production in Cambodia is either designated or consigned by the buyer, and the buyers often source the fabric that is used in the apparel factories. USITC, hearing transcript, March 11, 2024, 332 (testimony by Ken Loo, TAFTAC); Government of Cambodia, *Industrial Transformation Map*, March 2023, 6.

⁶⁸² Without a domestic spinning sector, imports of textile raw materials and fibers are very low, reaching approximately \$12 million in imports in 2023. S&P Global, GTAS database, HS Chapters 50–56, 58–60, textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F. Government of Cambodia, written submission to the USITC, March 22, 2024, 2; USITC, hearing transcript, March 11, 2024, 267, 308 (testimony of Ken Loo, TAFTAC).

⁶⁸³ Government of Cambodia, *Industrial Transformation Map*, March 2023, iv; industry representative, interview by USITC staff, March 13, 2024; foreign government official, interview by USITC staff, Cambodia, April 26, 2024; USITC, hearing transcript, March 11, 2024, 267 (testimony of Ken Loo, TAFTAC).

⁶⁸⁴ Foreign government official, interview by USITC staff, Cambodia, April 29, 2024; industry representative, interview by USITC staff, March 13, 2024.

⁶⁸⁵ Cambodia imported \$402 million in yarn in 2023. In 2023, 79.9 percent of yarn imports came from China; 10.1 percent came from Vietnam. Cambodia imported \$5.2 billion in fabrics in 2023. S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials, fibers, yarns, and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials, fibers, yarns, and fabrics, see appendix F.

⁶⁸⁶ Industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, March 13, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 3; USITC, hearing transcript, March 11, 2024, 267, 331 (testimony of Ken Loo, TAFTAC); S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials, fibers, yarns, and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials, fibers, yarns, and fabrics, see appendix F.

inputs in 2023.⁶⁸⁷ Inputs from China are reportedly the most cost effective, but some companies choose to source a small percentage of their yarns and fabrics elsewhere to diversify supply chains.⁶⁸⁸ Vietnam was the second-largest supplier of yarns and fabrics to Cambodia in 2018–23, supplying 14.0 percent of imports in 2023, and its share grew significantly over the period.⁶⁸⁹ Conversely, Hong Kong’s share of Cambodia’s imports of apparel inputs declined from 17.8 percent in 2013 to 2.5 percent in 2023.⁶⁹⁰ Cambodia imported more knit fabrics (55.4 percent of total fabric imports) than woven (30.1 percent) in 2023.⁶⁹¹ Of the 2023 woven fabric imports, 39.4 percent was cotton and 52.2 percent was manmade.⁶⁹²

Table 6.1 Cambodia: Imports of yarns and fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	1,634	2,996	3,134	2,770	3,897	4,191	3,985
Vietnam	182	569	684	711	868	989	788
Taiwan	351	348	350	312	412	395	276
Hong Kong	573	502	448	335	347	195	142
Thailand	90	136	149	121	138	176	126
All other sources	395	385	351	305	350	321	304
Total	3,226	4,935	5,116	4,555	6,012	6,267	5,622

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

Note: Cambodia import data were calculated by aggregating exports to Cambodia as reported by all other countries. Top five trade partners in 2022, ranked by value in 2023.

Barriers to upstream production of yarn and fabric in Cambodia include high capital and operating costs.⁶⁹³ Industry representatives attributed the lack of investment into yarn and fabric production in Cambodia mainly to its proximity to countries with strong textile capacity and the country’s high price of electricity. The latter reportedly prevented the backward integration of the Cambodian apparel industry

⁶⁸⁷ Yarns and fabrics made up 99.8 percent of apparel input imports from China in 2023. China retained majority share of input imports during the 2013–23 time period, though its share increased from 50.6 percent in 2013 to 60.7 percent in 2018. S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials, fibers, yarns, and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials, fibers, yarns, and fabrics, see appendix F.

⁶⁸⁸ Industry representative, interview by USITC staff, February 27, 2024.

⁶⁸⁹ Although Vietnam was the source of only 5.1 percent of Cambodia’s fabric imports in 2013, fabrics now make up the majority of apparel input imports from Vietnam. Cambodia imported \$517 million in fabrics (11.3 percent of fabric imports) from Vietnam in 2018 and \$748 million (14.3 percent) in 2023. S&P Global, GTAS database, HS Chapters 50–56, 58–60; yarns and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

⁶⁹⁰ Cambodian imports of apparel inputs from Hong Kong totaled \$573 million in 2013 and \$142 million in 2023. S&P Global, GTAS database, HS Chapters 50–56, 58–60; textile raw materials, fibers, yarns, and fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials, fibers, yarns, and fabrics, see appendix F.

⁶⁹¹ Knitted and crocheted fabrics are classified in HS Chapter 60. S&P Global, GTAS database, HS Chapters 50–56, 58–60; fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F.

⁶⁹² Woven fabrics were imported under HS Chapters 50–55. Woven cotton fabrics were imported under HS Chapter 52. S&P Global, GTAS database, HS Chapters 50–56, 58–60; fabrics, mirror data, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F.

⁶⁹³ Government of Cambodia, *Industrial Transformation Map*, March 2023, 14.

and deterred early investors.⁶⁹⁴ Textile production is energy-intensive, with energy costs accounting for about 20–25 percent of textile production costs compared with 2 percent for apparel.⁶⁹⁵ Although the Cambodian apparel industry has shown interest in adopting solar power, it is reportedly too costly because current government policy does not incentivize the transition.⁶⁹⁶ Cambodia’s incentive to develop textile and yarn production is further minimized because of its proximity to countries with strong textile capacity coupled with Cambodia’s QIP program. Cambodia’s GFT sector falls under its QIP policy, allowing factories to import raw inputs duty-free so long as they are processed and re-exported.⁶⁹⁷ Moreover, because of the importance of economies of scale in textile production and the existence of well-established mills in neighboring China and Vietnam, investors have not been willing to establish additional production of inputs in Cambodia.⁶⁹⁸

Exports of Apparel

Exports to Major Markets

In 2023, Cambodian apparel exports to the world totaled \$12.2 billion, up from \$6.9 billion and \$11.4 billion in 2013 and 2018, respectively (figure 6.2 and table 6.2).⁶⁹⁹ In 2022, the apparel sector accounted for more than 40 percent of Cambodia’s total exports.⁷⁰⁰ Cambodia’s apparel export markets have remained mostly consistent during the 2013–22 period, with the United States remaining the top single-country export destination.⁷⁰¹ Notably, U.S. apparel imports from Cambodia did not drop between 2019 and 2020, despite the initial shock of the COVID-19 pandemic. This may be attributed to Cambodia’s reported early and effective management to contain COVID-19 transmission.⁷⁰² Although overall exports did decline in 2020, Cambodia reportedly remained a reliable sourcing destination during the COVID-19 pandemic because apparel factories never fully shut down production and buyers were able to travel to

⁶⁹⁴ At about 13.7 cents per kilowatt-hour, electricity costs in Cambodia are reported to be considerably higher than in regional competitors (Vietnam, China, and Thailand). Industry representative, interview by USITC staff, March 13, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 17.

⁶⁹⁵ Industry representative, interview by USITC staff, March 13, 2024.

⁶⁹⁶ Upfront costs are reportedly high for switching to solar-powered electricity, with a reported 8–10 year time frame for the return on investment for large factories. Solar users also pay a capacity charge of \$0.07/kWh for large systems. Kunmakara, “Private Sector Urges Solar Policy Reform,” January 31, 2024; EuroCham Cambodia, *Position Paper on Renewable Energy*, August 2022, 15, 22; industry representative, interview by USITC staff, March 12, 2024; industry representative, interview by USITC staff, March 13, 2024; industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, February 26, 2024; industry expert, interview by USITC staff, March 26, 2024.

⁶⁹⁷ Government of Cambodia, General Department of Customs and Excise, “Qualified Investment Project,” accessed June 11, 2024.

⁶⁹⁸ USITC, hearing transcript, March 11, 2024, 307–8 (testimony of Ken Loo, TAFTAC); industry representative, interview by USITC staff, April 4, 2024.

⁶⁹⁹ Cambodia imported \$406.2 million in apparel in 2023, up from \$264 million in 2013 and \$256.9 million in 2018. S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷⁰⁰ S&P Global, GTAS database, mirror data, accessed June 17, 2024.

⁷⁰¹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷⁰² RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 15; industry expert, interview by USITC staff, Cambodia, April 26, 2024.

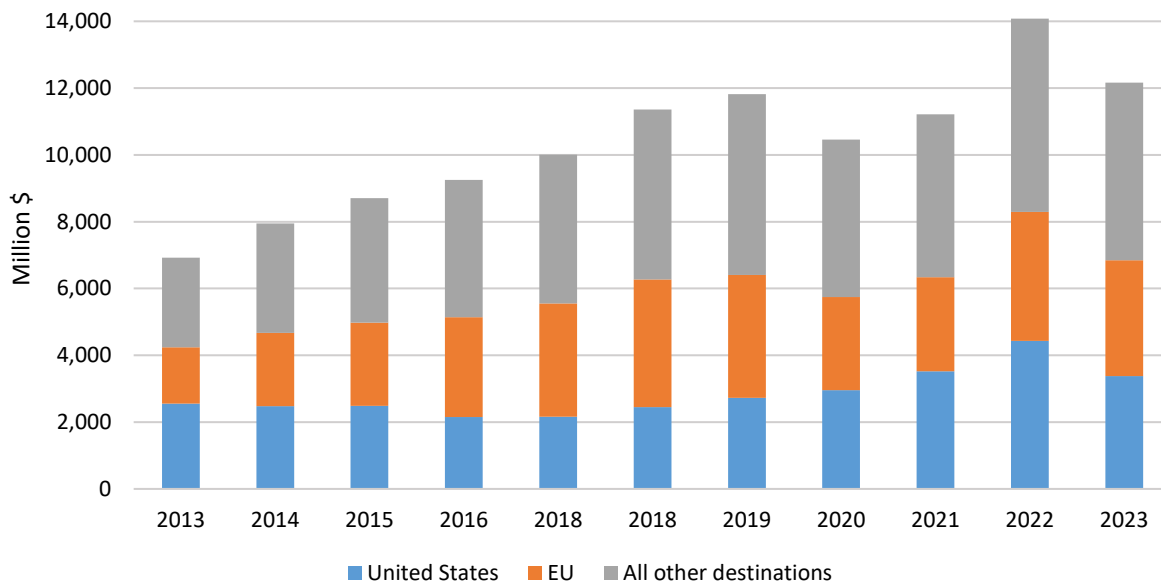
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the country freely, reportedly resulting in some brands moving production into Cambodia.⁷⁰³ Despite this, other sources report that delayed and canceled orders led to layoffs and suspensions for apparel workers, without their entitled severance.⁷⁰⁴

During 2013–18, the U.S. share of Cambodian apparel exports declined, from 36.8 percent to 21.5 percent, before rising to 27.7 percent in 2023.⁷⁰⁵ Other top export markets in 2023 were the EU (accounting for 28.6 percent of 2023 exports), Japan (9.2 percent), the United Kingdom (8.1 percent), and Canada (8.0 percent).⁷⁰⁶

Figure 6.2 Cambodia: Exports of apparel, 2013–23

In millions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.14](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Cambodia export data were calculated by aggregating imports to Cambodia as reported by all other countries.

⁷⁰³ Industry representative, interview by USITC staff, March 12, 2024; industry expert, interview by USITC staff, Cambodia, April 26, 2024.

⁷⁰⁴ Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 15; Government of Cambodia, *Industrial Transformation Map*, March 2023, 2, 8.

⁷⁰⁵ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷⁰⁶ Top export destinations within the EU included Spain (7.4 percent of total exports), Germany (6.4 percent), Belgium (3.6 percent), Netherlands (3.6 percent), France (2.3 percent), and Italy (2.2 percent). S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

Table 6.2 Cambodia: Exports of apparel, by major market, 2013 and 2018–23

In millions of dollars. * = not reported.

Trade partner	2013	2018	2019	2020	2021	2022	2023
European Union	1,690	3,821	3,678	2,791	2,815	3,862	3,476
United States	2,552	2,447	2,730	2,953	3,521	4,429	3,374
Japan	294	1,065	1,147	1,043	1,105	1,202	1,124
United Kingdom	767	1,001	965	737	613	1,081	984
Canada	600	899	1,010	873	1,048	1,283	972
China	124	387	427	420	430	343	331
Switzerland	60	137	152	180	225	229	250
South Korea	86	174	188	170	167	191	210
Mexico	62	117	102	81	111	173	196
United Arab Emirates	43	159	144	126	150	206	*
All other destinations	647	1,149	1,281	1,084	1,024	1,078	1,251
Total	6,926	11,358	11,823	10,459	11,211	14,076	12,168

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Cambodia export data were calculated by aggregating imports from Cambodia as reported by all other countries. Top 10 trade partners in 2022, ranked by value in 2023. United Arab Emirates had not reported 2023 data as of June 17, 2024.

Cambodia exported mostly knit garments during the 2013–23 period, although the percentage accounted for by knit products declined slightly from 69.5 percent in 2013 to 65.2 percent in 2023.⁷⁰⁷ The top apparel items exported from Cambodia in 2023 were knit sweaters, knit and woven women’s or girls’ trousers and shorts, and T-shirts.⁷⁰⁸ Nearly a third (32.8 percent) of women’s and men’s woven cotton trousers and 41.4 percent of cotton sweaters produced in Cambodia were exported to the United States in 2023.⁷⁰⁹

U.S. Imports of Apparel from Cambodia

In 2023, U.S. apparel imports from Cambodia totaled \$3.4 billion, making Cambodia the sixth-largest U.S. supplier of apparel.⁷¹⁰ Apparel imports were relatively constant from 2013 to 2018, with a decline in import value between 2013 (\$2.5 billion) and 2016 (\$2.1 billion), followed by an increase to \$2.5 billion in 2018. Imports continued to increase after 2018, peaking at \$4.4 billion in 2022, before declining 22.2 percent in 2023.⁷¹¹ Consistent with Cambodian exports to the world throughout the 2013–23 period, U.S. apparel imports from Cambodia included more knit garments than woven; however, the share of

⁷⁰⁷ Knit apparel items are classified under HS Chapter 61; woven apparel items are classified under HS Chapter 62. S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷⁰⁸ HS 6110.20, knit cotton sweater, pullovers, sweatshirts, vests and similar articles; HS 6110.30, MMF knit sweaters, pullovers, sweatshirts, vests and similar articles; HS 6204.62, women’s or girls’ woven cotton trousers, bib and brace overalls, breeches, and shorts; HS 6104.63, women’s or girls’ knit synthetic trousers, bib and brace overalls, breeches, and shorts; and HS 6109.10, knit T-shirts, singlets, tank tops, and similar garments of cotton. S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷⁰⁹ The United States accounted for 32.2 percent of Cambodia’s 2023 exports of women’s or girls’ woven cotton trousers, bib and brace overalls, breeches, and shorts, classified under 6204.62; 33.9 percent of men’s or boys’ woven cotton trousers, bib and brace overalls, breeches, and shorts, classified under HS 6203.42; and 41.4 percent of knit cotton sweaters, pullovers, sweatshirts, vests, and similar articles, classified under 6110.20. S&P Global, GTAS database, HS Chapters 61 and 62, apparel, mirror data, accessed June 17, 2024.

⁷¹⁰ Cambodia was the eighth-largest supplier of apparel to the United States in 2018 and the seventh largest in 2013. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷¹¹ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

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knit items decreased from 73.1 percent in 2013 to 69.3 percent in 2023 (table 6.3). Cotton apparel comprises just over one-half of U.S. apparel imports from Cambodia, with a slightly declining share during the 2013–18 period.⁷¹² In 2023, cotton apparel accounted for \$1.9 billion (55.2 percent) of apparel imports and MMF apparel items accounted for \$1.3 billion (38.0 percent).⁷¹³

Table 6.3 U.S. imports of apparel from Cambodia, by category, 2013 and 2018–23

In millions of dollars. Category numbers in parentheses. MMF = manmade fiber.

Category	2013	2018	2019	2020	2021	2022	2023
Women’s/girls’ cotton trousers/slacks/shorts (348)	323	280	300	330	409	525	362
Women’s/girls’ knit cotton shirts/blouses (339)	423	233	266	308	320	430	342
Men’s/boys’ knit cotton shirts (338)	128	209	277	239	311	395	321
Men’s/boys’ cotton trousers/breeches/shorts (347)	219	183	202	167	234	350	234
Babies’ garments/clothing accessories (239)	180	266	276	313	351	367	215
Women’s/girls’ MMF slacks/breeches/shorts (648)	82	115	132	143	203	229	197
Women’s/girls’ knit MMF shirts/blouses (639)	188	174	178	143	192	211	166
Men’s/boys’ MMF trousers/breeches/shorts (647)	77	89	111	117	151	221	157
MMF nightwear/pajamas (651)	139	143	157	230	215	199	143
Other MMF apparel (659)	106	100	106	100	107	157	127
All other categories	670	672	737	902	1,056	1,328	1,168
Total	2,534	2,466	2,742	2,992	3,548	4,411	3,431

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Cambodia has become an established supplier of mass market apparel items, particularly sweaters and pullovers and women’s denim bottoms. Top U.S. apparel imports by value in 2023 from Cambodia were women’s and girls’ cotton trousers, slacks, and shorts (accounting for 10.6 percent of imports), women’s and girls’ knit cotton shirts and blouses (10.0 percent), men’s and boys’ knit cotton shirts (9.4 percent), and men’s and boys’ cotton trousers and shorts (6.8 percent).⁷¹⁴

Although not among the top imports by value, Cambodia is a leading supplier of baby garments, MMF and cotton nightwear, and MMF robes to the United States.⁷¹⁵ Sweaters are also an important product

⁷¹² In 2018, 56.9 percent of U.S. apparel imports from Cambodia were cotton products, down from 62.4 percent in 2013. In 2018, 39.7 percent were MMF products, up from 35.3 percent in 2013. Categories 31, cotton apparel, and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷¹³ Categories 31, cotton apparel, and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷¹⁴ Categories 348, women’s or girls’ cotton trousers, slacks, or shorts; 338, men’s or boys’ cotton knit shirts; and 347, men’s or boys’ cotton trousers, breeches, or shorts. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷¹⁵ Cambodia was the third-largest U.S. supplier of MMF and cotton nightwear and fourth-largest of baby garments and clothing accessories and MMF dressing robes in 2023. Categories 239, babies’ garments and clothing accessories; 651, MMF nightwear/pajamas; 351, cotton nightwear/pajamas; and 650, MMF robes, dressing gowns, etc. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

category the United States imports from Cambodia, with Cambodia being a top supplier of cotton sweaters and women’s and girls’ MMF sweaters.⁷¹⁶ One industry representative explained that while sweaters have been a slow product category to move out of China, Cambodia has developed the capability to be a top supplier.⁷¹⁷

Tariffs and Trade Preference Programs

Cambodian apparel exports have no preferential duty access to the U.S. market.⁷¹⁸ U.S. imports of apparel from Cambodia are subject to NTR duty rates, with ad valorem rates that range from free to 32.0 percent for apparel in HTS chapters 61 and 62.⁷¹⁹ Apparel imports from Cambodia were on average subject to a 18.1 percent applied duty in 2023.⁷²⁰ Cambodia’s apparel industry benefits from preferential access to other major global import markets through preference programs for developing countries as well as bilateral and multilateral trade agreements.⁷²¹ It has one of the highest rates of utilization of least-developed country (LDC)-specific trade preferences.⁷²² As of 2019, 20 percent of global textile and apparel exports from LDC qualifying countries came from Cambodia, second only to Bangladesh (60 percent).⁷²³ Cambodia has duty-free access to the EU through the Everything But Arms (EBA) program, although the EU partially suspended benefits for the country because of human rights concerns in 2020.⁷²⁴ Cambodia also exports duty-free to the UK, Canada, and Japan under those countries’ trade preference programs.⁷²⁵ With its projected graduation from LDC status in 2029, the country faces the

⁷¹⁶ Categories 345, cotton sweaters; and 646, women’s or girls’ MMF sweaters. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷¹⁷ Industry representative, interview by USITC staff, June 6, 2024.

⁷¹⁸ Although Cambodia is a beneficiary country for the U.S. Generalized System of Preferences (GSP), which lapsed in 2020, apparel items are largely excluded from the program. USITC, *HTS 2024 Revision 2*, General Note 4, “Generalized System of Preferences (GSP),” May 31, 2024, GN pp. 1-4.

⁷¹⁹ USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024.

⁷²⁰ This average was calculated by dividing duties paid on imports of apparel from Cambodia by dutiable value of imports of apparel from Cambodia. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁷²¹ The United Nations classifies Cambodia as a least-developed country (LDC). In meeting these criteria, Cambodia is eligible for trade preference programs targeted at developing economies. UNCTAD, “UN List of Least Developed Countries,” accessed June 12, 2024; Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 14.

⁷²² WTO, *Textiles and Clothing in Asian Graduating LDCs*, 2022, 6; UN DESA, *Potential Impacts of LDC Graduation*, February 2023, 10.

⁷²³ WTO, *Textiles and Clothing in Asian Graduating LDCs*, 2022, 6.

⁷²⁴ About 20 percent of total EBA imports were withdrawn as a result. The EU’s share of total apparel exports from Cambodia decreased from 33 percent in 2019 to 27.6 percent in 2021. GSP Hub, “Monitoring Missions and Priorities in Cambodia,” accessed January 3, 2024; RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 6; Government of Cambodia, *Industrial Transformation Map*, March 2023, 6; USITC, hearing transcript, March 11, 2024, 224 (testimony of Sophal Ear); UN DESA, *Potential Impacts of LDC Graduation*, February 2023, 10; EC, *Report on EU Enhanced Engagement*, November 21, 2023, 16–17; Human Rights Watch, *Only “Instant Noodle” Unions Survive*, November 2022, 23; subject matter expert, interview by USITC staff, April 26, 2024.

⁷²⁵ Cambodia gained preference and additional rules of origin (ROOs) benefits under the UK’s Developing Countries Trading Scheme (DCTS) in April of 2023. RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 7; Government of the United Kingdom, “Developing Countries Trading Scheme,” October 25, 2023;

potential loss of preference for some of its top apparel export markets, including the EU, the UK, and Canada.⁷²⁶

Cambodia is a member of the Regional Comprehensive Economic Partnership and the Association of Southeast Asian Nations (ASEAN), through which it benefits from free trade agreements with additional markets.⁷²⁷ Cambodia also has bilateral trade agreements with China, South Korea, and the UAE, providing reduced or duty-free access for apparel.⁷²⁸

Apparel Sector Competitiveness

Cambodia's apparel industry is reportedly considered important and reliable among U.S. brands.⁷²⁹ Cambodia's strong reputation for social compliance, supported by the early implementation of the BFC program, gives it a competitive advantage over many other top apparel-exporting countries to reputation-sensitive brands.⁷³⁰ In addition, Cambodia's favorable investment climate and proximity to China make it an attractive option for firms looking to diversify from China while continuing to be able to make use of Chinese expertise and inputs from China.⁷³¹ With its relatively high minimum wage and low productivity, labor costs are a comparative disadvantage to sourcing from Cambodia; however, the costs are somewhat offset by its preferential trade access to major markets.⁷³² Cambodia's lack of a domestic

Government of Cambodia, *Industrial Transformation Map*, March 2023, 7; UNCTAD, *Generalized System of Preferences*, 2021, 11; Government of Japan, "Generalized System of Preferences," May 17, 2023, 27–28.

⁷²⁶ Post LDC-graduation, exports to the EU would face 9.6 percent tariffs under EU GSP. Apparel items would need to meet "double transformation" rules of origin requirements to comply with the EU's GSP+ and the UK's DCTS. Canada has kept benefits for countries that graduated from LDC status but remain within the World Bank's low- or lower-middle income categories. UN DESA, *Potential Impacts of LDC Graduation*, February 2023, 10–11; Nimul and Adhikari, "Lessons from Cambodia," February 8, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 11; Human Rights Watch, *Only "Instant Noodle" Unions Survive*, November 2022, 23; Manoj, "Cambodia Gears up for LDC Graduation," April 21, 2024; ECOSOC, *2024 Report of the Committee*, May 8, 2024, 14; subject matter expert, interview by USITC staff, Cambodia, April 26, 2024.

⁷²⁷ Government of Cambodia, *Industrial Transformation Map*, March 2023, 7; Asia Regional Integration Center, "Free Trade Agreements," accessed July 9, 2024; USDOS, "2023 Investment Climate Statements: Cambodia," accessed March 13, 2024.

⁷²⁸ Agreements include the free trade agreements between the China and Cambodia, Cambodia and South Korea, and the Comprehensive Economic Partnership Agreement between the Government of the United Arab Emirates and the Government of the Kingdom of Cambodia. USDOC, ITA, "Cambodia - Country Commercial Guide," February 21, 2024; Government of Cambodia, *Industrial Transformation Map*, March 2023, 7; China-Cambodia FTA (January 1, 2022); Cambodia-South Korea FTA, December 1, 2022; UAE-Cambodia CEPA (January 31, 2024); Sothear, "Cambodia-Korea FTA Comes into Force Today," November 30, 2022; Asia Regional Integration Center, "Free Trade Agreements," accessed July 9, 2024.

⁷²⁹ USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 166 (testimony of Julia Hughes, USFIA).

⁷³⁰ USITC, hearing transcript, March 11, 2024, 166 (testimony of Jason Judd, GLI); subject matter expert, interview by USITC staff, March 28, 2024.

⁷³¹ Subject matter expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, May 9, 2023; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, April 29, 2024; subject matter expert, interview by USITC staff, Cambodia, April 30, 2024.

⁷³² Government of Cambodia, *Industrial Transformation Map*, March 2023, iv.

textile industry is also cited as a competitive disadvantage, but its proximity to yarn and fabric producers and the ability to import inputs duty free mitigate these impacts.⁷³³

Cambodia Boasts a Reputation for Strong Adherence to Labor Standards and Social Compliance

By multiple accounts, the Cambodian apparel sector’s reputation for social responsibility is one of its greatest competitive strengths relative to many other top apparel-exporting countries. The Cambodian industry benefits from strict adherence to labor standards, instituted early in the development of the industry and bolstered by continued third-party monitoring.⁷³⁴ As a result, Cambodia is considered by many to be among the apparel market’s best producers in terms of labor compliance.⁷³⁵

As discussed above, compliance on worker safety regulations and global labor standards was a necessary condition for continued access to the U.S. market through the UCBTA until all quotas ended in 2004, although the BFC program continued because of its success. BFC certification entails an extensive checklist, including safety conditions and workers’ rights indicators.⁷³⁶ Given the ILO’s early and continued involvement, Cambodia has had third-party validation of an improving labor rights record for more than 20 years.⁷³⁷ The BFC program further created a standard of holding firms accountable to pay their workers the minimum wage and keep conditions safe by publishing reports visible to major global markets.⁷³⁸ It also enabled freedom of association and helped develop relations between labor and management.⁷³⁹ With BFC certification tied to TAFTAC membership, and membership to TAFTAC required for apparel-exporting firms, the entirety of the apparel export sector is held to these labor standards.⁷⁴⁰

⁷³³ Ear, written submission to the USITC, March 24, 2024, 2–3; Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 14; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024.

⁷³⁴ USITC, hearing transcript, March 11, 2024, 264 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 148 (testimony of Sophal Ear); industry representative, interview by USITC staff, February 27, 2024.

⁷³⁵ Subject matter expert, interview by USITC staff, March 26, 2024; USITC, hearing transcript, March 11, 2024, 193–94 (testimony of Jason Judd, GLI); USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA).

⁷³⁶ USITC, hearing transcript, March 11, 2024, 148 (testimony of Sophal Ear).

⁷³⁷ USITC, hearing transcript, March 11, 2024, 193 (testimony of Jason Judd, GLI).

⁷³⁸ BFC stopped publicly reporting individual factory assessments in 2005 but resumed public reporting through the BFC Transparency Database in 2014. The assessment consists of a questionnaire called the Compliance Assessment Tool with questions grouped into categories reflective of the ILO’s core labor standards—Child Labor, Discrimination, Forced Labor, and Freedom of Association and Collective Bargaining (FACB); Compensation, Contracts and Human Resources (CHR); Occupational Safety and Health (OSH); and Working Time. USITC, hearing transcript, March 11, 2024, 147 (testimony of Sophal Ear); USITC, hearing transcript, March 11, 2024, 264 (testimony of Ken Loo, TAFTAC); O’Brien & Associates International, *Independent Mid-Term Evaluation*, October 31, 2013, 7; BFC, *Better Factories Cambodia Transparency Database Report, 11th Cycle*, September 2018, 1.

⁷³⁹ USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 328 (testimony of Ken Loo, TAFTAC).

⁷⁴⁰ USITC, hearing transcript, March 11, 2024, 264 (testimony of Ken Loo, TAFTAC).

BFC reports the results of its assessments at the factory level and discloses instances of noncompliance through its Transparency Database.⁷⁴¹

Cambodia's high unionization rate and resulting reputation for compliance with labor standards are often cited as competitive advantages, although the high rate of unionization reportedly contributes to Cambodia's higher minimum wage.⁷⁴² The BFC program's reputation and its role in improving working conditions and productivity reportedly makes Cambodia an attractive source for apparel.⁷⁴³ At the same time, some note that BFC makes production in Cambodia more expensive and hence less cost competitive.⁷⁴⁴ Moreover, some brands and retailers score Cambodia lower in sourcing metrics because of the resulting strikes and challenges to employers.⁷⁴⁵

Despite its established oversight through BFC and the program's positive impact on the sector, some concerns with worker safety, labor standards, worker and organizing rights, human rights, and corruption have been cited by those with knowledge of the country's sector.⁷⁴⁶ Therefore, some brands reportedly have concerns about compliance risk when sourcing from Cambodia.⁷⁴⁷ Some have also suggested that the BFC program monitors the main exporting factories but does not monitor all the factories that may be involved in apparel production, such as subcontractors.⁷⁴⁸ BFC reported that 3.2 percent of factories were noncompliant on the metric, "workers can freely join and form unions," and 8.6 percent were

⁷⁴¹ According to the Better Factories Cambodia Transparency Database Report for the 13th Cycle, containing data from 2019 assessments, factories had the highest percentage of noncompliance with respect to the following critical issues: "regular emergency evacuation drills" (22 percent noncompliance), "dangerous machine parts have safety guards" (14.5 percent), and "water for drinking is clean and sufficient" (14.5 percent). Some critical issues with no instances of noncompliance included "no forced labor" and "no dismissal of workers during maternity leave." BFC, *Better Factories Cambodia Transparency Database Report, 13th Cycle*, December 16, 2020, 3.

⁷⁴² Human Rights Watch, *Only "Instant Noodle" Unions Survive*, November 2022, 14; USITC, hearing transcript, March 11, 2024, 158–59 (testimony of Jason Judd, GLI).

⁷⁴³ USITC, hearing transcript, March 11, 2024, 264–65 (testimony of Ken Loo, TAFTAC); ILO, *Harnessing Compliance to Improve Well-Being and Productivity*, September 2020, 8–9; subject matter expert, interview by USITC staff, March 28, 2024.

⁷⁴⁴ USITC, hearing transcript, March 11, 2024, 282 (testimony of Ken Loo, TAFTAC).

⁷⁴⁵ USITC, hearing transcript, March 11, 2024, 158–59 (testimony of Jason Judd, GLI).

⁷⁴⁶ According to BFC assessments from 2019, the percentage of noncompliant factories that were noncompliant for critical issues related to workers' rights included the following: 7.5 percent were noncompliant with respect to the metric on "no discrimination against workers," 0 percent were noncompliant on "equal pay for men and women," 0.3 percent were noncompliant on "no discrimination against workers based on union membership," 3.2 percent with respect to "workers can freely join and form unions," and 8.6 percent were noncompliant on the metric "no control of union by employer." BFC, *Better Factories Cambodia Transparency Database Report, 13th Cycle*, December 16, 2020, 3; USITC, hearing transcript, March 11, 2024, 166 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 149–50 (testimony of Sophal Ear); Ear, written submission to the USITC, March 24, 2024, 2–3; Human Rights Watch, *Only "Instant Noodle" Unions Survive*, November 2022, 1–6, 27; industry representative, interview by USITC staff, March 18, 2024; industry representatives, interview by USITC staff, March 5, 2024.

⁷⁴⁷ USITC, hearing transcript, March 11, 2024, 166–67 (testimony of Julia Hughes, USFIA); Lu and USFIA, "2017 Fashion Industry Benchmarking Study," July 2017, 11; Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 17; Münch, *Sourcing Practices in the Garment Industry*, 2022, 7.

⁷⁴⁸ Subcontracting factories without export licenses are not required to register with BFC. They may participate voluntarily, but assessment is not mandatory. Ear, written submission to the USITC, March 24, 2024, 2; Center for Alliance of Labor and Human Rights, *Barriers to Representation*, June 2024, 13; Robertson, "Pioneering a New Approach to Improving Working Conditions in Developing Countries," 2020, 11–12.

noncompliant on “no control of union by employer” in 2019 assessments.⁷⁴⁹ However, some union members reported that factory-level BFC assessment scores related to compliance with respect to freedom of association did not accurately reflect their experiences.⁷⁵⁰

Cambodia Is a Comparatively High-Cost Producer but Preferential Tariff Treatment Mitigates Costs

Brands report concerns about costs when sourcing from Cambodia.⁷⁵¹ Although cost competitive compared to China, Cambodia has one of the highest labor costs in the region, making it less competitive against other Asian producers.⁷⁵² Furthermore, despite its higher wages, Cambodia has comparably low labor productivity.⁷⁵³ Cambodia is also reportedly behind in innovation, with limited investment in labor-saving automation in apparel production.⁷⁵⁴ This lag has been attributed to the flexibility that labor affords over financed machinery—if a business is not doing well, workers can be laid off but payments toward machinery cannot cease.⁷⁵⁵ On the contrary, favorable tariff treatment in many of its major markets, including FTAs and preference programs, as well as access to duty-free imports of inputs enhance Cambodia’s cost competitiveness.⁷⁵⁶ Some industry representatives report that these tariff preferences are an important factor in supporting Cambodia’s competitiveness in the global market.⁷⁵⁷

Cambodia Is Poised as an Attractive Alternative to China for Sourcing of Final Products

Cambodia benefits greatly from the global trend of supply chain diversification away from China, because it is seen as an alternative to China and is within close proximity to existing apparel input supply

⁷⁴⁹ BFC, *Better Factories Cambodia Transparency Database Report, 13th Cycle*, December 16, 2020, 3.

⁷⁵⁰ A 2024 study tested the accuracy of BFC’s reporting on freedom of association issues by asking union leaders from a sample of 14 factories the same freedom of association-related questions from BFC assessments and comparing them to their factories’ most recent noncompliance assessment scores in the BFC Transparency Database. Center for Alliance of Labor and Human Rights, *Barriers to Representation*, June 2024, 6.

⁷⁵¹ USITC, hearing transcript, March 11, 2024, 166 (testimony of Julia Hughes, USFIA).

⁷⁵² Foreign government official, interview by USITC staff, Cambodia, April 29, 2024; USITC, hearing transcript, March 11, 2024, 266 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 271–72 (testimony of Robert Antoshak, Gherzi).

⁷⁵³ Foreign government official, interview by USITC staff, Cambodia, April 29, 2024; subject matter expert, interview by USITC staff, April 26, 2024; USITC, hearing transcript, March 11, 2024, 267 (testimony of Ken Loo, TAFTAC).

⁷⁵⁴ One industry representative reported increased investment in automation in case a labor shortage ensues. Industry representative, interview by USITC staff, May 9, 2024; subject matter expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, Cambodia, April 29, 2024.

⁷⁵⁵ Subject matter expert, interview by USITC staff, March 26, 2024.

⁷⁵⁶ Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 14.

⁷⁵⁷ As noted in chapter 4, tariff preferences in large destination markets can create economies of scale that lower costs overall and increase competitiveness. USITC, hearing transcript, March 11, 2024, 271 (testimony of Robert Antoshak, Gherzi); USITC, hearing transcript, March 11, 2024, 310, 320 (testimony of Ken Loo, TAFTAC); Government of Cambodia, *Industrial Transformation Map*, March 2023, 18; Government of Cambodia, written submission to the USITC, March 22, 2024, 1; industry representative, interview by USITC staff, February 20, 2024; industry expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, January 23, 2024; subject matter expert, interview by USITC staff, April 30, 2024.

chains.⁷⁵⁸ Cambodia's proximity and political alignment with China make it a convenient location into which Chinese and other foreign companies can shift production when buyers seek to diversify sourcing.⁷⁵⁹ According to some industry representatives, buyers source from Cambodia despite higher costs and lower productivity because they need to diversify sourcing.⁷⁶⁰

According to industry representatives, Cambodia reportedly picks up orders when buyers reach capacity in China and Vietnam.⁷⁶¹ The favorable investment environment in Cambodia allowed experienced suppliers from other major producing countries to set up CMT factories in Cambodia, to which they sent management professionals who brought the technical expertise to produce slightly higher value-added apparel items and established relationships with input suppliers.⁷⁶² One industry representative reported starting to source from Cambodia when trusted suppliers began producing there.⁷⁶³ Brands and retailers could achieve the goal of diversification by sourcing from Cambodia, while maintaining the benefit of working largely with established input supply chains, mainly with China.⁷⁶⁴ At the same time, the high share of Chinese-owned firms and reliance on inputs from China and Vietnam can limit the country's attractiveness as an alternative to China and Vietnam. Some industry sources suggest the high proportion of Chinese investors and a strong dependence on apparel inputs from China is indicative of U.S. brands remaining dependent on Chinese supply chains when sourcing from Cambodia and can create risk in terms of Uyghur Forced Labor Prevention Act compliance.⁷⁶⁵

Dependence on Imported Inputs Hinders Flexibility, but Proximity to Textile Suppliers Is Beneficial

The lack of vertical integration in the apparel sector in Cambodia, defined in this report as a lack of access to domestically produced inputs, is a competitive disadvantage but somewhat less of a critical

⁷⁵⁸ Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 14.

⁷⁵⁹ Ear, written submission to the USITC, March 24, 2024, 2–3; Clean Clothes Campaign, *Stitched Under Strain*, September 2023, 14; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024.

⁷⁶⁰ USITC, hearing transcript, March 11, 2024, 303 (testimony of Ken Loo, TAFTAC); Lu and USFIA, "2022 Fashion Industry Benchmarking Study," July 2022, 10; Lu and USFIA, "2018 Fashion Industry Benchmarking Study," July 2018, 24; "2020 Fashion Industry Benchmarking Study," July 2020, 13, 18; Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 12; industry representative, interview by USITC staff, February 27, 2024; industry representative, interview by USITC staff, March 12, 2024.

⁷⁶¹ Subject matter expert, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, March 12, 2024.

⁷⁶² Subject matter expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, May 9, 2023; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, April 29, 2024; subject matter expert, interview by USITC staff, Cambodia, April 30, 2024.

⁷⁶³ Industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, February 23, 2024.

⁷⁶⁴ Industry representative, interview by USITC Staff, February 27, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 12, 2024; industry representative, interview by USITC staff, March 26, 2024.

⁷⁶⁵ Industry representative, interview by USITC staff, March 12, 2024; industry expert, interview by USITC staff, March 26, 2024; industry representative, interview by USITC staff, January 23, 2024.

challenge given Cambodia's location and investment ties to China.⁷⁶⁶ Industry representatives report the lack of a domestic textile industry to be a competitive disadvantage, making it more difficult for producers in Cambodia to meet brands' expectations for flexibility and agility.⁷⁶⁷ At the same time, Cambodia benefits from proximity to its textile suppliers, which helps limit the transportation costs and time necessary to import inputs.⁷⁶⁸

According to an industry expert, the lead time from a Ho Chi Minh-area mill in Vietnam to Cambodia could be shorter or equivalent to the time it takes to ship from a Ho Chi Minh-area mill to Hanoi. Furthermore, the ability to move raw materials from Vietnam to Cambodia has improved in the past decade, observing fewer border stops and less theft, which previously hurt cross-border shipment.⁷⁶⁹ Despite its reliance on China for inputs, Cambodia saw no significant interruptions in the supply of raw materials from China during the COVID-19 pandemic.⁷⁷⁰ Finally, Cambodia's apparel exporters can import inputs for apparel production duty free as long as processed and re-exported, which also helps Cambodia's relative cost competitiveness.⁷⁷¹

⁷⁶⁶ Foreign government official, interview by USITC staff, Cambodia, April 26, 2024; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, February 23, 2024.

⁷⁶⁷ USITC, hearing transcript, March 11, 2024, 267, 308 (testimony of Ken Loo, TAFTAC); USITC, hearing transcript, March 11, 2024, 166–67 (testimony of Julia Hughes, USFIA); Government of Cambodia, written submission to the USITC, March 22, 2024, 2; industry representative, interview by USITC staff, March 5, 2024.

⁷⁶⁸ Industry representative, interview by USITC staff, April 4, 2024; industry expert, interview by USITC staff, April 26, 2024.

⁷⁶⁹ Industry representative, interview by USITC staff, April 4, 2024.

⁷⁷⁰ RBH, *Cambodia Garment, Footwear and Travel Goods, Issue 1*, November 2022, 7.

⁷⁷¹ USITC, hearing transcript, March 11, 2024, 317 (testimony of Ken Loo, TAFTAC).

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Chapter 7

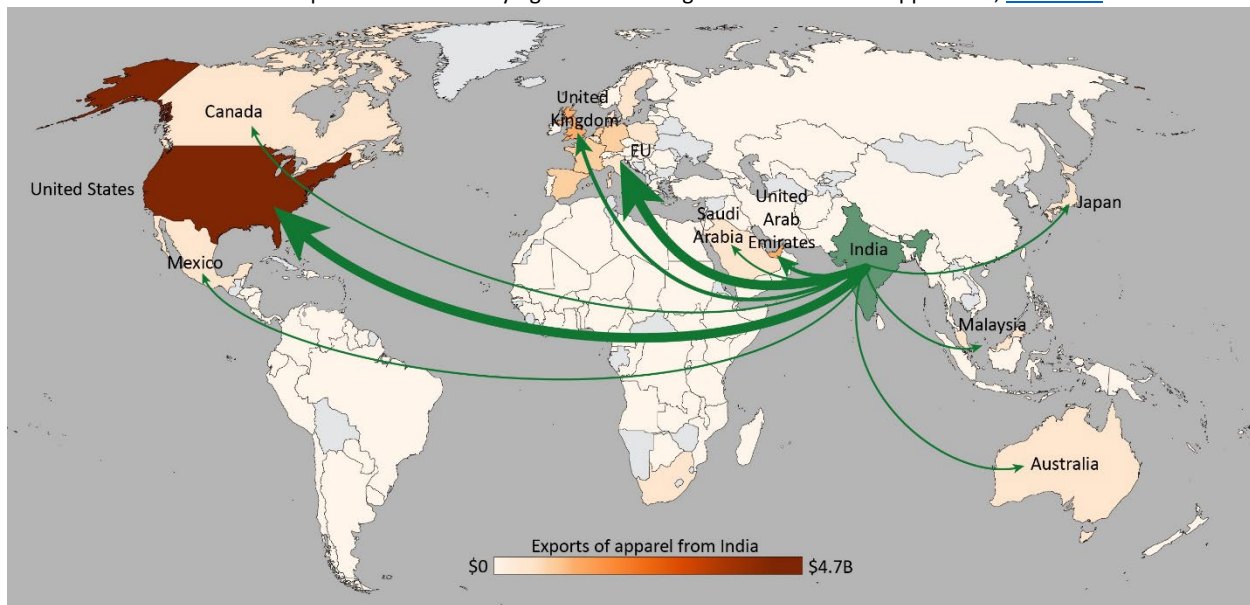
India

Summary

India is one of the top global exporters of apparel, ranking tenth in 2023, and has consistently been in the top five apparel suppliers, by value, to the United States since 2016 (figure 7.1). In 2023, the United States imported \$4.6 billion of apparel from India, up from \$4.0 billion in 2018. The textiles and apparel sector contributes about 2.3 percent of the country's GDP.

Figure 7.1 India: Exports of apparel, 2023

In billions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.15](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Its production of nearly every apparel input, from fiber to accessories, has allowed for vertical integration in the Indian apparel industry that appeals to buyers looking to mitigate risk in their supply chains and cuts down on costs. Additionally, its long history in apparel production has contributed to its reputation for detailed, high value-added apparel. Despite its benefits as an apparel supplier, industry representatives indicate India has not met its full potential as an apparel exporter to the United States.

Industry Profile

The apparel industry is one of India's oldest sectors; Indian textiles and apparel have been highly sought after since ancient times.⁷⁷² After gaining independence in 1947, India focused on expanding and

⁷⁷² Synerg, "From Ancient Threads to Global Garment Hubs," July 26, 2023; industry representative, interview by USITC staff, India, April 1, 2024.

promoting textile and apparel production, particularly for its own market.⁷⁷³ Starting in the late 1990s, the Indian garment industry was exporting large quantities of apparel. This was spurred in part by the phasing out of the Multifibre Arrangement (MFA) quotas and the removal of the requirement that medium and large apparel firms export at least 50 percent of their production, which led to an increase in the number of medium and large firms in the country.⁷⁷⁴

Industry Structure

The textiles and apparel sector plays an important role in the country's economy, especially as a major employer, and contributes about 2.3 percent of the country's GDP.⁷⁷⁵ Data on the size of India's apparel industry are limited, but estimates suggest there may be around 100,000 apparel factories in the country, a number of which are in the informal sector.⁷⁷⁶ Several different associations represent apparel producers, with two of the largest being the Clothing Manufacturers Association of India (CMAI) and the Apparel Export Promotion Council (AEPC).⁷⁷⁷ CMAI primarily focuses on the apparel producers for the domestic market and has over 20,000 members, and the AEPC works with exporters to promote and facilitate garment manufacturing and their exports, with approximately 8,000 members.⁷⁷⁸ Additionally, the government of India has a Ministry of Textiles that develops programs and councils to support the industry.⁷⁷⁹ The Ministry of Textiles' programs include training and subsidies and incentives to help companies upgrade equipment and technology.⁷⁸⁰ Many of the major apparel producers in India have some degree of within-firm vertical integration.⁷⁸¹ Shahi, the largest apparel producer in India, reportedly produces 90 percent of its inputs for apparel production in-house.⁷⁸²

The vast majority of Indian apparel manufacturers are micro, small, and medium-sized enterprises (MSMEs), as defined in India's government statistics by capital investments and revenue rather than employment.⁷⁸³ In a survey of 127 Indian apparel companies, 36.2 percent of small firms were only

⁷⁷³ Synerg, "From Ancient Threads to Global Garment Hubs," July 26, 2023; USITC, *Textiles and Apparel*, January 2004, F-16, F-20.

⁷⁷⁴ See box 1.1, "Global Textile and Apparel Quotas and the Textile Category System," for more information on the MFA. USITC, *Textiles and Apparel*, January 2004, F-16, F-20; Synerg, "From Ancient Threads to Global Garment Hubs," July 26, 2023; Chandra, "The Textile and Apparel Industry in India," April 2006, 4; Anner, "Predatory Purchasing Practices," December 2019, 712; industry representative, interview by USITC staff, India, April 1, 2024.

⁷⁷⁵ India's economy is very diverse, with sectors such as services and agriculture contributing far more to the overall economy than the apparel sector. Invest India, "Textiles & Apparel," accessed March 4, 2024; CIA, "The World Factbook," May 14, 2024.

⁷⁷⁶ Government of India, *Study on Garment Sector*, January 2018, 24; Mezzadri and Srivastava, *Labour Regimes in the Indian Garment Sector*, October 25, 2015, 22.

⁷⁷⁷ CMAI, "About CMAI," accessed April 23, 2024; AEPC, "About AEPC," accessed April 23, 2024.

⁷⁷⁸ CMAI, "About CMAI," accessed April 23, 2024; AEPC, "About AEPC," accessed April 23, 2024; AEPC, "Members Directory," accessed July 2, 2024.

⁷⁷⁹ Government of India, *Annual Report 2022–2023*, June 7, 2023, 1, 13.

⁷⁸⁰ Government of India, *Annual Report 2022–2023*, June 7, 2023, 4.

⁷⁸¹ AEPC, written submission to the USITC, March 22, 2024, 24.

⁷⁸² USITC, hearing transcript, March 11, 2024, 83–84 (testimony of J.D. Giri, Shahi).

⁷⁸³ Fibre2Fashion, "MSME Package Will Benefit," November 6, 2018; industry representative, interview by USITC staff, February 29, 2024; Mezzadri and Srivastava, *Labour Regimes in the Indian Garment Sector*, October 25, 2015, 24. The government of India defines micro firms as those with an investment in plant and machinery or equipment

supplying the domestic market and 38.1 percent were only supplying the export market.⁷⁸⁴ By comparison, of large firms surveyed, none indicated they were only serving the domestic market.⁷⁸⁵ It is estimated that only about 20 percent of Indian apparel production is exported.⁷⁸⁶

The Indian apparel industry is spread across the country but tends to be concentrated into “clusters,” which are sectoral and spatial concentrations of companies. There are 17 textile and apparel clusters dispersed across India’s states.⁷⁸⁷ Eight of these clusters focus on apparel production, while the others are involved in other textile production, including yarns and fabrics.⁷⁸⁸ These clusters were all formed organically over the years and often specialize in either knitting or weaving (figure 7.2).⁷⁸⁹ Some of the clusters are completely vertically integrated, either at the firm level or through local sourcing, but some are dependent upon other clusters for inputs in apparel production.⁷⁹⁰ To increase production of inputs within clusters, the government of India announced the development of seven new “Pradhan Mantri Mega Integrated Textile Regions and Apparel” (PM MITRA) parks in 2021. The parks aim to bring the entire textile value chain into concentrated areas to minimize logistics costs and encourage economies of scale.⁷⁹¹ These new parks plan to integrate many different suppliers and allow them to be more cost effective.⁷⁹²

of less than 10 million rupees (\$120,069), and a turnover of less than 50 million rupees (\$600,344). Small firms have an investment in plant and machinery or equipment of less than 100 million rupees (\$1,200,688) and turnover of less than 500 million rupees (\$6,003,440). Medium-sized firms have an investment in plant and machinery or equipment of less than 500 million rupees (\$6,003,440) and a turnover of less than 2.5 billion rupees (\$30,017,200). Conversion rate based on 1 Indian rupee to 0.012 U.S. dollars, June 30, 2024. Government of India, “What’s MSME,” accessed March 1, 2024; U.S. Treasury, “Currency Exchange Rates Converter Tool,” June 30, 2024.

⁷⁸⁴ Ray, “What Explains India’s Poor Performance,” May 2019, 9.

⁷⁸⁵ Ray, “What Explains India’s Poor Performance,” May 2019, 9.

⁷⁸⁶ USITC, hearing transcript, March 11, 2024, 31 (testimony of Mithileshwar Thakur, AEPC); Ray, “What Explains India’s Poor Performance,” May 2019, 5.

⁷⁸⁷ USITC, hearing transcript, March 11, 2024, 33, 79–80 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 22.

⁷⁸⁸ USITC, hearing transcript, March 11, 2024, 79–80 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 22.

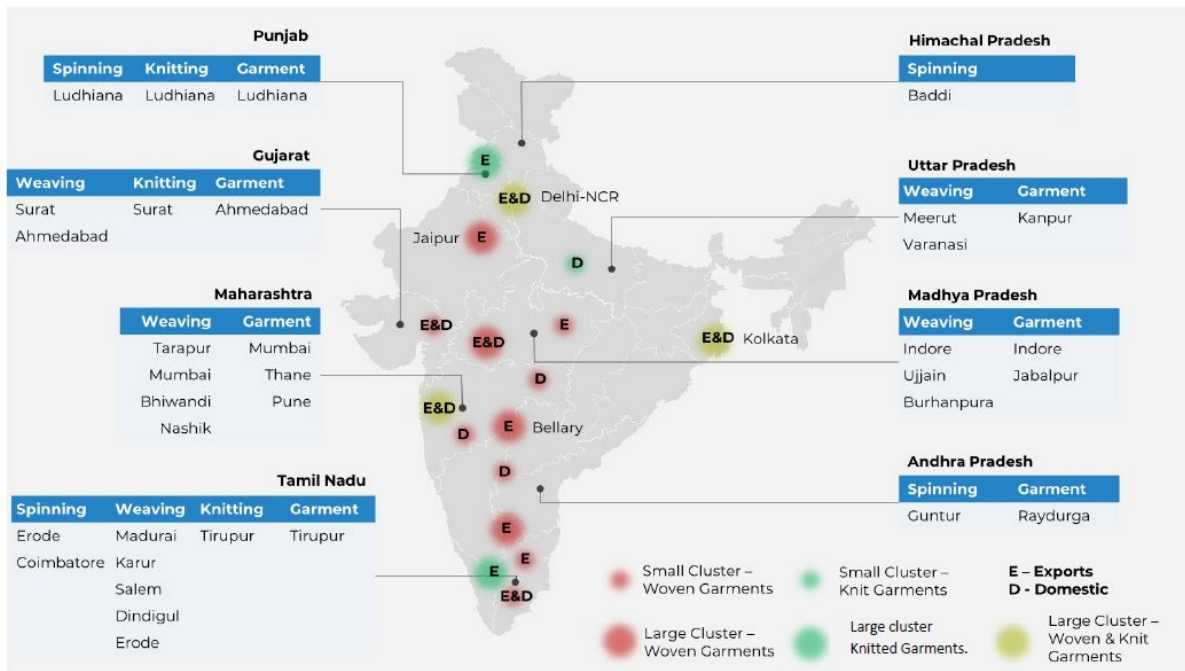
⁷⁸⁹ USITC, hearing transcript, March 11, 2024, 80–81 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 22; foreign government official, interview by USITC staff, India, April 1, 2024.

⁷⁹⁰ USITC, hearing transcript, March 11, 2024, 58–59 (testimony of Mithileshwar Thakur, AEPC); Government of India, *Annual Report 2022–2023*, June 7, 2023, 5–6; AEPC, written submission to the USITC, March 22, 2024, 22.

⁷⁹¹ Government of India, *Annual Report 2022–2023*, June 7, 2023, 4; Government of India, “About PM MITRA PARK SCHEME,” accessed February 26, 2024, 1–3; USITC, hearing transcript, March 11, 2024, 54 (testimony of Mithileshwar Thakur, AEPC).

⁷⁹² Industry representative, interview by USITC staff, India, April 1, 2024; industry representative, interview by USITC staff, India, April 8, 2024; AEPC, written submission to the USITC, March 22, 2024, 23.

Figure 7.2 Textile and apparel clusters in India by state and speciality



Source: AEPC, written submission to the USITC, March 22, 2024, 22.

Employment, Wages, and Productivity

India is the most populous country in the world, with more than 1.4 billion people.⁷⁹³ It also has a large share of young people, with more than 40 percent of the population being under the age of 25.⁷⁹⁴ The working age population as a share of total population is expected to reach its highest level at 68.9 percent by 2030.⁷⁹⁵ Employing 45 million workers, textile and apparel production is the second-largest employment sector in India, behind agriculture.⁷⁹⁶ Apparel manufacturing alone employs between 14 million and 15 million people.⁷⁹⁷ The majority of these employees work in MSMEs in the informal sector for the domestic market.⁷⁹⁸ Manufacturers in the north mostly employ male migrant workers from other states in India, whereas southern cities such as Chennai, Bengaluru, and Tiruppur employ a majority of women workers.⁷⁹⁹ Although the percentage of women in the sector has increased, from 30 percent in

⁷⁹³ World Bank, “Population, Total - India,” accessed April 16, 2024.

⁷⁹⁴ Silver, Huang, Clancy, “Key Facts as India Surpasses China,” February 9, 2023.

⁷⁹⁵ AEPC, written submission to the USITC, March 22, 2024, 2; EY India, “India@100,” April 11, 2023; USITC, hearing transcript, March 11, 2024, 56 (testimony of Mithileshwar Thakur, AEPC).

⁷⁹⁶ Foreign government official, interview by USITC staff, India, April 2, 2024; *The Economic Times*, “India Can Emerge as Leading Destination for Global Textile, Apparel Value Chain,” December 15, 2023.

⁷⁹⁷ Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 24; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 5.

⁷⁹⁸ See below section on “India Has a Mixed Record on Social Responsibility.” ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9, 18.

⁷⁹⁹ ILO, *Working Conditions of Migrant Garment Workers*, 2017, 6–7; industry representative, interview by USITC staff, February 29, 2024.

1983 to 39 percent in 2019, the percentage of women employed in the apparel industry remains far below most other apparel-producing countries.⁸⁰⁰

Despite India's large population, several apparel-manufacturing regions across India hire migrant workers.⁸⁰¹ While it is prohibited under the Indian Industrial Disputes Act of 1947 to fire employees without reasonable cause, this often does not apply to migrant workers, as they are usually contract workers.⁸⁰² In Tiruppur, which produces approximately 55 percent of India's apparel exports, over half of the estimated 600,000 workers in apparel factories are migrant workers.⁸⁰³ Instead of hiring migrant workers, some Indian apparel factories have begun to open factories in states where the local workforce is larger and wages are generally lower.⁸⁰⁴ The government has also designed the PM MITRA parks to be located in areas with a high number of eligible workers.⁸⁰⁵

Wage rates are generally considered to be higher in India than in other regional suppliers, but the wage rates for garment workers in India can vary widely by state and by skill level.⁸⁰⁶ The states determine and implement the minimum wages and administer labor laws.⁸⁰⁷ The average state minimum wage for all unskilled workers is \$125 per month, and the average wage for garment workers is between \$133 and \$190 per month.⁸⁰⁸ However, as much of the garment sector is informal, there are also numerous businesses with home-based laborers who are often paid on a piece-rate basis.⁸⁰⁹

⁸⁰⁰ When women are employed in apparel manufacturing, they are often employed in the lowest paid and least skilled positions, such as thread cutting, hand work, and tailoring operators. Men are generally in more skilled positions such as sampling, cutting, and checking positions and also serve as supervisors or managers. ILO, *Working Conditions of Migrant Garment Workers*, 2017, 5; ILO, *Moving the Needle*, May 5, 2021, 8; Mezzadri and Srivastava, *Labour Regimes in the Indian Garment Sector*, October 25, 2015, 64; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 30, 35.

⁸⁰¹ Industry representative, interview by USITC staff, February 29, 2024; industry representative, interview by USITC staff, February 20, 2024; foreign government official, interview by USITC staff, India, April 1, 2024; industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, May 7, 2024; ILO, *Working Conditions of Migrant Garment Workers*, 2017, 9.

⁸⁰² Srivastava et al., "At a Glance," April 29, 2023; Government of India, Indian Industrial Disputes Act, §§ 25F, 25N, March 11, 1947; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 39; ILO, *Working Conditions of Migrant Garment Workers*, 2017, 12.

⁸⁰³ Ghosal, "Tiruppur Stares at Labour Crisis," February 3, 2024; industry representative, interview by USITC staff, March 18, 2024.

⁸⁰⁴ Industry representative, interview by USITC staff, India, April 4, 2024; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 35; Indian Apparel, "North Indian Apparel Workers Deserting Tiruppur for Noida," February 6, 2024.

⁸⁰⁵ Foreign government official, interview by USITC staff, India, April 1, 2024.

⁸⁰⁶ Luebker, "Minimum Wages," November 2014, 1; AEPC, written submission to the USITC, March 22, 2024, 12; ILO, *Working Conditions of Migrant Garment Workers*, 2017, 13; USITC, hearing transcript, March 11, 2024, 101–2 (testimony of Mithileshwar Thakur, AEPC).

⁸⁰⁷ USITC, hearing transcript, March 11, 2024, 101 (testimony of Mithileshwar Thakur, AEPC); Luebker, "Minimum Wages," November 2014, 1; foreign government official, interview by USITC staff, India, April 5, 2024; industry representative, interview by USITC staff, India, April 5, 2024.

⁸⁰⁸ AEPC, written submission to the USITC, March 22, 2024, 12; Statista, "India," accessed May 7, 2024; Kumar, Dahaghani, and Nathan, *Garment Workers in India's Lockdown*, June 2020, 11.

⁸⁰⁹ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 15; Anner, "Predatory Purchasing Practices," December 2019, 707.

Despite Indian law providing for freedom of association and prohibiting discrimination against union members, unionization rates are low among garment workers in India.⁸¹⁰ The Indian Trade Unions Act of 1926 allows for unionization starting with seven members aged 18 and older, provided that the members of the trade union represent more than 10 percent of the workforce or 100 workers, whichever is less.⁸¹¹ However, subject matter experts note challenges in recruiting members to form unions.⁸¹² Unionization rates and union activity vary by state, with some states having very little union presence.⁸¹³ Recent estimates indicate that less than 5 percent of garment workers are represented by unions, compared with around 10 percent for the overall Indian workforce.⁸¹⁴ Unionization of workers is low in part due to the prevalence of informal work and contract laborers, who are often unaware of their ability to unionize or are reticent to join unions because they do not want to risk losing their jobs.⁸¹⁵

India's labor productivity in textiles and apparel is lower than other top suppliers.⁸¹⁶ Some attribute this to India's stricter labor laws and need for technology upgrades, as well as a lack of skilled labor (see "Apparel Sector Competitiveness" below).⁸¹⁷ Others attribute this to the types of items India produces, which are generally higher quality with more time-consuming designs.⁸¹⁸ In an effort to improve the number of skilled workers and productivity, the Ministry of Textiles established the Samarth scheme (Scheme for Capacity Building in the Textile Sector) to encourage skill development of unemployed young people for employment in the textile and apparel sector. The scheme's goal was to train 100,000 people between 2017 and 2020. The program was extended through 2025, and by early 2024, more than 150,000 people, the majority women, had been trained.⁸¹⁹ Additionally, apparel manufacturers have their own in-house training programs for their workers. For example, the largest apparel manufacturer in India has a program that provides training for women on interpersonal and technical skills.⁸²⁰

⁸¹⁰ Government of India, Trade Unions Act, § 9A, March 25, 1926; ILO, *Working Conditions of Migrant Garment Workers*, 2017, 29; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 17; Anner, "Predatory Purchasing Practices," December 2019, 723.

⁸¹¹ Government of India, Trade Unions Act, § 9A, March 25, 1926; ILO, *Working Conditions of Migrant Garment Workers*, 2017, 29; Fair Wear Foundation, *India Country Study*, 2019, 52.

⁸¹² ILO, *Working Conditions of Migrant Garment Workers*, 2017, 29; foreign government official, interview by USITC staff, India, April 5, 2024; subject matter expert, interview by USITC staff, India, April 5, 2024.

⁸¹³ ILO, *Working Conditions of Migrant Garment Workers*, 2017, 30; Fair Wear Foundation, *India Country Study*, 2019, 20; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 47.

⁸¹⁴ ILO, *Working Conditions of Migrant Garment Workers*, 2017, 29; Fair Wear Foundation, *India Country Study*, 2019, 12.

⁸¹⁵ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 17, 37; Fair Wear Foundation, *India Country Study*, 2019, 31, 35, 42.

⁸¹⁶ Reportedly, the average efficiency level in Indian apparel manufacturing is lower than the level in China and Vietnam. Dhiman and Sharma, "Relation between Labour Productivity and Export Competitiveness," March 1, 2019, 24; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22; Safaya, "Indian Apparel Exporters Urged," February 26, 2024.

⁸¹⁷ Foreign government official, interview by USITC staff, India, April 9, 2024; Government of India, *Study on Garment Sector*, January 2018, 69; industry representative, interview by USITC staff, May 9, 2024.

⁸¹⁸ Industry representative, interview by USITC staff, May 2, 2024.

⁸¹⁹ Government of India, "Extension of Timeline of Samarth," March 7, 2024; Government of India, "Scheme for Capacity Building," accessed March 26, 2024; AEPC, written submission to the USITC, March 22, 2024, 14.

⁸²⁰ AEPC, written submission to the USITC, March 22, 2024, 13; Shahi Exports, written submission to the USITC, March 4, 2024, 10, 29.

Domestic and Foreign Direct Investment

Approximately 95 percent of Indian garment manufacturers are domestically owned.⁸²¹ However, the government is reportedly open to, and encouraging of, more foreign direct investment (FDI) in the apparel industry. It allows 100 percent foreign investment without requiring government approval in the textile and apparel sector and is hoping the development of the PM MITRA parks will also encourage foreign investment.⁸²² While some report that FDI has not grown to the levels they expected, FDI in the textile and apparel sector has increased by \$1.5 billion since 2017.⁸²³ Among these investments are 30 greenfield investments from 13 different countries in the textile and apparel sector that have been reported since 2017.⁸²⁴ Youngone Corporation, a South Korean apparel manufacturing group, opened a new facility near Bangalore in 2023 with an initial investment of \$120 million.⁸²⁵ Additionally, Chinese company Epic Group is planning to invest \$45 million in a new facility in Odisha.⁸²⁶ Lindström Group, a Finnish apparel and textile rental company, has established 13 workwear manufacturing facilities throughout India.⁸²⁷

Infrastructure and Logistics

The presence of apparel clusters throughout the country means that transport times to the nearest port can vary, in part a result of differences in the quality and availability of local infrastructure. From the largest exporting cluster, Tiruppur in Tamil Nadu, a state in South India, it takes eight hours for goods to get to the port for export, with consolidation for shipping occurring in Sri Lanka or Singapore.⁸²⁸ The shipping time for goods from India is usually 60 days; however, it increased to 75 days as a result of recent attacks on ships in the Red Sea.⁸²⁹

Indian ports have improved since 2015 because the country has invested in technology and infrastructure.⁸³⁰ The cargo dwell time, referring to time spent waiting at the port from container arrival to departure, was more than eight days in the 1990s, whereas it is now 2.6 days, which is more aligned

⁸²¹ van Klaveren and Tjens, *Mapping the Global Garment*, August 2018, 41–42; USITC, hearing transcript, March 11, 2024, 57 (testimony of Mithileshwar Thakur, AEPC); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8.

⁸²² AEPC, written submission to the USITC, March 22, 2024, 24; IMPRI, “PM MITRA Parks,” February 3, 2024.

⁸²³ AEPC, written submission to the USITC, March 22, 2024, 24; USITC, hearing transcript, March 11, 2024, 57 (testimony of Mithileshwar Thakur, AEPC); Amed et al., “How India’s Ascent Could Change,” February 5, 2019; industry expert, interview by USITC staff, March 25, 2024.

⁸²⁴ Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024.

⁸²⁵ Textile Today, “Youngone Corporation Expands Business,” July 13, 2023; AEPC, written submission to the USITC, March 22, 2024, 24.

⁸²⁶ AEPC, written submission to the USITC, March 22, 2024, 24; Epic Group, “Exciting News!,” October 2023.

⁸²⁷ Preetha, “Textile Rental Firm Lindstrom to Open,” October 14, 2023.

⁸²⁸ Industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, India, April 3, 2024.

⁸²⁹ Industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, India, April 4, 2024.

⁸³⁰ World Bank, *Connecting to Compete 2023*, 2023, 22.

with global standards.⁸³¹ The World Bank Logistics Performance Index report in 2023 gave India a total score of 3.4 out of 5, up from 3.08 out of 5 in 2014.⁸³² Additionally, in 2015 a joint public-private partnership called National Industrial Corridor Development Corporation (NICDC) Logistics Data Services was introduced to improve logistics in the supply chain in India. The NICDC Logistics Data Services applies radio frequency identification tags to containers and allows consignees to track their shipments.⁸³³

Production

Indian production of apparel was on an upward trend until the COVID-19 pandemic, when production plummeted because of canceled orders and lockdowns (figure 7.3).⁸³⁴ Since then, apparel production in India has remained below peak levels, with 2022 production estimated at 20 billion garments.⁸³⁵ Between 2013 and 2022, there was a reported 23.6 percent increase in apparel production.⁸³⁶ Most of the sector's production is destined for the domestic market, with only approximately 20 percent of total apparel manufactured in India exported.⁸³⁷

India produces a wide variety of apparel, from cotton T-shirts to designer dresses. It specializes in value-added products that require higher skill levels, such as items requiring hand embroidery or embellishments.⁸³⁸ The majority of apparel made for the domestic market is silk and cotton, which has resulted in a limited desire to expand into manmade fiber (MMF) goods in the past.⁸³⁹ India's reliance on cotton, silk, and linen fabrics has resulted in limited production of fall and winter clothing items.⁸⁴⁰ This seasonality limitation makes production in spring and summer lighter in terms of orders.⁸⁴¹ During fall and winter, companies hire temporary or contract workers to keep up with demand for the spring and summer clothing seasons.⁸⁴²

⁸³¹ Based on average dwell times between May and October 2022. USITC, hearing transcript, March 11, 2024, 55 (testimony of Mithileshwar Thakur, AEPC); World Bank, *Connecting to Compete 2023*, 2023, 22; World Bank, "Glossary," accessed June 5, 2024.

⁸³² The Logistics Performance Index is a benchmarking tool that identifies the challenges and opportunities countries face in their trade logistics performance. World Bank, *Connecting to Compete 2023*, 2023, 32; World Bank, *Connecting to Compete*, 2014, viii.

⁸³³ World Bank, *Connecting to Compete 2023*, 2023, 22.

⁸³⁴ India implemented national and state lockdowns throughout 2020–21. AEPC estimated that 83 percent of export orders were either partially or fully canceled. Khurana, "The Indian Fashion and Textile Sector in and Post COVID-19 Times," May 5, 2022, 2, 4; Clean Clothes Campaign, *Still Un(der)paid*, 2021, 29.

⁸³⁵ AEPC, written submission to the USITC, March 22, 2024, 11.

⁸³⁶ UNIDO, "UNIDO Statistics Portal," accessed July 2, 2024.

⁸³⁷ USITC, hearing transcript, March 11, 2024, 31, 77 (testimony of Mithileshwar Thakur, AEPC).

⁸³⁸ Government of India, *Study on Garment Sector*, January 2018, 37; Ray, "What Explains India's Poor Performance," May 2019, 17; industry representative, interview by USITC staff, May 2, 2024.

⁸³⁹ Foreign government official, interview by USITC, India, April 1, 2024; industry representative, interview by USITC staff, India, April 5, 2024; Government of India, *Study on Garment Sector*, January 2018, 79.

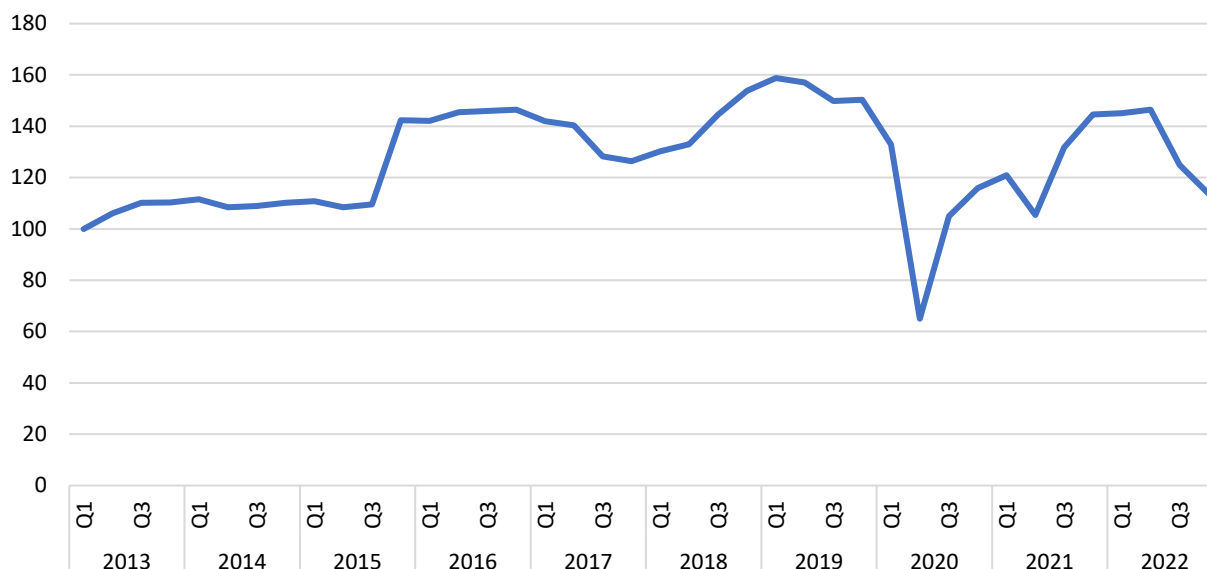
⁸⁴⁰ Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, February 29, 2024; Government of India, *Study on Garment Sector*, January 2018, 79.

⁸⁴¹ Industry representative, interview by USITC staff, February 29, 2024; Government of India, *Study on Garment Sector*, January 2018, 79.

⁸⁴² ILO, *Working Conditions of Migrant Garment Workers*, 2017, 12; Anner, "Predatory Purchasing Practices," December 2019, 711–12.

Figure 7.3 Index of apparel production in India, 2013–22

2013 = 100, seasonally adjusted. Q = quarter. Underlying data for this figure can be found in appendix E, [table E.16](#).



Source: UNIDO, UNIDO Data Portal, accessed July 2, 2024.

The apparel industry in India has been relatively slow to automate, in part because of its abundance of labor and prevalence of MSMEs.⁸⁴³ Some large factories have implemented automation that includes digital sampling, machine-cutting technology, and automatic hanger systems to aid in the sewing process lines, but small businesses are often unable to invest in new machinery and technologies because of cost, including the costs of importing machinery.⁸⁴⁴

India also has a strong foundation in recycled textile and apparel production. In 2023, Fashion for Good, a nonprofit based in the Netherlands, completed a study on Indian apparel waste, which found that approximately 59 percent of textile waste in India is reused and recycled.⁸⁴⁵ According to the report, India is a global leader in mechanical recycling, although the majority of the recycled yarns are made through a low-grade recycling process and are not used in apparel production.⁸⁴⁶ India has more than 900 recycling factories and strong pre-consumer waste recycling.⁸⁴⁷ Almost 25 percent of both pre- and post-consumer textiles and apparel waste in India is recycled annually, compared to 20 percent

⁸⁴³ Khurana, “The Indian Fashion and Textile Sector in and Post COVID-19 Times,” May 5, 2022, 7; industry representative, interview by USITC staff, March 5, 2024.

⁸⁴⁴ Shahi Exports, written submission to the USITC, March 4, 2024, 9, 64; Ray, “What Explains India’s Poor Performance,” May 2019, 11; industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, India, April 10, 2024; foreign government official, interview by USITC staff, India, April 9, 2024; industry representative, interview by USITC staff, India, April 5, 2024.

⁸⁴⁵ Textile waste refers to pre-consumer textile waste, post-consumer textile domestic waste, and imported textile waste. Fashion for Good, “Toolkit for Organising Textile Waste in India,” December 2023, 2–3.

⁸⁴⁶ Fashion for Good, “Toolkit for Organising Textile Waste in India,” December 2023, 2–3.

⁸⁴⁷ AEPC, written submission to the USITC, March 22, 2024, 31; Fashion for Good, “Toolkit for Organising Textile Waste in India,” December 2023, 3; USITC, hearing transcript, March 11, 2024, 98 (testimony of Mithileshwar Thakur, AEPC); subject matter expert, interview by USITC staff, India, April 9, 2024.

globally.⁸⁴⁸ The country is beginning to work more on post-consumer waste recycling.⁸⁴⁹ India's cotton and cotton-rich materials lend themselves to post-consumer recycling because they are the most popular feedstock for recyclers.⁸⁵⁰

The reliability of electricity in India has improved in recent years and is more affordable than in many other countries.⁸⁵¹ The majority of India's energy is produced by coal, but the government is focusing heavily on increasing the use of renewables.⁸⁵² India ranks fourth in the world in renewable energy installed capacity according to the Ministry of New and Renewable Energy.⁸⁵³ Additionally, solar power is cheaper than the traditional electric grid for many manufacturers.⁸⁵⁴ One of the largest manufacturers of exported apparel from India indicates that around 75 percent of its energy needs are met by solar power.⁸⁵⁵ Many companies also own their own wind towers near their factories.⁸⁵⁶

Sourcing of Inputs

India has a strong domestic textile industry that provides a majority of the inputs used in the country's apparel sector. More than 90 percent of the raw material requirements for apparel is reported to be sourced domestically.⁸⁵⁷ In 2023, India was the second-largest global producer of both cotton and silk, as well as polyester and viscose, and is a top supplier of raw organic cotton.⁸⁵⁸ The diverse climate in India allows for production of many different natural fibers, such as cotton, flax, and jute. Some Indian apparel manufacturers even own their own cotton fields.⁸⁵⁹ However, there are several apparel inputs for which

⁸⁴⁸ USITC, hearing transcript, March 11, 2024, 99 (testimony of Mithileshwar Thakur, AEPC); Fashion for Good, "Toolkit for Organising Textile Waste in India," December 2023, 3; Shah, "Advancing Post-Consumer Textile Recycling," November 2023.

⁸⁴⁹ Subject matter expert, interview by USITC staff, India, April 9, 2024; Fashion for Good, "Toolkit for Organising Textile Waste in India," December 2023, 7.

⁸⁵⁰ Khanna et al., "Unlocking India's Waste Opportunity," December 2023, 7, 46.

⁸⁵¹ AEPC, written submission to the USITC, March 22, 2024, 19; IEA, "Electricity Market Report Update," July 2023, 32; USITC, hearing transcript, March 11, 2024, 104 (testimony of Mithileshwar Thakur, AEPC).

⁸⁵² AEPC, written submission to the USITC, March 22, 2024, 19; industry representative, interview by USITC staff, April 4, 2024.

⁸⁵³ Government of India, "Year-End Review 2022," December 20, 2022; AEPC, written submission to the USITC, March 22, 2024, 19.

⁸⁵⁴ Industry representative, interview by USITC staff, India, April 1, 2024; industry representative, interview by USITC staff, India, April 3, 2024; USITC, hearing transcript, March 11, 2024, 104 (testimony of Mithileshwar Thakur, AEPC).

⁸⁵⁵ USITC, hearing transcript, March 11, 2024, 96–97 (testimony of J.D. Giri, Shahi).

⁸⁵⁶ Industry representative, interview by USITC staff, India, April 3, 2024.

⁸⁵⁷ USITC, hearing transcript, March 11, 2024, 32–33 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 10–11.

⁸⁵⁸ Recently, a lack of organic cotton seeds has led to an increase in fraudulent organic cotton and resulted in the U.S. Department of Agriculture terminating its agreement to recognize organic cotton products certified by companies overseen by the government of India. Textile Exchange, *Organic Cotton Market Report*, October 2022, 51; Wicker et al., "That Organic Cotton T-Shirt May Not Be as Organic as You Think," February 14, 2022; USDA, FAS, "Production, Supply, and Distribution Dataset: Cotton," May 10, 2024; Government of India, Ministry of Commerce, "Silk Industry," accessed January 22, 2024; Government of India, *Annual Report 2022–2023*, June 7, 2023, 3; USITC, hearing transcript, March 11, 2024, 39 (testimony of Parthasarathi Jha, Shahi Exports); USITC, hearing transcript, March 11, 2024, 77 (testimony of Mithileshwar Thakur, AEPC).

⁸⁵⁹ Industry representative, interview by USITC staff, January 23, 2024; industry representative, interview by USITC staff, India, April 10, 2024.

India is highly reliant on imports (tables 7.1 and 7.2), such as wool and some manmade fibers and yarns.⁸⁶⁰ In particular, India's top suppliers of wool are Australia, New Zealand, and China, and its top supplier of manmade fiber and yarn is China.⁸⁶¹

Table 7.1 India: Imports of textile raw materials and fibers, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
European Union	119	217	280	157	251	273	319
United States	142	370	640	173	246	558	294
Australia	183	260	159	72	158	423	255
China	233	203	250	127	140	257	178
Egypt	59	76	100	74	150	92	123
All other sources	541	523	939	419	526	1,172	605
Total	1,278	1,649	2,368	1,022	1,470	2,774	1,773

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60, textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

Table 7.2 India: Imports of yarns and fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	1,746	1,890	1,934	1,438	2,491	2,961	2,892
European Union	145	180	177	115	162	187	176
Bangladesh	87	104	143	116	131	143	174
Indonesia	48	143	182	113	185	169	172
Vietnam	71	176	190	75	123	212	170
All other sources	714	923	898	627	959	1,011	850
Total	2,811	3,417	3,524	2,484	4,051	4,683	4,436

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

India is second only to China in terms of vertical integration in the apparel industry.⁸⁶² Although the sector primarily catered to the styles of the domestic market and thus focused on the production of cotton yarn and fabric in the past, the government of India has been encouraging a shift to MMF production in recent years.⁸⁶³ MMF production grew 7 percent on average in each of the last three years.⁸⁶⁴ Currently, MMF raw materials account for 41 percent of the total raw material consumption in India for textiles and apparel.⁸⁶⁵ The government of India created the Production-Linked Incentive (PLI)

⁸⁶⁰ Government of India, *Annual Report 2022–2023*, June 7, 2023, 66; foreign government official, interview by USITC staff, India, April 9, 2024.

⁸⁶¹ India has a free trade agreement with Australia that entered into force on December 29, 2022. Austrade, “Australia-India Economic Cooperation and Trade Agreement,” accessed April 16, 2024. S&P Global, GTAS database, HS Chapters 51, 54, and 55, wool and manmade fiber and yarn, accessed June 17, 2024; Government of India, *Annual Report 2022–2023*, June 7, 2023, 66; foreign government official, interview by USITC staff, India, April 9, 2024.

⁸⁶² USITC, hearing transcript, March 11, 2024, 176 (testimony of Beth Hughes, AAFA); Mittal, “Weaving a Bright Future,” May 5, 2023; Government of India, *Study on Garment Sector*, January 2018, 96.

⁸⁶³ USITC, hearing transcript, March 11, 2024, 53–54 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 9–10.

⁸⁶⁴ USITC, hearing transcript, March 11, 2024, 53–54 (testimony of Mithileshwar Thakur, AEPC); AEPC, written submission to the USITC, March 22, 2024, 9.

⁸⁶⁵ Government of India, *Annual Report 2022–2023*, June 7, 2023, 36.

Scheme for Textiles in 2021 with a budget of 106.8 billion Indian rupees (approximately \$1.3 billion) over a five-year period to promote the production of MMF apparel and fabrics and technical textiles in the country.⁸⁶⁶ The government of India has approved 64 applications for projects under the PLI Scheme in states throughout India.⁸⁶⁷ Despite growth in this area, imports of MMF yarns and fabrics from China have been increasing in recent years.⁸⁶⁸ This may be partially attributable to the increased production of MMF apparel in the country and buyer requirements of specific imported yarns and fabrics for their apparel.⁸⁶⁹

India has substantial yarn spinning and weaving capacity. In 2022, it had 55.8 million short-staple spindles for spinning and 160,000 shuttle-less looms and had the second-largest manufacturing capacity in the world for yarn and woven fabric.⁸⁷⁰ Indian duty rates on knitted and woven fabric imports are relatively high at 10–20 percent, prompting many factories to choose to produce apparel made from domestically sourced fabrics to the extent possible.⁸⁷¹ Owing to its significant capacity, in addition to supplying its domestic market, India also exports significant amounts of yarn and fabric, valued at more than \$10 billion, to other apparel-producing countries, such as Bangladesh and China (table 7.3).⁸⁷² In particular, cotton yarn is a top textile export product for India; such exports totaled \$3.7 billion in 2023. Cotton yarn accounted for more than half (\$1.2 billion) of India’s exports of yarns and fabrics to Bangladesh and nearly all of India’s yarn and fabric exports to China (\$755 million).⁸⁷³

Table 7.3 India: Exports of yarns and fabrics, by major market, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
Bangladesh	1,088	1,611	1,405	1,312	2,791	2,500	2,015
European Union	1,060	966	831	674	1,044	999	929
China	1,886	1,208	807	608	995	147	755
United States	406	543	554	666	1,005	868	743
Sri Lanka	471	529	576	476	693	722	606
All other destinations	6,313	5,992	5,796	4,533	6,339	5,757	5,287
Total	11,225	10,849	9,970	8,268	12,867	10,994	10,335

Source: S&P Global, GTAS database, HS Chapters 50–56, 58–60, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

⁸⁶⁶ Invest India, “Man-Made Fibre Industry,” accessed January 29, 2024; Nandi, “Union Cabinet Approves,” September 8, 2021; Government of India, “Centre Approves 64 Applications,” April 5, 2024.

⁸⁶⁷ Invest India, “Textiles & Apparel,” accessed March 4, 2024; Government of India, “Centre Approves 64 Applications,” April 5, 2024.

⁸⁶⁸ S&P Global, GTAS database, HS Chapters 50–56, 58–60; yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

⁸⁶⁹ AEPC, written submission to the USITC, March 22, 2024, 11; Fibre2Fashion, “Costlier Cotton Prompts Indian,” April 26, 2023; industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, India, April 3, 2024.

⁸⁷⁰ ITMF, *International Textile Industry Statistics*, December 2023, 18, 41; USITC, hearing transcript, March 11, 2024, 53 (testimony of Mithileshwar Thakur, AEPC).

⁸⁷¹ USITC, hearing transcript, March 11, 2024, 32 (testimony of Mithileshwar Thakur, AEPC); Ray, “What Explains India’s Poor Performance,” May 2019, 6; Preetha, “Textile Sector Seeks Changes,” January 20, 2024; Government of India, “Tariff,” February 1, 2023.

⁸⁷² S&P Global, GTAS database, HS Chapters 50–56, 58–60; yarns and fabrics, accessed June 17, 2024; USITC, hearing transcript, March 11, 2024, 89 (testimony of Faruque Hassan, BGMEA).

⁸⁷³ S&P Global, GTAS database, HS headings 5204, 5205, 5206, and 5207, cotton yarns, accessed June 17, 2024.

Exports of Apparel

Exports to Major Markets

The apparel sector accounted for 3.4 percent of India's total exports in 2023, compared to 4.6 percent in 2013.⁸⁷⁴ Apparel makes up 36 percent of India's total textile and apparel exports.⁸⁷⁵ India exports apparel to nearly every country in the world and accounts for 2.9 percent of global trade in apparel.⁸⁷⁶ Apparel exports from India have remained relatively stable for the past 10 years, ranging between \$14 billion and \$17 billion, with the exception of 2020, when exports fell to \$12.3 billion (figure 7.4 and table 7.4). In 2023, Indian exports of apparel totaled more than \$14.5 billion, approximately equivalent to its exports in 2013 and down from \$15.7 billion in 2018.⁸⁷⁷ Of total exports of apparel from India in 2023, 45.9 percent were knit garments and 54.1 percent were woven garments.⁸⁷⁸

India's top three export markets are the United States (32.0 percent), the European Union (EU) (28.0 percent), and the United Kingdom (UK) (9.2 percent).⁸⁷⁹ Exports of apparel to the United States in 2022 were nearly four times larger than exports to the UK, India's second-largest single-country market. The United States has become a more prominent destination for Indian apparel exports in recent years, garnering a 32.0 percent share of all apparel exports from India in 2023 versus a 23.2 percent share in 2013.⁸⁸⁰ At the same time, the share of apparel exports to the UK have dropped since 2013.

⁸⁷⁴ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁸⁷⁵ Government of India, *Annual Report 2022–2023*, June 7, 2023, 33.

⁸⁷⁶ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁸⁷⁷ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

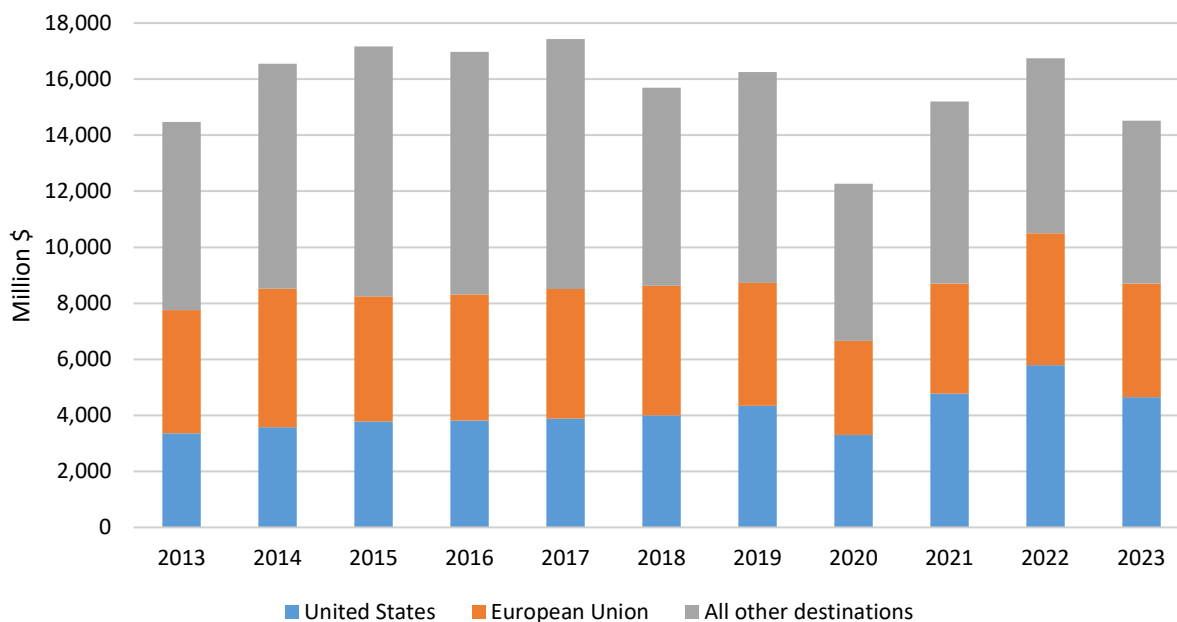
⁸⁷⁸ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁸⁷⁹ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

⁸⁸⁰ S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Figure 7.4 India: Exports of apparel, 2013–23

In millions of dollars. Underlying data for this figure can be found in appendix E, [table E.17](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Table 7.4 India: Exports of apparel, by major market, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
United States	3,358	4,004	4,344	3,298	4,781	5,787	4,651
European Union	4,392	4,621	4,381	3,356	3,919	4,705	4,058
United Kingdom	1,603	1,620	1,594	1,128	1,316	1,469	1,333
United Arab Emirates	1,678	1,900	1,861	1,516	1,921	1,267	1,157
Saudi Arabia	312	359	510	380	390	389	398
Australia	115	184	217	191	274	301	315
Canada	244	240	223	176	231	298	248
Japan	221	208	225	182	186	197	194
Mexico	133	115	141	85	105	171	169
Malaysia	100	83	97	80	83	148	117
All other destinations	2,318	2,359	2,661	1,871	1,999	2,015	1,872
Total	14,476	15,692	16,255	12,264	15,204	16,747	14,511

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024

U.S. Imports of Apparel from India

In 2023, the United States imported nearly \$4.6 billion of apparel from India (table 7.5).⁸⁸¹ Between 2015 and 2023, an average of 78 percent of major U.S. brands indicated they were sourcing from India, staying

⁸⁸¹ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

consistently between 72 percent and 86 percent.⁸⁸² However, on average, companies placed less than 10 percent of their total sourcing in India.⁸⁸³ This number has stayed relatively stable throughout the past 10 years.⁸⁸⁴

Table 7.5 U.S. imports of apparel from India, by category, 2013 and 2018–23

In millions of dollars. Category numbers in parentheses. MMF = manmade fiber.

Category	2013	2018	2019	2020	2021	2022	2023
Men's/boys' knit cotton shirts (338)	469	583	624	447	643	846	688
Cotton dresses (336)	135	161	202	178	302	499	408
Women's/girls' knit cotton shirts/blouses (339)	289	334	346	247	350	439	351
Women's/girls' woven cotton shirts/blouses (341)	283	277	298	224	282	414	320
Babies' garments/clothing accessories (239)	123	200	254	241	357	446	297
MMF dresses (636)	153	245	247	175	213	336	283
Men's/boys' woven cotton shirts (340)	220	259	238	153	191	305	281
Cotton underwear (352)	234	307	311	229	318	331	246
Women's/girls' cotton trousers/slacks/shorts (348)	160	122	144	109	185	216	172
Men's/boys' cotton trousers/breeches/shorts (347)	123	164	186	117	189	247	152
All other categories	1,043	1,313	1,376	1,012	1,267	1,643	1,370
Total	3,232	3,963	4,226	3,132	4,296	5,721	4,566

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

U.S. apparel imports from India cover a wide range of products. For example, in 2023 imports comprised 82 of 107 apparel product categories, including specialty categories such as silk skirts and wool suits.⁸⁸⁵ Despite this, the top three product categories—men's/boys' knit cotton shirts (338), cotton dresses (336), and women's/girls' cotton knit shirts/blouses (339)—made up nearly one-third (31.7 percent) of all U.S. imports of apparel from India in 2023 (table 7.5).

There has been a shift in the products the United States imports from India in recent years. For example, while cotton dresses are now the second-largest import category from India, at \$408 million, they were the ninth-largest imported product in 2013 (\$135 million). Additionally, U.S. imports of babies' garments from India were the 11th-largest import category in 2013, at \$123 million in imports, but in 2023 they

⁸⁸² Calculated by USITC staff using responses from firms responding to USFIA Fashion Industry Benchmarking Surveys between 2015 and 2023. Lu and USFIA, "2015 U.S. Fashion Industry Benchmarking Study," June 2015, 9; Lu and USFIA, "2016 Fashion Industry Benchmarking Study," June 2016, 10; Lu and USFIA, "2017 Fashion Industry Benchmarking Study," July 2017, 9; Lu and USFIA, "2018 Fashion Industry Benchmarking Study," July 2018, 10; Lu and USFIA, "2019 Fashion Industry Benchmarking Study," July 2019, 1; Lu and USFIA, "2020 Fashion Industry Benchmarking Study," July 2020, 12; Lu and USFIA, "2021 Fashion Industry Benchmarking Study," July 2021, 10; Lu and USFIA, "2022 Fashion Industry Benchmarking Study," July 2022, 8; Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 8.

⁸⁸³ USFIA, written submission to the USITC, February 27, 2024, 9.

⁸⁸⁴ USFIA, written submission to the USITC, February 27, 2024, 9.

⁸⁸⁵ Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024; USFIA, written submission to the USITC, February 27, 2024, 9.

were the fifth-largest imported product, with \$297 million in imports.⁸⁸⁶ Overall, the share of imports of MMF apparel from India has decreased in recent years, although production of manmade fibers in the country has increased.⁸⁸⁷ In 2023, \$917 million (9.1 percent) of apparel imported into the United States from India was made of manmade fiber, compared to \$1.1 billion (12.6 percent) in 2018 and \$712 million (10.5 percent) in 2013.⁸⁸⁸ Conversely, the share of imports of cotton apparel into the United States has increased in the past few years, from 67.8 percent in 2018 to 72.8 percent in 2023.⁸⁸⁹ This may be a result of U.S. brands and retailers seeking alternative sourcing destinations for cotton apparel outside of China as a result of the implementation of the Uyghur Forced Labor Protection Act (UFLPA).⁸⁹⁰

Tariffs and Trade Preference Programs

Indian apparel exports have no preferential duty access to the U.S. market.⁸⁹¹ U.S. imports of apparel from India are subject to NTR duty rates, with ad valorem rates that range from free to 32.0 percent for apparel in HTS chapters 61 and 62.⁸⁹² In 2023, U.S. imports of apparel from India on average were subject to a 14.5 percent applied duty, which is slightly lower than for other apparel producers in the region because of a lower average duty on cotton apparel compared to MMF apparel.⁸⁹³ As noted, India's top apparel exports to the United States are mostly cotton products, whereas other countries export more MMF apparel to the United States.

The apparel sector in India benefits from duty-free access to many other apparel markets, which bolsters its cost competitiveness in all markets as it allows factories greater efficiencies through economies of scale.⁸⁹⁴ India has numerous free trade agreements (FTAs) with countries and regions such as the United Arab Emirates, Australia, Japan, Africa, South Korea, and the Association of Southeast Asian Nations

⁸⁸⁶ Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁸⁸⁷ Category 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in category 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024; AEPC, written submission to the USITC, March 22, 2024, 9.

⁸⁸⁸ Category 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in category 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁸⁸⁹ Category 31, cotton apparel. See appendix F for a list of HTS statistical reporting numbers included in category 31. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁸⁹⁰ See box 4.1 for more information about the UFLPA. USITC, hearing transcript, March 11, 2024, 195 (testimony of Beth Hughes, AAFA).

⁸⁹¹ India lost its status as a beneficiary country for the U.S. Generalized System of Preferences (GSP) in 2019, after USTR indicated it had failed to provide equitable and reasonable market access to the United States. GSP lapsed in 2020, though apparel items are largely excluded from the program. USITC, *HTS 2024 Revision 2*, General Note 4, "Generalized System of Preferences (GSP)," May 31, 2024, GN pp. 1–4; USTR, "United States Will Terminate," March 4, 2019.

⁸⁹² USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024.

⁸⁹³ This average was calculated by dividing duties paid on imports of apparel from India by dutiable value of imports of apparel from India. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

⁸⁹⁴ See chapter 4 "Trade Costs and Tariff Treatment" for more information.

countries.⁸⁹⁵ These FTAs are reported to benefit U.S. apparel brands and retailers that are importing apparel from India into multiple markets.⁸⁹⁶ However, the FTAs often do not include duty-free imports of textiles into India, which creates higher costs for imported items compared to other sourcing destinations in the region.⁸⁹⁷

Apparel Sector Competitiveness

India is reported to be a competitive producer of apparel, in large part because of the extensive vertical integration in the sector, particularly with regard to cotton, and focus on specialized, high value-added clothing.⁸⁹⁸ In spite of the many competitive advantages that the Indian apparel sector offers, industry representatives note that it continues to be an underutilized source.⁸⁹⁹ Higher labor costs and generally smaller factories vis-à-vis other major regional suppliers decrease its competitiveness for lower-value products, so companies generally choose to source higher value-added products from India.⁹⁰⁰ Additionally, some brands indicate that India is well developed for cotton products, but not MMF goods, which has limited increased sourcing from the country.⁹⁰¹

India Is Able to Produce a Wide Range of High-Quality, High Value-Added Products

India is well known in the apparel industry for its ability to produce high-quality, high value-added items, such as garments with detailed embellishments and embroidery. The prevalence of small and medium-sized apparel producers in India lends itself well to limited run, high-end clothing.⁹⁰² Additionally, cotton fabric typically costs more than polyester fabric, which results in more expensive clothing.⁹⁰³ Many

⁸⁹⁵ Government of India, “Trade Agreements,” January 2, 2024. India has trade agreements with 19 countries in Africa: Angola, Botswana, Cameroon, Côte d’Ivoire, Democratic Republic of the Congo, Eswatini, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Seychelles, Tanzania, Uganda, Zambia, and Zimbabwe. Government of India, “India-Africa Trade Agreement,” January 2, 2024.

⁸⁹⁶ Foreign government official, interview by USITC staff, India, April 2, 2024; industry representative, interview by USITC staff, March 5, 2024; Verma, “India Apparel Sector Expects,” April 23, 2024.

⁸⁹⁷ Ray, “What Explains India’s Poor Performance,” May 2019, 6; industry representative, interview by USITC staff, February 28, 2024.

⁸⁹⁸ USITC, hearing transcript, March 11, 2024, 167 (testimony of Julia Hughes, USFIA); industry representative, interview by USITC staff, February 23, 2024; industry expert, interview by USITC staff, March 25, 2024; subject matter expert, interview by USITC staff, April 15, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, May 2, 2024.

⁸⁹⁹ USITC, hearing transcript, March 11, 2024, 77 (testimony of Mithileshwar Thakur, AEPC); subject matter expert, interview by USITC staff, April 15, 2024; industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 25, 2024.

⁹⁰⁰ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 28, 2024.

⁹⁰¹ Industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, February 28, 2024.

⁹⁰² Industry representative, interview by USITC staff, India, April 5, 2024; foreign government official, interview by USITC staff, India, April 9, 2024; industry representative, email message to USITC staff, May 25, 2024; Mezzadri and Srivastava, *Labour Regimes in the Indian Garment Sector*, October 25, 2015, 22.

⁹⁰³ Fibre2Fashion, “Costlier Cotton Prompts Indian,” April 26, 2023.

manufacturers in India then take the basic cotton items and add embellishments, detailed embroidery, and printing.⁹⁰⁴ However, this kind of apparel is not set up for scale—it is time-consuming and expensive to produce.⁹⁰⁵

Another reported advantage to sourcing from India is the industry’s design capabilities. India has a long history in apparel production but in recent years has started to develop more full-service capabilities, from design to fabrication.⁹⁰⁶ In addition to having several design schools in the country, the sector also employs some European-trained designers.⁹⁰⁷ This is attractive to U.S. brands and retailers, because it ensures the factories are able to produce high-value and high-quality items for their customers and cuts down on the need for buyers to monitor production.⁹⁰⁸

Many apparel manufacturers in India have long-term relationships with their customers, resulting in better business relationships and skill in manufacturing apparel that meets the preferences desired by export markets.⁹⁰⁹ Also, political stability is a factor brands and retailers consider when searching for new suppliers, and it impacts the type of product they source from a particular country. Brands are more willing to source high-value or fashion items from India compared to less politically stable countries, as they are confident they will be able to produce and receive their products.⁹¹⁰ Despite this, the country’s apparel sector has difficulties in attracting new buyers and has often experienced long-term customers leaving for suppliers in other countries, typically because of high costs.⁹¹¹

⁹⁰⁴ Schultz, Paton, and Jay, “Luxury’s Hidden Indian Supply Chain,” March 11, 2020; Ray, “What Explains India’s Poor Performance,” May 2019, 10; industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 28, 2024.

⁹⁰⁵ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, India, April 5, 2024.

⁹⁰⁶ Industry representative, interview by USITC staff, February 23, 2024; USITC, hearing transcript, March 11, 2024, 41 (testimony of Parthasarathi Jha, Shahi); USITC, hearing transcript, March 11, 2024, 98–99 (testimony of J.D. Giri, Shahi); industry representative, interview by USITC staff, February 29, 2024; industry representative, interview by USITC staff, May 2, 2024.

⁹⁰⁷ AEPC, written submission to the USITC, March 22, 2024, 27; industry representative, interview by USITC staff, February 23, 2024.

⁹⁰⁸ USITC, hearing transcript, March 11, 2024, 98–99 (testimony of J.D. Giri, Shahi); industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, June 6, 2024.

⁹⁰⁹ Subject matter expert, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, February 20, 2024; industry representative, interview by USITC staff, February 29, 2024.

⁹¹⁰ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, May 2, 2024; Lu and USFIA, “2023 Fashion Industry Benchmarking Study,” July 2023, 29.

⁹¹¹ Industry expert, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, India, April 5, 2024; industry expert, interview by USITC staff, June 27, 2024.

Vertical Integration, Especially through Local Sourcing of Inputs and Production Clusters, Offers Reliable Supply

A key competitive advantage for India is reported to be its domestic availability of inputs for apparel production, including fibers, yarns, fabrics, and accessories.⁹¹² This is particularly important as inputs are the most expensive component in producing apparel.⁹¹³ Nearly every type of input for apparel production is produced in India, which results in zero duty costs and lower shipping costs for inputs.⁹¹⁴ Additionally, a number of the major exporters are either partially or completely vertically integrated, further reducing costs.⁹¹⁵

In addition to lowering costs, its vertical integration also means manufacturers are able to source most inputs for apparel in-country, shortening lead times.⁹¹⁶ India is a major global producer of textiles and other apparel inputs. In addition to an abundance of cotton, manmade fibers are a key focus area for the country, and MMF production is increasing.⁹¹⁷ Some of the major apparel manufacturers in India have in-house production from raw material to finished product, providing more flexibility, increased speed to market, and reduced lead times.⁹¹⁸

U.S. brands and retailers indicate they are also increasing efforts to limit risk in their supply chains, particularly in cotton.⁹¹⁹ With the implementation of the UFLPA in 2022, there is an increasing need for importers to make sure that their supply chains are transparent; thus, countries that produce their own cotton are especially advantageous.⁹²⁰ India's cotton supply and domestic production of inputs help mitigate these risks for U.S. apparel brands and retailers. Drawing on the need for traceability, the government of India has recently launched the Kasturi cotton brand, which incorporates QR codes to track Indian cotton from the ginning stage.⁹²¹

⁹¹² USITC, hearing transcript, March 11, 2024, 167 (testimony of Julia Hughes, USFIA); USITC, hearing transcript, March 11, 2024, 175 (testimony of Beth Hughes, AAFA).

⁹¹³ See chapter 4 for more information. Ray, "What Explains India's Poor Performance," May 2019, 7.

⁹¹⁴ AEPC, written submission to the USITC, March 22, 2024, 10; industry representative, interview by USITC staff, India, April 3, 2024; industry representative, interview by USITC staff, March 5, 2024.

⁹¹⁵ AEPC, written submission to the USITC, March 22, 2024, 24; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, India, April 10, 2024.

⁹¹⁶ USITC, hearing transcript, March 11, 2024, 176 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 41 (testimony of Parthsarathi Jha, Shahi); industry representative, interview by USITC staff, March 5, 2024.

⁹¹⁷ Government of India, *Annual Report 2022–2023*, June 7, 2023, 3, 34; AEPC, written submission to the USITC, March 22, 2024, 9.

⁹¹⁸ USITC, hearing transcript, March 11, 2024, 98 (testimony of J.D. Giri, Shahi); industry representative, email message to USITC staff, February 29, 2024.

⁹¹⁹ USITC, hearing transcript, March 11, 2024, 171, 195 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 196 (testimony of Julia Hughes, USFIA).

⁹²⁰ See box 4.1 for more information on UFLPA. USITC, hearing transcript, March 11, 2024, 195 (testimony of Beth Hughes, AAFA); industry expert, interview by USITC staff, March 25, 2024.

⁹²¹ USITC, hearing transcript, March 11, 2024, 71 (testimony of Mithileshwar Thakur, AEPC); Texprocil, "Kasturi Cotton," accessed April 18, 2024; foreign government official, interview by USITC staff, India, April 9, 2024.

At the same time, there is less opportunity for domestic sourcing of manmade fibers, which limits the sector's ability to produce a number of different apparel products, such as outerwear.⁹²² This is in part due to the large number of small-scale, family owned businesses in this sector as they may have limitations on access to capital needed to invest in the machinery for MMF production.⁹²³ The government of India has several programs in place to help companies invest in new, updated machinery.⁹²⁴ For example, MSME apparel exporters in India have access to loans between 1 million and 10 million rupees (approximately \$12,000 to \$120,000) at lower interest and without collateral.⁹²⁵ The PLI scheme also provides financial incentives specifically for companies to invest in MMF and fabric production.⁹²⁶ Foreign investment in this industry is also low, in spite of the government of India's open policies to FDI for textiles and apparel.⁹²⁷ The PM MITRA Park scheme is designed to encourage foreign investors to expand into the country, which may further investment in MMF production in coming years.⁹²⁸

High Wages and Small-Scale Production Weaken India's Cost Competitiveness

India is reportedly more costly for apparel manufacturing than other major regional suppliers, in part because of the country moving to a higher level of economic development, raising wages and other costs.⁹²⁹ Wage inflation has outpaced overall manufacturing productivity gains in most regions in India, and productivity-adjusted labor costs rose 18 percent between 2018 and 2022.⁹³⁰ Reportedly, India's labor costs are now more comparable to Vietnam's but higher than other apparel-producing countries in Asia.⁹³¹

In addition, some U.S. brands indicate they prefer to work with larger suppliers that have better technology, larger capacities, and greater reliability.⁹³² The majority of India's apparel manufacturers are MSMEs, which are often focused on domestic production and are less interested in growing into larger

⁹²² Government of India, *Study on Garment Sector*, January 2018, 87, 92.

⁹²³ Foreign government official, interview by USITC staff, India, April 9, 2024; Government of India, *Study on Garment Sector*, January 2018, 10.

⁹²⁴ Foreign government official, interview by USITC staff, India, April 9, 2024; Chandra, "The Textile and Apparel Industry in India," April 2006, 9; Government of India, *Study on Garment Sector*, January 2018, 29, 42; Ray, "What Explains India's Poor Performance," May 2019, 11.

⁹²⁵ AEPC, written submission to the USITC, March 22, 2024, 14. Conversion rate based on 1 Indian rupee to 0.012 U.S. dollars, June 30, 2024; U.S. Treasury, "Currency Exchange Rates Converter Tool," June 30, 2024.

⁹²⁶ Government of India, *Annual Report 2022–2023*, June 7, 2023, 34.

⁹²⁷ Industry expert, interview by USITC staff, June 27, 2024; industry expert, interview by USITC staff, March 25, 2024; foreign government official, interview by USITC staff, India, April 9, 2024; industry representative, interview by USITC staff, India, April 5, 2024; Government of India, *Study on Garment Sector*, January 2018, 45.

⁹²⁸ AEPC, written submission to the USITC, March 22, 2024, 24; IMPRI, "PM MITRA Parks," February 3, 2024.

⁹²⁹ Industry representative, email message to USITC staff, May 25, 2024; USITC, hearing transcript, March 11, 2024, 167 (testimony of Julia Hughes, USFIA); USFIA, written submission to the USITC, February 27, 2024, 9.

⁹³⁰ Nair, "On American Shelves," November 9, 2023; Van Wyck et al., "Harnessing the Tectonic Shifts," September 13, 2023.

⁹³¹ Industry representative, interview by USITC staff, May 2, 2024; Amed et al., "How India's Ascent Could Change," February 5, 2019; AEPC, written submission to the USITC, March 22, 2024, 12.

⁹³² Industry representative, interview by USITC staff, February 9, 2024; industry representative, interview by USITC staff, May 2, 2024.

companies.⁹³³ MSMEs may find it easier to supply the domestic market, which limits their incentive to export to the global market.⁹³⁴ The low number of large apparel producers in India may limit its further growth in exports of apparel to the United States.

Poor Logistics and Infrastructure also Hinder Competitiveness

Offsetting some of India's advantages are concerns by certain U.S. brands and retailers about the long transit times for final goods to destination that hinder speed to market.⁹³⁵ Because of long shipping times under normal circumstances, any additional delay in transit, such as the recent attacks in the Red Sea, further exacerbate costs for buyers and the ability to get products to market.⁹³⁶ Additionally, India's infrastructure, particularly the roads, are reportedly in need of improvement to allow it to become a more reliable apparel exporter.⁹³⁷ Nearly 30 percent of the roads in India are still unpaved, although this has improved from 40 percent in 2016.⁹³⁸ As India's apparel production is spread throughout the country, the transit time may vary by factory and proximity to ports. It may also be more difficult for MSMEs to export apparel, as costly freight rates from container shortages limit their ability to export.⁹³⁹

India Has a Mixed Record on Social Responsibility, Although Compliance with Labor and Environmental Standards May Be Improving

India's reputation for compliance varies, sometimes widely, by region and factory size. While there are several indications that India's reputation for social responsibility is improving with some U.S. apparel brands and retailers, some report there is little sign of improvement.⁹⁴⁰ In addition, U.S. buyers are increasingly looking for suppliers that are using sustainable and eco-friendly business practices,

⁹³³ Industry representative, interview by USITC staff, February 29, 2024; foreign government official, interview by USITC staff, India, April 9, 2024; industry expert, interview by USITC staff, June 4, 2024; Ray, "What Explains India's Poor Performance," May 2019, 11.

⁹³⁴ Saini, "Bharat Tex 2024," March 6, 2024.

⁹³⁵ Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 16; industry representative, interview by USITC staff, March 5, 2024.

⁹³⁶ Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 18, 2024.

⁹³⁷ AAFA, written submission to the USITC, March 25, 2024, 1.

⁹³⁸ Amed et al., "How India's Ascent Could Change," February 5, 2019; Jain, "Largest Road Networks," June 3, 2023.

⁹³⁹ Soni, "How Global Shipping Container Shortage," September 21, 2021; Maritime Gateway, "Pushing MSMEs' Participation in Global Supply Chains," November 15, 2022.

⁹⁴⁰ Lu and USFIA, "2023 Fashion Industry Benchmarking Study," July 2023, 16; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 4, 2024; industry representative, interview by USITC staff, March 18, 2024; subject matter expert, interview by USITC staff, April 15, 2024.

something that a growing number of factories in India can provide.⁹⁴¹ Some cite India as a sourcing destination that has been working to implement sustainable practices in its factories.⁹⁴²

India's federal government has a number of labor laws to protect workers, such as the Indian Industrial Disputes Act and the Indian Trade Unions Act. Still, India's labor and health and safety standards vary across the country, as India's states have different minimum wages, policies, and union prevalence.⁹⁴³ Some brands reported having had negative experiences in the past with lax compliance with labor and environmental regulations.⁹⁴⁴ Because of this, industry representatives indicate they are very careful about which manufacturers they source from in India and may choose certain states and suppliers over others to avoid suppliers with poor labor and safety compliance. In other cases, there are some reports of buyers that have the opposite concern, being reluctant to source from India due to India's perceived protection of labor rights and the potential of workers striking.⁹⁴⁵ Several union-led initiatives and worker strikes in recent years have resulted in protecting worker safety and securing higher wages.⁹⁴⁶

Further, the prevalence of informal apparel manufacturing through homework and subcontracting creates difficulties in enforcing labor laws and regulations.⁹⁴⁷ In particular, human rights issues, such as child labor, forced labor, and gender-based harassment are major concerns raised with sourcing from India.⁹⁴⁸ The country is on the U.S. Department of Labor's *2022 Findings on the Worst Forms of Child Labor*, which cites that children are engaged in dangerous tasks in embellished textiles and garment production.⁹⁴⁹ Although India reportedly has issues with labor and health and safety compliance, some reports show improvements as well. For example, in 2022, after union negotiations, a clothing and textile manufacturer in Dindigul, Tamil Nadu, signed an agreement with various apparel firms to prohibit gender-based violence and harassment in their factories. This agreement was signed by H&M Group, Gap Inc., and PVH.⁹⁵⁰ This agreement was an "enforceable brand agreement," which is a relatively new

⁹⁴¹ USITC, hearing transcript, March 11, 2024, 275 (testimony of Robert Antoshak, Gherzi); industry representative, interview by USITC staff, March 5, 2024.

⁹⁴² Industry representative, interview by USITC staff, June 6, 2024; industry representative, interview by USITC staff, March 5, 2024; USITC, hearing transcript, March 11, 2024, 73 (testimony of Mithileshwar Thakur, AEPC).

⁹⁴³ ILO, *Working Conditions of Migrant Garment Workers*, 2017, 13, 30; subject matter expert, interview by USITC staff, April 15, 2024; subject matter expert, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, email message to USITC staff, May 25, 2024.

⁹⁴⁴ Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 18, 2024; subject matter expert, interview by USITC staff, April 15, 2024.

⁹⁴⁵ Industry representative, interview by USITC staff, May 9, 2024; industry expert, interview by USITC staff, June 4, 2024.

⁹⁴⁶ ILO, *Working Conditions of Migrant Garment Workers*, 2017, 31; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 54; WRC, "80,000 Shahi Exports Workers Will Finally Get Their Back Pay," February 2, 2022.

⁹⁴⁷ Subject matter expert, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, May 7, 2024; Mezzadri and Seghal, *The Social Life of Industrial Disputes*, June 6, 2023, 54; Anner, "Predatory Purchasing Practices," December 2019, 707.

⁹⁴⁸ Industry representative, interview by USITC staff, March 4, 2024; industry representative, interview by USITC staff, March 5, 2024; subject matter expert, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, May 7, 2024; subject matter expert, interview by USITC staff, April 15, 2024; Anner, "Predatory Purchasing Practices," December 2019, 707–8.

⁹⁴⁹ USDOL, *2022 Findings on the Worst Forms of Child Labor*, September 2023.

⁹⁵⁰ PVH Corp. owns brands Tommy Hilfiger and Calvin Klein, among others. PVH Corp., "Brands," accessed August 9, 2024; International Labor Rights Forum, "Fact Sheet," May 10, 2022; USDOL, *Worker Voice*, 25.

type of agreement where multinational companies legally commit to use their supply chain relationships to support a worker- or union-led program by imposing business consequences for the manufacturer if it violates its agreement with the union.⁹⁵¹

Sourcing from India has also begun to change in the past few decades because importing companies now have additional compliance requirements for their suppliers. Often, when a larger order was placed with a manufacturer in India, it would subcontract it out to several different MSMEs and then combine production into one shipment.⁹⁵² An outside body, such as a regional association, would inspect the products for quality and to ensure all items were identical.⁹⁵³ In recent years, however, this practice has reportedly become less prevalent because buyers require full transparency in their supply chains and assurance their products and suppliers comply with labor, social, and environmental regulations.⁹⁵⁴ A large number of brands and retailers now specifically prohibit subcontracting without their approval.⁹⁵⁵ This limits the ability of MSMEs, which comprise the majority of India’s apparel manufacturers, to attract orders from U.S. brands and retailers and export to the United States, potentially limiting their ability to grow as suppliers.

Some brands and manufacturers have pointed to improvements with sustainability initiatives as a competitive advantage for India.⁹⁵⁶ The government of India announced that it aims to reach net zero emissions by 2070 and produce 500 gigawatts of renewable energy installed capacity by 2030.⁹⁵⁷ India met 40 percent of its power capacity from nonfossil fuels in 2022 and has a goal to achieve 50 percent of its electricity from nonfossil fuels by 2030.⁹⁵⁸ The government of India is also promoting sustainability through policies and programs for the textile and apparel industry.⁹⁵⁹ For example, the government passed a law in 2020 requiring the top 1,000 listed companies to deliver an annual sustainability

⁹⁵¹ International Labor Rights Forum, “Fact Sheet,” May 10, 2022; subject matter expert, interview by USITC staff, May 7, 2024.

⁹⁵² Industry representative, interview by USITC staff, India, April 1, 2024; subject matter expert, interview by USITC staff, March 7, 2024; Sarkar, “Subcontracting Business Process in Garment Industry,” August 28, 2014; Anner, “Predatory Purchasing Practices,” December 2019, 711.

⁹⁵³ Industry representative, interview by USITC staff, India, April 1, 2024.

⁹⁵⁴ See chapter 4 for more information. Industry representative, interview by USITC staff, India, April 3, 2024.

⁹⁵⁵ Unauthorized subcontracting may still occur without the knowledge of the buyer. McKinsey & Company, “The State of Fashion 2019,” 2019, 65; Caro, Lane, and Saez de Tejada Cuenca, “Can Brands Claim Ignorance? Unauthorized Subcontracting in Apparel Supply Chains,” April 10, 2020, 2.

⁹⁵⁶ Saini, “Bharat Tex 2024,” March 6, 2024; USITC, hearing transcript, March 11, 2024, 72–73 (testimony of Mithileshwar Thakur, AEPC); industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, India, April 1, 2024.

⁹⁵⁷ Invest India, “Renewable Energy,” accessed April 25, 2024; Birol and Kant, “India’s Clean Energy Transition,” January 10, 2022.

⁹⁵⁸ Birol and Kant, “India’s Clean Energy Transition,” January 10, 2022; AEPC, written submission to the USITC, March 22, 2024, 19.

⁹⁵⁹ Bora, “India Can Become a Global Hub for Sustainable Fashion,” November 30, 2023; Government of India, “Schemes Launched by the Government,” March 23, 2022; foreign government official, interview by USITC staff, India, April 5, 2024.

report.⁹⁶⁰ Additionally, the PM MITRA parks are also being built to align with the United Nations' Sustainable Development Goals and will include modern technology and sustainable processes.⁹⁶¹

Because water is scarce during many times of the year in India, factories are also working to become more self-sufficient and use less water.⁹⁶² There are a number of regulatory bodies in India that regulate water usage in the textile and apparel industry through various laws and policies, such as through water permits and monitoring.⁹⁶³ Arvind Ltd., a major exporter of apparel from India, partnered with Gap Inc. to create the Global Water Innovation Centre for Action in early 2024. This center includes a laboratory set up to test and analyze wastewater from the textiles and apparel supply chain and serves as a forum to discuss water management.⁹⁶⁴

⁹⁶⁰ USITC, hearing transcript, March 11, 2024, 72 (testimony of Mithileshwar Thakur, AEPC); Kwatra, "Rise of the ESG Regulations," accessed April 26, 2024; SEBI, "Extension of Applicability of Business Responsibility Reporting," December 2019.

⁹⁶¹ IMPRI, "PM MITRA Parks," February 3, 2024; foreign government official, interview by USITC staff, India, April 9, 2024.

⁹⁶² USITC, hearing transcript, March 11, 2024, 97 (testimony of J.D. Giri, Shahi); Shahi Exports, written submission to the USITC, March 4, 2024, 9, 13.

⁹⁶³ Restiani and Khandelwal, "Water Governance Mapping Report," 2016, 30–31.

⁹⁶⁴ Ndure, "Arvind, Gap Inc. Innovation Centre," January 15, 2024.

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Chapter 8

Indonesia

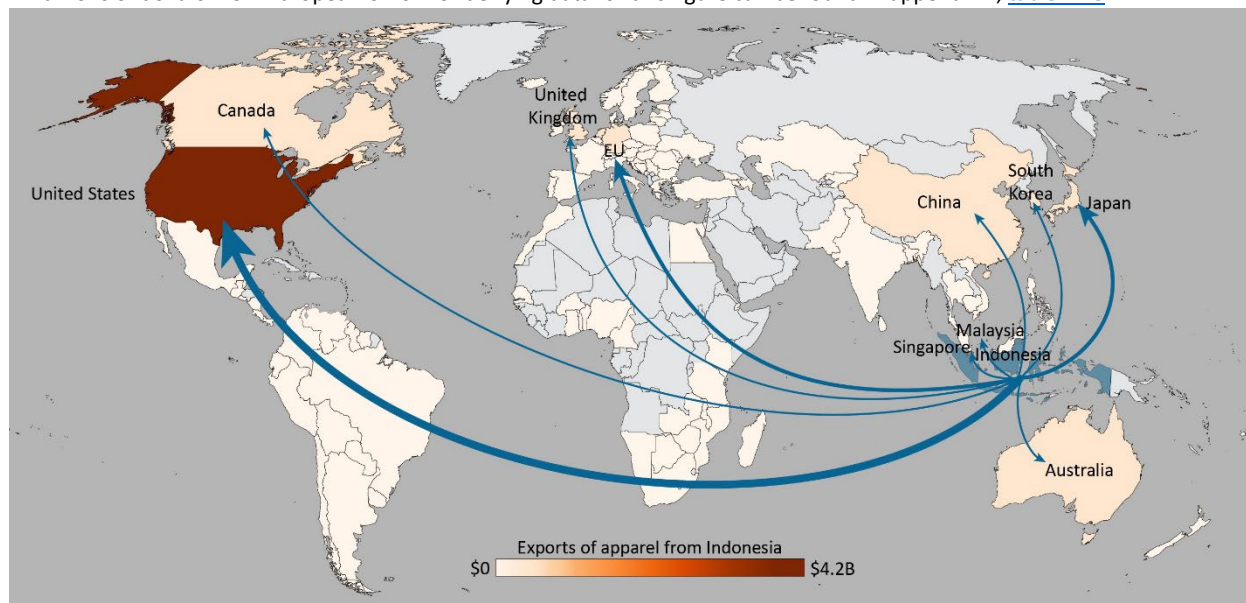
Summary

Over the past several decades, Indonesia has grown to become one of the largest global exporters of apparel, although the industry is a small part of the country's diverse economy, accounting for only 1 percent of the country's GDP in 2022. Following rapid growth starting in the 1980s, Indonesia emerged as the world's 13th-largest apparel exporter in 2023. Approximately 70 percent of Indonesia's apparel production is exported, and factories tend to produce for either the domestic or the export market, but not both. Although U.S. apparel imports from Indonesia declined during 2018–23, the country remains the fifth-largest supplier to the U.S. market, and the United States accounted for over half of Indonesian apparel exports in 2023 (figure 8.1). Predominantly located on the island of Java, the industry has a mixture of domestic and foreign ownership, with approximately 45 percent of exporting factories foreign owned.

The Indonesian apparel industry boasts a number of competitive strengths relative to many other top apparel exporters, including quality workmanship and strong compliance with social, labor, and environmental standards. Indonesia is a higher-cost supplier, however, compared with other regional producers. Moreover, Indonesia is largely dependent on imported inputs to produce garments for export. The largest source of inputs is China, whose share of imported yarns, fibers, and fabrics has increased since 2013. Indonesia has a domestic textile industry, but its products often do not meet quality standards for exported apparel.

Figure 8.1 Indonesia: Exports of apparel, 2023

In billions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.18](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Indonesia export data were calculated by aggregating imports from Indonesia as reported by its trade partners.

Industry Profile

Apparel production in Indonesia has developed over several decades into a large industry with a strong export focus. In the 1980s, the Indonesian government began a shift away from import substitution policies, removing import monopolies and licensing policies to ease the import of raw materials and capital goods, among other changes.⁹⁶⁵ In roughly the same period, established apparel manufacturers in South Korea, Taiwan, and Hong Kong began to source production in lower-wage countries, including Indonesia, for export to the United States under Multifibre Arrangement (MFA) quotas.⁹⁶⁶ These policy changes and foreign investments contributed to a reported 18.3 percent average annual increase in Indonesian garment exports during 1980–2002.⁹⁶⁷ Indonesia’s role in the global apparel market continued to grow after the expiration of the Agreement on Textiles and Clothing (the successor to the MFA) on January 1, 2005, with exports to the world increasing by 8.1 percent and exports to the United States by 20.0 percent from 2004 to 2005 alone.⁹⁶⁸ By 2023, Indonesia was the world’s 13th-largest exporter of apparel.⁹⁶⁹

⁹⁶⁵ Adam, “The Indonesian Garment Industry,” 2004, 110.

⁹⁶⁶ See box 1.1, “Global Textile and Apparel Quotas and the Textile Category System,” for more information on the MFA. Esho, “Dynamics of the Textile and Apparel Industries in Southeast Asia,” March 4, 2014, 87, 89, 94.

⁹⁶⁷ Adam, “The Indonesian Garment Industry,” 2004, 110, 122.

⁹⁶⁸ WTO, “Textiles: Back in the Mainstream,” accessed February 15, 2024; S&P Global, GTAS database, HS Chapters 61 and 62, mirror data, accessed June 17, 2024.

⁹⁶⁹ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

Industry Structure

Despite the industry’s rapid growth since the 1980s, apparel production remained a small share of Indonesia’s economy in 2022, with apparel and textile production combined accounting for 1 percent of Indonesia’s GDP.⁹⁷⁰ In 2023, apparel alone accounted for 11.9 percent of total Indonesian exports.⁹⁷¹ The Indonesian government does not track data for apparel production alone, but data for the combined textile and apparel sector suggest it contains many relatively small factories oriented toward the domestic market and fewer large factories producing for export.⁹⁷² In 2021, there were approximately 535,000 apparel manufacturers in Indonesia.⁹⁷³ The number of large and medium-sized apparel manufacturers, which likely includes but is not limited to exporting firms, was 2,000.⁹⁷⁴ Better Work Indonesia estimated that in 2018, the 213 companies participating in its program represented 62 percent of large Indonesian apparel-producing factories, suggesting an estimated 344 such large factories for the country.⁹⁷⁵ Some factory compounds reportedly employ as many as 80,000 workers, and industry representatives stated that factories are capable of producing large orders.⁹⁷⁶

The industry’s main association is the Indonesian Textile Association (API), which represents apparel manufacturing and the textile industry, including production of yarns, fabrics, and home textiles.⁹⁷⁷ The

⁹⁷⁰ BPS-Statistics Indonesia, “Produk Domestik Bruto Atas Dasar,” accessed June 10, 2024.

⁹⁷¹ S&P Global, GTAS database, HS Chapters 61 and 62, mirror data, accessed June 17, 2024.

⁹⁷² Industry expert, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024; Medina, “Indonesia’s Textile and Garment Industry,” April 24, 2020. Indonesia’s domestic garment market in 2022–23 was approximately \$5.4 billion. Staff calculations based on BPS-Statistics Indonesia monthly per capita expenditure survey data for September 2022 and March 2023 for ready-to-wear clothing. BPS-Statistics Indonesia, “Expenditure For Consumption of Indonesia September 2022,” June 2023, 82; BPS-Statistics Indonesia, *Expenditure For Consumption of Indonesia March 2023*, October 2023, 72. Exchange rate calculations used average monthly Indonesian rupiah to U.S. dollar rates from [exchangerates.com](https://www.exchangerates.org). Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2022,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2023,” accessed July 8, 2024. Per capita monthly consumption was multiplied by mid-year national population for 2022 and 2023. BPS-Statistics Indonesia, “Mid Year Population - Statistical Data,” accessed July 8, 2024.

⁹⁷³ Approximately 508,000 of these manufacturers were microenterprises. BPS-Statistics Indonesia, “Number of Establishment of Large and Medium Manufacturing,” accessed June 11, 2024; BPS-Statistics Indonesia, “Number of Establishments of Micro and Small Manufacturing Industries,” accessed June 11, 2024.

⁹⁷⁴ Although the government of Indonesia defines micro, small, and medium-sized enterprises (MSMEs) by net assets and sales turnover, Indonesia’s BPS-Statistics Indonesia classifies MSMEs by the number of employees, as follows: micro (one to four employees), small (five to nine employees), and medium (20 to 99 employees). ASEAN, “Definitions of MSME in ASEAN Member States,” January 24, 2024; BPS-Statistics Indonesia, “Number of Establishments of Micro and Small Manufacturing Industries,” accessed June 11, 2024; “Number of Establishment of Large and Medium Manufacturing,” accessed June 11, 2024.

⁹⁷⁵ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 3–4.

⁹⁷⁶ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 6; industry representative, interview by USITC staff, March 5, 2024; industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024.

⁹⁷⁷ API does not include firms that produce footwear and travel goods. Industry expert, interview by USITC staff, February 22, 2024; industry representative, interview by USITC staff, March 24, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2024.

Korean Garment Association is an additional, informal association for producers from the industry's largest source of foreign direct investment (FDI) (see "Domestic and Foreign Direct Investment" below).⁹⁷⁸

The Indonesian apparel industry, concentrated on Java, has recently expanded out of its original geographic center to other parts of Java to pursue lower-cost production. The industry was originally centered in Jakarta and its neighboring province West Java, regions that had better transportation infrastructure than other parts of the country and provided the largest domestic markets for selling products and buying inputs.⁹⁷⁹ A 2004 report stated that wages in those two regions were "competitive" with those in other parts of the country.⁹⁸⁰ Cost differences appear to have increased more recently, however, to the point that some of the industry has shifted to other regions of Java, notably Central Java, East Java, and Banten in West Java.⁹⁸¹ Producers reportedly relocate away from Jakarta to pursue a lower-wage workforce and lower land prices.⁹⁸²

Employment, Wages, and Productivity

The apparel industry is a significant employer in Indonesia and plays an important role in bringing workers into the formal sector, although the majority of this workforce is producing for the domestic market. In 2022, the apparel industry employed approximately 2.7 million people, an increase from 2.5 million in 2021.⁹⁸³ The majority of these workers are likely employed in four regions of Java—in 2016, more than 85 percent of Indonesian garment, textile, and footwear employment was in West Java, Banten, Central Java, and East Java.⁹⁸⁴ Better Work Indonesia estimates that in 2018 the 385,580 workers at firms participating in its program accounted for "almost 72 percent" of employees in export-oriented factories, which suggests that more than 535,000 such employees work in the country's export-oriented firms.⁹⁸⁵

Indonesia's garment industry was integral to the growth of the country's labor movement and the industry's unions are known to be independent, strong, and very active.⁹⁸⁶ The ILO estimates union

⁹⁷⁸ Industry expert, interview by USITC staff, February 22, 2024.

⁹⁷⁹ Adam, "The Indonesian Garment Industry," 2004, 109.

⁹⁸⁰ Adam, "The Indonesian Garment Industry," 2004, 109.

⁹⁸¹ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 4; industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, March 24, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

⁹⁸² Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 5–6; industry expert, interview by USITC staff, March 20, 2024; industry expert, interview by USITC staff, April 3, 2024.

⁹⁸³ 2022 employment number from USITC staff calculations based on government of Indonesia data for total employment and share of employment in the apparel industry. BPS-Statistics Indonesia, "Manufacturing Employment as a Proportion of Total Employment," accessed June 10, 2024; BPS-Statistics Indonesia, "Number and Percentage of Employment and Unemployment," accessed June 10, 2024; Asian Insider, "Indonesia's Textile and Garment Sector," October 14, 2023.

⁹⁸⁴ Izzati, *Indonesia Country Study*, 2021, 26. Java alone has a large potential labor pool. In 2020, 56.1 percent of Indonesia's population (more than 150 million people) lived on Java. Statista, "Indonesia: Population Share by Main Island," accessed April 8, 2024.

⁹⁸⁵ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 3–4.

⁹⁸⁶ Industry expert, interview by USITC staff, March 20, 2024; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37; industry expert, interview by USITC staff, February 15, 2024.

membership in the industry to be around 50 percent.⁹⁸⁷ Major unions representing Indonesian apparel workers include federations that are part of multi-industry union confederations and unions that are independent of confederations.⁹⁸⁸ Unions are reportedly effective in enhancing compliance with workplace regulations in the apparel industry.⁹⁸⁹ Better Work Indonesia reported that the combination of union presence, freedom of union operations, and the existence and effective implementation of a collective bargaining agreement increases factory compliance with workplace requirements, including those covering wages, benefits, contracts, and paid leave.⁹⁹⁰ In addition to unions, legally required bipartite committees of workers and managers, known by the Bahasa Indonesian acronym LKSB, address workplace conditions. LKSBs allow management and labor representatives to work to identify workplace issues and possible solutions. Worker representatives on LKSBs may include both union members and independent workers: in 2022, among factories enrolled in Better Work Indonesia, 37 percent of LKSB committees include union members. In addition to LKSBs, specialized committees focused on occupational safety and health issues are also reportedly common in the apparel industry.⁹⁹¹

The sector offers employment to women and workers previously employed in the informal economy. The vast majority of employees in the industry, perhaps more than 80 percent, are women.⁹⁹² The apparel sector also is reported to serve an important economic role in providing employment for those who were previously excluded from the formal sector.⁹⁹³

Several factors make precise quantification of an average apparel worker's wages in Indonesia difficult, but multiple experts agree that wages in the country are high for the region.⁹⁹⁴ Indonesia has no single minimum wage; regional governments set their own rates. Localities may further set minimum wages that are higher than regional minimums.⁹⁹⁵ Regional variations in wages can be large, with 2024 wages in Jakarta a minimum of \$329/month and \$132/month in Central Java.⁹⁹⁶ Regional variation in wages is reported to be one reason for the geographic shift of the industry within Indonesia.⁹⁹⁷ Workers are paid at the minimum wage during their first year of employment, but are eligible for wage increases afterward as determined by their employers.⁹⁹⁸ Estimating typical wages is further complicated by short-

⁹⁸⁷ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 37.

⁹⁸⁸ Unions representing apparel workers include the Textile, Garment and Leather Workers'; the Federation of Garment, Textile, Leather and Shoe Trade Unions; and the National Workers' Union. Better Work Indonesia, "Indonesia - Our Partners," accessed August 7, 2024.

⁹⁸⁹ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 23–24.

⁹⁹⁰ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 23–24.

⁹⁹¹ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 20.

⁹⁹² Izzati, *Indonesia Country Study*, 2021, 24.

⁹⁹³ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 3.

⁹⁹⁴ Industry representative, interview by USITC staff, Indonesia, April 23, 2024; subject matter expert, interview by USITC staff, March 7, 2024; industry expert, interview by USITC staff, February 15, 2024.

⁹⁹⁵ Further complicating the varying wage rates, until 2020, some industries had higher minimum wages, although under certain circumstances, firms were permitted to pay wages that were below mandated rates. Industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, March 24, 2024; Better Work Indonesia, *Better Work Indonesia Annual Report 2020*, 2020, 15.

⁹⁹⁶ Better Work Indonesia, "Indonesia Summary Wages 2024," accessed June 9, 2024.

⁹⁹⁷ Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 4; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

⁹⁹⁸ Better Work Indonesia, "Indonesia Summary Minimum Wages 2023," accessed June 9, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2024.

term contracts and outsourcing, which are used to adjust production levels in response to varying demand cycles.⁹⁹⁹ These variations in regional wages and employment contracts are reflected in public estimates of average monthly salaries in the Indonesia apparel industry, which range from under \$200 to approximately \$240.¹⁰⁰⁰

Because of delays in releasing national statistics, Indonesia's labor productivity is difficult to compare with other producers, but there are indications that it was low for the region in 2015, then increased quickly in the following three years. The International Labour Organization (ILO) estimated Indonesian garment productivity in 2015, the most recent year for which such data were available, at \$3,378 per worker (measured in 2010 dollars), the seventh-lowest of nine regional countries it studied.¹⁰⁰¹ In contrast, official Indonesian government statistics estimate 2015 apparel worker productivity at \$6,612, rising to \$15,931 per worker in 2018, the last year for which such data are available.¹⁰⁰² Labor productivity may be higher than average in large and medium-sized apparel factories, a group that includes exporters.¹⁰⁰³ One factor that may have contributed to increased productivity is an increase in vocational training since 2017, as noted by one industry representative.¹⁰⁰⁴

Domestic and Foreign Direct Investment

Indonesia's export-oriented apparel sector has grown to include a combination of domestic and foreign investment. In 2001, foreign direct investment (FDI), primarily from South Korea, Taiwan, Japan, and Hong Kong, accounted for 4.8 percent of total investment in the industry, as apparel producers in those markets were attracted to Indonesia's lower production costs.¹⁰⁰⁵ FDI in the sector has increased since then, with the ILO estimating that 55 percent of large supplier factories in Indonesia are domestically owned, with South Korea comprising the largest foreign ownership share (24 percent), followed by Taiwan (5 percent).¹⁰⁰⁶ The data are incomplete, but reports indicate 11 greenfield foreign direct investment projects in Indonesia's apparel and textile industry since 2018.¹⁰⁰⁷ Four of these investments were made by Taiwanese companies, the others by companies from Austria, Japan, Singapore, South

⁹⁹⁹ Izzati, *Indonesia Country Study*, 2021, 27–28; industry expert, interview by USITC staff, March 20, 2024.

¹⁰⁰⁰ USITC, hearing transcript, March 11, 2024, 272 (testimony of Robert Antoshak, Gherzi); Goodier, "Best and Worst Countries for Apparel Worker Wages," March 14, 2022; Statista, "Monthly Wage of Garment Workers Asia 2021," accessed January 25, 2024.

¹⁰⁰¹ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

¹⁰⁰² 2015 productivity is expressed in 2015 dollars, 2018 productivity in 2018 dollars. BPS-Statistics Indonesia, "Worker Productivity by Sub Sectors - Statistical Data," accessed August 6, 2024; Exchange-Rates.org, "Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2015," accessed June 11, 2024; Exchange-Rates.org, "Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2018," accessed June 11, 2024.

¹⁰⁰³ An ILO study estimated that 2015 Indonesian worker productivity in large and medium factories for the combined garment, textile, and footwear sectors was more than double that of productivity in small and microenterprises. Horne, Richard and Marina Cruz de Andrade, "Mixed Picture for Indonesia's Garment Sector," September 2017, 2.

¹⁰⁰⁴ Industry representative, interview by USITC staff, February 13, 2024.

¹⁰⁰⁵ Adam, "The Indonesian Garment Industry," 2004, 108.

¹⁰⁰⁶ Indonesia's government no longer tracks investment in the apparel industry alone. FDI data reported are for 2017–18. ILO estimates of foreign ownership shares of large suppliers use factories included in the 2018 Wage Indicator Garment Supply Chain Database as a proxy for the relevant factories. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8.

¹⁰⁰⁷ Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024.

Korea, and Sri Lanka. To attract FDI, Indonesia allows for 100 percent foreign ownership and has simplified business licensing, regulatory, and tax requirements.¹⁰⁰⁸

Infrastructure and Logistics

Recent investments have reportedly resulted in improved infrastructure in the country, and investments are continuing. In 2017, the Indonesian government began a multiyear program of increased spending on infrastructure, raising the budget for infrastructure by 41.7 percent from 2016.¹⁰⁰⁹ Infrastructure projects beneficial to the apparel industry include highway construction, such as the Trans-Java Toll Road; expanded capacity at ports in Jakarta and Surabaya (West Java); and the addition of a high-speed railway connecting Jakarta and apparel-producing areas such as Bandung.¹⁰¹⁰ The areas of Java where most factories are located reportedly benefit from advanced transportation infrastructure and energy supply.¹⁰¹¹ Indonesia's port infrastructure allows apparel exporters to ship through ports in either Jakarta in West Java or Semarang in Central Java, with shipments to the United States going first to Singapore for consolidation.¹⁰¹² The overall quality of Indonesia's infrastructure is indicated by the 2023 World Bank Logistics Performance Index score of 3, higher than the East Asia Pacific regional score of 2.53.¹⁰¹³

Production

Indonesia's apparel production has increased in the past 10 years, although it currently is not as high as it was before the COVID-19 pandemic. The Indonesian government does not provide production data for just the apparel industry, but rather for the combined textile and apparel sector. In 2014, the first year for which government data are available, the textile and apparel sector's combined production was valued at \$11.7 billion.¹⁰¹⁴ This number varied slightly for subsequent years, until 2019 when it peaked at

¹⁰⁰⁸ Asian Insider, "Indonesia's Textile and Garment Sector," October 14, 2023; industry representative, interview by USITC staff, April 21, 2024; USITC, hearing transcript, March 11, 2024, 20 (testimony of Ranitya Kusumadewi, Embassy of Indonesia).

¹⁰⁰⁹ Increase reported in Indonesian rupiah. The infrastructure budget for each year during 2017–24 was higher than the 269.1 billion rupiah budgeted in 2016, peaking at 423.4 trillion rupiah in 2024. Statista, "Indonesia Government Infrastructure Budget," accessed June 9, 2024.

¹⁰¹⁰ Karmini, et al., "Chinese Premier Li Qiang Takes a Test Ride on Indonesia's New High-Speed Railway," September 6, 2023; Antara News, "Jokowi Inaugurates Trans Java Toll - News En.Tempo.Co," accessed June 17, 2024; Anam, "Pelindo Lanjutkan Transformasi di 32 Terminal Peti Kemas (Pelindo Continues Transformation at 32 Container Terminals)," accessed June 17, 2024; Marle, "New Priok Container Terminal Will 'Change the Face of Logistics in Indonesia,'" April 27, 2017; industry representative, interview by USITC staff, March 24, 2024; industry expert, interview by USITC staff, March 25, 2024; industry expert, interview by USITC staff, April 3, 2024.

¹⁰¹¹ Subject matter expert, interview by USITC staff, March 29, 2024.

¹⁰¹² Transit through Singapore for consolidation may increase transportation times by one week compared to direct shipment available to some exporting countries. Shipments to Europe transit through the Suez Canal. Industry representative, interview by USITC staff, Indonesia, April 23, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰¹³ The Logistics Performance Index is a benchmarking tool that identifies the challenges and opportunities countries face in their trade logistics performance. World Bank Logistics Index scores countries on multiple criteria and gives an overall score, presented above. For individual criteria, Indonesia scored highest for Timeliness (3.3) and lowest for Customs (2.8). The same index ranked Indonesia's infrastructure 61st out of 139 countries globally. World Bank, "International Scorecard Page, Logistics Performance Index (LPI)," accessed July 8, 2024.

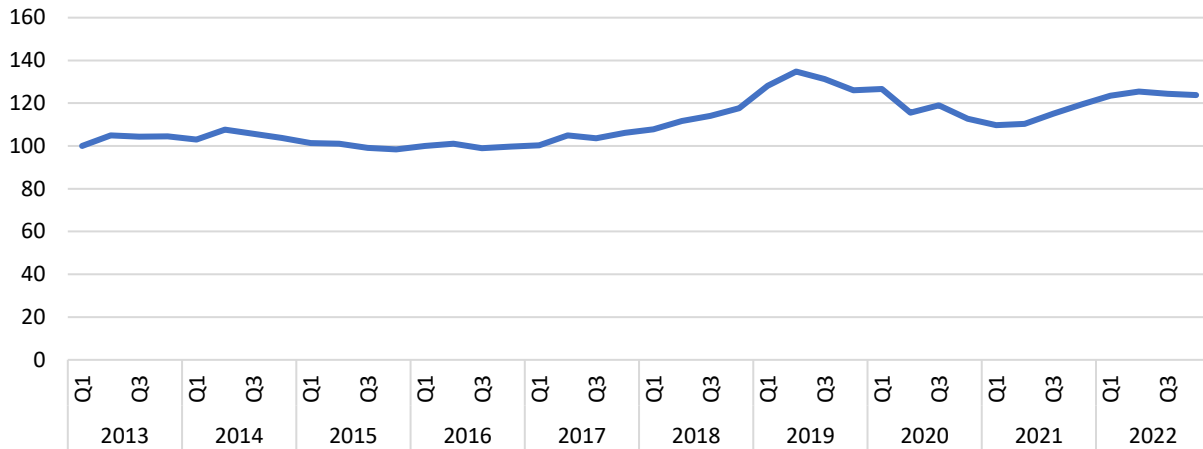
¹⁰¹⁴ BPS-Statistics Indonesia, "Produk Domestik Bruto Atas Dasar," accessed June 10, 2024; Exchange-Rates.org, "Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2014," accessed June 11, 2024.

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

\$14.1 billion. Production declined during the pandemic years 2020–21, in part because of workforce reductions caused by health protocols requiring physical distancing,¹⁰¹⁵ then recovered to \$13.6 billion in 2022.¹⁰¹⁶ Quarterly index data from other sources indicate that these trends apply to apparel production alone, showing production peaking in early 2019 before declining (figure 8.2).

Figure 8.2 Index of apparel production in Indonesia, 2013–22

2013 = 100, seasonally adjusted. Q = quarter. Underlying data for this figure can be found in appendix E, [table E.19](#).



Source: UNIDO, UNIDO Data Portal, accessed July 2, 2024.

The Indonesian apparel industry produces a wide variety of clothing, including knit and woven garments from both manmade and natural fibers.¹⁰¹⁷ In particular, Indonesian producers have a reputation for being highly skilled and thus able to produce complex, relatively high-value items, such as men’s and women’s business attire, undergarments, athletic wear, outerwear, and technical wear made from specialized manmade fiber (MMF) fabrics engineered to protect against wind and rain.¹⁰¹⁸ One industry

¹⁰¹⁵ Clean Clothes Campaign, *Still Un(der)paid*, 2021, 37.

¹⁰¹⁶ BPS-Statistics Indonesia, “Produk Domestik Bruto Atas Dasar,” accessed June 10, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2015,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2014,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2016,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2017,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2018,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2018,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2020,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2021,” accessed June 11, 2024; Exchange-Rates.org, “Indonesian Rupiah (IDR) To US Dollar (USD) Exchange Rate History for 2022,” accessed June 11, 2024.

¹⁰¹⁷ Industry representative, interview by USITC staff, June 6, 2024.

¹⁰¹⁸ USITC, hearing transcript, March 11, 2024, 175–76 (testimony of Beth Hughes, AAFA); industry representative, interview by USITC staff, January 23, 2024; industry representative, interview by USITC staff, February 13, 2024; industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 25, 2023.

representative noted that Indonesian apparel exporters must focus on higher value-added products because labor costs for the country are relatively high.¹⁰¹⁹

Sourcing of Inputs

Indonesia produces raw materials, yarns, and fabrics, but apparel exporters remain dependent on imports for most of their inputs. Industry representatives gave varying opinions of the capacity of the Indonesian textile industry. The textile industry is reportedly strong in cotton yarn spinning and in its capacity for weaving and dyeing.¹⁰²⁰ In addition, Indonesia produces some manmade fibers (including viscose rayon) and yarns (including polyester textured yarn).¹⁰²¹ Despite these strengths, industry representatives stated that domestically produced textiles often do not meet the quality standards for exported apparel and thus generally serve as inputs for the domestic apparel market.¹⁰²² In some cases, however, large brands source fabrics domestically, notably polyester, rayon, and cotton fabrics (including denim and circular knits). Sourcing fabrics domestically reduces lead time, although domestically produced fibers can be more costly because of inefficiencies in the domestic textile sector and domestic producers' reliance on imported fiber and yarn inputs.¹⁰²³ Several industry representatives stated that Indonesia's textile industry is currently expanding its ability to produce apparel inputs and is positioned to continue expansion.¹⁰²⁴

Although production of apparel inputs is limited within Indonesia, the country's apparel sector has access to duty-free inputs from a number of major textile-producing countries. These trade preferences help lower production costs but may also limit development of domestic textile capacity. Imports from other Association of Southeast Asian Nations (ASEAN) countries, notably Vietnam, generally benefit from duty-free treatment, as do imports from China under the ASEAN-China Free Trade Agreement.¹⁰²⁵ The duty-free status of imports from these two major textile exporters has reportedly reduced incentives to expand the domestic textile industry.¹⁰²⁶ In addition, apparel exporters import many inputs duty free under Indonesia's bonded zone program. Under this program, inputs that are for use for exported goods are exempt from import duties.¹⁰²⁷ Even when brands do prioritize sourcing from Indonesian fabric mills,

¹⁰¹⁹ Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰²⁰ Industry representative, interview by USITC staff, March 7, 2024; industry expert, interview by USITC staff, March 25, 2024; USITC, hearing transcript, March 11, 2024, 17 (testimony of Ranitya Kusumadewi, Embassy of Indonesia).

¹⁰²¹ The News Lens, "Indonesia Expands Textile Production, Claiming Sustainability," March 2, 2020; Hernitaningtyas, "Viscose May Give Indonesia's Textile Industry Edge," accessed January 18, 2024; USITC, *Polyester Textured Yarn 731-TA-1550-1552 (Final)*, December 2021, 21.

¹⁰²² Industry representative, interview by USITC staff, Indonesia, April 23, 2024; industry representative, interview by USITC staff, Indonesia April 23, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰²³ Industry representative, interview by USITC staff, Indonesia, April 24, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰²⁴ Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, April 4, 2024.

¹⁰²⁵ Center for WTO and International Trade Vietnam Chamber of Commerce and Industry, "ASEAN-China Free Trade Area Tariff Reduction Schedule-Indonesia," December 12, 2016; ASEAN, "Tariffs Under the ASEAN Trade in Goods (ATIGA)," October 2022. For a list of HS headings included in textile inputs for apparel in this report see appendix F.

¹⁰²⁶ Industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰²⁷ Industry representative, interview by USITC staff, Indonesia, April 22, 2024.

the raw materials to make fabric are generally still imported. Though this arrangement may not ultimately result in cost savings, it can reduce in lead times.¹⁰²⁸ An additional challenge to developing domestic input production capacity is that inputs are often selected by buyers who may prefer sourcing from certain countries.¹⁰²⁹ Some report, however, that new incentives for domestic textile production might be created if an Indonesia-EU Free Trade Agreement, which is currently under negotiation, requires double transformation for apparel exports to receive duty-free treatment.¹⁰³⁰

To support its domestic textile industry, Indonesia imported \$1.4 billion in raw materials and fibers for yarn and fabric production in 2023 (table 8.1). In 2023, Indonesia imported \$833 million of raw cotton, roughly 60 percent of all yarn and fabric raw material imports that year.¹⁰³¹ Australia (39.5 percent share), the United States (23.4 percent), and Brazil (22.6 percent) were Indonesia's main sources of raw cotton imports in 2023.¹⁰³² Other major raw material and fiber imports in 2023 included cellulose acetate tow (\$187 million) and polyester staple fiber (\$126 million).¹⁰³³ Indonesia's imports of raw materials and fibers in both 2013 and 2018 were just over \$1.9 billion, declining to \$1.1 billion (40.7 percent) in 2020 as trade slowed during the COVID-19 pandemic and the price of cotton declined. Imports of raw materials increased to \$1.6 billion in 2022, as apparel exports and the global price of cotton increased, before decreasing to \$1.4 billion in 2023.¹⁰³⁴

The mix of raw materials and fibers Indonesia uses is unusual for the region. In 2022, cotton made up 30.9 percent of raw materials consumed by weight in Indonesia, well below the Asia-Oceania average of 55.0 percent. In contrast, Indonesia consumed relatively high proportions of cellulose fiber (23.0 percent compared to 12.9 percent) and synthetic staple fiber (46.0 percent compared to 32.2 percent).¹⁰³⁵ Indonesia's textile industry is competitive in some raw material and fiber production, especially viscose rayon staple fiber, exporting \$670 million worth in 2023, primarily to Pakistan (\$273 million).¹⁰³⁶

¹⁰²⁸ Industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰²⁹ Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰³⁰ Industry representative, interview by USITC staff, April 22, 2024; foreign government official, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰³¹ S&P Global, GTAS database, HS headings 5201 and 5203, cotton fiber. Textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F. Raw cotton is used to supply the Indonesian cotton yarn spinning industry. Industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰³² S&P Global, GTAS database, HS heading 5201 and 5203, cotton fiber. Textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

¹⁰³³ HS subheadings 5502.10, cellulose acetate tow; and 5503.20, polyester staple fiber. S&P Global, GTAS database, textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F. Cellulose acetate tow is used in producing apparel and filters, notably cigarette filters. S&P Global, "Cellulose Acetate Fibers," September 2022. Niir Project Consultancy Services, "Cellulose Acetate," accessed March 28, 2024.

¹⁰³⁴ S&P Global, GTAS database, textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F. Macrotrends, "Cotton Prices - 45 Year Historical Chart," accessed June 10, 2024.

¹⁰³⁵ ITMF, *International Textile Industry Statistics*, December 2023, 29.

¹⁰³⁶ HS subheading 5504.10, viscose rayon staple fiber. S&P Global, GTAS database, textile raw materials and fibers, mirror data, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

Table 8.1 Indonesia: Imports of textile raw materials and fibers, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
Australia	187	16	75	42	278	354	329
United States	430	670	499	329	298	344	305
Brazil	232	254	336	308	300	269	189
China	140	378	199	87	146	158	167
Thailand	172	100	89	65	110	108	95
All other sources	772	503	360	308	435	352	287
Total	1,932	1,920	1,558	1,139	1,568	1,584	1,372

Source: S&P Global, GTAS database, textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

Note: Indonesia import data were calculated by aggregating exports to Indonesia as reported by all other countries.

Trade data confirm the dependence of Indonesian apparel exporters on imported yarns and fabrics. During 2013–18, as apparel exports were increasing, Indonesian imports of yarns rose by 11.4 percent (table 8.2), and imports of fabrics rose by 14.1 percent (table 8.3). As apparel exports decreased through 2020, imports of yarns decreased 28.3 percent compared to 2018 levels, and imports of fabrics decreased 29.6 percent. Over the period 2013–23, imports of yarns and fabrics peaked in 2022 at \$900 million and \$6.3 billion, respectively, which is consistent with the post-pandemic recovery of apparel exports. Between 2013–18, China, already the largest source of imported yarns and fibers in 2013, expanded its market share for both input groups. China’s share of Indonesian yarn imports grew from 37.4 percent to 51.2 percent, and its share of fabric imports grew from 48.7 percent to 57.7 percent. During 2019–23, China’s share of imports for both input groups continued to grow, from 51.2 percent to 65.4 percent for yarns and from 60.0 percent to 65.8 percent for fabrics. This increase in China’s prominence as a supplier of yarns and fabrics to Indonesia occurred during a period when China increased its share of global textile exports.¹⁰³⁷

Table 8.2 Indonesia: Imports of yarns, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	265	404	382	294	426	531	504
Vietnam	67	71	81	70	144	134	81
Thailand	28	39	35	28	31	44	35
India	48	73	59	35	44	37	30
South Korea	104	63	53	34	50	43	28
All other sources	196	139	136	105	124	110	93
Total	709	789	746	566	820	900	771

Source: S&P Global, GTAS database, yarns, accessed June 17, 2024. For a list of HS headings included in yarns, see appendix F.

Note: Indonesia import data were calculated by aggregating exports to Indonesia as reported by all other countries. Top 5 trade partners in 2022, ranked by value in 2023.

¹⁰³⁷ During 2010–20, China’s share of global textile exports increased from 30.4 percent to 43.5 percent. Statista, “China’s Share of Global Textile Exports,” 2024.

Table 8.3 Indonesia: Imports of fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	2,434	3,289	3,352	2,236	3,254	3,993	3,470
South Korea	997	773	673	506	634	582	440
Taiwan	446	419	395	290	379	455	345
Vietnam	83	212	277	240	395	419	321
Hong Kong	393	327	272	195	286	185	143
All other sources	639	678	621	546	625	645	549
Total	4,993	5,699	5,591	4,014	5,574	6,280	5,270

Source: S&P Global, GTAS database, fabrics, accessed June 17, 2024. For a list of HS headings included in fabrics, see appendix F.

Note: Indonesia import data were calculated by aggregating exports to Indonesia as reported by all other countries.

Exports of Apparel

Exports to Major Markets

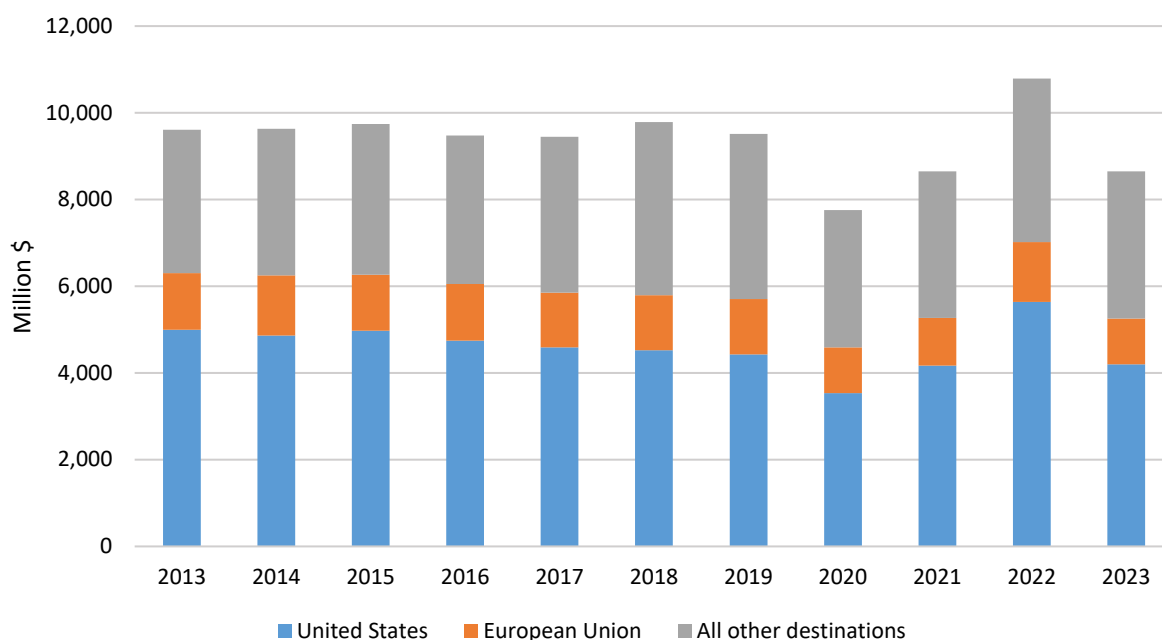
Indonesia is a large exporter of apparel, with approximately 30 percent of the industry's output consumed domestically and the rest exported.¹⁰³⁸ The industry is predominantly dependent on the U.S. market, which accounted for 48.6 percent of Indonesia's \$8.6 billion in apparel exports in 2023 (figure 8.3 and table 8.4), followed by the EU (12.2 percent) and Japan (9.2 percent). During 2013–23, Indonesian apparel exports to the world decreased by 10.0 percent; this included a decrease in 2020, likely related to the COVID-19 pandemic, followed by a robust recovery in 2022, then a decline in 2023.

Apparel exports were lower in 2023 than in 2013 to the three largest markets: the United States (15.8 percent lower), the EU (19.4 percent), and Japan (2.9 percent) (figure 8.3). During 2018–22, Indonesia's apparel exports to the United States and the EU increased by 24.6 percent and 8.6 percent, respectively, while exports to Japan decreased significantly by 27.2 percent. In 2023, exports to the United States and the EU, however, decreased by 25.5 and 23.4 percent, respectively.

¹⁰³⁸ Industry representative, interview by USITC staff, Indonesia April 22, 2024; Medina, "Indonesia's Textile and Garment Industry," April 24, 2020. Indonesia's domestic garment market was reportedly \$21.7 billion in 2023. USITC, hearing transcript, March 11, 2024, 21 (testimony of Ranitya Kusumadewi, Embassy of Indonesia).

Figure 8.3 Indonesia: Exports of apparel, 2013–23

In millions of dollars. Underlying data for this figure can be found in appendix E, [table E.20](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Indonesia export data were calculated by aggregating imports from Indonesia as reported by its trade partners.

Table 8.4 Indonesia: Exports of apparel, by major market, 2013 and 2018–23

In millions of dollars. * = not reported.

Trade partner	2013	2018	2019	2020	2021	2022	2023
United States	4,994	4,527	4,426	3,539	4,170	5,638	4,203
European Union	1,309	1,269	1,278	1,050	1,099	1,378	1,055
Japan	822	1,065	1,020	845	773	776	799
South Korea	415	626	601	514	507	580	536
Canada	273	285	293	223	251	353	325
China	160	372	363	295	358	329	285
Australia	118	214	218	204	252	269	254
United Kingdom	322	206	182	142	161	300	242
Singapore	218	199	187	192	208	219	140
United Arab Emirates	110	117	107	81	102	134	*
All other destinations	871	904	838	670	768	816	808
Total	9,612	9,783	9,513	7,753	8,647	10,793	8,647

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Indonesia export data were calculated by aggregating imports from Indonesia as reported by its trade partners. Top 10 trade partners in 2022, ranked by value in 2023. United Arab Emirates had not reported 2023 data as of June 17, 2024.

U.S. Imports of Apparel from Indonesia

From 2013 to 2022, the value of U.S. apparel imports from Indonesia increased from \$5.0 billion to \$5.6 billion (13.1 percent), followed by a decrease of 24.9 percent in 2023 (table 8.5). During 2020, U.S. imports declined, then recovered in 2021, reached a high in 2022, and declined to \$4.2 billion in 2023. During 2013–22, the competitiveness of Indonesian apparel in the U.S. marketplace appears to have

declined as imports from other sources increased more quickly, and the country fell from the third-largest to the fifth-largest source of U.S. imports between 2013 and 2021 (Bangladesh and India moved to third and fourth rank, respectively).¹⁰³⁹

Table 8.5 U.S. imports of apparel from Indonesia, by category, 2013 and 2018–23

In millions of dollars. Category numbers in parentheses. MMF = manmade fiber.

Category	2013	2018	2019	2020	2021	2022	2023
Women’s/girls’ knit cotton shirts/blouses (339)	689	433	433	365	441	530	341
Women’s/girls’ cotton trousers/slacks/shorts (348)	559	402	358	314	391	467	329
Men’s/boys’ knit cotton shirts (338)	391	252	261	240	302	442	324
MMF bras/other body support garments (649)	173	160	180	141	270	358	245
Women’s/girls’ MMF slacks/breeches/shorts (648)	143	248	224	178	239	315	231
Men’s/boys’ cotton trousers/breeches/shorts (347)	188	220	192	168	226	290	217
Women’s/girls’ knit MMF shirts/blouses (639)	285	377	317	243	262	263	214
Men’s/boys’ MMF trousers/breeches/shorts (647)	150	145	171	137	179	263	193
Other MMF apparel (659)	177	180	202	157	193	281	171
MMF dresses (636)	222	263	254	165	152	220	170
All other categories	2,018	1,914	1,922	1,473	1,581	2,218	1,804
Total	4,994	4,595	4,514	3,581	4,236	5,647	4,240

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

In 2023, women’s and girls’ cotton tops, women’s and girls’ trousers/slacks/shorts, and men’s and boys’ knit cotton shirts were the top three product categories of U.S. imports from Indonesia. Overall, the share of U.S. imports of apparel from Indonesia accounted for by knit apparel has decreased, from 54.8 percent to 50.0 percent during 2013–23, suggesting a decline in Indonesia’s exports of basic knit tops in favor of more complex, higher value-added garments.¹⁰⁴⁰ Furthermore, U.S. apparel imports from Indonesia have shifted from a majority of cotton apparel (54.7 percent in 2013) to more MMF apparel than cotton (\$2.0 billion and \$1.9 billion, respectively, in 2023).¹⁰⁴¹ This increase in MMF apparel demand is part of a global trend.¹⁰⁴²

Tariffs and Trade Preference Programs

Indonesian exports have no preferential duty access to the U.S. market.¹⁰⁴³ U.S. imports of apparel from Indonesia are subject to NTR duty rates, with ad valorem rates that range from free to 32.0 percent for

¹⁰³⁹ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹⁰⁴⁰ For example, U.S. imports of knit sweaters and pullovers entering under HTS subheadings 6110.20.20 and 6110.30.30 decreased from a combined \$1 billion in 2013 to \$714 million in 2023, while brassieres (generally considered complex garments) in HTS subheadings 6212.10.50 and 6212.10.90 saw a combined increase from \$162 million to \$243 million during 2013–23. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹⁰⁴¹ Categories 31, cotton apparel; and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹⁰⁴² See chapter 2.

¹⁰⁴³ Although Indonesia is a beneficiary country for the U.S. Generalized System of Preferences (GSP), which lapsed in 2020, apparel items are largely excluded from the program. USITC, *HTS 2024 Revision 2*, General Note 4, “Generalized System of Preferences (GSP),” May 31, 2024, GN pp. 1-4.

apparel in HTS chapters 61 and 62.¹⁰⁴⁴ U.S. apparel imports from Indonesia were subject to an 18.3 percent average applied duty in 2023.¹⁰⁴⁵ Indonesia has preferential tariff access to some export markets, which may provide a competitive advantage through the development of efficiencies that reduce costs to buyers.¹⁰⁴⁶ Preferential access to the key EU market is, however, less favorable compared with that of some other major apparel producers, which may mitigate some of the benefits to the sector's competitiveness. Many Indonesian apparel exports qualify for reduced duties under the EU Generalised Scheme of Preferences (EU GSP) program, provided they comply with the rules of origin. This access is limited, however, relative to competitor countries that qualify for duty-free treatment under a free trade agreement (FTA) (e.g., Vietnam), the EU GSP+ program (e.g., Pakistan), or the EU Everything But Arms program (e.g., Cambodia).¹⁰⁴⁷ As a member of ASEAN, Indonesia has preferential duty treatment, including duty-free access for many goods, under multilateral trade agreements with Australia, China, Hong Kong, India, Japan, South Korea, and New Zealand.¹⁰⁴⁸ Indonesia has also signed bilateral FTAs with Australia, Chile, Mozambique, and the European Free Trade Association, which consists of Iceland, Lichtenstein, Norway, and Switzerland.¹⁰⁴⁹

Apparel Sector Competitiveness

Indonesia is a relatively competitive producer of high-value products, such as business attire and technical wear, certain outerwear, and athletic wear. This is in large part because the country's high labor costs relative to other top producers in the region limit its competitiveness in exporting low-cost garments.¹⁰⁵⁰ Additionally, the time required to import inputs negatively impacts Indonesian lead times and, to some extent, cost.¹⁰⁵¹ Because of the domestic regulatory framework and active participation of nongovernmental organizations and producers, Indonesia has a strong reputation for compliance with social and environmental responsibility standards.¹⁰⁵²

¹⁰⁴⁴ USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024.

¹⁰⁴⁵ This average was calculated by dividing duties on imports of apparel from Indonesia by dutiable value of imports of apparel from Indonesia. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹⁰⁴⁶ See chapter 4, "Trade Costs and Tariff Treatment."

¹⁰⁴⁷ GSP Hub, "Monitoring Missions and Priorities in Indonesia," accessed June 11, 2024; EC, "General Scheme of Preferences Annex 22-03," December 19, 2015, 343/375–343/378; EC, "EU-Vietnam Free Trade Agreement Appendix," June 12, 2020, 186/164, 186/818–186/826; EC, "List of GSP Beneficiary Countries," January 1, 2023. Indonesia and the EU have been negotiating a potential free trade agreement (FTA) since July 2016. EC, "EU-Indonesia," March 5, 2024.

¹⁰⁴⁸ USDOC, ITA, "Indonesia - Trade Agreements," January 9, 2024.

¹⁰⁴⁹ USDOC, ITA, "Indonesia - Trade Agreements," January 9, 2024.

¹⁰⁵⁰ Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁵¹ Industry representative, interview by USITC staff, Indonesia, April 23, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰⁵² Industry representative, interview by USITC staff, February 13, 2024; industry representative, interview by USITC staff, March 7, 2024.

Indonesian Exporters Can Produce High-Value Apparel

Industry representatives describe Indonesia’s apparel producers as having a “high-quality needle” to produce business attire and technical wear, including high-end outdoor apparel and athletic products.¹⁰⁵³ Another industry representative stated that they source higher-end, higher-quality products from Indonesia that they are unable to source from other countries.¹⁰⁵⁴ The quality of production reflects the industry’s long experience exporting to the U.S. market and resources dedicated to workforce development and training.¹⁰⁵⁵ Another industry representative noted that Indonesia has a good educational system and can provide excellent local middle managers and industrial engineers, while some other countries depend on foreign workers to fill those positions.¹⁰⁵⁶ The same industry representative in Indonesia stated that Indonesian exporters must be competitive in producing high-value apparel because they cannot compete in the lower-value segment of the market.¹⁰⁵⁷

Labor and Other Costs Make Indonesia a Relatively Expensive Apparel Source

Indonesia is a relatively expensive source of apparel, and industry representatives report some price-sensitive brands have stopped purchasing apparel from the country due to cost.¹⁰⁵⁸ Indonesia’s labor costs, which are high for the region, contribute to comparatively high production costs.¹⁰⁵⁹ One industry representative noted high interest rates as a significant cost, and for most of 2018–23, real interest rates in Indonesia have been high compared with other apparel exporting countries.¹⁰⁶⁰ Costs for raw cotton are higher for Indonesia than for some cotton-producing countries in the region but comparable to other cotton importers.¹⁰⁶¹ In contrast to other production costs, electricity prices in Indonesia are relatively low for the region.¹⁰⁶² An additional cost disadvantage for Indonesian apparel exports is that they qualify for preferential duty treatment in the EU market under less favorable terms than several other major

¹⁰⁵³ USITC, hearing transcript, March 11, 2024, 175–76 (testimony of Beth Hughes, AAFA); industry representatives, interview by USITC staff, Indonesia, April 22, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰⁵⁴ Industry representative, interview by USITC staff, February 23, 2024.

¹⁰⁵⁵ Industry representatives, interviews by USITC staff, February 13, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰⁵⁶ Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁵⁷ Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁵⁸ USITC, hearing transcript, March 11, 2024, 273 (testimony of Robert Antoshak, Gherzi); industry representative, interview by USITC staff, Indonesia, April 23, 2024; industry representative, interview by USITC staff, February 13, 2024.

¹⁰⁵⁹ Statista, “Monthly Wage of Garment Workers Asia 2021,” accessed January 25, 2024; Goodier, “Best and Worst Countries for Apparel Worker Wages,” March 14, 2022; industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁶⁰ World Bank, “World Bank Open Data,” accessed June 10, 2024; industry representative, interview by USITC staff, March 7, 2024.

¹⁰⁶¹ ITMF, *International Production Cost Comparison*, May 2022, 11.

¹⁰⁶² USDA, FAS, *Cotton and Products Annual—Indonesia*, April 6, 2022, 6; ITMF, *International Production Cost Comparison*, May 2022, 11; industry representative, interview by USITC staff, February 13, 2024.

apparel exporters (see “Trade Preference Programs” above). An Indonesia-EU Free Trade Agreement is under negotiation that may help mitigate this disadvantage.¹⁰⁶³

Dependence on Imported Inputs Increases Lead Times and Some Costs

Limited domestic production of inputs leaves the Indonesian apparel industry largely dependent on imports, resulting in a competitive disadvantage by causing relatively long lead times and, in some cases, increased costs.¹⁰⁶⁴ Furthermore, these imported inputs increasingly come from a single country, China. Multiple industry representatives noted that the need to import yarns and fabrics has a negative effect on lead times for Indonesian exporters and that some investment in domestic textile production is motivated by a desire to reduce lead times.¹⁰⁶⁵ Lead times are further extended by the need to consolidate export shipments in Singapore, in contrast to Vietnam and China, which export sufficient volumes to ship directly to the United States.¹⁰⁶⁶

Social and Environmental Compliance Is a Strength for the Indonesian Industry

Labor compliance in the export apparel industry reflects a combination of Indonesia’s labor regulations, union activity, the activity of some brands, and NGO monitoring of ILO standards. Indonesian worker rights are largely codified in the Employment Law (Law No. 13, 2003), which includes provisions that guarantee the right to form and join unions, the right to collective bargaining, the right to strike, protection against workplace discrimination, and protection for workplace safety and health.¹⁰⁶⁷ In practice, these legal protections are reportedly not always available to workers. Reports of violations of worker rights involve the curtailment of freedom of association and collective bargaining, unpaid wages, and other issues that impact overall working conditions.¹⁰⁶⁸ At the same time, respect for worker rights may be better among export producers than for the industry as a whole. Better Work Indonesia assessed firms enrolled in its compliance program on 36 specific points during 2011–20. The assessment found that during this period, firms enrolled in the program showed no evidence of noncompliance for seven compliance points (including child labor, forced labor, freedom to associate, and right to strike), improved compliance for 26 points (including compensation, discrimination, occupational safety and

¹⁰⁶³ EC, “EU-Indonesia,” March 5, 2024.

¹⁰⁶⁴ Industry representative, interview by USITC staff, March 7, 2024; industry representatives, interview by USITC staff, March 5, 2024.

¹⁰⁶⁵ Industry representative, interview by USITC staff, March 5, 2024; industry representative, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2023; industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰⁶⁶ Industry representative, interview by USITC staff, Indonesia, April 24, 2024.

¹⁰⁶⁷ ILO, “Translation of Act of the Republic of Indonesia, Number 13,” 2003.

¹⁰⁶⁸ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 4.

health, and union operations), and increased noncompliance on just two points (minimum wages and employment contracts).¹⁰⁶⁹

Some international brands work with NGOs to provide further support for labor compliance in Indonesia.¹⁰⁷⁰ In 2011, several Indonesian trade unions and international brands, along with Oxfam International, were key contributors to the Freedom of Association (FOA) Protocol signed in 2011.¹⁰⁷¹ The FOA Protocol enabled unions to communicate directly with brands in some workplace disputes.¹⁰⁷² One report suggests that the FOA Protocol helped reduce resistance to unions, especially in tier one factories, which supply apparel to global brands.¹⁰⁷³ The FOA Protocol is, however, limited to tier one factories (tier two factories, which produce fabric and yarn inputs for tier one factories, are “encouraged” to participate) and does not cover job security and living wages. It also encourages ad hoc grievance settlement instead of formal mechanisms, and is reported to suffer from an environment with overlapping initiatives and shifting priorities for brands and suppliers.¹⁰⁷⁴ Beyond the FOA Protocol, brands and NGOs provide additional support for labor compliance via Better Work Indonesia, a voluntary program in which many exporting factories participate, often with the encouragement of brands.¹⁰⁷⁵ Better Work Indonesia offers a streamlined single audit and reporting process covering both Indonesian and ILO workplace standards.¹⁰⁷⁶ Industry representatives stated that many brands that source from Indonesia believe the country’s producers meet their corporate ethical and responsibility standards, including for worker rights, social compliance, human rights, and environmental compliance.¹⁰⁷⁷

One major recent disagreement about labor rights in Indonesia occurred after the November 2020 Omnibus Law on Job Creation, which included major changes to the 2003 Manpower Law.¹⁰⁷⁸ The ILO noted that the law passed despite opposition from trade unions, which claim to have been excluded from negotiations to develop the law. The law, supported by the national organization of employers (known by the Bahasa Indonesia acronym APINDO), permitted fixed-term contracts beyond the previous three-year limit, extended maximum overtime hours, and reduced rest days for workers. Several labor and civil society groups filed a review with the Constitutional Court to prevent implementation of the law,¹⁰⁷⁹ which was later ruled to be unconstitutional but remains in effect while under revision.¹⁰⁸⁰

¹⁰⁶⁹ There was no change in noncompliance for the collective bargaining compliance point. Better Work Indonesia, *The Impact of Better Work Indonesia*, October 2022, 7–8.

¹⁰⁷⁰ Subject matter expert, interview by USITC staff, March 7, 2024; subject matter expert, interview by USTIC staff, March 20, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰⁷¹ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 24.

¹⁰⁷² Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 24–25.

¹⁰⁷³ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 13.

¹⁰⁷⁴ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 24–25.

¹⁰⁷⁵ Industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, March 24, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰⁷⁶ Industry expert, interview by USITC staff, March 20, 2024; industry representative, interview by USITC staff, March 24, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰⁷⁷ Industry representative, interview by USITC staff, April 4, 2024; industry representative, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, Indonesia, April 22, 2024.

¹⁰⁷⁸ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 38.

¹⁰⁷⁹ Tjandraningsih, *Mapping Social Dialogue in Apparel: Indonesia*, January 2021, 12.

¹⁰⁸⁰ Constitutional Court of the Republic of Indonesia, “Court: Conditionally Unconstitutional,” accessed June 14, 2024; “Law of the Republic of Indonesia No. 11 of 2020 on Job Creation,” November 2, 2020.

Apparel exporters are also required to comply with a variety of environmental and health and safety standards. Industry representatives note that Indonesia has thorough regulations for environmental protection, and they credit the government with being open to input on regulatory issues, such as coal consumption.¹⁰⁸¹ Regulations on water in particular are reportedly strict, banning the discharge of industrial wastewater.¹⁰⁸²

For health and safety standards, factories must comply with national and regional regulations.¹⁰⁸³ In addition to government regulations, exporters are also required to comply with environmental standards imposed by brands.¹⁰⁸⁴ Industry representatives noted that Indonesian producers need to be actively engaged in monitoring compliance for brands that hold producers responsible for compliance throughout their supply chain and that some producers pursue additional certifications, such as Leadership in Energy and Environmental Design (LEED) platinum certification for factories.¹⁰⁸⁵ Additionally, nongovernmental organizations active in Indonesia support compliance with international standards, including the Life and Building Safety initiative, which promotes workplace safety.¹⁰⁸⁶ Industry representatives also stated that factories can engage Worldwide Responsible Accredited Production to audit them for compliance with a full range of social and environmental standards, including health and safety.¹⁰⁸⁷

¹⁰⁸¹ Industry representative, interview by USITC staff, February 13, 2024; industry representative, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, March 25, 2024; industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁸² Industry representative, interview by USITC staff, Indonesia, April 23, 2024.

¹⁰⁸³ Subject matter expert, interview by USITC staff, March 29, 2024.

¹⁰⁸⁴ Industry expert, interview by USITC staff, March 20, 2024.

¹⁰⁸⁵ Industry representative, interview by USITC staff, February 13, 2024; industry representative, interview by USITC staff, March 7, 2024; industry representative, interview by USITC staff, March 25, 2024.

¹⁰⁸⁶ LABS Initiative, "LABS Initiative," January 20, 2019.

¹⁰⁸⁷ WRAP, "12 Principles," accessed June 12, 2024.

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Chapter 9

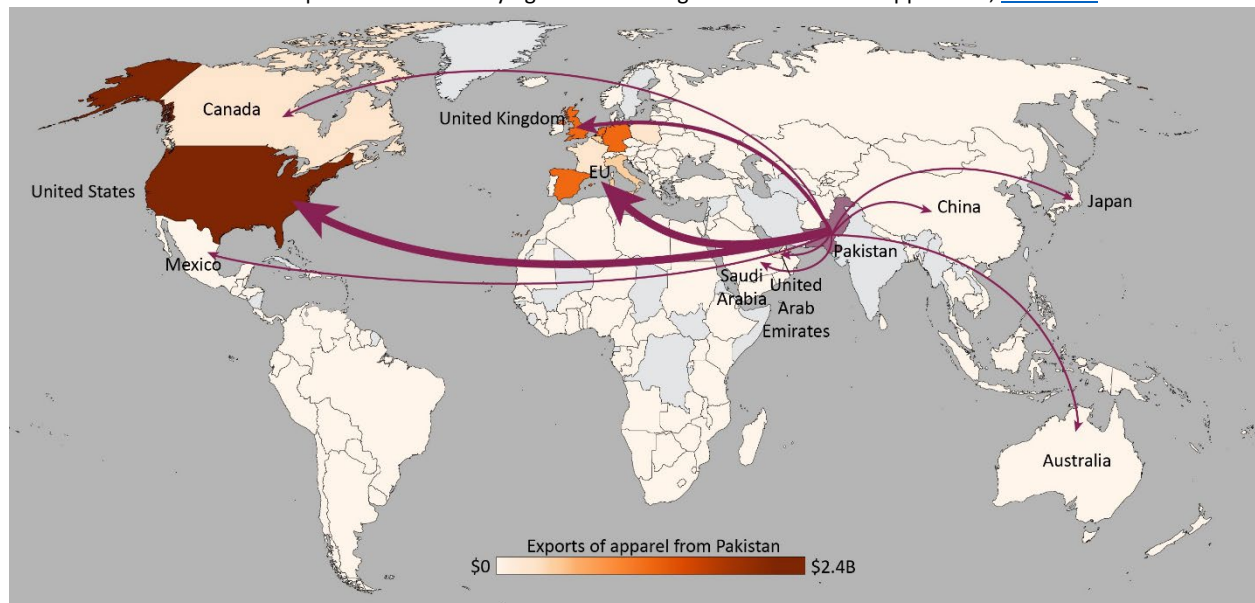
Pakistan

Summary

Pakistan has grown to become one of the top exporters of apparel to the United States over the past decade. Between 2013 and 2023, Pakistan's apparel exports grew by 89.1 percent to \$7.5 billion in 2023. The country has now positioned itself as the 15th-largest global exporter of apparel and the 10th-largest source of apparel to the United States (figure 9.1). As its largest manufacturing sector, textile and apparel production contributes significantly to Pakistan's economy, accounting for approximately 5 percent of GDP and about 30 percent of manufacturing value added to the country's economy in 2023. Additionally, apparel accounted for about 26 percent of Pakistan's total merchandise exports.

Figure 9.1 Pakistan: Exports of apparel, 2023

In billions of dollars. EU = European Union. Underlying data for this figure can be found in appendix E, [table E.21](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Pakistan derives its competitive advantage as an apparel supplier from its firm-level vertical integration in the supply chain and the availability of locally sourced cotton, which supports the production of high-quality cotton-based garments. The country competes within a narrow portfolio of products in which it performs extremely well, namely denim and fleece. Additional factors defining Pakistan's competitiveness are its reputation for flexibility and agility within the supply chain and traceability for domestically grown cotton fiber. Geopolitical risk in the country and region and high energy costs are key disadvantages hindering the Pakistani apparel sector.

Industry Profile

Pakistan's history of cotton production and high-quality textile production is foundational to its apparel industry.¹⁰⁸⁸ Cotton textiles, including fibers, yarn, and fabric, have become key exports for Pakistan, and production in the sector gradually expanded to include downstream products using domestic cotton inputs.¹⁰⁸⁹ In the 1970s and 1980s, following the introduction of the Multifibre Arrangement (MFA), Pakistan began to focus on textile and apparel exports, particularly in cotton knitwear and hosiery.¹⁰⁹⁰ Over the past few decades, Pakistan has become known for its cotton trousers, in particular jeans.¹⁰⁹¹

Industry Structure

As its largest manufacturing sector, the textile and apparel industry contributes significantly to Pakistan's economy, accounting for a substantial portion of production and employment. While the textile and apparel sector contributed 5.0 percent of the country's GDP in 2022, it supplied up to 30 percent of manufacturing value-added to the country's economy in 2023.¹⁰⁹² The sector also accounted for about 26 percent of the country's exports in 2023.¹⁰⁹³

The apparel sector in Pakistan consists of many small and medium-sized enterprises that produce apparel mostly for domestic consumption. Reportedly, many apparel firms are family-owned businesses.¹⁰⁹⁴ According to the government of Pakistan, there are approximately 6,000 firms that

¹⁰⁸⁸ Because Pakistan has production along the full apparel supply chain as well as related sectors (e.g., home textiles), certain data (e.g., employment) may be aggregated for all firms involved in the production of yarns, fabrics, apparel, and made-up textiles. It is therefore often difficult to get information or data that apply strictly to apparel production as opposed to the broader textile and apparel sector as a whole.

¹⁰⁸⁹ Lopez-Acevedo and Robertson, *Sewing Success?*, 2012, 91; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 23, 35; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 11; CIA, "Pakistan," February 20, 2024.

¹⁰⁹⁰ See box 1.1, "Global Textile and Apparel Quotas and the Textile Category System," for more information on the MFA. As noted earlier in the report (see chapter 5, Bangladesh), the apparel sectors in many smaller or nontraditional global suppliers, like Pakistan, benefited as a result of foreign investors searching for additional countries where they could install new capacity when Multifibre Arrangement (MFA)-era quotas in traditional markets were filled. Hesketh, *An Introduction to Pakistan*, November 2023, 39; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 33; Hussain et al., *A Comparative Analysis of the Garments Sector*, April 2013, 8–9.

¹⁰⁹¹ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, February 23, 2024.

¹⁰⁹² Reports vary on the share of GDP and value-added accounted for by the textile and apparel sector. Estimates of the sector's share of GDP range from 3.5 percent to 8.5 percent. The sector's share of value added in manufacturing or industrial production ranges from 24 to 30 percent. Ali, "Textile Industry in Pakistan," April 23, 2023, 6; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan); ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 4; Government of Pakistan, written submission to the USITC, March 25, 2024, 4; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 1, 11; industry representative, email message to USITC staff, March 8, 2024.

¹⁰⁹³ S&P Global, GTAS database, accessed June 17, 2024.

¹⁰⁹⁴ U.S. government official, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, June 13, 2024.

exported at least \$1,000 of apparel.¹⁰⁹⁵ Of these firms, 95.5 percent were small and medium-sized enterprises. The remaining firms, large enterprises, were responsible for 81.2 percent of total apparel exports by value.¹⁰⁹⁶ Based on number of employees, the ILO defined 60 percent of garment, textiles, and footwear (GTF) firms in Pakistan as micro-enterprises with 5 or fewer workers; an additional 15 percent have fewer than 100 employees.¹⁰⁹⁷ Large exporters primarily supply international brands, while small and medium-sized firms export moderate to minimal volumes.¹⁰⁹⁸

Many of the largest firms in Pakistan's apparel sector are highly vertically integrated.¹⁰⁹⁹ Across the textiles and apparel supply chain in Pakistan, about 20 percent of firms are vertical from yarn production to finished products.¹¹⁰⁰ According to the Pakistan Textile Council (PTC), large, vertically integrated manufacturers—typically completing fabric through garment production within the same firm—contribute about 80 percent of apparel exports.¹¹⁰¹ The country's top eight apparel sector businesses by revenue, which accounted for 31 percent of apparel exports, were all reported to be vertically integrated during the 2016–17 fiscal year.¹¹⁰² These firms' vertical capabilities include spinning, weaving of yarns and fabrics, washing, and manufacturing of finished apparel products, and they may also offer design services.¹¹⁰³ Large apparel manufacturers vertically integrate to offset raw material supply issues or to meet buyer's growing preference for full-package services.¹¹⁰⁴

Pakistan has several major trade and industry associations supporting the textile and apparel industry. The PTC, which is composed of 28 members, represents approximately one-third of the nation's textile

¹⁰⁹⁵ Government of Pakistan, written submission to the USITC, March 25, 2024, 4; U.S. government official, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, June 13, 2024.

¹⁰⁹⁶ The State Bank of Pakistan defines small enterprises as those having annual sales of up to 150 million Pakistani rupees (PKR), or about \$539,000, and medium-sized enterprises as having annual sales of 150 million PKR to 800 million PKR, or about \$539,000 to \$2.9 million. Currency conversion based on an exchange rate of 278.2 PKR to \$1. U.S. Treasury, "Currency Exchange Rates Converter Tool," June 30, 2024; industry representative, interview by USITC staff, February 14, 2024; ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 15; Government of Pakistan, written submission to the USITC, March 25, 2024, 4; USITC, hearing transcript, March 11, 2024, 250 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC); Government of Pakistan, written submission to the USITC, March 25, 2024, 4; Government of Pakistan, State Bank of Pakistan, Prudential Regulations for Small & Medium Enterprises Financing, March 29, 2022.

¹⁰⁹⁷ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 15.

¹⁰⁹⁸ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 28; industry expert, interview by USITC staff, June 13, 2024.

¹⁰⁹⁹ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, February 28, 2024; industry expert, interview by USITC staff, June 4, 2024; USITC, hearing transcript, March 11, 2024, 253 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC); Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 29.

¹¹⁰⁰ APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 31; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 41.

¹¹⁰¹ USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC); PTC, written submission to the USITC, March 7, 2024, 2.

¹¹⁰² The top 10 percent of firms accounted for 90 percent of apparel exports in the 2016–17 fiscal year, the most recent year for which data were available. Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 29–30.

¹¹⁰³ USITC, hearing transcript, March 11, 2024, 257–58 (testimony of Musadaq Zulqarnain, PTC); Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 29–30, 35.

¹¹⁰⁴ PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 50; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 19, 35.

and apparel production capacity. PTC members contributed more than \$5 billion (over half) of Pakistani textile and apparel exports in 2022.¹¹⁰⁵ The Pakistan Readymade Garment Manufacturers and Exporters Association (PRGMEA), which represents apparel manufacturers and exporters, has more than 500 members, 85 percent of which are small to medium-sized enterprises that export more than \$4 billion worth of goods every year.¹¹⁰⁶ Other industry associations include the All Pakistan Textile Mills Association (APTMA), Pakistan Cotton Fashion Apparel Manufacturers and Exporters Association, Pakistan Textile Exporters Association, and Pakistan Hosiery Manufacturers and Exporters Association, each of which represent various subsectors within the textile and apparel industry.¹¹⁰⁷

Apparel and textile production in Pakistan is geographically concentrated in a few large urban centers. Major urban textile and apparel manufacturing cities include Karachi in Sindh province and Lahore, Faisalabad, Multan, Gujranwala, and Sialkot in Punjab.¹¹⁰⁸ The largest apparel-producing and exporting firms are mostly concentrated in Punjab, around Sialkot, Faisalabad, and Lahore, areas that specialize in sports and technical garments, knitwear and hosiery, and denim, respectively.¹¹⁰⁹ The government of Pakistan is reportedly investing in the establishment of textile and apparel production business districts mainly in Karachi and Punjab, though these efforts have met with limited success in the past.¹¹¹⁰ Under the Special Economic Zone (SEZ) Act of 2012, the government of Pakistan has promoted the development of industrial parks or clusters to improve firms' access to infrastructure, improve efficiency, and establish economies of scale.¹¹¹¹ Designated SEZs offer financial incentives such as tax holidays and duty-free importation of machinery. The textile and apparel sector is a priority for SEZ development under the China-Pakistan Economic Corridor (CPEC).¹¹¹² Though Pakistan has focused on developing SEZs in the past, most apparel companies that export from Pakistan are not located in SEZs or export processing zones.¹¹¹³

¹¹⁰⁵ USITC, hearing transcript, March 11, 2024, 256 (testimony of Musadaq Zulqarnain, PTC).

¹¹⁰⁶ USITC, hearing transcript, March 11, 2024, 248, 249 (testimony of Sajid Saleem Minhas, PRGMEA).

¹¹⁰⁷ Hesketh, *An Introduction to Pakistan*, November 2023, 40–41; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 37–38.

¹¹⁰⁸ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 23, 28; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 9; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 21. The provinces Punjab and Sindh account for 98 percent of large factories. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 9.

¹¹⁰⁹ U.S. government official, interview by USITC staff, June 4, 2024; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 21.

¹¹¹⁰ Past efforts have met obstacles such as the limited access to skilled labor, gas, water, electricity, and funds. PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 21–22, 41; industry expert, interview by USITC staff, June 13, 2024.

¹¹¹¹ Government of Pakistan, BOI, *Investment Policy*, 2013, 18–19; USITC, hearing transcript, March 11, 2024, 254 (testimony of Sajid Saleem Minhas, PRGMEA); PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 22.

¹¹¹² U.S. government official, interview by USITC staff, June 4, 2024; Government of Pakistan, BOI, "Special Economic Zone Framework in Pakistan," accessed July 10, 2024.

¹¹¹³ Nigar and Qayyum, "Special Economic Zones and The State of Pakistan's Economy," June 28, 2021, 4–5; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 51.

Employment, Wages, and Productivity

Pakistan's large labor force is ranked ninth-largest in the world, and it is predominantly young.¹¹¹⁴ The number of employed persons across all sectors of Pakistan's economy was over 67 million in 2021.¹¹¹⁵ The industrial sector accounted for about 25 percent of Pakistan's workforce in 2020–21, with the textile and apparel sector supporting about 40 percent of total industrial employment.¹¹¹⁶ The textile and apparel sector is also reported to indirectly employ about 9 million additional workers through agriculture, such as cotton production, and support services.¹¹¹⁷ Most (approximately 85 percent) garment factory workers, however, lack official employment contracts.¹¹¹⁸ In 2018, the latest year for which data are available, approximately 1.7 million homeworkers were employed within the garment industry.¹¹¹⁹ One report suggests that the trend toward informal work, including both piece-rate and short-term employment, is increasing in Pakistan's apparel industry.¹¹²⁰

Female participation in Pakistan's textile and apparel industry workforce is lower than in other apparel-producing countries in the region, and the sector's workforce is predominantly male.¹¹²¹ According to an International Labour Organization (ILO) report, women's share in overall employment in Pakistan was 21.4 percent in 2020–21, the lowest in South Asia.¹¹²² Certain gender-based cultural norms and transportation safety concerns are indicated as key factors that impact women's participation in Pakistan's formal workforce. Notably, in 2018, about 92 percent of women's employment in textiles and apparel was reported to be home-based, much of which may be in the informal sector.¹¹²³ The share of women employed formally and informally in the apparel industry was reported to be about 45 percent in 2021, representing an increase over the approximately 38 percent share reported in 2013.¹¹²⁴ Industry sources have observed growth in female employment particularly in spinning, weaving, and sewing, as well as on shop floors and managing divisions.¹¹²⁵ The government of Pakistan likewise reports increasing

¹¹¹⁴ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 12.

¹¹¹⁵ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 12.

¹¹¹⁶ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 10; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan).

¹¹¹⁷ Industry representative, email message to USITC staff, March 8, 2024.

¹¹¹⁸ Data are for 2018. Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53.

¹¹¹⁹ Homeworkers work at home (or other location distinct from their employer's workplace) to produce a product or service according to the employer's specifications. Many homeworkers involved in apparel production in Pakistan do not have formal contracts. ILO, *Working from Home*, 2021, 17–19; Clean Clothes Campaign, *Still Un(der)paid*, 2021, 11, 53.

¹¹²⁰ Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 8.

¹¹²¹ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 12; ILO, *Moving the Needle*, May 5, 2021, 29; Huynh, *Employment and Wages Rising in Pakistan's Garment Sector*, February 2017, 2.

¹¹²² ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 12.

¹¹²³ Akhtar, *Home-Based Workers in Pakistan: A Statistical Profile*, October 2020, 7; Khan, *Barriers to Pay Equality in Pakistan*, April 2017, 24, 35, 38–39; Human Rights Watch, "No Room to Bargain," January 23, 2019, 5; industry expert, interview by USITC staff, March 25, 2024; industry expert, interview by USITC staff, April 1, 2024; subject matter expert, interview by USITC staff, April 10, 2024; industry expert, interview by USITC staff, June 13, 2024; Coxhead, Jayasuriya, and Kurosaki, *Is Female Labor Immobility Holding Back Industrialization?*, April 2023, 3.

¹¹²⁴ ILO, "Labour Force Survey, 'Employment by Sex and Economic Activity - ISIC Level 2 (Thousands), Economic Activity (ISIC-Rev.4), 2 Digit Level: 14 - Manufacture of Wearing Apparel,'" accessed July 21, 2024.

¹¹²⁵ Huynh, *Employment and Wages Rising in Pakistan's Garment Sector*, February 2017, 2; industry expert, interview by USITC staff, March 25; industry expert, interview by USITC staff, April 1, 2024; industry representative, interview by USITC staff, February 14, 2024.

levels of involvement of women in the apparel sector, with different regions changing laws to encourage the participation of women in the workforce, such as reforms that permit women to work night shifts.¹¹²⁶ Women make up a larger share of the informal sector, accounting for 80 to 85 percent of homeworkers employed in the garment industry.¹¹²⁷ An ILO report indicated that in 2018 only 4.2 percent of senior and middle management positions in Pakistan were held by women.¹¹²⁸ However, one industry source reported that an increasing number of large textile and apparel manufacturers are hiring women as managers, and they reportedly now make up about 33 percent of the management tier.¹¹²⁹

Investments in human capital, both by the government of Pakistan and apparel producers, have reportedly developed the textile and apparel sector. A textile institute was established by the government in the 1950s, with emphasis on business management and textile and apparel production.¹¹³⁰ Pakistan also has textile and apparel vocational training programs and universities with advanced degree programs specific to the textile and apparel sector, which is relatively unique for apparel-producing countries.¹¹³¹ This and other programs are focused on developing and upgrading worker skill sets to supply the industry with a trained and knowledgeable workforce and strong business management capability to bolster productivity and efficiency within the sector.¹¹³² Similarly, domestic firms have invested in the development of skills necessary for higher-value activities such as washing and finishing, which has aided Pakistan's apparel export competitiveness in the region.¹¹³³

Wages for Pakistan's apparel workers vary, primarily by locality and skill level.¹¹³⁴ The provincial governments, which have local wage-setting authority, conduct yearly minimum wage evaluations to assess economic conditions and changes in cost of living, and wages may be adjusted accordingly.¹¹³⁵ Export-oriented apparel manufacturers in Pakistan generally employ a variety of skill levels; roughly 50 percent of workers are "semi-skilled," with the remainder split evenly between "unskilled" (25 percent) and "highly skilled" (25 percent) workers.¹¹³⁶ On average, monthly base wages are \$115 for unskilled workers, \$121 for semi-skilled workers, and \$138 for highly skilled workers; additionally, wages may

¹¹²⁶ USITC, hearing transcript, March 11, 2024, 260 (testimony of Musadaq Zulqarnain, PTC); Government of Pakistan, written submission to the USITC, March 25, 2024, 12.

¹¹²⁷ Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 4, 8; Akhtar, *Home-Based Workers in Pakistan: A Statistical Profile*, October 2020, 8.

¹¹²⁸ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 12.

¹¹²⁹ Industry representative, email message to USITC staff, March 8, 2024.

¹¹³⁰ USITC, hearing transcript, March 11, 2024, 256 (testimony of Musadaq Zulqarnain, PTC); National Textile University, "History - National Textile University Faisalabad," accessed August 7, 2024.

¹¹³¹ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 45–46.

¹¹³² USITC, hearing transcript, March 11, 2024, 254 (testimony of Sajid Saleem Minhas, PRGMEA).

¹¹³³ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 35, 45.

¹¹³⁴ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 16–17.

¹¹³⁵ Provincial governments are responsible for setting their own local minimum wages, and the federal government sets the wage for the Islamabad Capital Territory. Tripartite Minimum Wage Boards provide input to the process. Industry representative, interview by USITC staff, February 14, 2024; USITC, hearing transcript, March 11, 2024, 254–55 (testimony of Sajid Saleem Minhas, PRGMEA); ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 16–17; Employers Federation of Pakistan, "Minimum Wage Notifications," 2023.

¹¹³⁶ "High skilled" tasks include stitching, design, production planning, dyeing, and merchandising. PTC, written submission to the USITC, March 25, 2024, 3; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 45.

increase by \$38 on average with overtime and bonuses included.¹¹³⁷ Industry sources suggest that earnings for Pakistan’s apparel workers are higher than mandated by the government of Pakistan’s minimum wage standard. This is because of additional government required gross salary bonus pay-outs and gratuity for workers, which increase average employer costs to approximately \$170 monthly.¹¹³⁸ However, the ILO has found that underpayment is also a concern, particularly in the informal industry. About 50 percent of workers in the garment, textiles, and footwear sector are reportedly paid below the legal rate as a result of inconsistent enforcement of minimum wage laws by provincial governments.¹¹³⁹

Unionization in Pakistan’s apparel sector is reported to be relatively low.¹¹⁴⁰ Unionization in Pakistan within the informal economy is minimal, and organized workers are primarily found within the formal sector.¹¹⁴¹ Economy-wide, about 12.8 percent of the formal workers are union members, and the share decreases to 4.1 percent for informal and formal workers combined.¹¹⁴² The low rate of unionization is reportedly due to a combination of factors, including complicated membership requirements for union registration, high thresholds to establish collective bargaining agents (one-third of workers), and the exclusion of certain workers from the right to organize (e.g., hospital workers and managers).¹¹⁴³ According to one industry expert, textile and apparel industry workers have limited union participation, and most union representation exists only within the yarn spinning firms.¹¹⁴⁴

There are conflicting reports regarding labor productivity within Pakistan’s apparel sector. According to some industry representatives, Pakistan has greater efficiency within its factories compared to other suppliers as a result of its vertically integrated firms and well-educated and knowledgeable

¹¹³⁷ PTC, written submission to the USITC, March 25, 2024, 3.

¹¹³⁸ USITC, hearing transcript, March 11, 2024, 342 (testimony of Musadaq Zulqarnain, PTC); PTC, written submission to the USITC, March 25, 2024, 3.

¹¹³⁹ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 17.

¹¹⁴⁰ Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 2; Frederick and Daly, “Pakistan in the Apparel Global Value Chain,” January 2019, 38; Human Rights Watch, “No Room to Bargain,” January 23, 2019, 7; industry expert, interview by USITC staff, June 13, 2024.

¹¹⁴¹ Khan Khalil, *A Profile of Trade Unionism and Industrial Relations*, 2018, 7; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 8.

¹¹⁴² ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 21.

¹¹⁴³ The rights to freedom of association and collective bargaining are protected under provincial and federal laws. Registration of the first union at a workplace reportedly does not have minimum membership requirements, although certain ambiguities may subject the regulations to interpretation by local officials. Notably, registration of the second union at a given workplace requires membership of 20 percent of workers. Government of Balochistan, Balochistan Industrial Relations Act 2010, February 22, 2010; Government of Khyber Pakhtunkhwa, Khyber Pakhtunkhwa Industrial Relations Act 2010, October 13, 2010; Government of Punjab, Punjab Industrial Relations Act 2010, December 9, 2010; Government of Pakistan, Industrial Relation Act 2012, March 14, 2012; Government of Sindh, Sindh Industrial Relations Act 2013, March 15, 2013; industry expert, email message to USITC staff, August 8, 2024; industry representative, email message to USITC staff, August 8, 2024; foreign government official, email message to USITC staff, August 8, 2024; ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 20–21; Human Rights Watch, “No Room to Bargain,” January 23, 2019, 47–49.

¹¹⁴⁴ Industry expert, interview by USITC staff, June 13, 2024.

management.¹¹⁴⁵ At the same time, gross value added per worker within Pakistan’s apparel and textile industry has been reported to be the lowest of Asia’s garment-producing countries.¹¹⁴⁶

Domestic and Foreign Direct Investment

Pakistan’s apparel industry is mostly domestically owned with no notable inflow of foreign direct investment (FDI). According to the ILO, only 5 percent of large apparel factories in Pakistan were foreign-owned as of 2017–18.¹¹⁴⁷ The last reported greenfield investment in the industry occurred on July 2017 and February 2018 when Inditex, an apparel firm headquartered in Spain, invested an estimated \$52.6 million in clothing manufacturing as well as its first buying house, or local office, which was expected to increase Inditex’s sourcing from Pakistan.¹¹⁴⁸ The perception of security concerns and geopolitical risk factors (described in additional detail in the competitiveness section) is reported as a primary reason no FDI currently flows into Pakistan’s textile and apparel industry, as well as inconsistent investment policies.¹¹⁴⁹ Because of the limited FDI and other financial challenges, industry sources have reported the industry is very undercapitalized, which limits its ability to increase verticality, access new markets, and diversify product offerings.¹¹⁵⁰ The government of Pakistan reported that it has implemented a more “liberal” investment policy¹¹⁵¹ for both domestic and foreign investors in 2023 to attract high value-added, export-oriented, and resource efficient investment.¹¹⁵²

Although levels of FDI were low, the government of Pakistan reported that the textile and apparel industry attracted \$5 billion in local investment between 2019 and 2023, almost half of which went toward imports of new machinery.¹¹⁵³ Industry representatives report that these investments resulted in

¹¹⁴⁵ Industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024.

¹¹⁴⁶ Pakistan’s gross value added per worker in the sector was reported to be \$2,197. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 22.

¹¹⁴⁷ Some foreign investment occurs via the stock exchange for publicly listed companies in Pakistan. ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8; USITC, hearing transcript, March 11, 2024, 319 (testimony of Musadaq Zulqarnain, PTC).

¹¹⁴⁸ Greenfield investment. *Financial Times*, fDi Markets Database, accessed February 5, 2024; *Just Style*, “Inditex Opens Buying Office in Pakistan,” February 6, 2018.

¹¹⁴⁹ ILO, *Employment, Wages and Productivity Trends*, June 24, 2022, 8; Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 11; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024.

¹¹⁵⁰ Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, May 9, 2024; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 27; PBC, CDPR, *Pakistan’s Readymade Garments Sector*, October 2018, 41; Frederick and Daly, “Pakistan in the Apparel Global Value Chain,” January 2019, 50.

¹¹⁵¹ Pakistan’s 2023 Investment Policy continues its open investment regime that allows for entrants in most sectors without pre-screening or approval and describes additional support to investors such as business matchmaking and online company registration. Government of Pakistan, BOI, *Pakistan Investment Policy*, 2023; USDOS, “Investment Climate Statements: Pakistan,” 2024.

¹¹⁵² In 1971, most of Pakistan’s private industry was nationalized; however, such policy changes did not extend to textile and apparel firms. Hussain et al., *A Comparative Analysis of the Garments Sector*, April 2013, 8; Government of Pakistan, written submission to the USITC, March 25, 2024, 3; industry representative, interview by USITC staff, February 14, 2024; Government of Pakistan, BOI, *Pakistan Investment Policy*, 2023.

¹¹⁵³ Government of Pakistan, written submission to the USITC, March 25, 2024, 3.

increased efficiencies within Pakistan’s apparel factories in addition to increasing product diversification and lowering costs.¹¹⁵⁴ Industry representatives have also commented on the impressive capability and modernization of Pakistan’s apparel operations, especially the investment in facilities, automation, and real-time connectivity over digital platforms, allowing streamlined communication between factories and customers.¹¹⁵⁵

Infrastructure and Logistics

Overall, Pakistan is ranked moderately in logistics performance according to the World Bank Logistic Performance Index (LPI), where it ranked 122nd among 170 countries in 2018.¹¹⁵⁶ That year, Pakistan had a total score of 2.42 out of 5, down from 2.83 in 2014.¹¹⁵⁷ The most recent data for 2023 indicate a median 6.8 days’ delay on goods imported into Pakistan, and a median 5.1 days’ delay on exports from Pakistan.¹¹⁵⁸ Industry representatives have reported how comparatively long delays at port and the shortcomings in domestic transit infrastructure limit Pakistan’s export competitiveness.¹¹⁵⁹ Despite an average ranking overall, buyers have commented that Pakistan is a supplier that offers good turnaround times for shipping and logistics, without bottlenecks.¹¹⁶⁰ It has been reported that vertically integrated firms in Pakistan are able to offer lead times as short as eight weeks on orders, largely attributable to the time savings that come from having a supply of locally produced fibers, yarns, and fabrics.¹¹⁶¹ Buyers and brands have noted that this is particularly significant when sourcing denim products, which are expensive to ship.¹¹⁶² Recent improvements in infrastructure include the development of Gwadar port, a

¹¹⁵⁴ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 283–88 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 285–86 (testimony of Sajid Saleem Minhas, PRGMEA).

¹¹⁵⁵ USITC, hearing transcript, March 11, 2024, 283–88 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 252, 285–86 (testimony of Sajid Saleem Minhas, PRGMEA); industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024.

¹¹⁵⁶ The Logistics Performance Index is a benchmarking tool that identifies the challenges and opportunities countries face in their trade logistics performance. The latest World Bank Logistics Performance Index report with overall scores for Pakistan was 2018. World Bank, *Connecting to Compete*, July 1, 2018, 47.

¹¹⁵⁷ World Bank, *Connecting to Compete*, July 1, 2018, 47; World Bank, *Connecting to Compete*, 2014, 35.

¹¹⁵⁸ The World Bank Logistics Performance Index 2023 report does not include estimates of turnaround times at ports in Pakistan but does report consolidated dwell time, which measures the time a container spends at port and inland clearance facilities. World Bank, *Connecting to Compete 2023*, 2023, 19, 46, 50.

¹¹⁵⁹ APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 14–15, 24; Frederick and Daly, “Pakistan in the Apparel Global Value Chain,” January 2019, 51.

¹¹⁶⁰ Industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 9, 2024.

¹¹⁶¹ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024; USITC, hearing transcript, March 11, 2024, 255–61 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 252 (testimony of Sajid Saleem Minhas, PRGMEA); PTC, written submission to the USITC, March 25, 2024, 2.

¹¹⁶² Industry representative, interview by USITC staff, March 21, 2024.

deep seaport in the province of Balochistan, part of the China-Pakistan Economic Corridor (CPEC), though the history of attacks at the port could impact the degree to which it is used.¹¹⁶³

Production

Pakistan is known for a niche portfolio of cotton-based products, primarily denim and fleece, in which the industry in Pakistan specializes and performs exceptionally well.¹¹⁶⁴ Denim jeans are one of Pakistan's primary apparel exports.¹¹⁶⁵ Sourcing professionals have described Pakistan's denim as being of very high quality and comparable to denim products from Italy, Türkiye, and Japan, which are known for outstanding quality and craftsmanship in denim.¹¹⁶⁶ Pakistan is reported to have a number of domestic wash houses that offer advanced washes, particularly for producing denim products.¹¹⁶⁷ Washes and denim design are areas in which Pakistan's large firms are reported to be especially innovative.¹¹⁶⁸

Pakistan's apparel production has increased in recent years because of heightened demand. Historically, slightly over half of Pakistan's apparel production, supplied by small and medium-sized firms, was for domestic consumption.¹¹⁶⁹ Production of apparel was fairly stable during 2013–19, leading up to the global supply chain disruptions associated with COVID-19 pandemic-related shutdowns (figure 9.2). During the pandemic, Pakistan's apparel and textile factories did not close for prolonged periods like other apparel suppliers in Asia.¹¹⁷⁰ Despite a small decline in production, Pakistan's factories continued filling orders with flexibility and some U.S. brands diverted orders from other source countries to Pakistan as a result of factory closures in other parts of Asia.¹¹⁷¹ As buyers switched sourcing from

¹¹⁶³ The history of attacks by a separatist group at the port could impact the degree to which it is used. Hussain, "Pakistan's Gwadar Port Attacked," March 20, 2024; AAFA, written submission to the USITC, March 25, 2024, 1; industry expert, interviewed by USITC staff, June 13, 2024.

¹¹⁶⁴ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, March 18, 2024.

¹¹⁶⁵ For example, men's and boys' denim jeans are classified under HS subheading 6203.42, which was Pakistan's second-largest apparel export category in 2023. S&P Global, GTAS database, HS subheading 6203.42, accessed June 17, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024. In the U.S. market, men's and boys' jeans (HTS statistical reporting numbers 6203.42.4511 and 6203.42.4536) accounted for more than one-third of the apparel imported from Pakistan under HS subheading 6203.42.

¹¹⁶⁶ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, February 23, 2024; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 24–25, 33, 47; Donaldson, "Passport to Denim," May 9, 2018.

¹¹⁶⁷ A wash is a finishing process, such as softening or acid washing, that imparts specific qualities to the comfort or aesthetics of a garment. Yousuf and Yousuf, "Textile Washing Process and Its Impacts," 2023, 16–18; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 5, 2024.

¹¹⁶⁸ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, May 2, 2024.

¹¹⁶⁹ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 3, 35; Human Rights Watch, "No Room to Bargain," January 23, 2019, 7, 13.

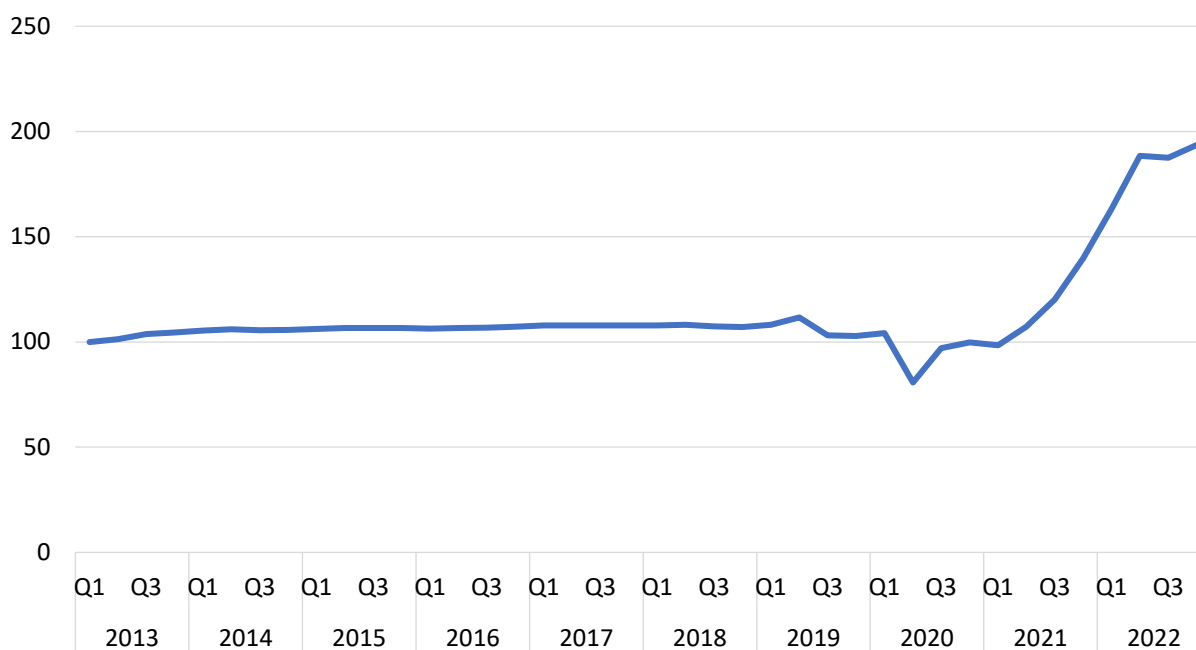
¹¹⁷⁰ USITC, hearing transcript, March 11, 2024, 12 (testimony of His Excellency Masood Khan, Embassy of Pakistan); Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53.

¹¹⁷¹ Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53.

regional suppliers to Pakistan, Pakistan’s production and exports of apparel grew considerably.¹¹⁷² After a small decrease in production during 2020, Pakistan’s apparel production increased by more than 90 percent during 2020–22.

Figure 9.2 Index of apparel production in Pakistan, 2013–22

2013 = 100, seasonally adjusted. Q = quarter. Underlying data for this figure can be found in appendix E, [table E.22](#).



Source: UNIDO, UNIDO Data Portal, accessed July 2, 2024.

Apart from advanced denim garments, most of Pakistan’s apparel products are concentrated at the lower end of the value chain. Still, some industry representatives report sourcing cotton garments with more advanced constructions from Pakistan, such as those with pullover construction, additional detailing, trims, and zippers, in addition to basic undergarments.¹¹⁷³ More recently, Pakistan’s sector has also diversified into making spandex, as well as some manmade fibers, including polyester fiber.¹¹⁷⁴

Sourcing of Inputs

The apparel industry in Pakistan predominately uses a combination of domestically produced and imported inputs of cotton and cotton blends, as well as imported manmade fiber (MMF) inputs. Pakistan’s apparel industry sources a significant share of its production inputs from the domestic textile sector, which uses both domestic (primarily short and medium staple cotton) and imported (mostly long

¹¹⁷² Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53.

¹¹⁷³ Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, May 2, 2024; Hussain et al., *A Comparative Analysis of the Garments Sector*, April 2013, 7; PBC, CDPR, *Pakistan’s Readymade Garments Sector*, October 2018, 23; industry representative, interview by USITC staff, May 2, 2024.

¹¹⁷⁴ USITC, hearing transcript, March 11, 2024, 251 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 322 (testimony of Musadaq Zulqarnain, PTC).

staple cotton and manmade fibers) materials to produce yarns and fabrics.¹¹⁷⁵ In particular, during the marketing year 2022–23, Pakistan produced 1.5 million metric tons of raw cotton and imported 782,921 metric tons of the same in the 2022 calendar year.¹¹⁷⁶ According to Pakistan’s Trade Development Authority (TDAP), as of 2021, Pakistan’s textile production capacity included 11.3 million spindles, 3 million rotors, 350,000 power looms, and 18,000 knitting machines, which yields an estimated 5.2 billion square meters of annual textile processing capacity, some of which is destined for apparel production.¹¹⁷⁷ The country’s extensive production of short to medium staple cotton provides fiber for more than 400 domestic textile mills, which in turn support Pakistan’s product portfolio of cotton and cotton-blended products.¹¹⁷⁸ In particular, Pakistan is the world’s fifth-largest producer of cotton and the third-largest producer of a type of sustainably produced, organic cotton, called “Better Cotton.”¹¹⁷⁹ Pakistan does not, however, grow long staple fiber cotton.¹¹⁸⁰ As a result, Pakistan is heavily reliant on cotton imports and sources long staple cotton from the United States and Brazil.¹¹⁸¹ Pakistan’s top trade partners for cotton raw materials and fibers include the United States (accounting for 40.2 percent of imports in 2023), Afghanistan (14.6 percent), and Brazil (14.6 percent).¹¹⁸²

Overall, Pakistan’s imports of raw materials and fibers totaled \$1.4 billion in 2023, up from \$1.2 billion in 2013, but down from \$1.7 billion in 2018 (table 9.1).¹¹⁸³ Approximately 65.2 percent of these fiber and

¹¹⁷⁵ Cotton is classified by several physical properties, one of which is fiber length measured in millimeters or 32nds of an inch. Standard length ranges include: (1) short staple is <25mm, medium staple is >25mm and <30mm, long staple is >30mm and <37mm, and extra-long staple is >37mm. Textile Exchange, “Fiber Length,” accessed August 27, 2024.

¹¹⁷⁶ USDA, FAS, “Production, Supply, and Distribution Dataset: Cotton,” May 10, 2024; S&P Global, GTAS database, HS heading 5201, cotton raw materials, accessed June 17, 2024.

¹¹⁷⁷ Government of Pakistan, Ministry of Commerce, TDAP, “Ready Made Garments,” 2022, 3.

¹¹⁷⁸ Rana, Ejaz, and Shikoh, “Cotton Crop,” April 2020, 1; USDA, FAS, *Pakistan: Cotton Production Forecast*, August 28, 2023, 2; USITC, hearing transcript, March 11, 2024, 249 (testimony of Sajid Saleem Minhas, PRGMEA).

¹¹⁷⁹ Total cotton production data cover marketing year 2023–24 and Better Cotton data cover season 2021–22. Better Cotton is the primary organization leading the cotton sustainability initiative globally and the variety of organic, regenerative cotton the organization promotes is also referred to as “Better Cotton.” USITC, hearing transcript, March 11, 2024, 11–12 (testimony of His Excellency Masood Khan, Embassy of Pakistan); Government of Pakistan, written submission to the USITC, March 25, 2024, 8; Better Cotton, “Better Cotton: Who We Are,” accessed March 15, 2024; USDA, FAS, “Production, Supply, and Distribution Dataset: Cotton,” May 10, 2024; Better Cotton, *2022-23 Annual Report*, accessed June 18, 2024, 9.

¹¹⁸⁰ Rana, Ejaz, and Shikoh, “Cotton Crop,” April 2020, 6. Fiber length impacts yarn strength, evenness, and fineness as well as the efficiency of the spinning process, with longer lengths improving these qualities. As a result, longer cotton fibers are used in items such as dress shirts, high-end fashion garments, and bed linens. By comparison, short and medium staple fiber cotton, which are rougher and less breathable, are largely used in items such as T-shirts, socks, denim, and flannel. Cotton Incorporated, *The Classification of Cotton*, 2013; industry representative, email message to USITC staff, March 8, 2024.

¹¹⁸¹ By volume, Pakistan imported 155,145 metric tons of raw cotton from the United States; 65,665 metric tons from Afghanistan; and 53,563 from Brazil in 2023. S&P Global, GTAS database, HS heading 5201, accessed June 17, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 3; USITC, hearing transcript, March 11, 2024, 329 (testimony of Musadaq Zulqarnain, PTC); industry representative, interview by USITC staff, February 14, 2024; subject matter expert, interview by USITC staff, April 10, 2024.

¹¹⁸² S&P Global, GTAS database, HS headings 5201 and 5203, cotton raw materials and fiber, accessed June 17, 2024.

¹¹⁸³ S&P Global, GTAS database, textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

raw material imports were cotton in 2023, and 31.5 percent were manmade fibers.¹¹⁸⁴ Pakistan has some MMF production capability (e.g., of polyester fiber); however, industry representatives report that investment in MMF capacity is growing but minimal and most MMF inputs are imported.¹¹⁸⁵ In 2023, Indonesia and China were Pakistan's top sources of imports of manmade fibers supplying \$160 million and \$128 million, respectively. The top MMF import was viscose rayon, which made up a 53.9 percent share of Pakistan's MMF imports from all sources in 2023.¹¹⁸⁶

Table 9.1 Pakistan: Imports of textile raw materials and fibers, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
United States	157	468	398	561	591	624	390
Indonesia	52	86	111	139	233	163	160
Afghanistan	127	39	58	117	161	197	137
Brazil	54	56	34	272	317	433	137
China	122	196	179	145	226	207	130
All other sources	695	844	481	621	1,061	971	485
Total	1,207	1,690	1,261	1,856	2,588	2,595	1,439

Source: S&P Global, GTAS database, textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

Domestic production of yarns and fabrics is not enough to fulfill the apparel industry's needs, necessitating imports, particularly of MMF inputs. Pakistan imported nearly \$1.0 billion (\$987 million) in yarns and fabrics in 2023, down from \$1.1 billion in 2013 (table 9.2). Roughly 62.8 percent of Pakistan's total imports of yarns and fabrics were MMF yarns and woven fabrics, and 6.0 percent were cotton yarns and woven fabrics in 2023.¹¹⁸⁷ Since 2013, Pakistan's imports of yarns and fabrics have fluctuated, mainly resulting from changes in imports from China, its primary supplier. China was a growing top supplier of yarns and fabrics to Pakistan during 2013–23, contributing 61.2 percent of such imports in 2013 and 85.7 percent by 2023.¹¹⁸⁸ China was a particularly important supplier of Pakistan's MMF yarn and woven fabric imports in 2023, contributing 84.3 percent, or \$523 million.¹¹⁸⁹ Zippers, embellishments, and buttons are also mostly imported from China, because most finishings cannot be sourced

¹¹⁸⁴ S&P Global, GTAS database, textile raw materials and fibers, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

¹¹⁸⁵ Recent investments in technology and machinery have expanded Pakistan's production capacity for manmade fibers and yarns, namely certain polyester, nylon, acrylic, and polypropylene products. Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 9; USITC, hearing transcript, March 11, 2024, 326 (testimony of Sajid Saleem Minhas, PRGMEA); PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 82–83; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 7–8; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 31.

¹¹⁸⁶ S&P Global, GTAS database, HS subheading 5504.10, viscose rayon; textile raw materials and fibers in HS Chapters 54 and 55, accessed June 17, 2024. For a list of HS headings included in textile raw materials and fibers, see appendix F.

¹¹⁸⁷ S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

¹¹⁸⁸ S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

¹¹⁸⁹ S&P Global, GTAS database, yarns and fabrics of HS Chapters 54 and 55, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

domestically.¹¹⁹⁰ Moreover, buyers may require specific items that must be imported.¹¹⁹¹ Pakistan does, however, produce most of the materials used for packaging apparel products for export.¹¹⁹²

Table 9.2 Pakistan: Imports of yarns and fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
China	699	1,080	890	778	1,086	1,056	846
Thailand	24	39	35	32	49	50	34
Vietnam	24	38	30	51	81	49	19
Malaysia	29	40	35	30	36	33	19
Türkiye	2	13	22	18	20	21	17
All other sources	364	331	201	88	141	98	51
Total	1,142	1,541	1,213	997	1,414	1,307	987

Source: S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

Domestic yarn and fabric mills, including several large vertically integrated apparel producers, supply apparel inputs to foreign manufacturers as well as the domestic industry.¹¹⁹³ Pakistan exported \$3.4 billion in yarns and fabrics to other apparel-exporting economies, including the EU, China, Bangladesh, and Türkiye (table 9.3), which is an indication that its domestic textile production is of sufficient quality and quantity to supply export-oriented apparel producers.¹¹⁹⁴ Exports of yarns and fabrics from Pakistan totaled \$3.4 billion in 2023, down from \$5.5 billion in 2013, largely because of fewer exports to China (table 9.3). Pakistan's textile industry exports primarily cotton yarns and cotton woven fabrics, which in 2023 accounted for 96.1 percent of total yarn exports and 79.9 percent of total fabric exports, respectively.¹¹⁹⁵ A significant volume of cotton yarns and fabrics were exported to apparel competitors, such as Bangladesh and Türkiye, with some experts estimating that these exports of inputs account for as much as 60–70 percent of Pakistan's domestic production.¹¹⁹⁶

¹¹⁹⁰ Industry representative, interview by USITC staff, March 18, 2024; USITC, hearing transcript, March 11, 2024, 249 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 330 (testimony of Musadaq Zulqarnain, PTC).

¹¹⁹¹ USITC, hearing transcript, March 11, 2024, 329 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 257–58 (testimony of Sajid Saleem Minhas, PRGMEA).

¹¹⁹² Industry representative, interview by USITC staff, March 18, 2024; USITC, hearing transcript, March 11, 2024, 249 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 330 (testimony of Musadaq Zulqarnain, PTC).

¹¹⁹³ PTC, written submission to the USITC, March 25, 2024, 2; Government of Pakistan, written submission to the USITC, March 25, 2024, 4; PRGMEA, written submission to the USITC, March 4, 2024, 2.

¹¹⁹⁴ S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024; PTC, written submission to the USITC, March 25, 2024, 2; PRGMEA, written submission to the USITC, March 4, 2024, 2; Government of Pakistan, written submission to the USITC, March 25, 2024, 4; industry representative, email message to USITC staff, March 8, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

¹¹⁹⁵ S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

¹¹⁹⁶ USITC, hearing transcript, March 11, 2024, 286 (testimony of Sajid Saleem Minhas, PRGMEA); industry representative, interview by USITC staff, February 14, 2024; industry representative, email message to USITC staff, March 8, 2024.

Table 9.3 Pakistan: Exports of yarns and fabrics, by source, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
European Union	904	878	798	716	884	1,086	838
China	1,893	876	822	655	821	452	778
Bangladesh	577	582	580	436	669	720	497
United States	132	125	187	218	235	230	200
Türkiye	176	195	181	155	187	186	164
All other destinations	1,848	1,162	1,032	833	1,133	1,248	964
Total	5,530	3,818	3,600	3,013	3,930	3,922	3,441

Source: S&P Global, GTAS database, yarns and fabrics, accessed June 17, 2024. For a list of HS headings included in yarns and fabrics, see appendix F.

The government of Pakistan is also making efforts to support textile and apparel production through digitalization of trade and the removal of tariffs on inputs. Industry representatives report that both initiatives have benefited the sector, including through improved speed to market, agility, and value addition.¹¹⁹⁷ In its effort to support digitalization, the government of Pakistan facilitated the launch of the “Pakistan Single Window” digital platform in 2021, with the goal of creating a digital and streamlined platform for the facilitation of trade activities, reducing time and costs.¹¹⁹⁸ To advance trade facilitation goals, the “Export Facilitation Scheme-2021” was introduced in September 2021 to allow exporting industries to acquire input goods, plants, machinery, and spare parts (through imports, local procurement, or both) without paying duties or taxes.¹¹⁹⁹

Exports of Apparel

Exports to Major Markets

Pakistan’s global exports of apparel totaled \$7.5 billion in 2023 and grew by 89.1 percent during 2013–23 (figure 9.3 and table 9.4).¹²⁰⁰ Though steadily increasing since 2013, apparel exports from Pakistan grew even more substantially after 2020, with annual increases of 38.4 percent and 13.7 percent in 2021 and 2022, respectively, before decreasing by 16.3 percent in 2023.¹²⁰¹ The gains during 2020–22 may be partially due to Pakistan’s apparel manufacturers remaining operational through the majority of COVID-19 pandemic lockdowns.¹²⁰² The EU and the United States are Pakistan’s top export destinations, accounting for 43.5 percent and 32.0 percent of Pakistan’s apparel exports in 2023, respectively.¹²⁰³

¹¹⁹⁷ Though most apparel firms are not located in SEZs as stated previously, Pakistan’s investment policy has permitted firms in SEZs to import machinery duty free. Government of Pakistan, BOI, *Investment Policy*, 2013, 18–19; PTC, written submission to the USITC, March 7, 2024, 3–4; PRGMEA, written submission to the USITC, March 4, 2024, 4.

¹¹⁹⁸ Government of Pakistan, written submission to the USITC, March 25, 2024, 13.

¹¹⁹⁹ Government of Pakistan, Ministry of Commerce, TDAP, “Ready Made Garments,” 2022; Government of Pakistan, Ministry of Commerce, TDAP, *Export Facilitation Scheme-2021*, September 2021.

¹²⁰⁰ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

¹²⁰¹ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

¹²⁰² Government of Pakistan, written submission to the USITC, March 25, 2024, 3, 7; Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53; USITC, hearing transcript, March 11, 2024, 284 (testimony of Musadaq Zulqarnain, PTC).

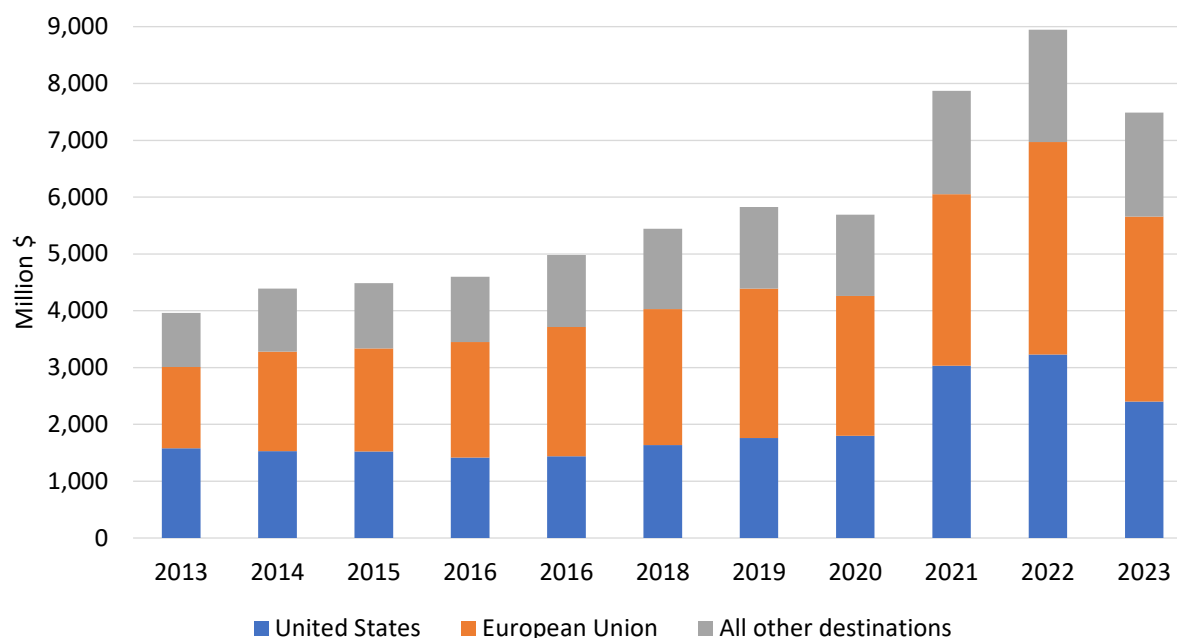
¹²⁰³ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Pakistan exports similar product categories, namely men’s and boys’ bottoms, to both the United States and the EU.¹²⁰⁴

Figure 9.3 Pakistan: Exports of apparel, 2013–23

In millions of dollars. Underlying data for this figure can be found in appendix E, [table E.23](#).



Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Table 9.4 Pakistan: Exports of apparel, by major market, 2013 and 2018–23

In millions of dollars.

Trade partner	2013	2018	2019	2020	2021	2022	2023
European Union	1,430	2,394	2,631	2,463	3,018	3,740	3,257
United States	1,577	1,634	1,760	1,797	3,032	3,228	2,400
United Kingdom	549	747	740	772	984	965	878
United Arab Emirates	74	138	120	118	163	181	190
Canada	81	92	93	91	111	163	128
Saudi Arabia	20	19	26	38	45	65	73
China	17	52	54	58	65	80	70
Australia	24	43	43	45	66	72	64
Mexico	13	29	34	22	39	43	48
Japan	16	41	44	33	36	43	37
All other destinations	160	256	280	252	311	368	345
Total	3,960	5,444	5,826	5,688	7,870	8,949	7,490

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

¹²⁰⁴ S&P Global, GTAS database, HS Chapters 61 and 62, accessed June 17, 2024.

U.S. Imports of Apparel from Pakistan

In 2023, Pakistan was the 10th-largest supplier of apparel to the United States, accounting for 2.6 percent of U.S. apparel imports.¹²⁰⁵ Pakistan's share of U.S. imports of apparel remained relatively consistent during 2013–18, though it declined slightly. However, Pakistan has gained market share since 2019, with the largest increases occurring between 2020 and 2021.¹²⁰⁶ While U.S. apparel imports from Pakistan declined during 2020, they increased by 43.1 percent to \$2.1 billion over 2020–23.¹²⁰⁷ In addition to general increases in exports post-pandemic, Pakistan may have also benefited from the apparel industry trend of supply chain diversification away from China.¹²⁰⁸

Cotton products led U.S. imports of apparel from Pakistan, with concentration in a few categories. In 2023, 87.7 percent of U.S. apparel imports from Pakistan were made of cotton.¹²⁰⁹ Of the top 10 products imported from Pakistan in 2023, eight were cotton-based (table 9.5).¹²¹⁰ The top three products—men's and boys' cotton bottoms (21.2 percent), men's and boys' knit cotton shirts (21.1 percent), and women's and girls' cotton bottoms (20.2 percent)—accounted for 62.6 percent of imports in 2023, and the top 10 product categories made up more than 85 percent of U.S. imports of apparel during 2013–23.¹²¹¹

Denim jeans have driven growth within Pakistan's exports of cotton bottoms (categories 347 and 348), with U.S. imports of jeans from Pakistan increasing from \$158 million in 2013 to \$382 million in 2023 (or by 142.3 percent). Denim jeans have also made up a growing share of total U.S. apparel imports from Pakistan, rising from 10.6 percent to 18.4 percent over 2013–2023. In 2023, Pakistan was the third-largest source of U.S. imports of denim jeans, supplying 11.8 percent share behind Bangladesh (21.0 percent share) and Mexico (20.0 percent share).¹²¹² By comparison, imports of men's and boys' knit cotton shirts, the second-largest product category, grew more modestly over 2013–23, increasing from

¹²⁰⁵ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²⁰⁶ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²⁰⁷ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²⁰⁸ See chapter 2 for more on supply chain diversification.

¹²⁰⁹ Categories 31, cotton apparel; and 61, MMF apparel. See appendix F for a list of HTS statistical reporting numbers included in categories 31 and 61. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²¹⁰ Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²¹¹ Categories 347, men's and boys' cotton bottoms; 338, men's and boys' knit cotton shirts; and 348, women's and girls' cotton bottoms. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²¹² HTS statistical reporting numbers 6203.42.0711, 6203.42.0736, 6203.42.4011, 6203.42.4036, 6203.42.4511, and 6203.42.4536; men's and boys' denim jeans. HTS statistical reporting numbers 6204.62.1511, 6204.62.1541, 6204.62.4011, 6204.62.4041, 6204.62.8011, and 6204.62.8041, women's and girls' denim jeans. Categories 347, men's and boys' cotton bottoms; and 348, women's and girls' cotton bottoms. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

\$427 million to \$439 million (2.8 percent growth).¹²¹³ Overall, knit products have made up a decreasing share of U.S. imports of Pakistani apparel, falling from 63.9 percent in 2013 to 55.2 percent in 2023.¹²¹⁴

Table 9.5 U.S. imports of apparel from Pakistan, by category, 2013 and 2018–23

In millions of dollars. Category numbers in parentheses. MMF = manmade fiber.

Category	2013	2018	2019	2020	2021	2022	2023
Men's/boys' cotton trousers/breeches/shorts (347)	198	247	263	233	460	559	441
Men's/boys' knit cotton shirts (338)	427	337	386	314	464	632	439
Women's/girls' cotton trousers/slacks/shorts (348)	239	246	280	284	457	547	420
Cotton hosiery (332)	93	103	106	96	153	162	138
Women's/girls' knit cotton shirts/blouses (339)	74	71	83	83	136	167	114
MMF fiber hosiery (632)	26	25	27	60	87	89	70
Other cotton apparel (359)	54	57	56	70	75	77	67
Cotton underwear (352)	75	38	32	38	96	81	57
Other men's/boys' cotton coats (334)	69	38	42	33	58	72	40
Other MMF apparel (659)	24	25	27	32	32	45	36
All other categories	212	209	220	210	300	343	257
Total	1,491	1,395	1,523	1,452	2,317	2,773	2,078

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Tariffs and Trade Preference Programs

U.S. imports of textile and apparel products from Pakistan currently do not receive preferential tariff treatment; however, textile and apparel products from Pakistan receive preferential treatment in other markets.¹²¹⁵ U.S. imports of apparel from Pakistan are subject to NTR duty rates, with ad valorem rates that range from free to 32.0 percent for apparel in HTS chapters 61 and 62.¹²¹⁶ Apparel imports from Pakistan were subject to a 15.7 percent average applied duty in 2023.¹²¹⁷ Pakistan can access the EU market under the Generalised Scheme of Preferences Plus (EU GSP+), which was recently extended to 2027 and the United Kingdom under its Developing Countries Trading Scheme. Both programs grant

¹²¹³ Category 338, men's and boys' knit cotton shirts. Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²¹⁴ USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

¹²¹⁵ Pakistan is designated a beneficiary developing country for purposes of the U.S. Generalized System of Preferences. The President's authority to grant duty-free treatment under the program lapsed in 2020. Notably, most apparel is ineligible for benefits under U.S. GSP for all trading partners. USITC, *HTS 2024 Revision 2*, General Note 4, "Products of Countries Designated Beneficiary Developing Countries for Purposes of the Generalized System of Preferences (GSP)," May 31, 2024, GN pp.11–14; CRS, *Generalized System of Preferences*, November 22, 2023, 1.

¹²¹⁶ USITC, *HTS 2024 Revision 2*, section XI, chapters 61 and 62, May 31, 2024.

¹²¹⁷ This average was calculated by dividing duties paid on imports of apparel from Pakistan by dutiable value of imports of apparel from Pakistan. USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 7; USITC, *HTS 2024 Revision 2*, May 31, 2024, section XI, chapters 61 and 62.

duty-free access for Pakistan’s textile and apparel products.¹²¹⁸ Since its implementation on January 1, 2014, several sources have noted that the EU GSP+ program has significantly increased Pakistan’s textile and apparel exports to the EU.¹²¹⁹ Textile and apparel products, including made up textiles, account for about 75 percent of Pakistan’s total exports to the EU.¹²²⁰

Apparel Sector Competitiveness

Pakistan is reported by those who source from the country to be a reliable supplier that offers quality products at competitive prices. Pakistan is more of a niche producer, however, specializing in a small portfolio of products, which it produces well. Modernization has occurred in the sector, and vertical integration in the apparel supply chain helps mitigate costs, decrease lead times, and improve traceability. Pakistan is also viewed as performing comparatively well on social and environmental responsibility, except for the lower-than-average presence of women in the workforce.

Vertical Integration in Cotton Benefits Speed to Market, Traceability, and Cost

Pakistan’s vertical integration in cotton apparel, both within firms and the country, is one of its most prominent factors of competitiveness. Vertical integration enables traceability, enhanced flexibility, reduced cost, and faster lead times, which all have become increasingly important to brands and buyers in light of shifts in consumer behavior, the business environment, new legislation, and global unpredictability.¹²²¹ Verticality is reportedly favored by U.S. buyers in particular because a vertical supply chain offers a higher degree of accountability with regard to the origin of cotton inputs. Fiber traceability in the apparel supply chain has become increasingly necessary because of the Uyghur Forced Labor Prevention Act (UFLPA).¹²²² This reportedly gives cotton-producing countries like Pakistan an advantage, because it simplifies country of origin documentation for cotton fiber.¹²²³ In response to changes such as

¹²¹⁸ Government of the UK, Department for International Trade, “UK Trade Preferences Scheme for Developing Countries,” August 16, 2022; EC, “EU Trade Relations with Pakistan,” accessed June 6, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 11; *Express Tribune*, “GSP+ Status for Pakistan Extended,” September 23, 2021; GSP Hub, “EU Extends GSP Until End of 2027,” February 8, 2024.

¹²¹⁹ Industry representative, email message to USITC staff, March 8, 2024; industry expert, interview by USITC staff, June 13, 2024; Frederick and Daly, “Pakistan in the Apparel Global Value Chain,” January 2019, 27, 34; Coxhead, Jayasuriya, and Kurosaki, *Is Female Labor Immobility Holding Back Industrialization?*, April 2023, 6.

¹²²⁰ S&P Global, GTAS database, HS Chapters 50–63, accessed June 17, 2024.

¹²²¹ Industry expert, interview by USITC staff, June 13, 2024; USITC, hearing transcript, March 11, 2024, 288 (testimony of Sajid Saleem Minhas, PRGMEA); APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 31–32; PBC, CDPR, *Pakistan’s Readymade Garments Sector*, October 2018, 50.

¹²²² See box 4.1 for more information regarding UFLPA. Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan).

¹²²³ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024; USITC, hearing transcript, March 11, 2024, 195–96 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 196–97 (testimony of Julia Hughes, USFIA).

the UFLPA, industry representatives suggest vertically integrated suppliers in Pakistan are a reliable alternative to China, making Pakistan an attractive sourcing destination for cotton-based products.¹²²⁴

Domestic production of short-to-medium staple cotton—including cotton that meets organic and “Better Cotton” standards—provides the fiber base for Pakistan’s textile and apparel sector, allowing apparel producers to compete in lower-value products, in addition to high-value denim goods. Although Pakistan’s denim products come at a slightly higher cost to brands and buyers relative to its regional competitors, industry representatives have stated that the country ranks highly on other sourcing considerations such as flexibility of the supply chain, verticality, quality control, and consistency of product quality.¹²²⁵ Industry representatives have reported that Pakistan’s access to locally sourced cotton is a main reason its suppliers meet these criteria.¹²²⁶ Reduced costs, agility, and flexibility are also reported advantages of Pakistan’s vertical supply chain. For certain domestically sourced inputs such as cotton, logistics costs are reportedly low in Pakistan because vertical integration reduces the need to ship inputs between factories.¹²²⁷

Industry representatives report increasing pressure from brands and buyers for shorter lead times, which necessitates faster procurement of raw materials and fabrics by suppliers.¹²²⁸ In this way, access to domestic cotton improves Pakistan’s speed to market and lowers logistics costs for buyers,¹²²⁹ as well as other costs associated with importing inputs.¹²³⁰ In addition, an integrated supply chain allows buyers and brands to quickly change order quantities in response to shifting consumer demand and an increasingly unpredictable business environment.¹²³¹

Despite these advantages, recent challenges have strained the vertical supply chain. The country’s raw cotton yield has been declining because of challenges with pests, low seed germination rates, untimely rains, elevated temperatures, and devastating floods.¹²³² As Pakistan’s economy was recovering from the

¹²²⁴ Industry representative, interview by USITC staff, February 28, 2024; USITC, hearing transcript, March 11, 2024, 195–96 (testimony of Beth Hughes, AAFA); USITC, hearing transcript, March 11, 2024, 196–97 (testimony of Julia Hughes, USFIA).

¹²²⁵ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, February 23, 2024.

¹²²⁶ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024.

¹²²⁷ Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 23, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC).

¹²²⁸ USITC, hearing transcript, March 11, 2024, 288 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 219 (testimony of Beth Hughes, AAFA).

¹²²⁹ Industry representative, interview by USITC staff, March 21, 2024; USITC, hearing transcript, March 11, 2024, 288 (testimony of Musadaq Zulqarnain, PTC).

¹²³⁰ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 252 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 256 (testimony of Musadaq Zulqarnain, PTC).

¹²³¹ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, March 18, 2024.

¹²³² Rana, Ejaz, and Shikoh, “Cotton Crop,” April 2020, 5; USITC, hearing transcript, March 11, 2024, 11 (testimony of His Excellency Masood Khan, Embassy of Pakistan); Government of Pakistan et al., *Pakistan Floods 2022*, October 28, 2022, 4; subject matter expert, interview by USITC staff, April 10, 2024.

COVID-19 pandemic, floods damaged the country's cotton output and caused substantial damage to Pakistan's textile mills and cut-and-sew factories. Reports indicate that the floods caused greater financial losses than the COVID-19 pandemic, as some factories were completely washed away.¹²³³ An expert and brand both noted floods as one of the overall challenges for sourcing from Pakistan.¹²³⁴ In the past decade, domestic cotton supplies were insufficient to meet demand from mills, resulting in 11.1 percent of mills closing between 2009 and 2019.¹²³⁵ This shortfall in Pakistan's cotton output has contributed to increased apparel production costs due to increased imports of cotton raw materials and fiber over the period, especially between 2020 and 2022.¹²³⁶

Product Specialization and a Move Toward Full-Package Services Enhance Competitiveness, but a Lack of Diversification May Hinder Growth

Pakistan is reported to be highly competitive with respect to quality cotton, cotton blends, denim, and fleece.¹²³⁷ The country's denim products are well respected in the apparel industry, and buyers sourcing from Pakistan report consistent, reliable, and excellent denim product quality.¹²³⁸ Reportedly, the quality is high enough to justify a midrange cost.¹²³⁹ While the sector's specialization has created expertise and efficiency, some suggest that its focus on cotton has come at the expense of expansion in the areas of product offerings and production capability.¹²⁴⁰ For example, Pakistan has been slow to develop MMF capabilities and production of a broader array of apparel products.¹²⁴¹ Pakistan's short and medium staple cotton fiber, used primarily in denim, cannot be used to produce other high-end, value-added apparel products, necessitating additional cotton imports to diversify the product mix.¹²⁴² One industry

¹²³³ Industry expert, interview by USITC staff, April 1, 2024.

¹²³⁴ Subject matter expert, interview by USITC staff, April 10, 2024; industry representative, interview by USITC staff, March 5, 2024.

¹²³⁵ Rana, Ejaz, and Shikoh, "Cotton Crop," April 2020, 2.

¹²³⁶ S&P Global, GTAS database, cotton textile raw materials and fibers within HS Chapter 52, accessed June 17, 2024; Saini, "Pakistan Cotton Shortage Near Catastrophic," October 6, 2022; Saini, "Pakistan Facing Crisis of Cotton and Energy," January 26, 2023; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 2. For a list of HS headings included in textile raw materials and fibers, see appendix F.

¹²³⁷ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 23, 2024; USITC, hearing transcript, March 11, 2024, 251 (testimony of Sajid Saleem Minhas, PRGMEA).

¹²³⁸ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 18, 2024; industry expert, interview by USITC staff, June 13, 2024; industry representative, interview by USITC staff, February 23, 2024; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 33.

¹²³⁹ Industry representative, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 23, 2024; industry expert, interview by USITC staff, June 21, 2024.

¹²⁴⁰ USITC, hearing transcript, March 11, 2024, 251 (testimony of Sajid Saleem Minhas, PRGMEA); APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 4–6.

¹²⁴¹ Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 10.

¹²⁴² Rana, Ejaz, and Shikoh, "Cotton Crop," April 2020, 7, 9.

representative also noted that Pakistan must expand its export product mix to more value-added goods in order to maximize the benefits of its EU GSP+ status.¹²⁴³

Industry representatives report that Pakistan’s ability to offer value-added, full-package design services enhances its competitive edge.¹²⁴⁴ Buyers are offered a broad range of services, including computer-aided design,¹²⁴⁵ product development, trend forecasting, artificial intelligence market feedback, and fabric sampling.¹²⁴⁶ Additionally, suppliers in Pakistan are developing capabilities such as garment technical pack creation, laser cutting, advanced printing, fabric washing, and small batch orders.¹²⁴⁷ An industry representative commented that, although Pakistan has only a few large-scale vendors, they provide excellent service in all the aforementioned areas.¹²⁴⁸

Geopolitical Risk Is One of the Industry’s Predominant Challenges

One of the most significant factors negatively impacting Pakistan’s competitiveness is concern about safety and geopolitical risk in the region, although opinions differ on the degree to which this affects doing business in the apparel sector. Buyers have systematically reduced sourcing from Pakistan as a result of associated risks, according to the APTMA.¹²⁴⁹ A number of industry sources stated that the political instability in the country and the region, volatility caused by frequent regime changes within Pakistan’s government, and the country’s poor reputation for security have limited sourcing from Pakistan.¹²⁵⁰ More recently, regime changes in neighboring Afghanistan resulted in decreased consumer demand for exports from Pakistan.¹²⁵¹ According to some industry sources, however, recent investment activity by large-scale manufacturers and growing sourcing from Pakistan suggest perceptions regarding

¹²⁴³ USITC, hearing transcript, March 11, 2024, 253 (testimony of Sajid Saleem Minhas, PRGMEA).

¹²⁴⁴ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 258 (testimony of Musadaq Zulqarnain, PTC).

¹²⁴⁵ Computer-aided design is specialized software used in apparel and accessory design.

¹²⁴⁶ Industry representative, interview by USITC staff, May 2, 2024; USITC, hearing transcript, March 11, 2024, 258 (testimony of Musadaq Zulqarnain, PTC); Frederick and Daly, “Pakistan in the Apparel Global Value Chain,” January 2019, 35.

¹²⁴⁷ A garment or fashion technical pack, or “tech pack,” is the blueprint of a garment. It is used by designers to communicate technical specifications and design details to the manufacturer. It includes the creation of technical sketches, a bill of materials, and various specification sheets in digital format. The tech pack may be produced independently or in collaboration with the manufacturer. *World Fashion Exchange* (blog), “The Ultimate Guide to Fashion Tech Packs,” June 1, 2023; Baukh, “What Is a Garment Spec Sheet,” December 26, 2023; industry representative, interview by USITC staff, May 2, 2024.

¹²⁴⁸ Industry representative, interview by USITC staff, May 2, 2024.

¹²⁴⁹ APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 29.

¹²⁵⁰ Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, March 5, 2024; subject matter expert, interview by USITC staff, April 10, 2024; industry expert, interview by USITC staff, May 9, 2024; industry expert, interview by USITC staff, June 4, 2024; USITC, hearing transcript, March 11, 2024, 286 (testimony of Sajid Saleem Minhas, PRGMEA); USITC, hearing transcript, March 11, 2024, 321–22 (testimony of Musadaq Zulqarnain, PTC).

¹²⁵¹ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 9.

Pakistan's risk have likely improved.¹²⁵² Another industry representative noted that political instability is a factor in sourcing decisions but one that can be overcome by other factors.¹²⁵³ In hearing testimony, it was also noted that despite political instability in Pakistan, supply chain disruptions have been rare.¹²⁵⁴ Such mixed perceptions and uncertainty have placed the country's apparel sector at a competitive disadvantage and limited growth opportunities.¹²⁵⁵

Numerous sources noted issues related to traveling to Pakistan as a major challenge to the apparel industry's export competitiveness. Several buyers perceive traveling to Pakistan as unsafe, some as a result of firsthand experiences and Department of State travel advisories.¹²⁵⁶ Industry representatives report obstacles to travel that include difficulties obtaining approval for travel to Pakistan because of travel restrictions as well as difficulties obtaining the visas needed for travel.¹²⁵⁷ One expert suggested that apparel exports from Pakistan increased during the COVID-19 pandemic because global travel restrictions leveled the playing field.¹²⁵⁸ Other buyers reported no issues with traveling to Pakistan, however, suggesting perceived safety concerns may be exaggerated.¹²⁵⁹

Industry representatives reported a variety of responses to geopolitical risk factors when doing business in Pakistan. Buyers who source from Pakistan highlight the high quality products and reliability of supply in spite of the perceived risks.¹²⁶⁰ Other buyers and brands have chosen to buy from Pakistan's competitors, however, to avoid the risks associated with sourcing from the country; still others do business there only indirectly.¹²⁶¹ Compared to other apparel producers, Pakistan has significantly fewer local offices and a more limited presence of international buyers, which results in increased transaction

¹²⁵² Industry expert, interview by USITC staff, June 13, 2024; USITC, hearing transcript, March 11, 2024, 285–86 (testimony of Sajid Saleem Minhas, PRGMEA).

¹²⁵³ Industry representative, interview by USITC staff, May 2, 2024.

¹²⁵⁴ USITC, hearing transcript, March 11, 2024, 321 (testimony of Musadaq Zulqarnain, PTC).

¹²⁵⁵ Industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 9, 2024; USITC, hearing transcript, March 11, 2024, 284 (testimony of Musadaq Zulqarnain, PTC).

¹²⁵⁶ The U.S. Department of State assigned Pakistan with a level-three travel advisory warning, the second-highest warning level, due to the potential for terrorism. USDOS, "Pakistan Travel Advisory," accessed May 15, 2024; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 34, 51–52; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, February 23, 2024; subject matter expert, interview by USITC staff, April 10, 2024; industry expert, interview by USITC staff, June 13, 2024.

¹²⁵⁷ Industry representative, interview by USITC staff, March 4, 2024; industry representative, interview by USITC staff, February 23, 2024.

¹²⁵⁸ Industry expert, interview by USITC staff, June 13, 2024.

¹²⁵⁹ Industry representative, interview by USITC staff, February 28, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, June 4, 2024.

¹²⁶⁰ Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, March 18, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, June 4, 2024; Birnbaum, "How Pakistan Apparel Industry Is Moving Forward," November 19, 2021.

¹²⁶¹ Industry representatives, interview by USITC staff, March 5, 2024.

costs and less awareness of growth opportunities.¹²⁶² Some choose to use intermediary agents to facilitate business in-country, although this can reportedly create challenges including a lack of transparency and additional costs such as agent fees.¹²⁶³ In an effort to make sourcing in Pakistan more accessible, Pakistan-based factories are establishing full-service offices in international markets, such as Dubai and Los Angeles.¹²⁶⁴

Comparatively High Costs Limit the Sector's Competitiveness

Pakistan is not considered by many to be a low-cost supplier relative to other Asian suppliers, and the highest cost components are reportedly raw materials, energy, and labor.¹²⁶⁵ In particular, limited access to consistent and affordable energy is reported by many to be a major struggle for Pakistan's apparel sector as well as for the spinning and weaving mills supplying inputs.¹²⁶⁶ Pakistan's energy costs can be as much as 14–17 cents per kWh compared to 4 cents per kWh in other countries such as Bangladesh.¹²⁶⁷ In an industry that operates on narrow margins, some report that negotiating apparel and textile orders with Pakistan's manufacturers can come down to percentages of cents, meaning that competition with suppliers in other countries could hinge on factors such as energy cost.¹²⁶⁸

Pakistan's poor energy infrastructure is a key factor driving its high energy costs.¹²⁶⁹ Energy infrastructure issues, such as an outdated electric grid and recent electricity outages, have created volatility in the price and supply of energy for businesses, which is a competitive disadvantage.¹²⁷⁰ The government of Pakistan

¹²⁶² Industry expert, interview by USITC staff, June 13, 2024; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 29.

¹²⁶³ Industry representative, interview by USITC staff, March 18, 2024; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 51–52.

¹²⁶⁴ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, June 13, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 12.

¹²⁶⁵ Industry representative, interview by USITC staff, February 14, 2024; industry representative, interview by USITC staff, February 23, 2024; U.S. government official, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, April 1, 2024.

¹²⁶⁶ Industry representative, interview by USITC staff, February 14, 2024; U.S. government official, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, May 9, 2024; USITC, hearing transcript, March 11, 2024, 260, 323 (testimony of Musadaq Zulqarnain, PTC); APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 2, 3; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 51; Pakistan Institute of Development Economics, *Regionally Competitive Energy Tariffs and Textile Sector's Competitiveness*, March 2021, 5–6, 10–11.

¹²⁶⁷ USITC, hearing transcript, March 11, 2024, 323 (testimony of Musadaq Zulqarnain, PTC); APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 16; industry representative, interview by USITC staff, February 14, 2024.

¹²⁶⁸ U.S. government official, interview by USITC staff, June 4, 2024.

¹²⁶⁹ U.S. government official, interview by USITC staff, June 4, 2024.

¹²⁷⁰ In a 2018 survey, Pakistan's leading garment exporters nearly all listed energy infrastructure as their top challenge. Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 51; U.S. government official, interview by USITC staff, June 4, 2024; subject matter expert, interview by USITC staff, April 10, 2024; Saini, "422 Facilities Named on Pakistan Accord's First Supplier List," August 11, 2023; Government of Pakistan, Ministry

also prioritizes certain domestic manufacturing industries over others with priority usage of energy.¹²⁷¹ The textile and apparel sector did not have priority for energy usage until Pakistan's 2020–25 Textile and Apparel Policy, which also granted lowered energy tariffs, among other benefits.¹²⁷² However, energy costs and reliability remain a concern for factories, leading some firms to invest in backup power generators and alternative energies to ensure a consistent supply of electricity.¹²⁷³

Though raw materials, energy, and wages make up the vast majority of costs, Pakistan's textile and apparel factory owners also face additional costs that create a challenging operating environment.¹²⁷⁴ While sources state Pakistan's large labor force supports comparable and sometimes lower wage rates than other regional apparel producers, Pakistan's labor costs are reportedly less competitive than other leading Asian suppliers.¹²⁷⁵ Capital is scarce, exacerbating the lack of a financial safety net as demonstrated during the COVID-19 pandemic.¹²⁷⁶ Pakistan also has one of the highest corporate income tax rates in the world, decreasing the ability of the sizeable number of small and medium-sized businesses to scale and expand operations.¹²⁷⁷ Multiple industry sources also stated that Pakistan's currency depreciation increased the cost of imported inputs, though at the same time noting that local costs may be prohibitive and exports less competitive if the currency appreciates.¹²⁷⁸ One buyer reported that Pakistan's apparel producers operate with relatively high efficiency, however, which helps counter some of these higher additional costs.¹²⁷⁹

of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 17; Berman, "What's at Stake in Pakistan's Power Crisis," February 6, 2023; World Bank, "Pakistan," January 2, 2019; subject matter expert, interview by USITC staff, April 10, 2024.

¹²⁷¹ U.S. government official, interview by USITC staff, June 4, 2024; industry representative, interview by USITC staff, February 14, 2024.

¹²⁷² Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 8; APTMA, "Achievements," accessed August 9, 2024.

¹²⁷³ Industry representative, email message to USITC staff, March 8, 2024; industry representative, interview by USITC staff, June 20, 2024; industry expert, interview by USITC staff, June 13, 2024; Saini, "Pakistan Facing Crisis of Cotton and Energy," January 26, 2023.

¹²⁷⁴ Raw materials, energy, and wages are an estimated 90 percent of production costs. Industry representative, interview by USITC staff, February 14, 2024.

¹²⁷⁵ U.S. government official, interview by USITC staff, June 4, 2024; industry representative, interview by USITC staff, June 20, 2024; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 47.

¹²⁷⁶ Industry expert, interview by USITC staff, April 1, 2024; industry expert, interview by USITC staff, May 9, 2024; industry representative, interview by USITC staff, June 20, 2024.

¹²⁷⁷ High corporate income tax also discourages FDI. Profit, "The Informal Sector," March 14, 2023; PwC, "Pakistan: Corporate – Taxes on Corporate Income," January 23, 2024; Enache, "Corporate Tax Rates Around the World, 2022," December 13, 2022; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 50, 78.

¹²⁷⁸ Industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, June 4, 2024; industry expert, interview by USITC staff, June 13, 2024; Saini, "Pakistan Facing Crisis of Cotton and Energy," January 26, 2023; Birnbaum, "How Pakistan Apparel Industry Is Moving Forward," November 19, 2021.

¹²⁷⁹ Industry representative, interview by USITC staff, March 18, 2024.

Pakistan Has a Good Reputation on Social and Environmental Responsibility, with Caveats

Pakistan generally has a good reputation among U.S. buyers for social and environmental responsibility, which has improved due to recent actions by Pakistan’s government, firms, and international buyers.¹²⁸⁰ Pakistan’s constitution codifies various labor rights, including freedom of association and humane working conditions, as well as prohibitions against child and forced labor and discrimination.¹²⁸¹ In 2005, the government of Pakistan, in conjunction with the ILO, signed the Decent Work Country Programme (DWCP) to promote employment, social protections, and compliance with international labor and occupational safety and health standards.¹²⁸² DWCP is a framework that guides ILO operations in Pakistan that includes providing comments and recommendations regarding compliance with ratified standards as well as facilitating tripartite meetings and implementing various projects, such as vocational training programs with local partners.¹²⁸³ Now in its fifth iteration, the DWCP extends through at least 2027.¹²⁸⁴ As an eligibility requirement for EU GSP+, Pakistan has ratified all required international conventions on human and labor rights, environment, and good governance.¹²⁸⁵ At the same time, industry observers highlight certain areas for growth, particularly with respect to implementation of occupational health and safety standards. Other labor standards such as freedom of association and collective bargaining were also cited as a concern (as discussed above).¹²⁸⁶

¹²⁸⁰ U.S. government official, interview by USITC staff, June 4, 2024; industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, April 1, 2024; industry representative, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, March 7, 2024; USITC, *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers*, January 2004, 6; USITC, hearing transcript, March 11, 2024, 261 (testimony of Musadaq Zulqarnain, PTC).

¹²⁸¹ Constitution of Islamic Republic of Pakistan, April 10, 1973, art. 11, 17, 18, 25, 27, 37(e), 38; Human Rights Watch, “No Room to Bargain,” January 23, 2019, 14.

¹²⁸² ILO, *Decent Work Country Programme for Pakistan*, October 31, 2008, ii–iii, 5–7; Government of Pakistan, “Certification Incentive Programme for SMEs Under PQI Initiatives,” 2016; Government of Pakistan, written submission to the USITC, March 25, 2024, 10.

¹²⁸³ ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 19, 34–55.

¹²⁸⁴ The ILO’s *Decent Work Country Programme for Pakistan (2023–27)* report details country progress toward decent work and sustainable development, including actions by provinces to simplify and harmonize their labor laws with international labor standards and migration to a technology-based labor inspection management system. Specific projects have also produced improvements such as increased awareness of worker rights in the cotton supply chain and increased factory productivity and working conditions in garment factories. ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 3, 5–29, 34–55; ILO, *Factory Improvement Toolset Case Studies*, February 14, 2023; ILO, *RISE for Impact*, March 7, 2024.

¹²⁸⁵ Delegation of the European Union to Pakistan, “The European Union Releases the Fourth GSP Report,” November 21, 2023; Government of Pakistan, Ministry of Overseas Pakistani and Human Resource Development, *GSP+ and Compliance With Fundamental Labour Standards*, September 29, 2023, 2; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 36.

¹²⁸⁶ Hesketh, *An Introduction to Pakistan*, November 2023, 45; Government of Germany, GIZ, *Improvement of Labour, Social and Environmental Standards*, January 2024, 1; Clean Clothes Campaign, *Pakistan’s Garment Workers Need a Safety Accord*, September 2019, 2; APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 36–37; Government of Pakistan, written submission to the USITC, March 25, 2024, 10; Human

Pakistan's worst industrial accident in the industry—a garment factory fire in 2012 that resulted in at least 255 deaths—as well as the COVID-19 pandemic and recent floods¹²⁸⁷ highlighted the need for improved enforcement of existing regulations as well as additional standards aimed at protecting workers.¹²⁸⁸ The government is reportedly implementing regulations such as temperature and humidity standards in factories, as well as improvements in regulations stipulating paid time off.¹²⁸⁹ The government and industry have also signed a number of agreements aimed at improving health, safety, and environmental conditions. In 2021, the government of Pakistan also signed on to Deutsche Gesellschaft für Internationale Zusammenarbeit's (GIZ) Labour and Environmental Standards in Pakistan's Textile Industry and joined ILO's Better Work program in 2022. The following year, over 200 brands signed the Pakistan Accord on Health and Safety in the Textile and Garment Industry, a country-specific agreement established by the International Accord for Health and Safety in the Textile and Garment Industry.¹²⁹⁰ Many exporting firms also participate in World Responsible Accredited Production, a social compliance certification program.¹²⁹¹ Numerous international buyers remarked on Pakistan's social compliance favorably, noting favorable scores on the social compliance risk factors identified by U.S. retailers seeking ethical and reliable suppliers.¹²⁹² GIZ and others, however, indicate that while there have been recent improvements and there are indeed a number of regulations in place to protect workers, enforcement and implementation of these regulations are sometimes lacking.¹²⁹³ Several sources also note that underrepresentation of women in the apparel industry is a shortcoming that limits the size of the industry's workforce. U.S. and foreign industry representatives and experts report that brands and other stakeholders are successfully driving efforts to increase the representation of women

Rights Watch, "No Room to Bargain," January 23, 2019, 7, 15; ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 19; subject matter expert, interview by USITC staff, March 7, 2024.

¹²⁸⁷ Clean Clothes Campaign and Centre for Research on Multinational Corporations, *Fatal Fashion*, March 2013, 5, 17; Clean Clothes Campaign, *Pakistan's Garment Workers Need a Safety Accord*, September 2019, 2, 12–14; Human Rights Watch, "No Room to Bargain," January 23, 2019, 15; Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 39.

¹²⁸⁸ Clean Clothes Campaign, *Still Un(der)paid*, 2021, 53–55; Clean Clothes Campaign, *Fashioning Justice for Workers in Pakistan*, December 2022, 4.

¹²⁸⁹ Subject matter expert, interview by USITC staff, March 7, 2024.

¹²⁹⁰ Government of Germany, GIZ, *Labour and Environmental Standards in Pakistan's Textile Industry*, July 2022; Better Work, "Government of Pakistan and ILO Sign MoU," March 9, 2022; Better Work, "Pakistan Participating Factories," accessed June 11, 2024; Pakistan Accord on Health and Safety in the Textile and Garment Industry (January 1, 2023); International Accord, "Pakistan Accord: Enhancing Factory Health and Safety in Pakistan," January 14, 2023; Chua, "Some of the World's Biggest Brands Just Signed the Pakistan Accord," January 24, 2023; Benissan, "What the Pakistan Accord Means for Fashion's Supply Chain," January 5, 2023.

¹²⁹¹ PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 18; Government of Pakistan, written submission to the USITC, March 25, 2024, 11.

¹²⁹² Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; industry expert, interview by USITC staff, April 1, 2024; industry representative, interview by USITC staff, March 7, 2024; subject matter expert, interview by USITC staff, March 7, 2024; USITC, *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers*, January 2004, 6; USITC, hearing transcript, March 11, 2024, 261 (testimony of Musadaq Zulqarnain, PTC).

¹²⁹³ Government of Germany, GIZ, *Improvement of Labour, Social and Environmental Standards*, January 2024, 1; Judd et al., *Higher Ground? Report 1*, September 13, 2023, 44; ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 19, 23, 29.

in the apparel industry's formal workforce, particularly by encouraging the industry to recruit more women.¹²⁹⁴

Many medium and large garment manufacturing firms that supply to international buyers are reported to generally have good records regarding social compliance. Most are registered firms, which have more government supervision, and typically participate in additional certification and compliance programs.¹²⁹⁵ For Pakistan's small and medium-sized enterprises, however, compliance with international standards is a known area for improvement.¹²⁹⁶ It has also been reported by industry representatives and officials in Pakistan that an increasing number of small and medium-sized enterprises in Pakistan are compliant with worker safety standards, as large firms outsourcing to small enterprises are doing added diligence to ensure compliance.¹²⁹⁷ The government of Pakistan has also implemented a Certification Incentive Programme for small and medium-sized enterprises, which is designed to extend financial support for small and medium-sized enterprises working to enhance compliance with environmental, sustainability, workplace safety, and social accountability standards. The government of Pakistan stated that the program is designed as a series of third-party trainings for participating small enterprises.¹²⁹⁸

A recent focus has been directed to meeting environmental standards, which acts as an emerging competitive strength for the sector. According to GIZ, there was little action towards environmentally friendly growth until recently.¹²⁹⁹ Sources have noted that challenges with the industry's emissions, pollution, uncontrolled hazardous waste disposal, and Pakistan's heavy reliance on resources, threaten the Pakistan's ecosystem and apparel export competitiveness.¹³⁰⁰ Pakistan's government and private sector are reportedly committed to advancing initiatives that support environmental compliance and reducing the sector's carbon footprint, such as the development of renewable energy sources including

¹²⁹⁴ Frederick and Daly, "Pakistan in the Apparel Global Value Chain," January 2019, 44; industry expert, interview by USITC staff, June 27, 2024; industry expert, interview by USITC staff, April 1, 2024; industry expert, interview by USITC staff, June 13, 2024.

¹²⁹⁵ Industry representative, interview by USITC staff, June 20, 2024; PBC, CDPR, *Pakistan's Readymade Garments Sector*, October 2018, 18; Government of Pakistan, written submission to the USITC, March 25, 2024, 11; ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 11; PTC, written submission to the USITC, March 7, 2024, 3; USITC, hearing transcript, March 11, 2024, 258 (testimony of Musadaq Zulqarnain, PTC); industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; subject matter expert, interview by USITC staff, March 7, 2024; Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 11.

¹²⁹⁶ Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, May 2, 2024; subject matter expert, interview by USITC staff, March 7, 2024; Government of Pakistan, Ministry of Commerce, *Textiles and Apparel Policy 2020–25*, accessed May 3, 2024, 11; PTC, written submission to the USITC, March 25, 2024, 3; ILO, *Decent Work Country Programme for Pakistan*, March 27, 2024, 11.

¹²⁹⁷ USITC, hearing transcript, March 11, 2024, 253, 254 (testimony of Sajid Saleem Minhas, PRGMEA); Government of Pakistan, written submission to the USITC, March 25, 2024, 10.

¹²⁹⁸ Government of Pakistan, written submission to the USITC, March 25, 2024, 10; Government of Pakistan, "Certification Incentive Programme for SMEs Under PQI Initiatives," 2016.

¹²⁹⁹ Government of Germany, GIZ, *Labour and Environmental Standards in Pakistan's Textile Industry*, July 2022, 1.

¹³⁰⁰ APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 37; Government of Germany, GIZ, *Improvement of Labour, Social and Environmental Standards*, January 2024, 1; Hesketh, *An Introduction to Pakistan*, November 2023, 45.

solar energy.¹³⁰¹ Buyers note that Pakistan has sophisticated suppliers that focus on innovative approaches to sustainability, including waste management and reduced water use.¹³⁰² Many firms have LEED certification, among other environmental and sustainability certifications, and rely on renewable energy sources, such as Interloop’s new knitwear plant in Faisalabad, which hosts a water recycling plant.¹³⁰³ Several suppliers rely on biomass energy in particular, with one supplier currently getting roughly 30 percent of its energy from biomass.¹³⁰⁴ Additionally, to further its commitment to environmental, social, and governance standards, Pakistan established a National Compliance Center in 2023 in an effort to strengthen the compliance regime for exporters.¹³⁰⁵ Leading apparel firms, including much of the Pakistan Textile Council membership, has reportedly joined Net Zero Pakistan, an initiative dedicated to the acceleration of Pakistan’s transition to net-zero carbon emissions by 2050.¹³⁰⁶

Efforts to bolster cotton productivity through sustainable development and traceability may further raise environmental standards in Pakistan’s agricultural sector. Research institutions in Pakistan aim to improve cotton yields and quality by introducing new varieties and improving farm and crop management.¹³⁰⁷ Individual companies have implemented advanced traceability technologies that guarantee complete traceability of cotton from the farm to the product.¹³⁰⁸ Artistic Fabric Mills, and other large textile firms, together with international agencies such as World Wide Fund For Nature are supporting the establishment of cotton farms to cultivate organic cottons to meet growing market demand.¹³⁰⁹ APTMA has noted that traceability progress is challenged by unclear stakeholder roles and fragmentation because of firms developing individual systems.¹³¹⁰ Considerable investment is also being made to advance sustainability with cotton cultivation in partnership with organizations such as Better

¹³⁰¹ Industry representative, interview by USITC staff, February 14, 2024; Government of Pakistan, written submission to the USITC, March 25, 2024, 3; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan); USITC, hearing transcript, March 11, 2024, 259–60, 323 (testimony of Musadaq Zulqarnain, PTC).

¹³⁰² Industry representative, interview by USITC staff, May 2, 2024; industry representative, interview by USITC staff, June 20, 2024.

¹³⁰³ Government of Pakistan, written submission to the USITC, March 25, 2024, 11; Wilson, “Interloop Throws Switch on New Plant,” November 16, 2023.

¹³⁰⁴ Industry expert, interview by USITC staff, June 13, 2024; industry representative, interview by USITC staff, June 20, 2024.

¹³⁰⁵ USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan).

¹³⁰⁶ See “Industry Structure” section above for more information regarding PTC and its members. USITC, hearing transcript, March 11, 2024, 259 (testimony of Musadaq Zulqarnain, PTC); USITC, hearing transcript, March 11, 2024, 13 (testimony of His Excellency Masood Khan, Embassy of Pakistan). The PTC represents about one-third of Pakistan’s textile and apparel production capacity and \$5 billion of Pakistan’s textile and apparel exports.

¹³⁰⁷ Government of Pakistan, written submission to the USITC, March 25, 2024, 9.

¹³⁰⁸ USITC, hearing transcript, March 11, 2024, 12 (testimony of His Excellency Masood Khan, Embassy of Pakistan); USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC).

¹³⁰⁹ Industry representative, interview by USITC staff, February 14, 2024; USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC); Wilson, “Artistic Fabric Mills and Pakistan WWF,” June 27, 2023.

¹³¹⁰ APTMA, *Textiles and Apparel: A Policy Roadmap for the Incoming Government*, 2024, 3, 31.

Cotton, an organization that leads efforts for sustainable cotton production globally and Organic Cotton Accelerator, an organization that seeks to improve organic cotton supply chains.¹³¹¹

¹³¹¹ Better Cotton is the primary organization leading the cotton sustainability initiative globally and Organic Cotton Accelerator is an organization that seeks to improve organic cotton supply chains. Better Cotton, “Better Cotton: Who We Are,” accessed March 15, 2024; USITC, hearing transcript, March 11, 2024, 10 (testimony of His Excellency Masood Khan, Embassy of Pakistan); Government of Pakistan, written submission to the USITC, March 25, 2024, 8; USITC, hearing transcript, March 11, 2024, 257 (testimony of Musadaq Zulqarnain, PTC); Organic Cotton Accelerator, “Pakistan Shows Huge Potential for Organic Cotton,” May 17, 2022; Saini, “Pakistan Looks to Benefit From Organic Cotton,” February 7, 2024; Organic Cotton Accelerator, “About Us,” accessed July 11, 2024.

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Appendix A Request Letter



THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

December 19, 2023

The Honorable David S. Johanson
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Dear Chairman Johanson,

As you know, the COVID pandemic and the associated disruption to the global economy have resulted in significant changes in the global pattern of production, trade and consumption of goods traded, including textile and apparel products. It would be helpful for the Administration to understand the nature of these changes, as well as the resulting changing commercial environment and relative competitiveness of some leading foreign apparel suppliers to the United States.

Therefore, I am writing today to request that the Commission conduct an investigation and prepare a report under section 332(g) of the Tariff Act of 1930. This investigation and report should provide statistical and qualitative information on selected factors underlying the competitiveness of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan, all of which are current leading suppliers to the U.S. market.

The report should include, to the extent data and information are available:

- A comparison of the relative U.S. market share of each of the above-listed suppliers currently (up to and including calendar year 2023, if available) and five (2018) and ten (2013) years ago; and an analysis of changing patterns in market share and trade including against other top suppliers, noting any significant shifts;
- Country-specific profiles of the apparel industries in the above-listed countries, including an assessment of the export competitiveness of each country in the U.S. market, using available statistical and qualitative information and taking into account major factors of competitiveness, including trade, industry structure, price and costs, product differentiation, and reliability;

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

- The profiles should include information on investment, vertical integration, duty-free access to the U.S. market, wages and labor productivity, and sourcing of inputs;
- A review of general literature on the key determinants driving export competitiveness in the global apparel industry, to the extent that it is relevant to conditions in the selected countries; and
- To the degree that additional data relevant to competitiveness are identified by the review of the literature and are available, these should be released as a data appendix accompanying the report.

The report should not include confidential business or national security classified information. I request delivery of the report no later than August 30, 2024.

Sincerely,



Ambassador Katherine Tai

Appendix B

***Federal Register* Notices**

the project includes development of a Workforce Housing and Transportation Plan as well as Cooperative Services Agreements, since the project would bring a large construction workforce of a few hundred people into the Yerington area. The Workforce Housing and Transportation Plan would identify the housing options and allow the Applicant to plan construction housing needs that could alleviate the project's contribution to housing impacts. Alternative transportation options, including carpooling, park-and-ride, bus, shuttle, and other forms, would also be assessed to reduce the project's contribution to traffic impacts. The Cooperative Services Agreements would require the Applicant to coordinate with Mineral and Lyon counties to determine increased demands for services such as fire protection, law enforcement, and emergency medical services, and shall include a fee based on the likely point of service and estimated increases in service needs.

While no federally or State-listed threatened or endangered species have the potential to occur on-site that could be impacted by the project, several mitigation measures have been added to reduce effects to special status species, wildlife, and vegetation communities. These measures include development of a Site Restoration Plan and Integrated Weed Management Plan, development of a Worker Environmental Awareness Program, pre-construction surveys and avoidance where feasible for special status plants, and development of a Bird and Bat Conservation Strategy. To address conflicts with grazing permit holders, mitigation includes measures to work with the permit holder to provide infrastructure upgrades to move livestock around the solar facility.

Anticipated Permits and Authorizations

If approved, the BLM would issue a ROW for the project. The term for the ROW would be for 30 years.

Schedule for Decision-Making Process

The final EIS is anticipated to be available in summer 2024 with a Record of Decision in summer or fall 2024.

Public Involvement Process

The BLM will hold one virtual public meeting and one in-person public meeting during the public comment period. The BLM will announce the exact dates, times, and link for these meetings at least 15 days prior to the events. Announcements will be made by news release to the media and posting on the BLM National NEPA Register website: <https://eplanning.blm.gov/eplanning-ui/project/2022592/570>.

The BLM will continue to consult with Indian Tribal Nations on a government-to-government basis in accordance with Executive Order 13175, BLM MS 1780 and other Departmental policies. Tribal concerns, including impacts on Indian trust assets and potential impacts to cultural resources, will be given due consideration.

Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

(Authority: 40 CFR 1506.6, 40 CFR 1506.10)

Kimberly D. Dow,
Carson City District Manager.

[FR Doc. 2024-00656 Filed 1-18-24; 8:45 am]

BILLING CODE 4331-21-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-602]

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

AGENCY: United States International Trade Commission

ACTION: Notice of investigation and scheduling of a public hearing.

SUMMARY: Following receipt on December 20, 2023, of a request from the U.S. Trade Representative (the Trade Representative), under section 332(g) of the Tariff Act of 1930, the U.S. International Trade Commission (Commission) instituted Investigation No. 332-602, *Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States*. The Trade Representative requested that the Commission conduct an investigation and prepare a report that examines the export competitiveness of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan, all of which are current leading suppliers to the U.S. market.

DATES:

February 21, 2024: Deadline for filing requests to appear at the public hearing.

February 23, 2024: Deadline for filing prehearing briefs and statements.

February 29, 2024: Deadline for filing electronic copies of oral hearing statements.

March 7, 2024: Public hearing.
March 22, 2024: Deadline for filing posthearing briefs, statements, and all other written submissions.

August 30, 2024: Transmittal of Commission report to the Trade Representative.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>.

FOR FURTHER INFORMATION CONTACT: Project Leader Alissa Tafti (202-205-3244 or alissa.tafti@usitc.gov) or Deputy Project Leaders Elizabeth Howlett (202-205-3458 or elizabeth.howlett@usitc.gov) and Junie Joseph (202-205-3363 or junie.joseph@usitc.gov) for information specific to this investigation. For information on the legal aspects of this investigation, contact Brian Allen (202-205-3034 or brian.allen@usitc.gov) or William Gearhart (202-205-3091 or william.gearhart@usitc.gov) of the Commission's Office of the General Counsel. The media should contact Jennifer Andberg, Office of External Relations (202-205-3404 or jennifer.andberg@usitc.gov). Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. General information concerning the Commission may be obtained by accessing its internet address (<https://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

Background: As requested by the Trade Representative, the Commission has instituted an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide statistical and qualitative information on factors underlying the export competitiveness of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan, all of which are current leading suppliers to the U.S. market. Specifically, the Trade Representative has requested that the Commission prepare a report that provides:

- A comparison of the relative U.S. market share of each of the above-listed

suppliers currently (up to and including calendar year 2023, if available) and five (2018) and ten (2013) years ago; and an analysis of changing patterns in market share and trade including against other top suppliers, noting any significant shifts;

- Country-specific profiles of the apparel industries in the above-listed countries, including an assessment of the export competitiveness of each country in the U.S. market, using available statistical and qualitative information and taking into account major factors of competitiveness, including trade, industry structure, price and costs, product differentiation, and reliability;

- The profiles should include information on investment, vertical integration, duty-free access to the U.S. market, wages and labor productivity, and sourcing of inputs;

- A review of general literature on the key determinants driving export competitiveness in the global apparel industry, to the extent that it is relevant to conditions in the selected countries; and

- To the degree that additional data relevant to competitiveness are identified by the review of the literature and are available, these should be released as a data appendix accompanying the report.

As requested by the Trade Representative, the Commission will deliver the report no later than August 30, 2024. The Trade Representative asked that the Commission not include confidential business or national security classified information in its report. However, as detailed below, participants may submit confidential information to the Commission to inform its understanding of these issues, and such information will be protected in accordance with the Commission's *Rules of Practice and Procedure*. Participants are strongly encouraged to provide any supporting data and information along with their views.

Public Hearing: A public hearing in connection with this investigation will be held beginning at 9:30 a.m., March 7, 2024, in the Main Hearing Room of the U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. The hearing can also be accessed remotely using the WebEx videoconference platform. A link to the hearing will be posted on the Commission's website at <https://www.usitc.gov/calendarpad/calendar.html>.

Requests to appear at the hearing should be filed with the Secretary to the Commission no later than 5:15 p.m., February 21, 2024, in accordance with

the requirements in the "Written Submissions" section below. Any requests to appear as a witness via videoconference must be included with your request to appear. Requests to appear as a witness via videoconference must include a statement explaining why the witness cannot appear in person; the Chairman, or other person designated to conduct the investigation, may at their discretion for good cause shown, grant such requests. Requests to appear as a witness via videoconference due to illness or a positive COVID-19 test result may be submitted by 3 p.m. the business day prior to the hearing.

All prehearing briefs and statements should be filed no later than 5:15 p.m., February 23, 2024. To facilitate the hearing, including the preparation of an accurate written public transcript of the hearing, oral testimony to be presented at the hearing must be submitted to the Commission electronically no later than noon, February 29, 2024. All posthearing briefs and statements should be filed no later than 5:15 p.m., March 22, 2024. Posthearing briefs and statements should address matters raised at the hearing. For a description of the different types of written briefs and statements, see the "Definitions" section below.

In the event that, as of the close of business on February 21, 2024, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant should check the Commission website as indicated above for information concerning whether the hearing will be held.

Written Submissions: In lieu of or in addition to participating in the hearing, interested persons are invited to file written submissions concerning this investigation. All written submissions should be addressed to the Secretary, and should be received no later than 5:15 p.m., March 22, 2024. All written submissions must conform to the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8), as temporarily amended by 85 FR 15798 (March 19, 2020). Under that rule waiver, the Office of the Secretary will accept only electronic filings at this time. Filings must be made through the Commission's Electronic Document Information System (EDIS, <https://edis.usitc.gov>). No in-person paper-based filings or paper copies of any electronic filings will be accepted until further notice. Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202-205-

1802), or consult the Commission's Handbook on Filing Procedures.

Definitions of types of documents that may be filed; Requirements: In addition to requests to appear at the hearing, this notice provides for the possible filing of four types of documents: prehearing briefs, oral hearing statements, posthearing briefs, and other written submissions.

(1) *Prehearing briefs* refers to written materials relevant to the investigation and submitted in advance of the hearing, and includes written views on matters that are the subject of the investigation, supporting materials, and any other written materials that you consider will help the Commission in understanding your views. You should file a prehearing brief particularly if you plan to testify at the hearing on behalf of an industry group, company, or other organization, and wish to provide detailed views or information that will support or supplement your testimony.

(2) *Oral hearing statements (testimony)* refers to the actual oral statement that you intend to present at the hearing. Do not include any confidential business information (CBI) in that statement. If you plan to testify, you must file a copy of your oral statement by the date specified in this notice. This statement will allow Commissioners to understand your position in advance of the hearing and will also assist the court reporter in preparing an accurate transcript of the hearing (e.g., names spelled correctly).

(3) *Posthearing briefs* refers to submissions filed after the hearing by persons who appeared at the hearing. Such briefs: (a) should be limited to matters that arose during the hearing; (b) should respond to any Commissioner and staff questions addressed to you at the hearing; (c) should clarify, amplify, or correct any statements you made at the hearing; and (d) may, at your option, address or rebut statements made by other participants in the hearing.

(4) *Other written submissions* refers to any other written submissions that interested persons wish to make, regardless of whether they appeared at the hearing, and may include new information or updates of information previously provided.

In accordance with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8) the document must identify on its cover (1) the investigation number and title and the type of document filed (i.e., prehearing brief, oral statement of (name), posthearing brief, or written submission), (2) the name and signature of the person filing it, (3) the name of the organization that the submission is

filed on behalf of, and (4) whether it contains CBI. If it contains CBI, it must comply with the marking and other requirements set out below in this notice relating to CBI. Submitters of written documents (other than oral hearing statements) are encouraged to include a short summary of their position or interest at the beginning of the document, and a table of contents when the document addresses multiple issues.

Confidential Business Information:

Any submissions that contain CBI must also conform to the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the CBI is clearly identified by means of brackets. All written submissions, except for CBI, will be made available for inspection by interested persons.

As requested by the Trade Representative, the Commission will not include any CBI in its report. However, all information, including CBI, submitted in this investigation may be disclosed to and used by: (i) the Commission, its employees and offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission, including under 5 U.S.C. appendix 3; or (ii) U.S. government employees and contract personnel for cybersecurity purposes. The Commission will not otherwise disclose any CBI in a way that would reveal the operations of the firm supplying the information.

Summaries of Written Submissions:

Persons wishing to have a summary of their position included in the report should include a summary with their written submission on or before March 22, 2024, and should mark the summary as having been provided for that purpose. The summary should be clearly marked as "summary for inclusion in the report" at the top of the page. The summary may not exceed 500 words and should not include any CBI. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. The Commission will list the name of the organization furnishing the summary and will include a link where the written submission can be found.

By order of the Commission.

Issued: January 16, 2024.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2024-00999 Filed 1-18-24; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731-TA-1602, 1604-1606 (Final)]

Tin Mill Products From the Netherlands, Taiwan, Turkey, and the United Kingdom Termination of Investigations

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: On January 10, 2024, the Department of Commerce published notice in the **Federal Register** of negative final determinations of less than fair value (LTFV) in connection with the subject investigations concerning the Netherlands, Taiwan, Turkey, and the United Kingdom. Accordingly, the antidumping duty investigations concerning tin mill products from the Netherlands, Taiwan, Turkey, and the United Kingdom (Investigation Nos. 731-TA-1602, 1604-1606 (Final)) are terminated.

DATES: January 10, 2024.

FOR FURTHER INFORMATION CONTACT:

Caitlyn Hendricks-Costello (202-205-2058), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<https://www.usitc.gov>). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>.

Notice of these determinations was published in the **Federal Register** on January 10, 2024 at 89 FR 1524, 89 FR 1526, 89 FR 1520, and 89 FR 1535.

Authority: These investigations are being terminated under authority of title VII of the Tariff Act of 1930 and pursuant to section 207.40(a) of the Commission's Rules of Practice and Procedure (19 CFR 207.40(a)). This

notice is published pursuant to section 201.10 of the Commission's rules (19 CFR 201.10).

By order of the Commission.

Issued: January 12, 2024.

Sharon Bellamy,

Supervisory Hearings and Information Officer.

[FR Doc. 2024-00911 Filed 1-18-24; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

[Docket No. DEA-1311]

Bulk Manufacturer of Controlled Substances Application: Arista Biologicals

AGENCY: Drug Enforcement Administration, Justice.

ACTION: Notice of application.

SUMMARY: Arista Biologicals has applied to be registered as a bulk manufacturer of basic class(es) of controlled substance(s). Refer to **SUPPLEMENTARY INFORMATION** listed below for further drug information.

DATES: Registered bulk manufacturers of the affected basic class(es), and applicants therefore, may submit electronic comments on or objections to the issuance of the proposed registration on or before March 19, 2024. Such persons may also file a written request for a hearing on the application on or before March 19, 2024.

ADDRESSES: The Drug Enforcement Administration requires that all comments be submitted electronically through the Federal eRulemaking Portal, which provides the ability to type short comments directly into the comment field on the web page or attach a file for lengthier comments. Please go to <https://www.regulations.gov> and follow the online instructions at that site for submitting comments. Upon submission of your comment, you will receive a Comment Tracking Number. Please be aware that submitted comments are not instantaneously available for public view on <https://www.regulations.gov>. If you have received a Comment Tracking Number, your comment has been successfully submitted and there is no need to resubmit the same comment.

SUPPLEMENTARY INFORMATION: In accordance with 21 CFR 1301.33(a), this is notice that on November 28, 2023, Arista Biologicals, 1101 Hamilton Street, Allentown, Pennsylvania 18101-1043 applied to be registered as a bulk manufacturer of the following basic class(es) of controlled substance(s):

that your entire comment—including your PII—may be made publicly available at any time. While you may ask us in your comment to withhold your PII from public review, we cannot guarantee that we will be able to do so.

Authority: 5 U.S.C. ch. 10.

Holly A. Chandler,

Designated Federal Officer, Advisory Council for Climate Adaptation Science, U.S. Geological Survey.

[FR Doc. 2024-02210 Filed 2-2-24; 8:45 am]

BILLING CODE 4338-11-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-598]

Greenhouse Gas Emissions Intensities of the U.S. Steel and Aluminum Industries at the Product Level; Submission of Questionnaire and Information Collection Plan for Office of Management and Budget Review

AGENCY: United States International Trade Commission.

ACTION: Notice of submission of request for approval of a questionnaire and information collection to the Office of Management and Budget.

SUMMARY: The information requested by the questionnaire is for use by the Commission in connection with Investigation No. 332-598, *Greenhouse Gas Emissions Intensities of the U.S. Steel and Aluminum Industries at the Product Level*.

ADDRESSES: All Commission offices are located in the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

FOR FURTHER INFORMATION CONTACT: The project leaders for this investigation are Caroline Peters, Shova KC, Alexander Melton, and Kristin Smyth. Please direct all questions and comments about this investigation to Shova KC at 202-780-0230 or via email at sa.emissions@usitc.gov. The Commission is not accepting paper correspondence for this investigation.

Comments about the proposal should be provided to the Office of Management and Budget, Office of Information and Regulatory Affairs through the Information Collection Review Dashboard at <https://www.reginfo.gov>. All comments should be specific, indicating which part of the questionnaire is objectionable, describing the concern in detail, and

including specific suggested revisions or language changes. Copies of any comments should be provided electronically to the Commission's survey team via an email to sa.emissions@usitc.gov.

The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>. General information concerning the Commission may be obtained by accessing its internet address (<https://www.usitc.gov>). Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on 202-205-1810.

SUPPLEMENTARY INFORMATION: The information requested by the questionnaire is for use by the Commission in connection with Investigation No. 332-598, *Greenhouse Gas Emissions Intensities of the U.S. Steel and Aluminum Industries at the Product Level*, instituted under the authority of section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation and report were requested by the United States Trade Representative in a letter dated June 5, 2023. This investigation was instituted on July 5, 2023, and the notice of investigation was published in the **Federal Register** on July 10, 2023 (88 FR 43633). The Commission will deliver its report to the Trade Representative by January 28, 2025.

As stated in the notice of investigation, the Trade Representative requested that the Commission generate estimates of the greenhouse gas (GHG) emissions intensities of a broad range of U.S. steel and aluminum products. The U.S.-produced individual products that are covered under this investigation are enumerated in attachment B to the request letter. GHG emissions intensities will be developed from the scope 1 and 2 emissions related to the production of covered steel and aluminum products and the scope 3 emissions associated with the material and resource inputs for the production of covered steel and aluminum products in 2022. These intensity estimates will be developed, to the extent practicable, for a set of specific product category groupings listed in attachment A of the request letter, though the Commission may present emissions intensities at further levels of disaggregation from these groupings. Because the information necessary to generate these estimates is not available in the requested specificity from governmental and other public sources, the Trade Representative directed the Commission to obtain much of such information through a

survey. The survey aims to collect data on scope 1, 2, and 3 emissions, production, and parameters that will allow for the allocation of the emissions to the product categories. Responses will be used as inputs in the Commission's calculation of emissions intensities.

The Commission intends to submit the following draft information collection plan to OMB:

- (1) *Number of forms submitted:* 2.
- (2) *Title of forms:* Greenhouse Gas (GHG) Emissions Intensities Questionnaire: Company-Level and Greenhouse Gas (GHG) Emissions Intensities Questionnaire: Facility-Level.
- (3) *Type of request:* New.
- (4) *Frequency of use:* Industry questionnaire, single data gathering, scheduled for 2024.
- (5) *Description of respondents:* Companies with U.S. facilities that produced steel and aluminum products in 2022 and those facilities.
- (6) *Estimated number of questionnaires to be distributed:* 5,250 total (1,750 companies, 3,500 facilities).
- (7) *Estimated total number of hours to complete the questionnaire per respondent:* 5 hours for the company-level questionnaire and 30 hours for the facility-level questionnaire for each facility.

(8) Information obtained from the questionnaires that qualifies as confidential business information will be so treated by the Commission and not disclosed in a manner that would reveal the individual operations of a business at the company or facility level.

Information about the investigation and other supplementary documents can be accessed on the USITC website at <https://www.usitc.gov/saemissions>.

By order of the Commission.

Issued: January 31, 2024.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2024-02232 Filed 2-2-24; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-602]

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

AGENCY: United States International Trade Commission

ACTION: Notice of a new date for the public hearing.

SUMMARY: The Commission has changed the date of its public hearing for

Investigation No. 332–602: *Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States* from March 7, 2024, to March 11, 2024. Related filing deadlines have also been adjusted.

DATES:

February 23, 2024: Deadline for filing requests to appear at the public hearing.

February 27, 2024: Deadline for filing prehearing briefs and statements.

March 4, 2024: Deadline for filing electronic copies of oral hearing statements.

March 11, 2024: Public hearing.

March 25, 2024: Deadline for filing posthearing briefs, statements, and all other written submissions.

August 30, 2024: Transmittal of Commission report to the Trade Representative.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>.

FOR FURTHER INFORMATION CONTACT:

Project Leader Alissa Tafti (202–205–3244 or alissa.tafti@usitc.gov) or Deputy Project Leaders Elizabeth Howlett (202–205–3458 or elizabeth.howlett@usitc.gov) and Junie Joseph (202–205–3363 or junie.joseph@usitc.gov) for information specific to this investigation. For information on the legal aspects of this investigation, contact Brian Allen (202–205–3034 or brian.allen@usitc.gov) or William Gearhart (202–205–3091 or william.gearhart@usitc.gov) of the Commission's Office of the General Counsel. The media should contact Jennifer Andberg, Office of External Relations (202–205–3404 or jennifer.andberg@usitc.gov). Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202–205–1810. General information concerning the Commission may be obtained by accessing its internet address (<https://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION: The Commission published notice of

institution of the investigation in the **Federal Register** on January 19, 2024 (89 FR 3962, January 19, 2024). In that notice, the Commission announced it would hold a public hearing on March 7, 2024, and set dates by which requests to appear at the hearing, briefs, and other written submissions should be filed. To facilitate the receipt of testimony and information in this investigation, the Commission has rescheduled the public hearing and the dates by which requests to appear at the hearing, briefs, and other written submissions should be filed. Please note the Secretary's Office will accept only electronic filings at this time. Filings must be made through the Commission's Electronic Document Information System (EDIS, <https://edis.usitc.gov>). No in-person paper-based filings or paper copies of any electronic filings will be accepted until further notice. The scope of the investigation remains the same as published in the **Federal Register** on January 19, 2024.

Public Hearing: A public hearing in connection with this investigation will be held beginning at 9:30 a.m., March 11, 2024, in the Main Hearing Room of the U.S. International Trade Commission, 500 E Street SW, Washington DC 20436. The hearing can also be accessed remotely using the WebEx videoconference platform. A link to the hearing will be posted on the Commission's website at <https://www.usitc.gov/calendarpad/calendar.html>.

Requests to appear at the hearing should be filed with the Secretary to the Commission no later than 5:15 p.m., February 23, 2024, in accordance with the requirements in the "Written Submissions" section below. Any requests to appear as a witness via videoconference must be included with your request to appear. Requests to appear as a witness via videoconference must include a statement explaining why the witness cannot appear in person; the Chairman, or other person designated to conduct the investigation, may at their discretion for good cause shown, grant such requests. Requests to appear as a witness via videoconference due to illness or a positive COVID–19 test result may be submitted by 3 p.m. the business day prior to the hearing.

All prehearing briefs and statements should be filed no later than 5:15 p.m., February 27, 2024. To facilitate the hearing, including the preparation of an accurate written public transcript of the hearing, oral testimony to be presented at the hearing must be submitted to the Commission electronically no later than noon, March 4, 2024. All posthearing

briefs and statements should be filed no later than 5:15 p.m., March 25, 2024. Posthearing briefs and statements should address matters raised at the hearing. For a description of the different types of written briefs and statements, see the "Definitions" section below.

In the event that, as of the close of business on February 23, 2024, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant should check the Commission website as indicated above for information concerning whether the hearing will be held.

Written submissions: In lieu of or in addition to participating in the hearing, interested persons are invited to file written submissions concerning this investigation. All written submissions should be addressed to the Secretary, and should be received no later than 5:15 p.m., March 25, 2024. All written submissions must conform to the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8), as temporarily amended by 85 FR 15798 (March 19, 2020). Under that rule waiver, the Office of the Secretary will accept only electronic filings at this time. Filings must be made through the Commission's Electronic Document Information System (EDIS, <https://edis.usitc.gov>). No in-person paper-based filings or paper copies of any electronic filings will be accepted until further notice. Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202–205–1802), or consult the Commission's Handbook on Filing Procedures.

Definitions of types of documents that may be filed; Requirements: In addition to requests to appear at the hearing, this notice provides for the possible filing of four types of documents: prehearing briefs, oral hearing statements, posthearing briefs, and other written submissions.

(1) *Prehearing briefs* refers to written materials relevant to the investigation and submitted in advance of the hearing, and includes written views on matters that are the subject of the investigation, supporting materials, and any other written materials that you consider will help the Commission in understanding your views. You should file a prehearing brief particularly if you plan to testify at the hearing on behalf of an industry group, company, or other organization, and wish to provide detailed views or information that will support or supplement your testimony.

(2) *Oral hearing statements (testimony)* refers to the actual oral statement that you intend to present at the hearing. Do not include any confidential business information (CBI) in that statement. If you plan to testify, you must file a copy of your oral statement by the date specified in this notice. This statement will allow Commissioners to understand your position in advance of the hearing and will also assist the court reporter in preparing an accurate transcript of the hearing (e.g., names spelled correctly).

(3) *Posthearing briefs* refers to submissions filed after the hearing by persons who appeared at the hearing. Such briefs: (a) should be limited to matters that arose during the hearing; (b) should respond to any Commissioner and staff questions addressed to you at the hearing; (c) should clarify, amplify, or correct any statements you made at the hearing; and (d) may, at your option, address or rebut statements made by other participants in the hearing.

(4) *Other written submissions* refers to any other written submissions that interested persons wish to make, regardless of whether they appeared at the hearing, and may include new information or updates of information previously provided.

In accordance with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8), the document must identify on its cover (1) the investigation number and title and the type of document filed (i.e., prehearing brief, oral statement of (name), posthearing brief, or written submission), (2) the name and signature of the person filing it, (3) the name of the organization that the submission is filed on behalf of, and (4) whether it contains CBI. If it contains CBI, it must comply with the marking and other requirements set out below in this notice relating to CBI. Submitters of written documents (other than oral hearing statements) are encouraged to include a short summary of their position or interest at the beginning of the document, and a table of contents when the document addresses multiple issues.

Confidential business information: Any submissions that contain CBI must also conform to the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the CBI is clearly identified by means of brackets. All written submissions, except for CBI,

will be made available for inspection by interested persons.

As requested by the Trade Representative, the Commission will not include any CBI in its report. However, all information, including CBI, submitted in this investigation may be disclosed to and used by: (i) the Commission, its employees and offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission, including under 5 U.S.C. Appendix 3; or (ii) U.S. government employees and contract personnel for cybersecurity purposes. The Commission will not otherwise disclose any CBI in a way that would reveal the operations of the firm supplying the information.

Summaries of written submissions: Persons wishing to have a summary of their position included in the report should include a summary with their written submission on or before March 25, 2024, and should mark the summary as having been provided for that purpose. The summary should be clearly marked as "summary for inclusion in the report" at the top of the page. The summary may not exceed 500 words and should not include any CBI. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. The Commission will list the name of the organization furnishing the summary and will include a link where the written submission can be found.

By order of the Commission.

Issued: January 31, 2024.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2024-02249 Filed 2-2-24; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest

AGENCY: International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has received a complaint regarding *Certain Oil Vaporizing Devices, Components Thereof, and Products Containing the Same*, DN 3720; the Commission is soliciting

comments on any public interest issues raised by the complaint or complainant's filing pursuant to the Commission's Rules of Practice and Procedure.

FOR FURTHER INFORMATION CONTACT: Lisa R. Barton, Secretary to the Commission, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-2000. The public version of the complaint can be accessed on the Commission's Electronic Document Information System (EDIS) at <https://edis.usitc.gov>. For help accessing EDIS, please email EDIS3Help@usitc.gov.

General information concerning the Commission may also be obtained by accessing its internet server at United States International Trade Commission (USITC) at <https://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's Electronic Document Information System (EDIS) at <https://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: The Commission has received a complaint and a submission pursuant to § 210.8(b) of the Commission's Rules of Practice and Procedure filed on behalf of PAX Labs, Inc. on January 30, 2024. The complaint alleges violations of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain oil vaporizing devices, components thereof, and products containing the same. The complaint names as respondents: STIIIZY IP LLC f/k/a STIIIZY, LLC of Los Angeles, CA; ALD Group Limited, of China; ALD (Hong Kong) Holdings Limited of Hong Kong; and STIIIZY Inc. d/b/a Shryne Group Inc. of Los Angeles, CA. The complainant requests that the Commission issue a limited exclusion order, cease and desist orders, and impose a bond upon respondents' alleged infringing articles during the 60-day Presidential review period pursuant to 19 U.S.C. 1337(j).

Proposed respondents, other interested parties, and members of the public are invited to file comments on any public interest issues raised by the complaint or § 210.8(b) filing. Comments should address whether issuance of the relief specifically requested by the complainant in this investigation would affect the public health and welfare in the United States, competitive conditions in the United

Appendix C

Hearing Witnesses

CALENDAR OF PUBLIC HEARING

Those listed below appeared in the United States International Trade Commission's hearing:

Subject: Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

Inv. No.: 332-602

Dates and Times: Monday, March 11, 2024 - 9:30 a.m. EST

Sessions were held in connection with this investigation in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

EMBASSY APPEARANCES:

**Embassy of Pakistan
Washington, DC**

His Excellency Masood Khan, Ambassador of Pakistan to the United States

**Mudassar Raza Siddiqi, Director General (Textiles), Ministry of Commerce,
Government of Pakistan**

Bilal Akram Shah, Acting Minister (Trade), Embassy of Pakistan

**Embassy of Indonesia
Washington, DC**

Ranitya Kusumadewi (remote witness), Trade Attaché

FOREIGN GOVERNMENT APPEARANCE:

**Government of the People's Republic of Bangladesh
Washington, DC**

Tapan Kanti Ghosh (remote witness), Senior Secretary, Ministry of Commerce

**His Excellency Muhammad Imran, Ambassador
of the People's Republic of Bangladesh to the United States**

Salim Reza, Minister (Commerce)

Rashedujjaman, Minister (Political)

PANEL 2 (continued):

AFL-CIO
Washington, DC

Eric Gottwald (remote witness), Policy Specialist,
for Trade and Economic Globalization

ASU Thunderbird School of Global Management
Phoenix, AZ

Sophal Ear (remote witness), Ph.D. Associate Professor,
ASU Thunderbird School of Global Management

Global Labor Institute
Ithaca, NY

Jason Judd, Executive Director

Barnes & Thornburg, L.L.P.
Washington, DC

Julia Hughes, President, U.S. Fashion Industry Association

David M. Spooner) – OF COUNSEL

American Apparel & Footwear Association (“AAFA”)
Washington, DC

Beth Hughes, Vice President, Trade & Customs Policy

PANEL 3:

ORGANIZATION AND WITNESSES:

Pakistan Readymade Garments
Manufacturers & Exporters Association (“PRGMEA”)

Sajid Saleem Minhas, member of Executive Board and
Former Chairman of the Association

Pakistan Textile Council

Musadaq Zulqamain, Member, Board of Directors

PANEL 3 (continued):

Textile, Apparel, Footwear & Travel Goods Association (“TAFTAC”)
Cambodia

Ken Loo, Secretary General, TAFTAC

Kaing Monika, Deputy Secretary General, TAFTAC

Gherzi Textil Organisation AG
Zurich, Switzerland

Robert P. Antoshak, Partner

-END-

Appendix D

Summaries Included in Written Submissions

Interested persons had the opportunity to file written submissions to the U.S. International Trade Commission (Commission) in the course of this investigation and to provide a summary of their views expressed in their submissions for inclusion in this report. This appendix contains these summaries, provided that they meet certain requirements set out in the notice of investigation (see appendix B). The Commission has not edited these summaries. This appendix also contains the names of other interested persons who filed written submissions during this investigation but did not provide summaries. A copy of each written submission is available in the Commission's Electronic Document Information System (EDIS, <https://www.edis.usitc.gov>), by searching for submissions related to Investigation No. 332-602. In addition, the Commission held a public hearing in connection with this investigation on March 11, 2024. The full text of the transcript of the Commission's hearing is also available on EDIS.

Summaries Included in Written Submissions

Apparel Export Promotion Council

India's export presence in US market has increased over the years

India is one of the leading apparel exporters in the world with exports value of US\$ 16 billion. USA has traditionally been a very important export market for Indian RMG exports. Importance of USA as a trading partner for India's RMG is witnessed by the fact that the share of USA in total garment exports from India has risen from 23% in 2013 to 35% in 2023. This has also translated into growing hold of Indian RMG in total garment imports into United States from 4.3% in 2013 to 6% in 2023.

India has following strength: India has a strong presence across all components of the apparel value chain. Indian apparel industry comprises some of the leading apparel exporters in the world and is known for its high quality, reliability, and competitiveness.

India has capabilities to produce all types of garments: India has specific strengths in fashion garment categories like dresses, blouses, t-shirts, babies' garments etc. in which India holds a high share in US imports. Indian companies are focused on adding the key MMF garment categories like trousers, sweater, sportswear, jackets etc. in their product basket, which are prominently imported by the US market.

Indian garment industry is known for its high degree of self reliance and minimal import dependency: India has end to end production capacities from fibre to garment with more than 90% of the raw material requirements being sourced indigenously. India's strengths in the cotton value chain makes it an ideally suited sourcing partner for all the cotton-based products. India is further strengthening its capabilities in manufacturing a variety of MMF textile and apparel products. It has complete value chain in respect of all fibres and its import dependence is minimal.

Industry is continuously investing in capacity expansion: The Indian textile and apparel industry is constantly investing in increasing capacities and modernizing technology levels across the value chain. India has one of the most liberal investment policies for foreign investments in the textile and apparel sector with 100% FDI allowed through the automatic route.

Indian is blessed with demographic dividend and is labour law compliant: India has demographic dividend in its favour with its share of working age population to total population expected to reach its

Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States

highest level at 68.9% by 2030. In addition to labour availability, the average monthly basic wage of garment worker in India is comparable with global standards and much better than most of the competing players.

Indian has strong focus on quality/ESG compliance: The majority of manufacturers across the value chain are making their factories ESG compliant in order to align with global sustainability standards. There is also strong emphasis on efficiency improvement in order to effectively cater to buyer requirements with huge focus on energy management, water management, waste management, wastewater management and chemical management.

Conclusion

The apparel industry in India is strong, stable and an ever-evolving industry and is expected to grow significantly in the coming years with product development, operational excellence and sustainability being the key areas of focus.

Dr. Sophal Ear

In his testimony before the United States International Trade Commission on the topic of "Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States, Inv. No. 332-602," Dr. Sophal Ear, an Associate Professor at the Thunderbird School of Global Management at Arizona State University, and an expert on Cambodia, shed light on the complex landscape of the apparel industry in Cambodia, illustrating both its successes and the myriad challenges it faces. Dr. Ear, leveraging his expertise on Cambodia, provided a comprehensive overview of how the industry has evolved from its modest beginnings in 1994 to a pivotal sector that now constitutes a third of Cambodia's economy, supports over 750,000 jobs directly, and impacts millions more indirectly. The growth of this industry, as Dr. Ear outlined, was significantly propelled by an innovative agreement between the U.S. and Cambodia that linked labor standards to trade access, pioneering a model where improved labor practices were rewarded with increased export quotas.

However, Dr. Ear did not shy away from the industry's challenges. He critically assessed the limitations of labor monitoring practices, noting that the Better Factories Cambodia program, though impactful, was restricted to factories affiliated with GMAC (now TAFTAC), leaving a significant number of unmonitored and potentially noncompliant underground factories out of its purview. This limitation, as highlighted, underscores a broader challenge within the industry: ensuring comprehensive oversight and compliance across all production units, including those operating in the shadows.

Further complicating the narrative of success, Dr. Ear delved into the environmental and health implications of the industry's practices, including the disturbing phenomena of mass faintings within factories and the environmental degradation resulting from the improper disposal of waste materials. These incidents not only raise serious concerns about worker safety and environmental protection but also spotlight the often-overlooked externalities of fast fashion and industrial growth.

The role of ethnic Chinese investors in steering the Cambodian garment sector away from governmental capture and corruption was another focal point of Dr. Ear's testimony. By forming a united front through GMAC, these investors managed to negotiate the complexities of corrupt practices, thereby safeguarding the industry's growth and stability. This collective action, as Dr. Ear pointed out, was instrumental in

avoiding the monopolization of the industry by corrupt government officials, enabling a more equitable and sustainable development path.

Dr. Ear concluded his testimony with a powerful call to action, urging for enhanced safety standards and fair labor practices. By referencing tragic events like the Rana Plaza collapse in Bangladesh, he emphasized the dire consequences of neglecting worker safety and the moral imperative to uphold dignified labor conditions. His advocacy for rigorous monitoring, including fire and safety standards, serves as a stark reminder of the human costs associated with the global apparel industry's pursuit of profit.

In summary, Dr. Sophal Ear's testimony provided a nuanced analysis of Cambodia's apparel industry, celebrating its economic contributions while critically examining its shortcomings and advocating for a future where growth does not come at the expense of human dignity and environmental sustainability.

Government of the People's Republic of Bangladesh

Bangladesh is a least developed country, accommodating a huge number of populations within a limited land area. Apparel industry serves as the main engine of growth in the economy. This industry started flourishing in Bangladesh since 1980s. This burgeoning industry gives 80% of country's export earnings and employs approximately four million individuals, with women comprising over 70% of the workforce. In 2023 Bangladesh exported US\$ 7.29 billion worth of apparel products to the USA. But the export basket is highly concentrated within few products. With in 226 HS codes of apparel at 6-digit level, only 20 HS codes constituted more than 80% of import from Bangladesh into the US both in terms of value and volume.

Bangladesh is a country with abundant labor force. With the increase of apparel export and productivity in the sector, worker's wage in apparel sector has been increased gradually over the period in Bangladesh. Moreover, the Government of Bangladesh has fixed the minimum wage for apparel workers since 1984. During the period between 2013 and 2023 the government of Bangladesh has increased the minimum wage of apparel workers thrice which is 316 percent during this period. It is to be noted that monthly average wage of apparel sector is 22% higher than the monthly average wages of manufacturing sector in Bangladesh.

Besides productivity Bangladesh already focused on labor rights and workplace safety issues. The country has already ratified a total of 36 ILO Conventions including 8 of the 10 fundamental Conventions and 1 protocol. There are 1,248 registered trade union in apparel industry in Bangladesh. According the data published by Statista unionization rate in Bangladesh is 11.9%, which is higher than that of other competing countries. More over the country has amended labor related laws and enhanced capacity of the sector. For effective enforcement of the Bangladesh Labor Act, the Directorate of Inspection for Factories and Establishments was upgraded to the Department of Inspection for Factories and Establishments (DIFE) in January 2014 with 711 inspector posts though ILO road map recommended for 575 inspectors. Standard Operating Procedures (SOPs) for Unfair Labor Practice and Anti-Trade Union Discrimination' is being used by the authority to combat anti trade union practices. Government of Bangladesh is committed to implement the NAP recommendations by 2026. Besides productivity in apparel sector Bangladesh is now home of 213 USGBC certified LEED Green garment industry. Among the top 100 LEED

certified industries Bangladesh has 54 of the, including 9 of the top 10 and 18 of the top 20 top ranking industries.

The apparel industry in Bangladesh serves as the cornerstone of the economy. The industry's competitive edge is attributed to several factors, including a resilient private sector, a skilled workforce, adoption of advanced technology such as Artificial Intelligence and IoT, utilization of high-end machinery, concentration of production in select tariff lines, short lead times, efficient sourcing practices, and governmental support through initiatives like back-to-back LCs and bonded warehouse facilities. Government of Bangladesh is committed to work with labor rights and workplace safety for Apparel and all other industries.

Government of Pakistan

Textiles and apparel is Pakistan's largest manufacturing sector which contributes significantly to national exports, industrial value-addition and employment. The United States is the largest export destination for Pakistan with a market share of 2.0 percent in apparel and 3.3 percent in total textiles and apparel segment. Pakistan's strength in the apparel sector is anchored on vertically integrated supply chain, local supply of major input materials, availability of skilled workforce and commitment to meeting Environment, Social and Governance (ESG) standards. Along-side, the Government is taking proactive measures to improve regulatory environment and ease of doing business for the private sector.

Pakistan is the world's fifth largest cotton producer and third largest producer of "Better Cotton". In 2014, Pakistan's cotton production peaked at 2,308,000 tons. However, during the year 2022, production declined to 849,000 tons hit by untimely rains, floods and high temperatures. Despite this climate catastrophe, Pakistan's cotton production managed to recover in 2023 to 1,459,000 tons. This remarkable recovery in production is a manifestation of the country's resilience in the face of exogenous shocks. The locally grown short to medium staple cotton is primarily used to produce coarse counts whereas the demand of long staple cotton is met through imports mainly from the United States and Brazil. Further, with the advancements in technology and infrastructure, Pakistan produces a wide range of synthetic, blended and functional raw materials, intermediates, and finished products in the manmade fiber segment.

Resilience of Pakistan's textile and apparel sector was tested during the outbreak of COVID-19 which led to unprecedented disruptions to the global economy. Despite these trade disturbances, Pakistan's industry remained open for trade, sustained its share in the global markets and enhanced its global footprints. Resultantly, Pakistan recorded textiles and apparel exports of US\$ 18.86 billion in the Calendar Year (CY) 2022 compared to US\$ 13.11 billion in CY 2020. This growth was driven by apparel exports which increased to US\$ 9.07 billion in CY 2022 from US\$ 5.69 billion in CY 2020. The momentum of increasing exports was adversely affected in the year 2023 mainly due to demand contraction in key international markets, however Pakistan currently is on a robust path to recovery and regaining its export's share.

In the recent years, Pakistan's apparel exporting units have demonstrated a strong commitment to ESG practices. The sector is undergoing a profound transformation and positioning itself for robust export growth. The Government of Pakistan, in collaboration with the international partners, spearheads compliance initiatives as a responsible player in the global arena. Pakistan has been a beneficiary of EU

Generalized Scheme of Preferences Plus since 2013 and successfully concluded the previous biennial reviews. Further to its commitment, Pakistan has established a National Compliance Center in 2023 which is a concrete step for strengthening the compliance regime for exporting units ranging from state level obligations to firm level compliances.

Pakistan Readymade Garments Manufacturers and Exporters Association

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) appreciates the opportunity to participate USITC's public hearing on the export competitiveness of various countries, one of them being Pakistan. To be juxtaposed with the giants of our industry it has been a great learning and somewhat humbling experience. Further we would like to thank the staff of ITC for guiding us to fulfil the requirements of the investigation. One can only admire the patience and thoroughness exhibited by the commissioners throughout the hearing process.

PRGMEA as a representative of the small and medium-sized (SME) woven sector of Pakistan perceives that the US Government is serious about helping its retail industry to diversify their supply chains into the countries under study. Hence it is important to open up channels and explore agreements that could reduce both tariff and non-tariff barriers. A market share of imports around 3.3% is too low for Pakistan and we hope that this will help us at least double our share in 3 years. Further there has never been

any third-country intervention to gain back door access into the GSP schemes. Our main inputs have been local with import only accounting for nominations by brands. All of which does not exceed 27% of the product inputs.

Pakistan is especially competitive in apparel made from cotton and cotton rich blends. With a textile industry spanning over 70 years, we are strong in producing yarn and fabrics, and conversion into value added products. In last couple of years an additional investment of USD 3 billion has seen a steady growth in textile and apparel industry. The focus has been on home grown cotton and man-made fibres to boost value-added exports. This high level of vertical integration has established Pakistan as a global player- and competitive- in the textile and apparel supply chain. Quite capable to meet the requirements of the FTA structure of yarn-forward rule of origin needed for access to the U.S markets. Further import of long staple cotton from the U.S will help our apparel industry to diversify into fabric textures not possible with the short staple fabrics like denim.

Pakistan Textile Council

Pakistan's apparel industry boasts a fast turnaround time thanks to its robust domestic supply chain. Extensive domestic cotton production and yarn spinning capabilities create a self-sufficient foundation for textile production. Domestic supply of cotton yarn and fabric, combined with innovative smart applications, guarantees complete traceability of materials -from farm to product - ensuring transparent chain-of-custody documentation. This strong foundation, coupled with the shift in apparel manufacturing away from China, opens a vast market for Pakistan. The industry can leverage its existing resources to convert them into higher-value apparel products, presenting a significant opportunity for increased sourcing of apparel by US companies.

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Pakistan's large-scale apparel manufacturers increasingly prioritize responsible labor practices. This translates to offering living wages, social security, old-age pensions, and generous leave policies. Adherence to working hour regulations and benefits like subsidized meals and transportation contribute to a more satisfied and motivated workforce. While challenges remain, this commitment is a positive step contributing towards minimal labor unrest in the industry. The Pakistani government's annual adjustments to the minimum wage, compared to infrequent revisions in some countries, promote stability for workers

US brands and retailers particularly benefit from Pakistani companies' capabilities in areas like digital design, sampling, AI-based market feedback, sales forecasting, collaborative planning, and trend analysis. This transformation elevates Pakistani top-tier companies from mere suppliers to strategic, reliable partners.

In conclusion, Pakistan presents a compelling option for US retailers and brands seeking a reliable and responsible apparel sourcing partner. With significant investments in infrastructure and a skilled workforce, the industry offers minimal risks and the potential for substantial growth. By partnering with Pakistani manufacturers, US companies can benefit from a competitive edge, high-quality products, and a commitment to ethical production.

Sandra Polaski

The investigation and report “Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States (Inv. No. 332-602)” was requested by USTR to provide country-specific profiles of the apparel industries in Bangladesh, Cambodia, India, Indonesia, and Pakistan, all of which are current leading suppliers to the U.S. market. The request includes an assessment of the export competitiveness of each country in the U.S. market, to include “information on investment, vertical integration, duty free access to the U.S. market, wages and labor productivity, and sourcing of inputs.”

In the discussion of wages, the country-specific profiles should pay adequate attention to the qualitative factors of wages, unionization rights and worker participation in policy formation in order to provide an accurate portrait of (1) the equity and sustainability of the sectors in each country and (2) their impact on competition with producers in the US and other countries. Adequate wages are critical to sustainable development and the reliability and stability of host countries where the apparel sector makes up a significant share of formal employment. In the apparel industry wages are one of the top two determinants of cost, along with inputs. The lowest wages translate to lowest costs and therefore drive down not only the living standards of the directly affected workers but put downward pressure on the wages in competitor countries.

Competitiveness based on low wages, speed-up, excess hours, occupational safety and health violations and lack of rights for workers to defend themselves indicate a strategy of “sweating”, whereby production depends on excessive hours and effort by low paid workers. Assessing competitiveness through a narrow lens of cost competitiveness without taking wages, worker rights and working conditions into account will produce a description—and implicit endorsement—of a race to the bottom.

The level of apparel sector wages, as well as the institutions, laws and policies for wage setting and workers' rights to freedom of association and collective bargaining vary widely among the countries in

the scope of the current study. This submission provides an overview of these issues based on public sources.

The U.S. Fashion Industry Association

The United States Fashion Industry Association (USFIA) represents apparel brands, retailers, importers, and wholesalers based in the United States and doing business globally. USFIA works to challenge tariff and non-tariff barriers impeding the industry’s ability to trade freely and foster global economic opportunities for industry members. We support the commitments by American brands and retailers for the highest standards for social compliance, environmental compliance and sustainability in our supply chains.

This ITC investigation focuses on what it means for global apparel suppliers to be competitive. USFIA offers our perspective on competitiveness on behalf of American fashion brands and retailers. There are many factors that affect whether orders are placed with a particular supplier. We highlight six in particular. Fashion brands and retailers weigh speed to market, sourcing cost, supplier flexibility and agility, labor compliance risks, environmental compliance and geopolitical risks when choosing a potential apparel supplier. Geopolitical risks – whether from the Houthis attacking ships in the Red Sea and disrupting logistics to the politically fraught situation happening in Haiti today – have become an increasingly important part of the sourcing calculation. No single factor makes a supplier “competitive.” Sourcing decisions are made based on weighing all of these factors.

We also emphasize that the competitiveness of a particular country can shift over time. This is especially true with the improvements in compliance with social and environmental standards. USFIA’s annual Benchmarking Survey has offered a look at both the evolving apparel sourcing criteria and strategies and how they have changed over the past 14 years. Manufacturers in each of the countries in the ITC’s apparel competitiveness study meet the basic standards to compete for orders from U.S. fashion brands and retailers.

Thank you again for the opportunity to participate in the Commission’s study of the competitiveness of the apparel industries of Bangladesh, India, Indonesia, Cambodia, and Pakistan.

Written Submissions Without Summaries

The following parties filed written submissions without summaries (table D.1). Please see EDIS for full submission.

Table D.1 Parties that submitted written submissions without summaries

Name of party with written submission without summaries
American Apparel & Footwear Association
American Apparel & Footwear Association, National Retail Federation, Retail Industry Leaders Association, United States Fashion Industry Association
Bangladesh Garment Manufacturers and Exporters Association
Government of Cambodia
Jason Judd, Global Labor Institute
National Council of Textile Organizations

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Robert Antoshak, Gherzi Textil Organisation A.G.
Shahi Exports

Appendix E

Underlying Data

Table E.1 Major sources of U.S. apparel imports, by country or region, 2023In percentage share of total U.S. apparel imports measured by value. Corresponds to [figures ES.1](#) and [2.2](#).

Trade partner	Share
Other	19
Vietnam	18
Western Hemisphere	15
China	21
Bangladesh	9
Indonesia	5
India	6
Cambodia	4
Pakistan	3

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: Included Western Hemisphere countries are Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama.

Table E.2 Value of U.S. imports of apparel by country, 2013–23In millions of dollars. Corresponds to [figures ES.2](#) and [2.4](#).

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	30,324	30,382	30,816	27,985	27,151	27,935	25,687	18,728	20,526	21,922	16,922
Vietnam	8,030	9,186	10,407	10,609	11,423	12,563	13,840	12,955	14,554	18,033	14,146
Bangladesh	4,791	4,706	5,195	5,105	4,863	5,304	5,848	5,164	6,932	9,202	7,120
Cambodia	2,534	2,493	2,466	2,140	2,162	2,466	2,742	2,992	3,548	4,411	3,431
India	3,232	3,433	3,671	3,607	3,694	3,963	4,226	3,132	4,296	5,721	4,566
Indonesia	4,994	4,858	4,958	4,706	4,591	4,595	4,514	3,581	4,236	5,647	4,240
Pakistan	1,491	1,482	1,446	1,283	1,294	1,395	1,523	1,452	2,317	2,773	2,078
Other	25,018	26,123	26,547	25,123	25,373	26,731	27,580	21,236	27,127	32,241	26,789

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table E.3 U.S. imports of apparel by major supplying region, 2023In millions of dollars. ** = rounds to zero; SSA = sub-Saharan Africa. Corresponds to [figure 2.1](#).

Trade partner	Supplying region	Value
China	East Asia	16,922
Vietnam	Southeast Asia	14,146
Bangladesh	South Asia	7,120
India	South Asia	4,566
Indonesia	Southeast Asia	4,240
Cambodia	Southeast Asia	3,431
Mexico	North America	2,941
Honduras	Central America and Caribbean	2,538
Italy	Europe	2,217
Pakistan	South Asia	2,078
Nicaragua	Central America and Caribbean	1,973
Jordan	North Africa and Middle East	1,670
Sri Lanka	South Asia	1,667
El Salvador	Central America and Caribbean	1,566
Guatemala	Central America and Caribbean	1,503
Egypt	North Africa and Middle East	1,103
Türkiye	North Africa and Middle East	981
Thailand	Southeast Asia	821
Peru	South America	775
Haiti	Central America and Caribbean	730

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Trade partner	Supplying region	Value
Dominican Republic	Central America and Caribbean	623
Philippines	Southeast Asia	535
Canada	North America	491
Kenya	SSA	472
Portugal	Europe	393
Madagascar	SSA	345
Burma	Southeast Asia	292
France	Europe	277
Morocco	North Africa and Middle East	258
Colombia	South America	249
Ethiopia	SSA	218
South Korea	East Asia	196
Romania	Europe	191
Malaysia	Southeast Asia	179
Lesotho	SSA	168
United Kingdom	Europe	135
Tunisia	North Africa and Middle East	112
Taiwan	East Asia	104
Japan	East Asia	92
Bulgaria	Europe	84
Tanzania	SSA	83
Hong Kong	East Asia	70
Macau	East Asia	64
Mauritius	SSA	56
Poland	Europe	49
Israel	North Africa and Middle East	49
Ghana	SSA	39
Spain	Europe	35
Costa Rica	Central America and Caribbean	32
Germany	Europe	30
Switzerland	Europe	28
Brazil	South America	21
Ukraine	Europe	18
Hungary	Europe	16
Moldova	Europe	16
Australia	Oceania	16
Lithuania	Europe	15
Slovakia	Europe	15
Laos	Southeast Asia	13
United Arab Emirates	North Africa and Middle East	13
Greece	Europe	13
Albania	Europe	12
Bosnia-Herzegovina	Europe	12
Lebanon	North Africa and Middle East	12
Paraguay	South America	11
Nepal	South Asia	10
Croatia	Europe	9
Chile	South America	9
Armenia	Central Asia	9
Netherlands	Europe	9
Austria	Europe	8

Trade partner	Supplying region	Value
Serbia	Europe	7
Georgia	Central Asia	7
South Africa	SSA	6
Singapore	Southeast Asia	5
Slovenia	Europe	5
Mongolia	East Asia	5
Ecuador	South America	5
Belgium	Europe	5
Ireland	Europe	5
Brunei	Southeast Asia	4
North Macedonia	Europe	4
Latvia	Europe	3
Czechia	Europe	3
Norway	Europe	2
Estonia	Europe	2
Sweden	Europe	2
Senegal	SSA	2
Denmark	Europe	2
New Zealand	Oceania	2
Djibouti	SSA	1
Uzbekistan	Central Asia	1
Uruguay	South America	1
Eswatini	SSA	1
Bolivia	South America	1
Kosovo	Europe	1
Malta	Europe	1
Nigeria	SSA	1
Namibia	SSA	1
Argentina	South America	1
Benin	SSA	1
Finland	Europe	**
Togo	SSA	**
Fiji	Oceania	**
Zimbabwe	SSA	**
Russia	Europe	**
Cameroon	SSA	**
Luxembourg	Europe	**
Saudi Arabia	North Africa and Middle East	**
Panama	Central America and Caribbean	**
Barbados	Central America and Caribbean	**
Saint Kitts and Nevis	Central America and Caribbean	**
Mauritania	SSA	**
Yemen	North Africa and Middle East	**
Kazakhstan	Central Asia	**
Monaco	Europe	**
Afghanistan	South Asia	**
Sierra Leone	SSA	**
Belarus	Europe	**
Nauru	Oceania	**
Iceland	Europe	**
Tuvalu	Oceania	**

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Trade partner	Supplying region	Value
Eritrea	SSA	**
Guadeloupe	Central America and Caribbean	**
Cook Islands	Oceania	**
Uganda	SSA	**
Bahamas	Central America and Caribbean	**
Kuwait	North Africa and Middle East	**
Suriname	South America	**
Jamaica	Central America and Caribbean	**
Mali	SSA	**
Turks and Caicos Islands	Central America and Caribbean	**
British Virgin Islands	Central America and Caribbean	**
Trinidad and Tobago	Central America and Caribbean	**
Micronesia	Oceania	**
Liechtenstein	Europe	**
Cyprus	North Africa and Middle East	**
Liberia	SSA	**
Bahrain	North Africa and Middle East	**
Qatar	North Africa and Middle East	**
Gabon	SSA	**
Saint Vincent and the Grenadines	Central America and Caribbean	**
Iraq	North Africa and Middle East	**
Cocos Islands	Central America and Caribbean	**
Syria	North Africa and Middle East	**
Tajikistan	Central Asia	**
Oman	North Africa and Middle East	**
Sint Maarten	Central America and Caribbean	**
Reunion	SSA	**
Venezuela	South America	**
San Marino	Europe	**
Papua New Guinea	Oceania	**
Kyrgyzstan	Central Asia	**
Rwanda	SSA	**
Algeria	North Africa and Middle East	**
Belize	Central America and Caribbean	**
Gambia	SSA	**
French Polynesia	Oceania	**
Martinique	Central America and Caribbean	**
Guinea	SSA	**
Comoros	SSA	**
Azerbaijan	Central Asia	**
Botswana	SSA	**
Burundi	SSA	**
Bermuda	North America	**
Wallis and Futuna	Oceania	**
Palau	Oceania	**
Seychelles	SSA	**
Burkina Faso	SSA	**
French Southern and Antarctic Lands	Oceania	**
Côte d'Ivoire	SSA	**
Tonga	Oceania	**
Cabo Verde	SSA	**

Trade partner	Supplying region	Value
Samoa	Oceania	**
Niue	Oceania	**
Congo-Kinshasa	SSA	**
West Bank	North Africa and Middle East	**
Curaçao	Central America and Caribbean	**
Christmas Island	Oceania	**
Anguilla	Central America and Caribbean	**
Turkmenistan	Central Asia	**
Bhutan	South Asia	**
Solomon Islands	Oceania	**
Marshall Islands	Oceania	**
Maldives	South Asia	**
Montserrat	Central America and Caribbean	**
Niger	SSA	**
Montenegro	Europe	**
São Tomé and Príncipe	SSA	**
Cayman Islands	Central America and Caribbean	**
Dominica	Central America and Caribbean	**
Zambia	SSA	**
Andorra	Europe	**
Vanuatu	Oceania	**
Mozambique	SSA	**

Source: USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table E.4 U.S. apparel imports by major product category, 2023

In percentage share of total U.S. apparel imports measured by value. MMF = manmade fiber. Corresponds to [figure 2.3](#).

Product categories	Share
Knit cotton tops	16
Knit MMF tops	10
Cotton bottoms	13
MMF bottoms	8
Other MMF apparel	5
MMF dresses	3
All other	45

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Note: Other MMF apparel includes items such as overalls, vests, swimwear, scarfs, and certain headwear. The “all other” segment comprises 97 separate 3-digit apparel product categories, most individually accounting for less than 1 percent of the total.

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Table E.5 Quantity of U.S. imports of apparel by country, 2013–23

In millions of square meters equivalent. Corresponds to [figure 2.5](#).

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
China	9,931	10,242	10,805	10,590	10,788	11,118	10,677	8,393	10,762	10,263	8,519
Vietnam	2,355	2,675	3,022	3,243	3,494	3,714	3,921	3,732	4,315	4,717	3,689
Bangladesh	1,594	1,507	1,729	1,726	1,688	1,814	1,907	1,809	2,449	2,860	2,093
Cambodia	1,017	1,002	1,041	898	926	1,013	1,042	1,137	1,240	1,344	982
India	871	956	1,016	1,026	1,057	1,130	1,172	927	1,299	1,498	1,224
Indonesia	1,250	1,243	1,261	1,260	1,226	1,194	1,142	928	1,115	1,338	981
Pakistan	583	588	588	534	529	559	604	628	896	903	690
Other	6,406	6,615	6,840	6,650	6,522	6,766	6,819	5,379	6,766	6,985	5,538

Source: Compiled by USITC staff. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table E.6 U.S. imports of apparel by major product category, 2013–23

In billions of dollars. MMF = manmade fiber. Corresponds to [figure 2.6](#).

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cotton knit tops	12.9	12.6	12.3	11.0	11.1	12.1	12.6	9.9	13.5	16.6	12.5
MMF knit tops	6.8	7.5	8.4	8.7	9.1	9.2	9.1	6.5	8.3	10.3	8.2
Cotton bottoms	13.1	12.3	12.4	11.8	11.7	12.3	12.1	9.3	12.3	14.3	10.5
MMF bottoms	4.4	4.8	5.5	5.4	5.7	6.2	6.3	5.3	7.2	8.5	6.5
Other MMF apparel	3.3	3.6	3.7	3.5	3.5	3.7	3.8	3.5	3.6	4.7	3.6
MMF dresses	3.1	3.3	3.4	3.5	3.5	3.3	3.2	1.9	2.2	3.1	2.7
All other	36.9	38.6	39.7	36.7	36.0	38.1	38.9	32.8	36.5	42.5	35.4

Source: Compiled by USITC staff using the U.S. Textile and Apparel Correlation for categories and HTS statistical reporting numbers. USDOC, OTEXA, U.S. Textile and Apparel Correlation, accessed March 13, 2024; USITC DataWeb/Census, HTS chapters 61 and 62, imports for consumption, accessed June 6, 2024.

Table E.7 Index of apparel production in major U.S. apparel import source countries, quarterly, 2018–22

2013 = 100, seasonally adjusted. Q = quarter. Corresponds to [figure 2.7](#).

Quarter	Bangladesh	China	India	Indonesia	Pakistan	Vietnam	Honduras	Mexico
2018 Q1	142.2	130.1	129.8	107.8	107.9	149.4	111.5	110.1
2018 Q2	145.9	131.5	132.9	110.0	108.1	151.6	112.1	111.4
2018 Q3	150.3	133.5	143.2	113.4	107.3	153.6	112.4	111.6
2018 Q4	153.9	134.1	150.6	117.8	107.1	156.9	113.0	110.7
2019 Q1	159.3	134.0	154.1	128.3	108.3	160.3	115.9	111.3
2019 Q2	158.7	132.9	155.8	132.7	111.7	162.4	118.5	109.7
2019 Q3	147.8	133.9	153.6	130.5	103.2	165.5	120.5	106.1
2019 Q4	156.0	134.0	151.0	126.3	102.7	165.0	121.4	105.8
2020 Q1	153.2	102.9	126.7	126.7	104.2	157.2	102.3	102.5
2020 Q2	85.0	123.3	59.7	113.8	80.8	145.9	35.9	60.8
2020 Q3	133.0	124.1	109.2	118.3	97.2	160.3	99.3	84.6
2020 Q4	155.1	127.5	118.6	113.0	99.1	163.9	102.0	88.1
2021 Q1	182.5	123.5	115.5	109.9	98.9	162.9	113.7	91.6
2021 Q2	180.8	130.5	100.4	108.7	107.8	160.1	118.6	93.8
2021 Q3	190.6	133.2	135.4	114.3	122.3	158.6	117.7	92.5
2021 Q4	212.0	135.3	148.2	119.8	132.4	182.4	125.3	95.2
2022 Q1	220.7	133.8	142.0	123.5	169.4	186.0	130.6	97.9
2022 Q2	243.1	132.0	138.0	123.6	194.5	186.3	134.1	99.1
2022 Q3	230.1	131.9	125.0	123.6	191.9	180.3	134.3	97.6
2022 Q4	242.6	121.3	115.9	124.1	222.5	176.8	127.1	92.6

Source: UNIDO, UNIDO Data Portal, accessed July 2, 2024. <https://stat.unido.org/database/Monthly%20IIP>.

Table E.8 Monthly U.S. retail sales and inventories of apparel, 2019–23In billions of dollars. Corresponds to [figure 2.8](#).

Month	Inventories	Retail sales
2019 Jan	54.53	21.98
2019 Feb	54.67	22.03
2019 Mar	54.26	22.36
2019 Apr	53.91	22.31
2019 May	53.95	22.12
2019 Jun	53.58	22.12
2019 Jul	53.85	22.45
2019 Aug	53.75	22.41
2019 Sep	53.81	22.22
2019 Oct	53.63	22.28
2019 Nov	53.59	22.25
2019 Dec	53.29	23.12
2020 Jan	52.86	22.85
2020 Feb	52.69	22.68
2020 Mar	53.46	11.44
2020 Apr	52.03	2.89
2020 May	50.26	8.35
2020 Jun	47.72	17.25
2020 Jul	46.63	17.98
2020 Aug	45.73	18.30
2020 Sep	45.00	20.72
2020 Oct	45.12	20.23
2020 Nov	45.18	19.28
2020 Dec	45.21	20.07
2021 Jan	45.62	20.89
2021 Feb	45.67	19.87
2021 Mar	45.30	24.26
2021 Apr	46.31	24.27
2021 May	46.55	24.88
2021 Jun	46.59	25.87
2021 Jul	46.60	25.15
2021 Aug	47.16	24.68
2021 Sep	48.19	25.08
2021 Oct	49.36	25.25
2021 Nov	50.68	25.82
2021 Dec	52.33	24.72
2022 Jan	53.78	24.05
2022 Feb	54.81	24.71
2022 Mar	56.27	25.84
2022 Apr	57.73	25.88
2022 May	58.54	25.38
2022 Jun	60.03	25.57
2022 Jul	59.52	24.97
2022 Aug	60.28	25.26
2022 Sep	58.88	25.55
2022 Oct	59.12	25.60
2022 Nov	59.32	25.38
2022 Dec	59.21	24.92
2023 Jan	58.71	26.05

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Month	Inventories	Retail sales
2023 Feb	59.28	25.56
2023 Mar	59.95	25.39
2023 Apr	59.43	25.16
2023 May	59.65	25.38
2023 Jun	59.32	25.34
2023 Jul	59.51	25.61
2023 Aug	59.75	25.82
2023 Sep	60.05	25.58
2023 Oct	59.89	25.52
2023 Nov	59.51	25.76
2023 Dec	59.19	26.15

Source: Census, "Clothing and Clothing Accessories Stores," accessed June 24, 2024; Census, *Advance Monthly Retail Trade Report*, accessed June 24, 2024.

Note: Inventories as of the first of each month.

Table E.9 Average monthly manufacturing earnings by country

** = rounds to zero.

Country	Global apparel exports rank, 2022	Share of global apparel exports, 2022 (%)	Manufacturing wage (U.S. dollars)	Manufacturing wage (PPP)	Wage year
China	1	24.3	826.31	1,327.95	2021
Bangladesh	2	10.2	140.34	389.11	2017
Vietnam	3	8.2	328.01	1,096.73	2023
Italy	4	5.3	3,813.32	5,399.14	2022
Germany	5	4.9	5,545.03	7,243.65	2022
Türkiye	6	4.4	548.40	1,782.69	2023
India	7	3.5	195.46	827.23	2023
Cambodia	8	3.0	256.15	665.59	2021
Poland	9	2.6	1,333.80	2,828.26	2022
Netherlands	10	2.5	6,015.89	7,361.48	2022
Spain	11	2.5	3,237.98	4,791.82	2022
Indonesia	12	2.3	194.40	575.91	2023
Pakistan	13	2.0	135.02	517.19	2021
France	14	1.8	4,858.96	6,264.49	2022
Belgium	15	1.6	6,916.10	8,542.87	2022
Myanmar	16	1.4	161.09	511.05	2020
Honduras	18	1.0	556.08	1,122.11	2023
Portugal	19	1.0	1,063.56	1,676.14	2023
Denmark	21	0.8	6,812.03	5,901.61	2022
Mexico	22	0.8	520.84	857.25	2023
Romania	23	0.7	954.95	2,074.06	2022
Tunisia	24	0.7	196.19	701.91	2019
Nicaragua	25	0.7	369.12	917.34	2014
Thailand	26	0.6	464.52	1,445.47	2023
Czechia	27	0.5	1,996.22	3,048.32	2022
United States	28	0.5	5,911.89	5,911.89	2023
United Kingdom	29	0.5	3,490.02	3,212.58	2023
Jordan	30	0.5	463.39	990.73	2022
Egypt	31	0.5	162.09	715.76	2022
Guatemala	32	0.5	344.76	776.85	2023
El Salvador	33	0.5	318.93	632.75	2019
Bulgaria	34	0.4	890.13	1,959.54	2022

Country	Global apparel exports rank, 2022	Share of global apparel exports, 2022 (%)	Manufacturing wage (U.S. dollars)	Manufacturing wage (PPP)	Wage year
Austria	35	0.4	5,184.96	6,741.75	2022
Sweden	36	0.4	4,877.65	5,137.34	2022
Philippines	37	0.3	270.81	725.79	2022
Peru	38	0.3	449.93	856.29	2023
Slovakia	39	0.3	1,357.31	2,239.83	2022
Switzerland	40	0.2	7,623.20	5,165.75	2023
Hong Kong	41	0.2	1,932.43	2,323.57	2016
Madagascar	42	0.2	48.83	169.94	2015
Canada	44	0.2	4,190.69	4,622.10	2023
Hungary	45	0.2	1,032.11	1,963.72	2022
Malaysia	47	0.2	604.74	1,617.15	2020
Japan	48	0.2	2,686.91	2,665.11	2021
Croatia	49	0.2	1,675.85	22,105.62	2022
Dominican Republic	50	0.2	438.92	1,050.72	2023
Greece	51	0.2	1,997.55	3,225.74	2022
Serbia	52	0.1	799.02	1,783.83	2022
Colombia	53	0.1	368.74	998.80	2023
Albania	54	0.1	420.00	975.66	2022
Kenya	55	0.1	130.61	307.91	2019
Singapore	56	0.1	3,644.26	4,623.61	2021
Lithuania	57	0.1	1,459.29	2,637.65	2022
Ethiopia	60	0.1	88.42	287.77	2021
Mauritius	61	0.1	442.69	1,016.20	2022
Lesotho	63	0.1	116.14	302.68	2019
Bosnia and Herzegovina	65	0.1	759.21	1,800.35	2023
Moldova	66	0.1	356.62	787.75	2023
Ireland	67	0.1	5,856.82	5,865.74	2022
Laos	68	0.1	150.36	568.59	2022
Georgia	69	0.1	223.01	584.75	2022
Finland	70	0.1	5,329.91	6,024.74	2022
Slovenia	71	0.1	2,735.54	4,377.72	2022
Russia	72	0.1	810.42	2,317.60	2021
Norway	74	0.1	5,582.39	5,585.60	2022
Latvia	75	0.1	1,595.10	2,670.90	2022
Macao	76	**	1,337.87	1,808.18	2018
Armenia	77	**	264.64	811.80	2021
Eswatini	80	**	242.26	578.68	2021
Estonia	81	**	2,105.10	3,072.14	2022
Brazil	82	**	587.18	1,177.65	2023
Australia	83	**	4,607.80	4,030.65	2021
Uzbekistan	86	**	431.40	1,589.39	2022
Luxembourg	87	**	6,808.17	7,082.87	2022
Israel	88	**	4,001.30	3,197.26	2021
Paraguay	89	**	384.01	994.89	2023
Panama	90	**	822.05	1,573.22	2023
Tanzania	91	**	141.21	466.29	2020
Nepal	92	**	175.61	604.68	2017
South Korea	94	**	3,393.87	4,724.40	2022
Lebanon	96	**	651.80	1,313.04	2019

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Country	Global apparel exports rank, 2022	Share of global apparel exports, 2022 (%)	Manufacturing wage (U.S. dollars)	Manufacturing wage (PPP)	Wage year
Costa Rica	98	**	756.70	1,345.29	2022
Mongolia	99	**	387.20	1,239.85	2023
Fiji	100	**	387.33	823.48	2016
Cyprus	101	**	2,409.89	3,733.31	2022
Ghana	103	**	153.42	425.52	2022
Malta	104	**	2,771.63	3,836.92	2021
Argentina	105	**	683.28	1,315.26	2023
New Zealand	107	**	4,013.48	4,195.45	2022
Ecuador	108	**	522.14	1,143.95	2023
Tajikistan	109	**	165.82	544.28	2019
Rwanda	110	**	64.87	205.84	2023
Brunei Darussalam	114	**	752.11	1,258.12	2014
Qatar	115	**	2,712.91	3,488.34	2022
Chile	117	**	813.28	1,470.87	2022
Zimbabwe	118	**	537.61	1,468.26	2022
Uruguay	119	**	1,390.21	1,876.20	2023
Curaçao	120	**	1,704.84	2,043.36	2018
Bahrain	123	**	1,251.31	2,372.70	2020
Kyrgyzstan	126	**	321.92	1,055.75	2022
Bolivia	127	**	417.44	1,269.62	2023
Cabo Verde	128	**	150.05	296.05	2015
Iceland	131	**	6,117.12	4,743.30	2019
Uganda	132	**	79.37	216.46	2021
Trinidad and Tobago	135	**	842.94	1,246.15	2016
Nigeria	136	**	110.47	256.01	2019
Macedonia	137	**	569.18	1,147.46	2014
Togo	139	**	85.19	240.89	2022
Cameroon	141	**	167.51	345.66	2014
Senegal	143	**	156.87	425.19	2022
Montenegro	144	**	745.60	1,738.66	2022
Kazakhstan	145	**	760.45	2,307.93	2022
Azerbaijan	149	**	450.77	1,505.79	2022
Afghanistan	151	**	124.43	605.41	2020
Namibia	152	**	408.69	753.85	2018
New Caledonia	158	**	2,035.88	1,704.04	2017
Zambia	159	**	166.67	443.79	2022
Jamaica	160	**	322.90	512.48	2014
Botswana	166	**	360.49	921.41	2023
Burkina Faso	167	**	107.64	331.25	2023
Marshall Islands	169	**	599.75	603.70	2019
Comoros	172	**	147.32	268.71	2021
Guam	183	**	2,326.25	2,093.82	2016
Guinea	184	**	115.74	353.04	2019
Malawi	185	**	102.48	314.04	2013
Burundi	187	**	249.44	753.58	2020
Barbados	191	**	1,000.90	834.15	2016
Benin	193	**	103.80	314.60	2022
Sudan	195	**	948.66	2,312.65	2022
Maldives	196	**	671.95	1,020.54	2019

Country	Global apparel exports rank, 2022	Share of global apparel exports, 2022 (%)	Manufacturing wage (U.S. dollars)	Manufacturing wage (PPP)	Wage year
Mali	197	**	86.55	275.79	2022
Angola	200	**	89.45	277.28	2021
Samoa	203	**	507.02	741.82	2022
Guyana	205	**	361.22	688.90	2019
Belize	215	**	390.00	658.51	2020
Chad	229	**	126.40	305.61	2018
Bermuda	238	**	5,594.80	3,182.35	2013
Gambia	240	**	78.37	253.20	2018
Bhutan	248	**	218.33	862.23	2023
Tonga	252	**	548.50	715.91	2021
Liberia	259	**	177.79	441.03	2017
Guinea-Bissau	267	**	93.74	264.83	2022
East Timor	281	**	175.77	394.50	2021
Kiribati	285	**	332.74	515.36	2019

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024; ILO, "Labour Force Survey, 'Average monthly earnings of employees by sex and economic activity,'" accessed August 11, 2024.

Note: Export data were calculated by aggregating imports as reported by all other countries.

Table E.10 Bangladesh: Exports of apparel, 2023

In millions of dollars. Corresponds to [figure 5.1](#).

Trade partner	Value
European Union	18,827
United States	6,935
United Kingdom	3,964
Canada	1,438
Japan	1,257
Switzerland	1,049
Australia	838
India	651
South Korea	561
Mexico	541
Türkiye	461
China	400
Norway	324
Israel	196
Brazil	183
Chile	178
Malaysia	171
Serbia	143
New Zealand	135
Hong Kong	125
Ukraine	109
Singapore	105
South Africa	103
Saudi Arabia	**
All other countries	1,064
Total	39,757

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh export data were calculated by aggregating imports from Bangladesh as reported by all other countries.

Table E.11 Index of apparel production in Bangladesh, 2013–222013 = 100, seasonally adjusted. Q = quarter. Corresponds to [figure 5.2](#).

Quarter	Index of industrial production
2013 Q1	100.0
2013 Q2	100.8
2013 Q3	104.1
2013 Q4	105.4
2014 Q1	105.4
2014 Q2	107.8
2014 Q3	107.6
2014 Q4	107.5
2015 Q1	111.2
2015 Q2	113.3
2015 Q3	117.1
2015 Q4	121.3
2016 Q1	124.1
2016 Q2	126.5
2016 Q3	124.7
2016 Q4	125.8
2017 Q1	125.6
2017 Q2	128.7
2017 Q3	134.3
2017 Q4	138.5
2018 Q1	142.2
2018 Q2	145.9
2018 Q3	150.3
2018 Q4	153.9
2019 Q1	159.3
2019 Q2	158.7
2019 Q3	147.8
2019 Q4	156.0
2020 Q1	153.2
2020 Q2	85.0
2020 Q3	133.0
2020 Q4	155.1
2021 Q1	182.5
2021 Q2	180.8
2021 Q3	190.6
2021 Q4	212.0
2022 Q1	220.7
2022 Q2	243.1
2022 Q3	230.1
2022 Q4	242.6

Source: United Nations Industrial Development Organization (UNIDO). UNIDO Data Portal. <https://stat.unido.org/database/Monthly%20IIP>, accessed July 2, 2024.

Table E.12 Bangladesh: Exports of apparel, 2013–23In millions of dollars. Corresponds to [figure 5.3](#).

Trade partner	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
United States	4,835	4,699	5,258	5,135	4,894	5,238	5,724	5,092	6,883	9,293	6,935
European Union	10,902	12,461	12,808	13,937	14,582	16,449	16,759	14,064	16,875	22,991	18,827
All other destinations	8,416	9,095	10,305	10,939	11,282	12,757	13,346	10,946	13,558	15,825	13,995

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Bangladesh export data were calculated by aggregating imports from Bangladesh as reported by its trade partners.

Table E.13 Cambodia: Exports of apparel, 2023In millions of dollars. Corresponds to [figure 6.1](#).

Trade partner	Value
European Union	3,476
United States	3,374
Japan	1,124
United Kingdom	984
Canada	972
China	331
Switzerland	250
South Korea	210
Mexico	196
Türkiye	149
Australia	148
Hong Kong	117
All other countries	837
Total	12,168

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Cambodia export data were calculated by aggregating imports from Cambodia as reported by all other countries.

Table E.14 Cambodia: Exports of apparel, 2013–23In millions of dollars. Corresponds to [figure 6.2](#).

Trade partner	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
United States	2,552	2,479	2,483	2,148	2,165	2,447	2,730	2,953	3,521	4,429	3,374
European Union	1,690	2,192	2,499	2,997	3,385	3,821	3,678	2,791	2,815	3,862	3,476
All other destinations	2,684	3,277	3,728	4,106	4,456	5,089	5,415	4,715	4,875	5,785	5,319

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Cambodia export data were calculated by aggregating imports from Cambodia as reported by all other countries.

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Table E.15 India: Exports of apparel, 2023

In millions of dollars. Corresponds to [figure 7.1](#).

Trade partner	Value
United States	4,651
European Union	4,058
United Kingdom	1,333
United Arab Emirates	1,157
Saudi Arabia	398
Australia	315
Canada	248
Japan	194
Mexico	169
Malaysia	117
South Africa	102
All other countries	1,770
Total	14,511

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Table E.16 Index of apparel production in India, 2013–222013 = 100, seasonally adjusted. Q = quarter. Corresponds to [figure 7.3](#).

Quarter	Index of industrial production
2013 Q1	100.0
2013 Q2	104.8
2013 Q3	108.4
2013 Q4	108.9
2014 Q1	110.4
2014 Q2	108.2
2014 Q3	108.6
2014 Q4	108.2
2015 Q1	108.9
2015 Q2	108.2
2015 Q3	109.2
2015 Q4	140.5
2016 Q1	141.3
2016 Q2	143.9
2016 Q3	145.2
2016 Q4	144.0
2017 Q1	139.8
2017 Q2	137.6
2017 Q3	128.4
2017 Q4	126.4
2018 Q1	129.8
2018 Q2	132.9
2018 Q3	143.2
2018 Q4	150.6
2019 Q1	154.1
2019 Q2	155.8
2019 Q3	153.6
2019 Q4	151.0
2020 Q1	126.7
2020 Q2	59.7
2020 Q3	109.2
2020 Q4	118.6
2021 Q1	115.5
2021 Q2	100.4
2021 Q3	135.4
2021 Q4	148.2
2022 Q1	142.0
2022 Q2	138.0
2022 Q3	125.0
2022 Q4	115.9

Source: United Nations Industrial Development Organization (UNIDO). UNIDO Data Portal. <https://stat.unido.org/database/Monthly%20IIP>, accessed July 2, 2024.

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Table E.17 India: Exports of apparel, 2013–23

In millions of dollars. Corresponds to [figure 7.4](#).

Trade partner	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
United States	3,358	3,575	3,776	3,812	3,887	4,004	4,344	3,298	4,781	5,787	4,651
European Union	4,392	4,942	4,465	4,500	4,623	4,621	4,381	3,356	3,919	4,705	4,058
All other destinations	6,725	8,035	8,930	8,662	8,924	7,068	7,530	5,610	6,504	6,255	5,803

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Table E.18 Indonesia: Exports of apparel, 2023

In billions of dollars. Corresponds to [figure 8.1](#).

Trade partner	Value
United States	4,203
European Union	1,055
Japan	799
South Korea	536
Canada	325
China	285
Australia	254
United Kingdom	242
Singapore	140
Mexico	103
Switzerland	102
Hong Kong	78
Malaysia	68
All other countries	457
Total	8,647

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Indonesia export data were calculated by aggregating imports from Indonesia as reported by all other countries.

Table E.19 Index of apparel production in Indonesia, 2013–222013 = 100, seasonally adjusted. Q = quarter. Corresponds to [figure 8.2](#).

Quarter	Index of industrial production
2013 Q1	100.0
2013 Q2	103.4
2013 Q3	103.7
2013 Q4	104.6
2014 Q1	103.1
2014 Q2	106.1
2014 Q3	105.1
2014 Q4	103.8
2015 Q1	101.3
2015 Q2	99.6
2015 Q3	98.5
2015 Q4	98.5
2016 Q1	100.0
2016 Q2	99.5
2016 Q3	98.4
2016 Q4	99.8
2017 Q1	100.3
2017 Q2	103.3
2017 Q3	103.0
2017 Q4	106.3
2018 Q1	107.8
2018 Q2	110.0
2018 Q3	113.4
2018 Q4	117.8
2019 Q1	128.3
2019 Q2	132.7
2019 Q3	130.5
2019 Q4	126.3
2020 Q1	126.7
2020 Q2	113.8
2020 Q3	118.3
2020 Q4	113.0
2021 Q1	109.9
2021 Q2	108.7
2021 Q3	114.3
2021 Q4	119.8
2022 Q1	123.5
2022 Q2	123.6
2022 Q3	123.6
2022 Q4	124.1

Source: United Nations Industrial Development Organization (UNIDO). UNIDO Data Portal. <https://stat.unido.org/database/Monthly%20IIP>, accessed July 2, 2024.

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Table E.20 Indonesia: Exports of apparel, 2013–23

In millions of dollars. Corresponds to [figure 8.3](#).

Trade partner	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
United States	4,994	4,861	4,977	4,743	4,593	4,527	4,426	3,539	4,170	5,638	4,203
European Union	1,309	1,389	1,290	1,306	1,259	1,269	1,278	1,050	1,099	1,378	1,055
All other destinations	3,309	3,378	3,477	3,427	3,596	3,988	3,809	3,165	3,378	3,777	3,389

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Note: Indonesia export data was calculated by aggregating imports from Indonesia as reported by its trade partners.

Table E.21 Pakistan: Exports of apparel, 2023

In millions of dollars. Corresponds to [figure 9.1](#).

Trade partner	Value
European Union	3,257
United States	2,400
United Kingdom	878
United Arab Emirates	190
Canada	128
Saudi Arabia	73
China	70
Australia	64
Mexico	48
Japan	37
All other countries	345
Total	7,490

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Table E.22 Index of apparel production in Pakistan, 2013–222013 = 100, seasonally adjusted. Q = quarter. Corresponds to [figure 9.2](#).

Quarter	Index of industrial production
2013 Q1	100.0
2013 Q2	101.3
2013 Q3	103.7
2013 Q4	104.5
2014 Q1	105.4
2014 Q2	106.0
2014 Q3	105.6
2014 Q4	105.9
2015 Q1	106.2
2015 Q2	106.6
2015 Q3	106.6
2015 Q4	106.7
2016 Q1	106.4
2016 Q2	106.6
2016 Q3	106.8
2016 Q4	107.2
2017 Q1	107.8
2017 Q2	107.8
2017 Q3	107.9
2017 Q4	107.9
2018 Q1	107.9
2018 Q2	108.1
2018 Q3	107.3
2018 Q4	107.1
2019 Q1	108.3
2019 Q2	111.7
2019 Q3	103.2
2019 Q4	102.7
2020 Q1	104.2
2020 Q2	80.8
2020 Q3	97.2
2020 Q4	99.1
2021 Q1	98.9
2021 Q2	107.8
2021 Q3	122.3
2021 Q4	132.4
2022 Q1	169.4
2022 Q2	194.5
2022 Q3	191.9
2022 Q4	222.5

Source: United Nations Industrial Development Organization (UNIDO). UNIDO Data Portal. <https://stat.unido.org/database/Monthly%20IIP>, accessed July 2, 2024.

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Table E.23 Pakistan: Exports of apparel, 2013–23

In millions of dollars. Corresponds to [figure 9.3](#).

Trade partner	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
United States	1,577	1,530	1,521	1,414	1,436	1,634	1,760	1,797	3,032	3,228	2,400
European Union	1,430	1,751	1,817	2,038	2,275	2,394	2,631	2,463	3,018	3,740	3,257
All other destinations	953	1,106	1,150	1,149	1,270	1,417	1,435	1,428	1,820	1,980	1,833

Source: S&P Global, GTAS database, HS Chapters 61 and 62, apparel, accessed June 17, 2024.

Appendix F

Data Concordances

Table F.1 Textile and apparel input by HS headings

HS = Harmonized Commodity Description and Coding System (Harmonized System)

Input type	HS headings
Raw material	5001, 5002, 5101, 5102, 5201, 5301, 5302, 5303, 5305
Fibers	5105, 5203, 5501, 5502, 5503, 5504, 5506, 5507
Yarn	5004, 5005, 5006, 5106, 5107, 5108, 5109, 5110, 5204, 5205, 5206, 5207, 5306, 5307, 5308, 5401, 5402, 5403, 5404, 5405, 5406, 5508, 5509, 5510, 5511, 5604, 5605, 5606
Fabric	5007, 5111, 5112, 5113, 5208, 5209, 5210, 5211, 5212, 5309, 5310, 5311, 5407, 5408, 5512, 5513, 5514, 5515, 5516, 5603, 5801, 5802, 5803, 5804, 5806, 5807, 5808, 5809, 5810, 5811, 5903, 6001, 6002, 6003, 6004, 6005, 6006

Source: Compiled by USITC staff.

Table F.2 Cotton apparel by HTS statistical reporting numbers

HTS = Harmonized Tariff Schedule

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6101.20.0010, 6101.20.0020, 6101.90.0010, 6101.90.9010, 6102.20.0010, 6102.20.0020, 6102.90.0005, 6102.90.9005, 6103.10.6010, 6103.10.6015, 6103.10.6030, 6103.10.9010, 6103.10.9020, 6103.10.9030, 6103.19.2010, 6103.19.2015, 6103.19.2030, 6103.19.4010, 6103.19.4020, 6103.19.9010, 6103.19.9020, 6103.19.9030, 6103.22.0010, 6103.22.0020, 6103.22.0030, 6103.22.0040, 6103.22.0050, 6103.22.0070, 6103.22.0080, 6103.29.2058, 6103.32.0000, 6103.39.2010, 6103.39.8010, 6103.42.1020, 6103.42.1035, 6103.42.1040, 6103.42.1050, 6103.42.1065, 6103.42.1070, 6103.42.2010, 6103.42.2015, 6103.42.2025, 6103.49.3010, 6103.49.3034, 6103.49.8010, 6103.49.8034, 6104.12.0010, 6104.12.0020, 6104.12.0030, 6104.12.0040, 6104.19.2010, 6104.19.2020, 6104.19.2030, 6104.19.2040, 6104.19.6010, 6104.19.6020, 6104.19.6030, 6104.19.6040, 6104.19.8010, 6104.19.8020, 6104.19.8030, 6104.19.8040, 6104.22.0010, 6104.22.0030, 6104.22.0040, 6104.22.0050, 6104.22.0060, 6104.22.0080, 6104.22.0090, 6104.29.2010, 6104.29.2022, 6104.29.2034, 6104.29.2046, 6104.29.2049, 6104.29.2065, 6104.32.0000, 6104.39.2010, 6104.42.0010, 6104.42.0020, 6104.49.0010, 6104.49.9010, 6104.52.0010, 6104.52.0020, 6104.59.2010, 6104.59.8010, 6104.62.1010, 6104.62.1020, 6104.62.1030, 6104.62.2006, 6104.62.2010, 6104.62.2011, 6104.62.2016, 6104.62.2021, 6104.62.2025, 6104.62.2026, 6104.62.2028, 6104.62.2030, 6104.62.2050, 6104.62.2060, 6104.69.3010, 6104.69.3022, 6104.69.8010, 6104.69.8022, 6105.10.0010, 6105.10.0020, 6105.10.0030, 6105.90.3010, 6105.90.8010, 6106.10.0010, 6106.10.0020, 6106.10.0030, 6106.90.2010, 6106.90.2510, 6106.90.3010, 6107.11.0010, 6107.11.0020, 6107.21.0010, 6107.21.0020, 6107.91.0010, 6107.91.0020, 6107.91.0030, 6107.91.0040, 6107.91.0090, 6108.19.0010, 6108.19.9010, 6108.21.0010, 6108.21.0020, 6108.31.0010, 6108.31.0020, 6108.91.0005, 6108.91.0010, 6108.91.0015, 6108.91.0020, 6108.91.0025, 6108.91.0030, 6108.91.0040, 6109.10.0004, 6109.10.0005, 6109.10.0007, 6109.10.0009, 6109.10.0010, 6109.10.0011, 6109.10.0012, 6109.10.0014, 6109.10.0015, 6109.10.0018, 6109.10.0020, 6109.10.0023, 6109.10.0025, 6109.10.0027, 6109.10.0030, 6109.10.0035, 6109.10.0037, 6109.10.0040, 6109.10.0045, 6109.10.0060, 6109.10.0065, 6109.10.0070, 6110.20.1010, 6110.20.1020, 6110.20.1022, 6110.20.1024, 6110.20.1025, 6110.20.1026, 6110.20.1029, 6110.20.1030, 6110.20.1031, 6110.20.1033, 6110.20.2005, 6110.20.2010, 6110.20.2015, 6110.20.2020, 6110.20.2025, 6110.20.2030, 6110.20.2035, 6110.20.2040, 6110.20.2041, 6110.20.2044, 6110.20.2045, 6110.20.2046, 6110.20.2049, 6110.20.2065, 6110.20.2067, 6110.20.2069, 6110.20.2075, 6110.20.2077, 6110.20.2079, 6110.90.0010, 6110.90.0026, 6110.90.0044, 6110.90.0046, 6110.90.0068, 6110.90.0070, 6110.90.9010, 6110.90.9026, 6110.90.9044, 6110.90.9046, 6110.90.9067, 6110.90.9068, 6110.90.9069, 6110.90.9070, 6110.90.9071, 6110.90.9073, 6111.20.1000, 6111.20.2000, 6111.20.3000, 6111.20.4000, 6111.20.5000, 6111.20.6010, 6111.20.6020, 6111.20.6030, 6111.20.6050, 6111.20.6070, 6112.11.0010, 6112.11.0020, 6112.11.0030, 6112.11.0040, 6112.11.0050, 6112.11.0060, 6112.20.2010, 6112.39.0010, 6112.49.0010, 6113.00.0015, 6113.00.0020, 6113.00.0035, 6113.00.0038, 6113.00.0040, 6113.00.0042, 6113.00.0055, 6113.00.0060, 6113.00.0074, 6113.00.0075, 6113.00.0080, 6113.00.0082, 6113.00.9015, 6113.00.9020, 6113.00.9038, 6113.00.9042, 6113.00.9055, 6113.00.9060, 6113.00.9074, 6113.00.9082, 6114.20.0005, 6114.20.0010, 6114.20.0015, 6114.20.0020, 6114.20.0035, 6114.20.0040, 6114.20.0042, 6114.20.0044, 6114.20.0046, 6114.20.0048, 6114.20.0052, 6114.20.0055, 6114.20.0060, 6114.90.0045, 6114.90.9045, 6115.10.1510, 6115.10.3000,

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6115.19.0010, 6115.19.8010, 6115.19.9010, 6115.29.8010, 6115.92.1000, 6115.92.2000, 6115.92.6000, 6115.92.9000, 6115.95.6000, 6115.95.9000, 6116.10.1520, 6116.10.1720, 6116.10.1820, 6116.10.2520, 6116.10.3510, 6116.10.4510, 6116.10.4565, 6116.10.4810, 6116.10.5510, 6116.10.6010, 6116.10.7010, 6116.10.7510, 6116.10.9010, 6116.92.2010, 6116.92.2020, 6116.92.2030, 6116.92.2040, 6116.92.2050, 6116.92.2060, 6116.92.2070, 6116.92.3000, 6116.92.6010, 6116.92.6020, 6116.92.6030, 6116.92.6040, 6116.92.6050, 6116.92.6060, 6116.92.6070, 6116.92.6410, 6116.92.6420, 6116.92.6430, 6116.92.6440, 6116.92.7450, 6116.92.7460, 6116.92.7470, 6116.92.8800, 6116.92.9000, 6116.92.9400, 6116.99.8010, 6116.99.9010, 6116.99.9510, 6117.10.6010, 6117.20.0010, 6117.20.9010, 6117.80.0010, 6117.80.8710, 6117.80.9010, 6117.80.9510, 6117.90.0010, 6117.90.0022, 6117.90.0032, 6117.90.0042, 6117.90.0052, 6117.90.9003, 6117.90.9020, 6117.90.9040, 6117.90.9060, 6117.90.9080, 6201.12.1000, 6201.12.2010, 6201.12.2020, 6201.12.2025, 6201.12.2035, 6201.12.2050, 6201.12.2060, 6201.19.0010, 6201.19.9010, 6201.30.1200, 6201.30.2010, 6201.30.2020, 6201.30.2025, 6201.30.2035, 6201.30.2050, 6201.30.2060, 6201.30.3000, 6201.30.4000, 6201.30.5005, 6201.30.5010, 6201.30.5021, 6201.30.5031, 6201.30.5041, 6201.30.5051, 6201.30.5061, 6201.30.6000, 6201.30.7000, 6201.30.8005, 6201.30.8010, 6201.30.8021, 6201.30.8031, 6201.30.8041, 6201.30.8051, 6201.30.8061, 6201.90.2910, 6201.90.4910, 6201.90.6910, 6201.92.0500, 6201.92.1000, 6201.92.1500, 6201.92.1700, 6201.92.1905, 6201.92.1910, 6201.92.1921, 6201.92.1931, 6201.92.1941, 6201.92.1951, 6201.92.1961, 6201.92.2005, 6201.92.2010, 6201.92.2020, 6201.92.2021, 6201.92.2030, 6201.92.2031, 6201.92.2040, 6201.92.2041, 6201.92.2050, 6201.92.2051, 6201.92.2060, 6201.92.2061, 6201.92.3000, 6201.92.3500, 6201.92.4505, 6201.92.4510, 6201.92.4521, 6201.92.4531, 6201.92.4541, 6201.92.4551, 6201.92.4561, 6201.99.0010, 6201.99.0011, 6201.99.1510, 6201.99.8010, 6201.99.9010, 6202.12.1000, 6202.12.2010, 6202.12.2020, 6202.12.2025, 6202.12.2035, 6202.12.2050, 6202.12.2060, 6202.19.0010, 6202.19.9010, 6202.30.1200, 6202.30.2010, 6202.30.2020, 6202.30.2025, 6202.30.2035, 6202.30.2050, 6202.30.2060, 6202.30.3000, 6202.30.4000, 6202.30.5010, 6202.30.5020, 6202.30.5026, 6202.30.5031, 6202.30.5061, 6202.30.5071, 6202.30.6000, 6202.30.7000, 6202.30.8010, 6202.30.8020, 6202.30.8026, 6202.30.8031, 6202.30.8061, 6202.30.8071, 6202.90.2910, 6202.90.4911, 6202.90.6911, 6202.92.0300, 6202.92.0500, 6202.92.1000, 6202.92.1210, 6202.92.1220, 6202.92.1226, 6202.92.1231, 6202.92.1261, 6202.92.1271, 6202.92.1500, 6202.92.2010, 6202.92.2020, 6202.92.2025, 6202.92.2026, 6202.92.2030, 6202.92.2031, 6202.92.2060, 6202.92.2061, 6202.92.2070, 6202.92.2071, 6202.92.2500, 6202.92.3000, 6202.92.9010, 6202.92.9020, 6202.92.9026, 6202.92.9031, 6202.92.9061, 6202.92.9071, 6202.99.0010, 6202.99.0011, 6202.99.1511, 6202.99.8011, 6202.99.9011, 6203.19.1010, 6203.19.1020, 6203.19.1030, 6203.19.4010, 6203.19.4020, 6203.19.4030, 6203.19.9010, 6203.19.9020, 6203.19.9030, 6203.22.1000, 6203.22.3010, 6203.22.3015, 6203.22.3020, 6203.22.3030, 6203.22.3050, 6203.22.3060, 6203.32.1000, 6203.32.2010, 6203.32.2020, 6203.32.2030, 6203.32.2040, 6203.32.2050, 6203.39.4010, 6203.39.9010, 6203.42.0505, 6203.42.0510, 6203.42.0525, 6203.42.0550, 6203.42.0590, 6203.42.0703, 6203.42.0706, 6203.42.0711, 6203.42.0716, 6203.42.0721, 6203.42.0726, 6203.42.0731, 6203.42.0736, 6203.42.0741, 6203.42.0746, 6203.42.0751, 6203.42.0756, 6203.42.0761, 6203.42.2005, 6203.42.2010, 6203.42.2025, 6203.42.2050, 6203.42.2090, 6203.42.2505, 6203.42.2510, 6203.42.2525, 6203.42.2550, 6203.42.2590, 6203.42.4003, 6203.42.4005, 6203.42.4006, 6203.42.4010, 6203.42.4011, 6203.42.4015, 6203.42.4016, 6203.42.4021, 6203.42.4025, 6203.42.4026, 6203.42.4031, 6203.42.4035, 6203.42.4036, 6203.42.4041, 6203.42.4045, 6203.42.4046, 6203.42.4050, 6203.42.4051, 6203.42.4056, 6203.42.4060, 6203.42.4061, 6203.42.4503, 6203.42.4506, 6203.42.4511, 6203.42.4514, 6203.42.4516, 6203.42.4518, 6203.42.4521, 6203.42.4526, 6203.42.4531, 6203.42.4536, 6203.42.4541, 6203.42.4546, 6203.42.4551, 6203.42.4556, 6203.42.4561, 6203.49.0920, 6203.49.3020, 6203.49.8020, 6203.49.9020, 6204.12.0010, 6204.12.0020, 6204.12.0030, 6204.12.0040, 6204.19.3010, 6204.19.3020, 6204.19.3030, 6204.19.3040, 6204.19.8010, 6204.19.8020, 6204.19.8030, 6204.19.8040, 6204.22.1000, 6204.22.3010, 6204.22.3030, 6204.22.3040, 6204.22.3050, 6204.22.3060, 6204.22.3065, 6204.22.3070, 6204.29.4010, 6204.29.4022, 6204.29.4034, 6204.29.4046, 6204.29.4058, 6204.29.4070, 6204.29.4082, 6204.32.1000, 6204.32.2010, 6204.32.2020, 6204.32.2030, 6204.32.2040, 6204.39.4010, 6204.39.8010, 6204.42.1000, 6204.42.2000, 6204.42.3010, 6204.42.3020, 6204.42.3030, 6204.42.3040, 6204.42.3050, 6204.42.3060, 6204.49.0010, 6204.49.5010, 6204.52.1000, 6204.52.2010, 6204.52.2020, 6204.52.2030, 6204.52.2040, 6204.52.2070, 6204.52.2080, 6204.59.4010, 6204.62.0505, 6204.62.0510, 6204.62.0525,

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Source: HTS statistical reporting numbers of chapters 61 and 62 included in U.S. Textile and Apparel Correlation category 31, cotton apparel products. OTEXA, email messages to USITC staff, May 6, 2024, and June 5, 2024.

Table F.3 Manmade fiber apparel by HTS statistical reporting numbers

HTS = Harmonized Tariff Schedule

HTS statistical reporting numbers of manmade fiber apparel

6101.30.1000, 6101.30.2010, 6101.30.2020, 6101.90.0030, 6101.90.9030, 6102.30.0500, 6102.30.2010, 6102.30.2020, 6102.90.0015, 6102.90.9015, 6103.10.3000, 6103.10.5000, 6103.10.9050, 6103.12.2000, 6103.19.1500, 6103.19.4050, 6103.19.9050, 6103.23.0036, 6103.23.0037, 6103.23.0040, 6103.23.0045, 6103.23.0055, 6103.23.0070, 6103.23.0075, 6103.23.0080, 6103.29.1020, 6103.29.1030, 6103.29.1040, 6103.29.1050, 6103.29.1060, 6103.33.2000, 6103.39.1000, 6103.39.2030, 6103.39.8030, 6103.43.1520, 6103.43.1540, 6103.43.1550, 6103.43.1570, 6103.43.2015, 6103.43.2020, 6103.43.2025, 6103.49.1020, 6103.49.1060, 6103.49.2000, 6103.49.3014, 6103.49.3038, 6103.49.8014, 6103.49.8038, 6104.13.2000, 6104.19.1500, 6104.19.2060, 6104.19.8060, 6104.23.0026, 6104.23.0030, 6104.23.0032, 6104.23.0034, 6104.23.0036, 6104.23.0040, 6104.23.0042, 6104.29.1010, 6104.29.1020, 6104.29.1030, 6104.29.1040, 6104.29.1050, 6104.29.1060, 6104.29.1070, 6104.29.2038, 6104.29.2050, 6104.29.2055, 6104.29.2069, 6104.33.2000, 6104.39.1000, 6104.39.2030, 6104.43.2010, 6104.43.2020, 6104.44.2010, 6104.44.2020, 6104.49.0030, 6104.49.9030, 6104.53.2010, 6104.53.2020, 6104.59.1010, 6104.59.1020, 6104.59.1030, 6104.59.1060, 6104.59.2030, 6104.59.8030, 6104.63.1010, 6104.63.1020, 6104.63.1030, 6104.63.2006, 6104.63.2010, 6104.63.2011, 6104.63.2025, 6104.63.2026, 6104.63.2028, 6104.63.2030, 6104.63.2060, 6104.69.1000, 6104.69.2010, 6104.69.2020, 6104.69.2030, 6104.69.2060, 6104.69.3014, 6104.69.3026, 6104.69.8014, 6104.69.8026, 6105.20.2010, 6105.20.2030, 6105.90.3030, 6105.90.8030, 6106.20.2010, 6106.20.2030, 6106.90.2030, 6106.90.2530, 6106.90.3030, 6107.12.0010, 6107.12.0020, 6107.22.0010, 6107.22.0015, 6107.22.0025, 6107.92.0010, 6107.92.0020, 6107.92.0030, 6107.92.0040, 6107.92.0090, 6107.99.1030, 6107.99.1040, 6107.99.1090, 6108.11.0010, 6108.11.0020, 6108.22.0020, 6108.22.0030, 6108.22.9020, 6108.22.9030, 6108.32.0010, 6108.32.0015, 6108.32.0025, 6108.92.0005, 6108.92.0010, 6108.92.0015, 6108.92.0020, 6108.92.0025, 6108.92.0030, 6108.92.0040, 6109.90.1003, 6109.90.1005, 6109.90.1007, 6109.90.1009, 6109.90.1010, 6109.90.1013, 6109.90.1015, 6109.90.1020, 6109.90.1025, 6109.90.1040, 6109.90.1045, 6109.90.1047, 6109.90.1049, 6109.90.1050, 6109.90.1060, 6109.90.1065, 6109.90.1070, 6109.90.1075, 6109.90.1080, 6109.90.1090, 6110.30.1010, 6110.30.1020, 6110.30.1030, 6110.30.1040, 6110.30.1050, 6110.30.1060, 6110.30.2010, 6110.30.2020, 6110.30.2030, 6110.30.2040, 6110.30.2050, 6110.30.2051, 6110.30.2053, 6110.30.2060, 6110.30.2061, 6110.30.2063, 6110.30.3010, 6110.30.3015, 6110.30.3020, 6110.30.3025, 6110.30.3030, 6110.30.3035, 6110.30.3040, 6110.30.3041, 6110.30.3044, 6110.30.3045, 6110.30.3050, 6110.30.3051, 6110.30.3053, 6110.30.3055, 6110.30.3057, 6110.30.3059, 6110.90.0014, 6110.90.0030, 6110.90.0052, 6110.90.0054, 6110.90.0076, 6110.90.0078, 6110.90.9014, 6110.90.9030, 6110.90.9052, 6110.90.9054, 6110.90.9076, 6110.90.9078, 6110.90.9079, 6110.90.9080, 6110.90.9081, 6110.90.9082, 6112.12.0010, 6112.12.0020, 6112.12.0030, 6112.12.0040, 6112.12.0050, 6112.12.0060, 6112.19.1010, 6112.19.1020, 6112.19.1030, 6112.19.1040, 6112.19.1050, 6112.19.1060, 6112.20.1010, 6112.20.1020, 6112.20.1030, 6112.20.1040, 6112.20.1050, 6112.20.1060, 6112.20.1070, 6112.20.1080, 6112.20.1090, 6112.31.0010, 6112.31.0020, 6112.41.0010, 6112.41.0020, 6112.41.0030, 6112.41.0040, 6113.00.0025, 6113.00.0030, 6113.00.0044, 6113.00.0045, 6113.00.0050, 6113.00.0052, 6113.00.0065, 6113.00.0070, 6113.00.0084, 6113.00.0085, 6113.00.0086, 6113.00.0090, 6113.00.9025, 6113.00.9030, 6113.00.9044, 6113.00.9052, 6113.00.9065, 6113.00.9070, 6113.00.9084, 6113.00.9086, 6114.30.1010, 6114.30.1020, 6114.30.2010, 6114.30.2020, 6114.30.2060, 6114.30.3010, 6114.30.3014, 6114.30.3040, 6114.30.3044, 6114.30.3050, 6114.30.3054, 6114.30.3060, 6114.30.3070, 6114.90.0055, 6114.90.9055, 6115.10.1000, 6115.10.4000, 6115.10.5500, 6115.11.0010, 6115.11.0020, 6115.12.0000, 6115.12.2000, 6115.20.0010, 6115.20.9010, 6115.21.0010, 6115.21.0020, 6115.22.0000, 6115.30.9010, 6115.93.1000, 6115.93.1020, 6115.93.2000, 6115.93.2020, 6115.93.6020, 6115.93.9020, 6115.96.6020, 6115.96.9020, 6115.99.1400, 6115.99.1420, 6115.99.1800, 6115.99.1820, 6115.99.1920, 6116.10.1530, 6116.10.1730, 6116.10.1830, 6116.10.2530, 6116.10.3520, 6116.10.4520, 6116.10.4525, 6116.10.4575, 6116.10.4820, 6116.10.5520, 6116.10.6025, 6116.10.7020, 6116.10.7520, 6116.10.9025, 6116.93.2010, 6116.93.2011, 6116.93.2020, 6116.93.2021, 6116.93.8800, 6116.93.9010, 6116.93.9020, 6116.93.9400, 6116.99.4800, 6116.99.5020, 6116.99.5040, 6116.99.5400, 6116.99.6020, 6116.99.6021, 6116.99.6040, 6116.99.6041, 6116.99.8030, 6116.99.9030, 6116.99.9530, 6117.10.2000, 6117.10.2030, 6117.20.0030, 6117.20.9030, 6117.80.0030, 6117.80.0035, 6117.80.8730, 6117.80.9040, 6117.80.9540,

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6117.90.0014, 6117.90.0026, 6117.90.0036, 6117.90.0046, 6117.90.0056, 6117.90.9010, 6117.90.9030, 6117.90.9050, 6117.90.9070, 6117.90.9090, 6201.13.1000, 6201.13.4015, 6201.13.4020, 6201.13.4030, 6201.13.4040, 6201.19.0030, 6201.19.9030, 6201.40.1000, 6201.40.2015, 6201.40.2020, 6201.40.2030, 6201.40.2040, 6201.40.2500, 6201.40.3510, 6201.40.3520, 6201.40.4500, 6201.40.5011, 6201.40.5021, 6201.40.5500, 6201.40.6010, 6201.40.6020, 6201.40.7000, 6201.40.7511, 6201.40.7521, 6201.90.2930, 6201.90.4930, 6201.90.6930, 6201.93.1000, 6201.93.1500, 6201.93.1810, 6201.93.1820, 6201.93.2010, 6201.93.2020, 6201.93.3000, 6201.93.3510, 6201.93.3511, 6201.93.3520, 6201.93.3521, 6201.93.4700, 6201.93.4911, 6201.93.4921, 6201.93.5000, 6201.93.5210, 6201.93.5220, 6201.93.6000, 6201.93.6511, 6201.93.6521, 6201.99.0030, 6201.99.0031, 6201.99.1530, 6201.99.8030, 6201.99.9030, 6202.13.1000, 6202.13.4005, 6202.13.4010, 6202.13.4020, 6202.13.4030, 6202.19.0030, 6202.19.9030, 6202.40.1000, 6202.40.2005, 6202.40.2010, 6202.40.2020, 6202.40.2030, 6202.40.2500, 6202.40.3510, 6202.40.3520, 6202.40.4500, 6202.40.5011, 6202.40.5021, 6202.40.5500, 6202.40.6010, 6202.40.6020, 6202.40.7000, 6202.40.7511, 6202.40.7521, 6202.90.2930, 6202.90.4931, 6202.90.6931, 6202.93.0100, 6202.93.0310, 6202.93.0320, 6202.93.0700, 6202.93.0911, 6202.93.0921, 6202.93.1000, 6202.93.1500, 6202.93.2010, 6202.93.2020, 6202.93.2510, 6202.93.2520, 6202.93.4500, 6202.93.4800, 6202.93.5010, 6202.93.5011, 6202.93.5020, 6202.93.5021, 6202.93.5511, 6202.93.5521, 6202.99.0030, 6202.99.0031, 6202.99.1531, 6202.99.8031, 6202.99.9031, 6203.12.2010, 6203.12.2020, 6203.19.3000, 6203.19.4050, 6203.19.9050, 6203.23.0050, 6203.23.0055, 6203.23.0060, 6203.23.0070, 6203.23.0080, 6203.23.0090, 6203.29.2010, 6203.29.2020, 6203.29.2030, 6203.29.2035, 6203.29.2050, 6203.29.2060, 6203.33.2010, 6203.33.2020, 6203.39.2010, 6203.39.2020, 6203.39.4030, 6203.39.9030, 6203.43.0300, 6203.43.0505, 6203.43.0510, 6203.43.0590, 6203.43.1110, 6203.43.1190, 6203.43.1310, 6203.43.1320, 6203.43.1330, 6203.43.1340, 6203.43.1500, 6203.43.2005, 6203.43.2010, 6203.43.2090, 6203.43.2500, 6203.43.3500, 6203.43.3510, 6203.43.3590, 6203.43.4010, 6203.43.4020, 6203.43.4030, 6203.43.4040, 6203.43.5500, 6203.43.6005, 6203.43.6010, 6203.43.6090, 6203.43.6500, 6203.43.7510, 6203.43.7590, 6203.43.9009, 6203.43.9010, 6203.43.9011, 6203.43.9020, 6203.43.9030, 6203.43.9040, 6203.49.0105, 6203.49.0110, 6203.49.0190, 6203.49.0515, 6203.49.0530, 6203.49.0545, 6203.49.0560, 6203.49.0930, 6203.49.1005, 6203.49.1010, 6203.49.1090, 6203.49.1500, 6203.49.2010, 6203.49.2015, 6203.49.2030, 6203.49.2040, 6203.49.2045, 6203.49.2060, 6203.49.2505, 6203.49.2510, 6203.49.2590, 6203.49.3030, 6203.49.3500, 6203.49.5015, 6203.49.5030, 6203.49.5045, 6203.49.5060, 6203.49.8030, 6203.49.9030, 6204.13.2010, 6204.13.2020, 6204.19.2000, 6204.19.3060, 6204.19.8060, 6204.23.0030, 6204.23.0035, 6204.23.0040, 6204.23.0045, 6204.23.0050, 6204.23.0055, 6204.23.0060, 6204.29.2010, 6204.29.2015, 6204.29.2020, 6204.29.2025, 6204.29.2030, 6204.29.2040, 6204.29.2050, 6204.29.4014, 6204.29.4026, 6204.29.4038, 6204.29.4050, 6204.29.4062, 6204.29.4074, 6204.29.4086, 6204.33.1000, 6204.33.2000, 6204.33.5010, 6204.33.5020, 6204.39.3010, 6204.39.3020, 6204.39.4030, 6204.39.8030, 6204.43.1000, 6204.43.2000, 6204.43.4010, 6204.43.4020, 6204.43.4030, 6204.43.4040, 6204.44.2000, 6204.44.4010, 6204.44.4020, 6204.49.0030, 6204.49.5030, 6204.53.1000, 6204.53.3010, 6204.53.3020, 6204.59.1000, 6204.59.3010, 6204.59.3020, 6204.59.4030, 6204.63.0200, 6204.63.0305, 6204.63.0310, 6204.63.0910, 6204.63.0990, 6204.63.1110, 6204.63.1130, 6204.63.1132, 6204.63.1140, 6204.63.1200, 6204.63.1505, 6204.63.1510, 6204.63.2000, 6204.63.3000, 6204.63.3010, 6204.63.3090, 6204.63.3510, 6204.63.3530, 6204.63.3532, 6204.63.3540, 6204.63.5500, 6204.63.6005, 6204.63.6010, 6204.63.7510, 6204.63.7590, 6204.63.9009, 6204.63.9010, 6204.63.9011, 6204.63.9030, 6204.63.9032, 6204.63.9040, 6204.69.0105, 6204.69.0110, 6204.69.0310, 6204.69.0330, 6204.69.0340, 6204.69.0360, 6204.69.0530, 6204.69.0630, 6204.69.1005, 6204.69.1010, 6204.69.1505, 6204.69.1510, 6204.69.2510, 6204.69.2530, 6204.69.2540, 6204.69.2560, 6204.69.2810, 6204.69.2830, 6204.69.2840, 6204.69.2860, 6204.69.3030, 6204.69.6030, 6204.69.6530, 6204.69.8030, 6204.69.9030, 6205.30.1000, 6205.30.2010, 6205.30.2020, 6205.30.2030, 6205.30.2040, 6205.30.2050, 6205.30.2060, 6205.30.2070, 6205.30.2071, 6205.30.2073, 6205.30.2080, 6205.90.2030, 6205.90.3030, 6205.90.4030, 6206.10.0030, 6206.40.1000, 6206.40.2000, 6206.40.3010, 6206.40.3025, 6206.40.3030, 6206.40.3033, 6206.40.3035, 6206.40.3050, 6206.90.0030, 6207.19.0010, 6207.19.9010, 6207.22.0000, 6207.92.2020, 6207.92.4000, 6207.92.4010, 6207.92.4020, 6207.99.7520, 6207.99.8510, 6207.99.8520, 6208.11.0000, 6208.22.0000, 6208.92.0010, 6208.92.0020, 6208.92.0030, 6208.92.0040, 6210.10.4015, 6210.10.4020, 6210.10.4025, 6210.10.4040, 6210.10.9010, 6210.10.9040, 6210.20.1020, 6210.20.5000,

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6210.20.5010, 6210.20.5020, 6210.20.5029, 6210.30.1020, 6210.30.5000, 6210.30.5010, 6210.30.5020, 6210.30.5029, 6210.40.1020, 6210.40.1030, 6210.40.1035, 6210.40.1040, 6210.40.1050, 6210.40.1055, 6210.40.2520, 6210.40.2531, 6210.40.2539, 6210.40.2540, 6210.40.2550, 6210.40.5020, 6210.40.5030, 6210.40.5031, 6210.40.5039, 6210.40.5040, 6210.40.5050, 6210.40.5520, 6210.40.5531, 6210.40.5539, 6210.40.5540, 6210.40.5550, 6210.50.0520, 6210.50.0531, 6210.50.0539, 6210.50.0540, 6210.50.0555, 6210.50.1020, 6210.50.1030, 6210.50.1035, 6210.50.1040, 6210.50.1050, 6210.50.1055, 6210.50.5020, 6210.50.5031, 6210.50.5035, 6210.50.5039, 6210.50.5040, 6210.50.5055, 6210.50.5520, 6210.50.5531, 6210.50.5539, 6210.50.5540, 6210.50.5555, 6211.11.1010, 6211.11.1020, 6211.12.1010, 6211.12.1020, 6211.20.0420, 6211.20.0440, 6211.20.1020, 6211.20.1040, 6211.20.1515, 6211.20.1525, 6211.20.1535, 6211.20.1545, 6211.20.1555, 6211.20.1565, 6211.20.2030, 6211.20.2820, 6211.20.3030, 6211.20.3820, 6211.20.4035, 6211.20.4835, 6211.20.5030, 6211.20.5820, 6211.20.6030, 6211.20.6820, 6211.20.7035, 6211.20.7820, 6211.33.0005, 6211.33.0007, 6211.33.0010, 6211.33.0017, 6211.33.0030, 6211.33.0035, 6211.33.0040, 6211.33.0050, 6211.33.0054, 6211.33.0058, 6211.33.0060, 6211.33.0061, 6211.33.5007, 6211.33.5010, 6211.33.5017, 6211.33.5030, 6211.33.5035, 6211.33.5040, 6211.33.5054, 6211.33.5058, 6211.33.5061, 6211.33.9007, 6211.33.9010, 6211.33.9017, 6211.33.9030, 6211.33.9035, 6211.33.9040, 6211.33.9042, 6211.33.9044, 6211.33.9054, 6211.33.9058, 6211.33.9061, 6211.43.0005, 6211.43.0007, 6211.43.0010, 6211.43.0040, 6211.43.0050, 6211.43.0060, 6211.43.0066, 6211.43.0070, 6211.43.0076, 6211.43.0078, 6211.43.0080, 6211.43.0090, 6211.43.0091, 6211.43.0507, 6211.43.0510, 6211.43.0540, 6211.43.0550, 6211.43.0560, 6211.43.0566, 6211.43.0576, 6211.43.0578, 6211.43.0591, 6211.43.1007, 6211.43.1010, 6211.43.1040, 6211.43.1050, 6211.43.1059, 6211.43.1060, 6211.43.1062, 6211.43.1066, 6211.43.1076, 6211.43.1078, 6211.43.1082, 6211.43.1088, 6211.43.1091, 6211.43.1092, 6212.10.1020, 6212.10.2020, 6212.10.5020, 6212.10.9020, 6212.20.0020, 6212.30.0020, 6212.90.0030, 6213.90.1000, 6214.30.0000, 6214.40.0000, 6215.10.0025, 6215.20.0000, 6216.00.1230, 6216.00.1530, 6216.00.1730, 6216.00.1830, 6216.00.2030, 6216.00.2120, 6216.00.2425, 6216.00.2520, 6216.00.2525, 6216.00.2725, 6216.00.2825, 6216.00.2925, 6216.00.3020, 6216.00.3025, 6216.00.3125, 6216.00.3225, 6216.00.4830, 6216.00.4835, 6216.00.4840, 6216.00.4845, 6216.00.4935, 6216.00.4945, 6216.00.5235, 6216.00.5245, 6216.00.5420, 6216.00.5820, 6217.10.0030, 6217.10.9030, 6217.10.9530, 6217.90.0010, 6217.90.0035, 6217.90.0060, 6217.90.0085, 6217.90.9010, 6217.90.9035, 6217.90.9060, 6217.90.9085

Source: HTS statistical reporting numbers of chapters 61 and 62 included in U.S. Textile and Apparel Correlation category 61, manmade fiber apparel products. OTEXA, email messages to USITC staff, May 6, 2024, and June 5, 2024.

Table F.4 Recreational performance outerwear by HTS subheading

HTS = Harmonized Tariff Schedule

HTS subheadings of recreational performance outerwear

6201.20.19, 6201.20.29, 6201.30.30, 6201.30.40, 6201.30.50, 6201.40.25, 6201.40.35, 6201.40.40, 6201.40.45, 6201.40.50, 6201.90.39, 6201.90.49, 6201.91.03, 6201.91.05, 6201.92.05, 6201.92.17, 6201.92.19, 6201.93.15, 6201.93.18, 6201.93.45, 6201.93.47, 6201.93.49, 6201.99.05, 6201.99.15, 6202.20.19, 6202.20.29, 6202.30.30, 6202.30.40, 6202.30.50, 6202.40.25, 6202.40.35, 6202.40.40, 6202.40.45, 6202.40.50, 6202.90.39, 6202.90.49, 6202.91.03, 6202.91.15, 6202.92.03, 6202.92.05, 6202.92.12, 6202.93.03, 6202.93.05, 6202.93.07, 6202.93.09, 6202.99.03, 6202.99.15, 6203.41.01, 6203.41.03, 6203.41.06, 6203.41.08, 6203.42.03, 6203.42.05, 6203.42.07, 6203.43.01, 6203.43.03, 6203.43.05, 6203.43.09, 6203.43.11, 6203.43.13, 6203.49.01, 6203.49.05, 6203.49.07, 6203.49.09, 6204.61.05, 6204.61.15, 6204.62.03, 6204.62.05, 6204.62.15, 6204.63.01, 6204.63.02, 6204.63.03, 6204.63.08, 6204.63.09, 6204.63.11, 6204.69.01, 6204.69.02, 6204.69.03, 6204.69.04, 6204.69.05, 6204.69.06, 6210.40.15, 6210.40.25, 6210.40.28, 6210.40.29, 6210.50.03, 6210.50.05, 6210.50.12, 6210.50.22, 6211.32.50, 6211.33.50, 6211.39.03, 6211.39.07, 6211.39.15, 6211.42.05, 6211.43.05, 6211.49.03, 6211.49.15, 6211.49.25

Source: Compiled by USITC staff. See chapter 62, Additional U.S. Note 3(a) and 3(b) for more information. USITC, *HTS 2024 Revision 2*, May 31, 2024; USITC, *HTS 2021 Revision 12*, December 2021.