The effect of the international financial and economic crisis on the garments sector in developing countries

SUMMARY

The Impact of the Crisis on the Garments Sector in Developing countries

Total European garment imports from developing countries (DCs) dropped both in volume and in value in the third quarter of 2008. Since November 2008, European garment imports as a whole have decreased by an average 4.5%. The British market showed the steepest decline (9.5%), followed by Italy (3.2%), Spain (2.8%) and France (1.5%). Experts expect imports to show further decline in the first six months of 2009.

European retailers have reported margin losses as high as 30%. Some are considering closing outlets and shelving expansion plans. By adapting their purchasing habits – postponing purchases, buying smaller volumes and driving harder bargains – they have raised the pressure on suppliers from DCs. The garments market, in fact, has become a 'buyers' market'. With capacity in DCs twice as high as demand, a veritable battle for orders has begun.

Dramatic consequences

Existing negative market developments have been accelerated by the crisis. Employment in Macedonia's garment sector dropped by one third in just 3 months. Exporters from Bangladesh saw their exports decline by 17% in terms of volume and 23% in value. With an average export profit margin of 20%, these factories are tottering on 'break-even or less'. Numerous factories in Peru and Colombia have come to a complete standstill and are using leftover materials to produce stock for local markets. Egyptian RMG (ready-made garments) exports dropped by 25% in the last 5 months. The Moroccan garment industry is shrinking at a rate of over 12% a year.

From our online questionnaire it appears that 84% of the 43 garment exporters from DCs expect a decline in exports this year. Over a quarter of these believe the drop will be over 25% as compared to 2008. Similar negative developments are anticipated for their export margins. Almost 60% of the respondents expect to have to cut jobs this year, with 16% expecting a decline in employment of over 25%. These prognoses are confirmed by the sixteen BSOs in DCs approached for this survey.

Access to Credit in DCs

The crisis has completely cut off DC exporters from access to credit, whether for working capital or investment capital. Export financing activities have also been paralysed. Indeed, two thirds of the exporters who responded to the online questionnaire say the crisis has had a (very) negative impact on their access to export credit. The BSOs are even more pessimistic.

Due to protectionism on the part of both local and international banks, back-to-back letters of credit (LCs) are being withheld. As a result, RMG producers are unable to pay their suppliers of materials and accessories. This means they can no longer export and their liquidity is seriously threatened. Interest on loans averages 14 to 18% and contracts usually last for 5 years.

Opportunities

Exporters: open competition

The exporters in DCs do see some opportunities arising from the current ´shakeout´. The playing field has changed, unleashing a battle for the favour of EU buyers. The crisis has

brought down raw material prices – cotton and polyester, among others – which offers some compensation for loss of margin. With their factories largely empty, DC manufacturers have the flexibility to accept smaller orders and to reach out to new client groups and market segments.

Needs

As the garment sector in many DCs provides 33% to 45% of the workforce with an income, the core needs are financial stability and the eradication of unfair competition.

In many manufacturing countries the current situation is grim. These are the main needs:

- Liquidity
- Employment stabilisation
- Access to credit, especially flexible, short-term credit (3 to 6 months). Entrepreneurs are often forced to borrow larger sums of money than they need on the basis of so-called 'killer contracts' lasting for 5 years with interest rates varying per country from 10 to 18%
- Micro credit
- Interest rate cuts on credit
- Reduced export duties
- New export destinations, new markets, new buyers: EU market intelligence
- Removal of trade barriers (e.g. EUR1 certification for Macedonia, removal of 10% import levy for Egyptian cotton)
- Revision of GSP+ (General System of Preferences) by the WTO
- Reduction of production costs, as garment production is both capital and labour intensive

Assistance

The need for assistance is immense in all DCs. The crisis has forced several DCs to start a feverish search for new export destinations. Support offered by the Dutch government – the Ministry of Development Cooperation – and the CBI must focus on the areas mentioned below.

- Facilitating access to credit
- Taking down trade barriers and dealing with unfair competition
- Offering sector-specific training programmes on crisis survival:
  - assistance in product development, cutting back production costs, market information on new export destinations within the EU, focussed and country-specific remedy scenarios
  - EU fashion cycles
  - 'Facing competition'
- Involving branch organisations and ministries, task forces and knowledge centres
- Matchmaking activities: B2B activities; mini-fairs (such as www.cbi.eu/showroom)

A major need expressed by BSOs is to gain insight – by means of market information products – into opportunities and threats on EU markets. They also emphasise the immense value of additional matchmaking activities and CBI support.

INTRODUCTION

This report offers an overview of the impact the financial crisis is having on garment exporters in developing countries (DCs) and the consequences for European imports from these countries. Critical problem areas will be pinpointed, and an account will be given of the consequences that can be expected in terms of export promotion and access to credit for exporters from the target countries. The priority countries for the garments sector selected for this survey are: Bangladesh, Egypt, Pakistan, Vietnam, Macedonia, Colombia en Indonesia.

Approach

Primary Research

1. Online questionnaires
The following parties were asked to fill out sector-specific online questionnaires:

- BSOs (Business Support Organisations): Chambers of Commerce, export promotion agencies, trade development organisations and sector associations;
- Exporters in developing countries;
- European buyers importing from these countries;
- European associations.

This online questionnaire was held between February 23 and March 2, 2009, and yielded the following response:

Table I Response to online questionnaire, garments sector

	Garments
Exporters	34
*From partner countries **	26 (4)
From other CBI client countries	8
BSOs	33
*From partner countries **	15 (9)
From other CBI client countries	18
EU importers and associations	13
Total	**80**

* the number in brackets refers to the number of partner countries represented

2. Interviews
Selected representatives of these groups were approached for in-depth interviews. In the interviews, these players were questioned with regard to the impact of the crisis, specific institutional and private needs, opportunities, and the different levels at which they seek assistance in promoting exports. A total of 40 interviews were conducted: 12 with exporters, 23 with BSOs and 5 with importers.

Secondary Research

Background information was drawn from export statistics issued by Eurostat and Emerging Textiles, export reports compiled by BSOs and Trade Development Ministries and publications in trade journals, such as Textile Outlook and Textile Intelligence.

1 CONSEQUENCES FOR EXPORT COMPANIES

1.1 Background

Total European garment imports from DCs dropped both in volume and in value in the third quarter of 2008. This trend will intensify in the first six months of 2009. Although the impact of the global financial crisis in garment export statistics is not yet fully visible (due to pre-order trajectories averaging 3 months), towards the end of 2006 there were already signs of a negative trend in European retail margins, smaller order volumes due to a saturated consumer market and heightened cross-border competition. When in January 2008 the last remaining quota and safeguards against Chinese imports were removed, a veritable purchasing battle was unleashed in Asia with 'race-to-the-bottom' prices that soon became notorious. The playing field for the various DCs in the region was permanently changed.
An average of 52% of total EU garment imports is supplied by DCs. In 2004, 13% of those imports came from China; today the Chinese share is 28%. Import prices have dropped by an average 26% in 3 years due to intense price competition between sellers and buying markets. The role of China as leading supplier will not be dealt with in this report, but is worth bearing in mind.

The current crisis has had a polarising effect on the garments market. Since November 2008 European garment imports have dropped by an average of 4.5%. The British market dropped furthest (9.5%), partially due to the weak pound sterling, followed by Italy (3.2%), Spain (2.8%) and France (1.5%). Experts expect a further significant decline in imports in the months ahead.

1.2 Supply

Trade and Import Conditions

The situation faced by supplier countries varies from one country to the next. Exporters in DCs that are a member of the WTO (World Trade Organisation) and covered by the GSP Plus scheme (General System of Preferences) are free of import duties in the EU (a 12% price difference). This list includes Vietnam, Bangladesh and Sri Lanka. These countries offer EU buyers the advantages of attractive pricing. Pakistan, one of the largest suppliers to the EU of woven goods and denims, was dropped from the GSP scheme in January 2007. Partly because of national instability, Pakistan's exports went down by 31% over the last year. Many factories have been closed as a result.

The EUR1 scheme allows North African countries, including Egypt, to supply European markets without paying import duties. These countries also enjoy a geographic advantage, although wages here are relatively high. They have traditionally supplied 'value-added' – that is mainly branded – products, as opposed to the mainstream garment production from Asia. However, Tunisia, Egypt and Morocco have forfeited their competitive advantage on European markets over the last 3 years by shifting their attention to the US market for bulk products under the free trade agreement (FTA).

In Eastern Europe, including the Balkan region, garment production has shifted dramatically over the last 4 years. After Poland and Slovenia joined the EU in 2004, production rapidly moved from there to lower-wage countries like Albania, Serbia and Macedonia. Despite its geographic advantage, the Macedonian garment industry has seen employment plummet by one third in the last 3 months due to a weakened European retail market and the delay of EUR1 certification, which means Macedonian exports remain subject to a 12% levy.

The decision to issue Macedonia with EUR1 certification has been ratified by the European Parliament and the parties involved have been waiting for 5 months now for a 'Council Signature' – a simple formality with which the problem could be solved in a handshake if it were only placed on the agenda. Once Macedonia has formal EUR1 certification, its garment industry should be able to recover within 4 to 6 months.

Competition

Exporters heavily dependent on the US – notably North African and Latin American businesses – and UK markets have been hit hardest by the crisis so far, partly because the crisis broke out first in the US.

North Africa

Tunisia, Egypt and Morocco, through the FTA, have shifted their export focus to the US in the last 3 years. Whereas previously they tended to manufacture high-quality branded garments for the European market, more recently they have focused on large volume orders for the American market. American consumers traditionally pay an average 10 to 14% more for a comparable product than Europeans. The difference goes back to Europe's rich history of garment production and the relatively keen price awareness among Europeans. The European market takes smaller order volumes, has more fashion seasons in a year and therefore is a more demanding market for suppliers. Although the European market has 456 million consumers, making it a larger market than the US, it is fragmented, covering a wide range of countries, each with its own unique identity and product requirements.

According to an IMC report, Egyptian RMG (ready-made garments) exports dropped by 25% between September 2008 and February 2009. Over 60% of Egypt's garment exports are destined for the US. Morocco's garment industry has shrunk by 12% over the last few years, with numerous factories closing down. The expected mass postponement or cancellation of European orders is likely to have a major impact on the North African industry.

Latin America

Among the Latin American countries, Peru and Colombia traditionally depend on the US for 80% of their garment exports. The industries in these two countries also have a strong position on their domestic markets. But both countries in recent weeks have been confronted with empty order portfolios. As for creating and accessing new export destinations, like Europe, they are only in the very earliest stages. Besides that, they are unaccustomed to Europe's sharp pricing and high service level requirements. The damage in this region is considerable.

Bangladesh

Bangladesh traditionally is an important supplier of the UK. Six of the factory owners who responded to this survey said their exports have decreased by 17% in volume and 23% in value. With an average export profit margin of 20%, these factories are struggling to maintain 'break-even or less'. To make matters worse, Bangladesh traditionally banks on long-term orders. Many buyers book production capacity 4 to 5 months in advance, which means exporters usually refuse to take orders in excess of maximum capacity. Now, European buyers who have placed orders until June 2009 are saying they will not order beyond March. Empty order portfolios are the result. The exporters report that the decline in order volumes has been limited so far, but that the price pressure is becoming unbearable.

Vietnam

The Vietnamese garment industry is doing amazingly well and has remained more or less unshaken so far. Vietnam is the second biggest supplier of US markets, following China. Although average export prices have dropped by as much as 23% in the last 4 years due to heightened competition from China, the sector remains in fairly good shape. One of the reasons for this is the active involvement of the Vietnamese government in the garment industry (export incentives and business support) and its investments in accessing new export destinations, notably the EU.

Indonesia

Of all the Asian garment producing countries, Indonesia has achieved the highest level of vertical integration, from thread to garment. Indonesia's knitwear industry ranks 4th in the world in terms of production capacity. The industry has succeeded in working its way up to Europe's upper middle segment, gaining a reputation as a 'value-added supplier' not only because of its integrated business processes, but also because of progress made in the design area. The integration of designers in the product development process has made Indonesia a popular supplier. With the disappearance in 2008 of import safeguards against Chinese products, however, Indonesia faces stiff competition from China.

Government Measures

On an institutional level, the financial crisis is likely to lead to a variety of measures.

China, for instance, promised its garment exports an export rate reduction of 1 to 2% in March 2009.

Bangladesh has announced a knitwear incentive for producers of knitted garments. This sector is lagging behind in terms of automation, while its reverse integration is responsible for many jobs. The announcement has angered woven garment manufacturers, whose garments are produced on automated weaving looms. The woven garment segment was one of Bangladesh' unique selling points in the region and the new, exclusive focus on knitwear will not boost export volumes.

Banks in various countries, meanwhile, have issued protectionist measures. Countries with an active banking system in which EU buyers can open an LC (letter of credit, i.e. a financial pledge given by the bank covering the value of an order) play an important role in export growth. These LCs are used by local manufacturers for so-called 'back-to-back LC' constructions, whereby a manufacturer can use the LC granted his EU customer to purchase raw materials or whatever else is needed for producing the order. Increasingly, banks are now refusing to make the LC money available, effectively paralysing production.

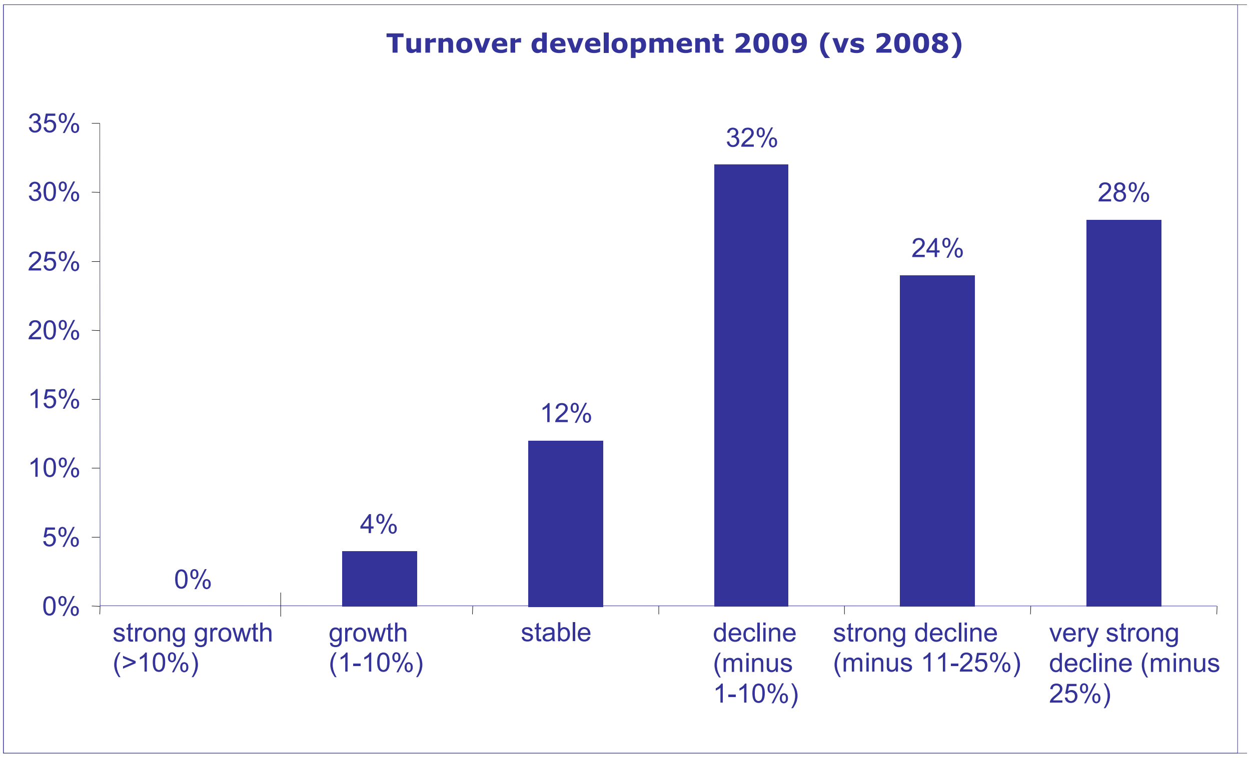
Online Questionnaire

To supplement the above, the main points emerging from the online questionnaire will be discussed below. The input resulting from the questionnaire largely confirms the situation as described above, while providing more details.

Expectations for 2009

Figure 1.1 shows that 84% of the garment exporters in DCs expect exports to decline this year. Over a quarter of them anticipate a decline of more than 25% as compared to 2008 (figure 1.1). The exporters are equally negative about the development of their export margins. Almost 60% believe they will have to cut jobs this year, with 16% expecting job losses beyond 25%. The BSOs in DCs confirm these forecasts.

Figure 1.1 Garment export development from developing countries (n=25 exporters from developing countries)



Source: online questionnaire (February '09)

Half of the EU parties who have experience in trading with DCs confirm that the crisis has had a severe negative impact on business.

Impact

The majority of the BSOs approached for this survey (65%) believe a maximum of 10% of exporters in this sector will go bankrupt this year. Some 14% of them place the maximum at 40%. The most pressing problems the sector faces, according to the respondents, are:

- Declining demand from key export markets (10x)
- Unemployment (4x)
- Reluctance among banks to put up credit (2x)
- Lower export margins due to increased competition and labour costs (2x)
- Delayed payments by customers
- Difficulty in financing raw materials
- Inability to meet quality requirements
- Decreased purchasing power among consumers
- Lower wages for personnel
- Rising costs of Letters of Credit
- Price pressure

Corporate Social Responsibility

60% of the BSOs approached for this survey expect the crisis to have a (very) negative influence on CSR policies in the garment sector. With regard to sustainable garment production, the percentage is 75%.

1.3 The European Retail Market

The European retail market is under pressure. Stock turns are low or nonexistent, with products going on sale almost as soon as they're purchased. This especially applies to the middle segment, which is by far the largest garment segment in all EU countries. The UK market is in very bad shape, partly due to the poor exchange rate of the pound sterling. Retailers in this segment usually assume an average margin of 43% to 55% for seasonal products (collections); 43% is the absolute minimum required to cover running costs.

Pressured by critical consumers in search of the ultimate shopping experience, the retail market over the last 3 years has evolved from a mainstream commodity market into a fast fashion market with rapid collection changes. Chain stores like H&M, Zara and Mango attribute their success to their abandonment of the traditional seasonal cycle (spring, summer, autumn, winter). Instead, they work with fast fashion themes, restocking their outlets almost daily. The key in this approach is to continuously offer fashion at sharp prices with high stock turns. The implications in terms of development and logistics, needless to say, are far-reaching.

Many SMEs have had a hard time keeping up with the switch from 4 to 6 or even 8 annual fashion seasons. The turnaround time for products in this new cycle is 6 weeks, after which they're put on sale. This approach has caused huge loss of margin, especially in combination with the purchase of conventionally large volumes. The crisis and the ensuing decline in consumer spending are the final blow for many retailers, some of whom have reported margin losses as high as 30% and are considering closing down shops and abandoning expansion programmes. Many jobs are being cut, order volumes are being halved or cancelled entirely and buyers are postponing orders for as long as possible to wait and see how the market will behave. To compensate for margin loss, purchasing prices are being subjected to fierce negotiating; the problem is being pushed back down the supply chain. Product lifecycles are getting longer and the replacement market is stagnating.

Discounters and expensive brands continue to do well, with a clear plus for the extremely low segments. By altering their purchasing habits – postponing purchases, buying smaller volumes and driving harder bargains – buyers have raised the pressure on suppliers from DCs. The garments market, in fact, has become a 'buyers' market'. With the capacity in DCs twice as high as demand, a veritable battle for orders has begun.

"Buy less, but buy better"

The crisis also offers buyers certain advantages, however. Exporters are cutting prices drastically to the point of just barely covering costs and operating on break-even levels. the under-use of capacity has caused liquidity to decrease in Bangladesh (34%), Pakistan (17%) and Macedonia (22%).

Because of the crisis and the availability of production capacity in DCs, buyers can benefit from price reductions of 15 to 20%, stretch payment terms and conditions and get away with smaller orders that previously would not have been accepted.

Survivors in DCs

The 'survivors' in DCs are those exporters selling value-added products, targeting higher EU market segments, practicing vertical or reverse integration, and benefiting from government incentives and access to flexible credit. Unfortunately, such exporters are few and far between. The only ones who thus far appear to have avoided serious losses are exporters in Vietnam and Indonesia.

Dramatic Consequences

Existing negative market developments have been accelerated by the crisis. Employment in Macedonia's garment sector has dropped by one third in just 3 months. Exporters in Bangladesh depend on receiving payments by the 30^{th} of each month in order to be able to pay wages to their labourers between the 5^{th} and 7^{th} of the following month. Many factories in Peru and Colombia have come to a complete standstill and are using leftover materials to produce stock for their local markets. On top of the crisis, many countries face turbulence regarding the wage levels of garment workers. Trade unions have been advocating higher wages for assembly-line workers for some time. Union-led strikes are expected in Egypt, Bangladesh and Pakistan, now that many employers are unable to pay wages at all due to delayed orders and payments from the EU.

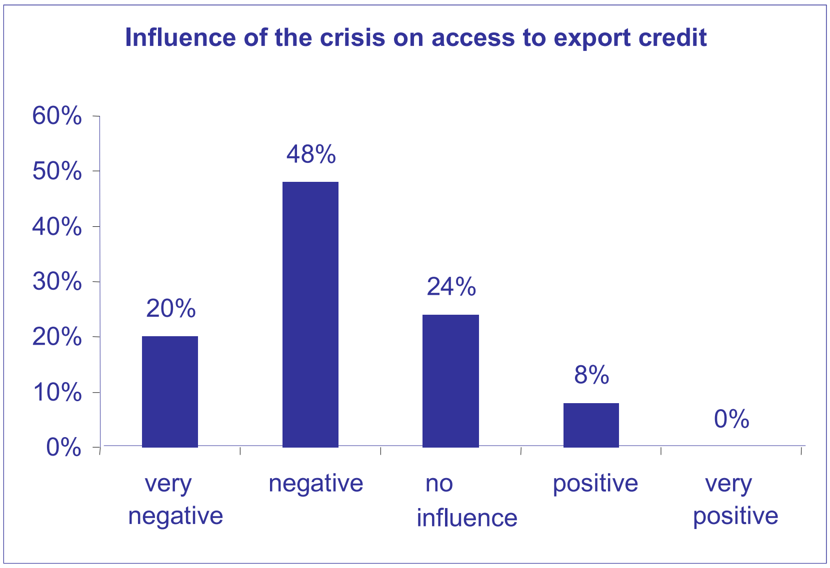
2. CREDIT

2.1 Access to Credit

Trade Credit

Two thirds of the exporters who responded to the online questionnaire say the crisis has had a (very) negative impact on access to export credit. The BSOs are even more pessimistic.

Figure 2.1 The effect of the crisis on access to export credit (n=25 exporters from developing countries)



Source: online questionnaire (February '09)

Credit for Investments and Working Capital

Obtaining credit for investments is even more difficult for exporters. Over 70% of the exporters who filled out the online questionnaire say the crisis has had a (very) negative impact on access to investment credit. The percentage among BSOs is slightly higher. The percentages are similar for access to working capital.

2.2 Country by Country

From the interviews, it even appears that the crisis has completely blocked exporters' access to credit for both working capital and investment capital (loans, back-to-back LCs, flexible credit), as well as their access to export financing.

Bangladesh

Protectionist behaviour by both local and international banks has cut off garment producers in Bangladesh from back-to-back LC constructions, which means producers of RMG (ready-made garments) can no longer pay their suppliers for materials and accessories. Thus they can no longer export and their liquidity is in grave danger. The interest rate on loans ranges from 14 to 18% with contracts lasting 5 years. Companies acquiring orders are turned down by the banks if they are found still in possession of stock due to cancelled EU orders (all banks have access to export dossiers). Employees in both Bangladesh and Pakistan earn an average of 60 to 80 USD per month. Employees are reluctant to fire personnel because of investments made in training and because firing workers is culturally less acceptable. Reducing the fixed production costs is virtually impossible in these countries.

Peru and Colombia

The interest rate for loans in Peru and Colombia is 8 to 10%. Many factories are deserted and orders from the US are not forthcoming. The situation is all the more tragic in view of the fact that just 78 months ago the Peruvian garment industry was reporting healthy growth. Payment terms on the local market have been stretched to 60 days and banks are withholding bridging credit. Garment exporters in Peru and Colombia were accustomed to receiving down payments from US customers. These advance production payments averaged 35% of order value and the remainder was paid on delivery. EU buyers are not only unfamiliar with this approach but also unwilling to adopt it.

Macedonia

The interest rate for investment capital in Macedonia is above 12 to 14%. Repayment terms have been sharpened, while order portfolios remain empty. Many contract labourers have been laid off. Macedonia manufactures on a CMT (Cut Make Trim) basis, which means the garments are merely assembled – stitched together – here; the EU customers themselves provide the materials and accessories. Essentially, then, Macedonia is a 'contract manufacturer'. In practice, this means that if the final factory price for a blouse is 8 euros, the producer gets 1,35 euros – a share that just barely covers operational costs and wages. Thus the biggest problem faced by Macedonian exporters is a total lack of liquidity and access to credit.

Egypt

The interest rate for loans in Egypt is 12 to 13%. In February 2009 the Central Bank of Egypt announced a reduction of -1% on export licenses, hoping to boost business. The impact of the crisis was slow to reach Egypt, but when it did hit, the effects were instant. The sector is in the middle of wage negotiations. If wages are raised, two thirds of the country's manufacturers will face bankruptcy within 6 months.

3. OPPORTUNITIES

Exporters: Open Competition

40% of the exporters from DCs who responded to the online questionnaire say they do see opportunities arising from the crisis. The playing field has changed, unleashing a battle for the favour of EU buyers. The 'opportunity' here lies in renewed acquisition campaigns and approaching both existing and new prospects with adapted pricing. The crisis has brought down raw material prices – cotton and polyester, among others – which offers some compensation for loss of margin on full export products (RMG). With their factories largely empty, DC manufacturers have the flexibility to accept smaller orders and to reach out to new client groups and market segments.
Also, DC exporters can use the crisis to re-distinguish themselves from other players and countries. For instance, the major UK retailers tend to book capacity 5 months in advance in Asia. Producers, who are thus fully booked until, say, late June 2009, normally refrain from contacting new accounts as they are unable to offer competitive delivery terms. Now that formers bookings are being cancelled or shortened, however, they can serve customers they previously turned down.

European Businesses

Buyers

The new 'global sourcing war' will enable buyers to purchase from non-traditional sources offering redundant capacity, lower prices and acceptance of smaller volumes. Inexperience in these markets will hold them back for the time being, however. Lower purchasing prices can only partially compensate for retailers' loss of margin.

Intermediaries

Opportunities exist for intermediaries and wholesalers on the EU markets. They can present new sourcing solutions and offer advance financing schemes to EU brands, for instance. Their willingness to bear the risk of investment in products will boost their attractiveness, although their involvement will place further pressure on retail margins.

Stock lot sellers

There are also opportunities for so-called stock lot sellers. The cancellation of orders by EU retail chains means there is a surplus of materials. Exporters capable of using these surpluses to produce (fashionable) products in small series at very competitive prices can be quite successful; in Europe, it is mainly the discounters who are tapping into this trend.

Governments and BSOs

The turbulence on the production markets also presents Business Support Organisations (BSOs), export promotion agencies and local governments with opportunities. They can expand their service packages to this sector, offer export promotion support in the form of incentives, lobby with governments and NGOs and negotiate with the financial sector. Performed effectively, such activities could drastically improve a sector's regional export position.

4 NEEDS

Most production countries are currently faced with grim circumstances. The core needs as expressed by all the partner country exporters interviewed for this survey can be summed up as follows:

- Liquidity
- Access to credit, especially flexible, short-term credit (3 to 6 months). Entrepreneurs are often forced to borrow larger sums of money than they need on the basis of so-called 'killer contracts' lasting for 5 years with interest rates varying per country from 10 to 18%
- Access to micro credits
- Interest rate cuts on credit
- Reduced export duties
- Increased Foreign Direct Investments (FDI)
- New export destinations, new markets, new buyers
- Removal of trade barriers (e.g. EUR1 certification for Macedonia, removal of 10% import levy for Egyptian cotton)
- Revision of GSP+ (General System of Preferences) by the WTO
- Reduction of production costs, as garment production has a high proportion of fixed costs due to its capital and labour intensity (many exporters cannot reduce (operational) costs without assistance)
- Reduction of other costs: energy, water shipping
- Modernisation of the sector, particularly in Egypt and Macedonia, whose garment producing equipment is obsolete due to CM production and poor liquidity
- Assistance in the following areas:
  - Technology sharing
  - Improved export marketing
  - Market access by means of trade fairs and business-to-business events; new business development
  - Product development by means of information on trends, EU consumer behaviour and insight into per capita spending per country
  - Integration of designers in the industry
  - Product lifecycle management
  - Sector upgrading

The BSOs add the following needs:
- Training/education for exporters
- More Research & Development
- Governments taking responsibility actively and supporting their export sectors

BSOs, NGOs and Governments

Exporters in DCs can benefit from active governments and close cooperation between institutional and non-institutional organisations. In several countries, leaders from the industry, the corporate world and sector organisations have formed task forces whose mission is to implement short-term export promotion measures.
Government efforts to work with neighbouring countries on improving regional trade and import conditions are another hot item. Minimised protectionism is the goal, and several governments are already offering their exporters incentives and export rate reductions.

The severe decline in export volumes has led to a shortage of foreign currencies and a decrease of investments on these markets. Closures and lay-offs are causing labour migration and the relocation of industries within and beyond national borders.

As the garment sector provides 33 to 45% of the workforce with an income in many DCs (including reverse links to suppliers), the core needs are financial stability and the eradication of unfair competition.

This survey was compiled for CBI by Nash BV

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