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# Moroccan Textile and Apparel Exports: An Evaluation

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For Morocco, the signing of a free trade agreement (FTA) with the United States was a major event. It compelled the government, during the negotiations, to develop new intellectual property policies, reform the agricultural sector, and open its financial services market to competition. The government was also obliged to think strategically about adapting its textile sector to the post–Multi-Fiber Arrangement (MFA) era.

The FTA has profoundly altered the landscape for the Moroccan government’s approach to trade agreements. Despite Morocco’s role in the successful conclusion of the Uruguay Round in Marrakesh in 1995, the country’s previous experience with trade agreements was limited to its relationship with the European Union. The EU-Morocco relationship was very progressive in its design, relying on numerous rounds and interim agreements to prevent high adjustment costs for the “Northern” countries and to avoid the burden of sudden liberalization in Morocco.

Of course there have been other agreements, notably in the context of the Arab League and the Arab Maghreb Union (AMU), but they remain to be applied in practice. These and other regional agreements have given priority to political considerations, while ignoring the practical difficulties of opening markets and confronting competition. For example, the agreement with the Arab League called for a reduction in customs tariffs of 10 percent per annum over 10 years in order to achieve free trade status. But it did not address the problems of state monopolies, import licenses, competition laws, or agricultural and industrial subsidies. It is thus not surprising that the agreement was never put into practice.

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In the case of Morocco's FTA with the United States, the approach was radically different: The US negotiators were very clear about the content and method of the negotiation and about the practical implementation of the agreement. This was to be a full FTA, negotiated in a single session, entirely reciprocal, and with the aim of abolishing all tariff and nontariff barriers to the free flow of merchandise and services between the two countries. These were the preconditions for the talks.

The task of drafting a fully reciprocal FTA in one session presented a considerable challenge for the Moroccan official and business representatives, who were used to a more iterative approach. To uphold its commitments, the government was compelled to develop a long-term view of trade policy and to open a dialogue with the professional associations to assess the implications of the FTA.

The Association Marocaine des Industries du Textile et de l'Habillement (AMITH; Moroccan Association of Textile and Apparel Industries) played a decisive role in the signing of the agreement by pressing for its rapid conclusion. AMITH's support for a fast conclusion of the agreement, widely reported in the media, stemmed from worries about the forthcoming expiration of the MFA, in preparation for which the association had launched an in-depth internal inquiry into the strategic restructuring of the industry. Armed with this information and backed by a strong organization, AMITH was the first professional organization to sign a contract with the government, laying out the rights and obligations of both parties.

AMITH was thus fully equipped to play a decisive role in the conclusion of the FTA, a fact that did not go unnoticed by the US negotiators: They relied heavily on the association to advertise the expected advantages of the agreement. No other professional associations or interest groups played as important a role; others lacked organization, were incapable of formulating a common position, were indifferent, or were covertly opposed to the FTA. (These characterizations were certainly true of the agricultural associations, nongovernmental organizations, and associations representing financial services.)

The prominent role of AMITH in the FTA negotiations was closely tied to the exceptional context in which the discussions took place. As explained in the next section, the textile industry in Morocco and other developing countries was created and shaped by the MFA, with its system of quotas. The structure of the industry, the way it entered into international trade, and its strong points and weaknesses are all largely a reflection of the MFA's role in the development of the industry.

Because AMITH's position is explained by the threat of a flood of Asian textiles and apparel into the European market on January 1, 2005, when the MFA ended, an analysis of the international context of the negotiations follows in the second part of this chapter. Next is a presentation of the terms of the FTA as they affect the textile sector and a comparison of how US negotiators dealt with two other Arab countries (Jordan and

Egypt) with respect to the opening of markets and rules of origin. The discussion then turns to the commercial results of the FTA, with an analysis of statistics and a presentation of successes and failures of Moroccan businesses in the sector. The chapter concludes with a recommendation of ways to improve the agreement.

## **Post-MFA Development of the Textile Industry**

Until the 1960s, the textile and apparel industry remained the province of developed countries. Very rapidly, however, these countries began to realize that the wage differential between developing and developed countries, the minimal qualifications needed to work in garment workshops, and low entry costs signaled the decline of the industry in the “Northern” countries. The era of industrial restructuring had begun, and the textile industry was at the heart of the process, long before the steel and ship-building industries.

The textile manufacturers of the North used the threat of factory closures to gain time and assistance for restructuring their plants, protected by customs tariffs. But the terms of the General Agreement on Tariffs and Trade (GATT), as it existed in 1960, did not allow much breathing room. In 1961 the United States and Japan (which was emerging as a potential threat to the textile centers of the North) negotiated a short-term agreement for international trade in cotton textiles, and in 1962 this became a long-term arrangement. The arrangement relied on quotas for each product, progressive rates on agreed volumes, and safety mechanisms, often with clauses for the voluntary limitation of exports.

The short-term arrangement with Japan was the precursor of the MFA. In the negotiations for the MFA, the United States wished to observe the general terms of the GATT but to obtain a dispensation so that textile products and apparel could be treated outside the framework of the GATT (a waiver similar to the one it had obtained for agriculture). Because of the similar interests of the OECD countries with respect to the restructuring of their textile industries, this dispensation was rapidly obtained and applied widely by all countries. Formally, this agreement came into force in 1974, but it was preceded by bilateral agreements of equivalent scope, modeled on the interim agreement between the United States and Japan and concluded between exporting developing countries and developed nations that were restructuring their industries. Those bilateral agreements mirrored agreements linking Europe to its former colonies (i.e., the United Kingdom and the Commonwealth; France and its former colonies in North Africa, West Africa, overseas departments, and territories).

The general character of these agreements on textiles and apparel has conditioned the industrial development of these sectors in the Southern countries, resulting in either full production or specialization.

The first category, full-production countries, includes China (Hong Kong), Japan, and Korea, where the development of manufacturing in the textile sector was not built around imposed quotas. In these countries, the development process started with the manufacturing of garments from imported textile products and then went back up the production chain—first to the installation of weaving units, then spinning, and last to the production of the inputs for synthetic fibers (e.g., partially oriented yarn, or poy, a precursor of polyester fibers). Often, such development was supported by governments with an industrial policy based on import substitution, as was the case in South Korea (e.g., priority allocation of credits and permission to sell part of the production in the domestic market while importing key inputs).

Other countries, which began their textile industrialization later, never attempted to implement the whole production chain. Their specialization can often be explained by the nature of the trade agreements signed with the countries of destination. Several studies have shown that the MFA trade instruments shaped industrial specialization in the sector (between weaving and garment manufacturing and between these and earlier processes) and the rent sharing of quotas between importers and exporters.

## Textile Industry in Morocco

The development of the Moroccan textile industry clearly reflects the role of the MFA and other agreements in the current structure, composition, and competitiveness of the sector, which are conveyed in the data in the figures and tables below. This data profile and a brief history of the Moroccan textile industry set the stage for the Kingdom's negotiations in the Morocco-US free trade agreement.

A comparison of the textile and apparel industry with the rest of the Moroccan manufacturing sector shows its importance to the national economy: The sector represents about 50 percent of exports, 40 percent of the workforce, 21 percent of the industrial plant of the country, and 14 percent of revenues (table 4.1). Of particular importance are the high values for exports and workforce representation.

Table 4.2 gives an overall picture of the textile industries proper (i.e., spinning and weaving units of garment manufacturing), and table 4.3 sets out the same figures for apparel manufacture. Data from the two tables yield an accurate picture of the sector. The initial stage, yarn and fabric, is more concentrated, more capital intensive, with a high value added. The final stages, garment manufacture, comprise more units that are less capital intensive, with more jobs and more exports.

Figure 4.1 shows a decline in export growth in 2005 after four years of steady performance, followed by a dramatic increase in 2006. The loss and increase should be seen in the context of the implementation of the Marrakesh Agreement, which established the World Trade Organization.

**Table 4.1 Morocco's textile and apparel industry, key facts, 2006**

Item	Amount	Percent of total economy
Number of units	1,612	21
Revenue (billions of Moroccan dirhams)	30	14
Exports (billions of Moroccan dirhams)		
Excluding inputs	19.8	39
Including inputs	30.3	51
Workforce (thousands)	210	40

Source: Ministère de l'Industrie, du Commerce et des Nouvelles Technologies (Ministry of Industry, Commerce, and New Technologies), [www.mcinet.gov.ma](http://www.mcinet.gov.ma).

Three graphs show the destination and composition of Morocco's textile and apparel exports and the origin of inputs. Figure 4.2 shows the destination of exports in 2005, the year preceding the implementation of the Morocco-US FTA. Europe was clearly the dominant destination for Moroccan exports.

Figure 4.3 shows the importance of products covered by the MFA in Moroccan manufacturing exports. Trousers, shirts, and T-shirts were subject to quotas since the first agreement between Morocco and the European Community in 1978.

Not surprisingly, most Moroccan textile imports come from the European Union, particularly from the countries that are Morocco's principal clients—France, Italy, Portugal, Spain, and the United Kingdom (figure 4.4). This allocation is largely due to the importance of finishing in the Moroccan international textile trade: The European clients provide the fabric and accessories (buttons, zippers, and others) for assembly in the Moroccan artisans' workshops and re-export to those who placed the orders. Most of Morocco's exports depend on such subcontracting work. The originator of the order is responsible for the design, market analysis, choice of suppliers of fabric and accessories, negotiation of logistics, and negotiation with buying centers and retail chains. The Moroccan industry sets up the production lines, feeds them with the client-supplied inputs, and provides the initial quality control. The final quality control, which ensures that the product conforms to the client's requirements, is usually carried out by a client-appointed engineer or buyer.

### Impact of the Multi-Fiber Arrangement

Although the development of the textile industries in the countries of the "South" began in the 1930s, these were mostly geared to the domestic market. In the late 1950s the Japanese started to follow a development strategy based on exports and entered into competition with the industries of the

**Table 4.2 Morocco's textile industry, by size of firm, 1998**

<b>Item</b>	<b>Fewer than 20 employees</b>	<b>20 to 49 employees</b>	<b>50 to 199 employees</b>	<b>Over 200 employees</b>	<b>Total</b>
Number of firms	148.0	128.0	167.0	46.0	488.0
Revenue	302.6	973.8	3,425.0	5,320.2	10,021.6
Exports	38.4	382.3	1,266.3	1,628.5	3,315.5
Production	281.4	963.4	3,298.7	4,014.7	8,558.2
Permanent workforce	1,288.0	4,208.0	17,086.0	18,856.0	41 438
Aggregate employment earnings	29.7	121.6	497.8	647.6	1,296.7
Capital acquisitions	24.0	75.0	263.0	568.8	930.8
Purchases of primary products	195.9	564.4	1,931.9	2,582.4	5,274.5

Note: 1998 is the most recent year when the survey was carried out.

Source: Royaume du Maroc, Haut-Commissariat au Plan, "Enquête de structure 1998, Industries de transformation: résultats détaillés," [www.hcp.ma](http://www.hcp.ma) (accessed on June 29, 2009).

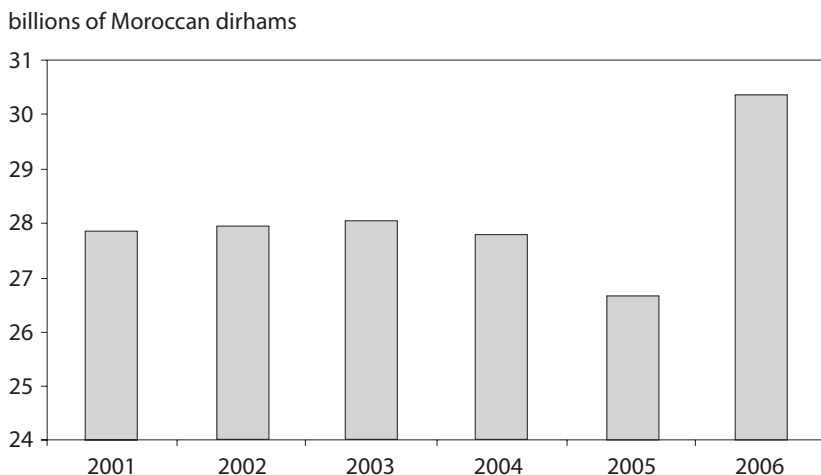
**Table 4.3 Morocco's apparel industry, by size of firm, 1998**

<b>Item</b>	<b>Fewer than 20 employees</b>	<b>20 to 49 employees</b>	<b>50 to 199 employees</b>	<b>Over 200 employees</b>	<b>Total</b>
Number of firms	100.0	303.0	292.0	244.0	939.0
Revenue	192.1	1,344.8	3,731.7	8,134.6	13,403.1
Exports	67.8	835.2	3,273.9	7,614.6	11,791.5
Production	188.9	1,332.1	3,721.1	8,117.3	13,359.3
Permanent workforce	959.0	10 198	38 625	98 726	148 508
Aggregate employment earnings	21.7	235.8	858.5	2,307.6	3,423.6
Capital acquisitions	2.8	33.8	105.2	501.4	643.2
Purchases of primary products	260.5	8,579.1	2,544.6	7,327.0	18,711.2

Note: 1998 is the most recent year when the survey was carried out.

Source: Royaume du Maroc, Haut-Commissariat au Plan, "Enquête de structure 1998, Industries de transformation: résultats détaillés," [www.hcp.ma](http://www.hcp.ma) (accessed on June 29, 2009).

**Figure 4.1 Growth of Moroccan textile and apparel exports, 2001–06**



Source: Ministère de l'Industrie, du Commerce et des Nouvelles Technologies (Ministry of Industry, Commerce, and New Technologies), [www.mcinet.gov.ma](http://www.mcinet.gov.ma).

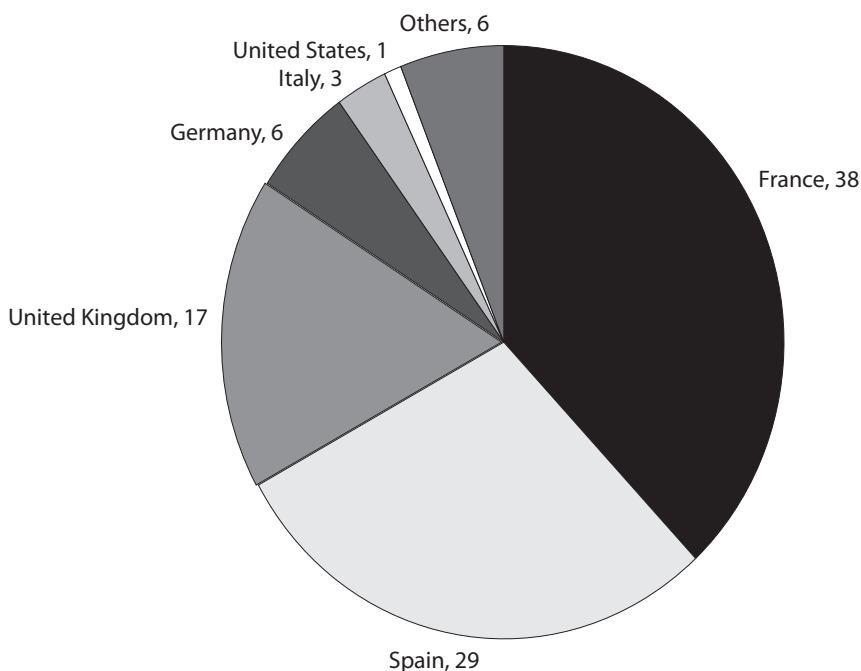
North. They were soon followed by the Koreans, Taiwanese, and Hong Kong Chinese.

Faced with this new competition, which featured lower wages, more lax regulations governing working hours, and more recent investment in equipment, the French textile industry developed a strategy based on complementarities between the garment-finishing workshops of Morocco and Tunisia and the French weaving and spinning centers. The “noble” functions—design, selection of suppliers, marketing, and advertising—remained in metropolitan France. This strategy was designed to preserve jobs in the capital-intensive textile sector while taking advantage of the reduction in costs from low wages in North African workshops. To implement the strategy, the French signed agreements (similar to those made by the United States) with the Asian countries to fix quotas for their exports and with Morocco and Tunisia to facilitate trade in finished products.

From the point of view of the French textile industry, Asian exports of finished garments produced from Asian fabrics and yarns could threaten the whole textile industry, not only manufacturing workshops. By giving a privileged status, relative to the Asian countries, to garments made in Morocco and Tunisia from European fabric, woven from European yarn, or spun from European fibers, the European industry was simply ensuring its own survival.

The implementation of this policy launched the very rapid growth of the Moroccan textile sector, based on the subcontracting of garment

**Figure 4.2** Main destinations of Morocco's textile and apparel exports, 2005 (percent)



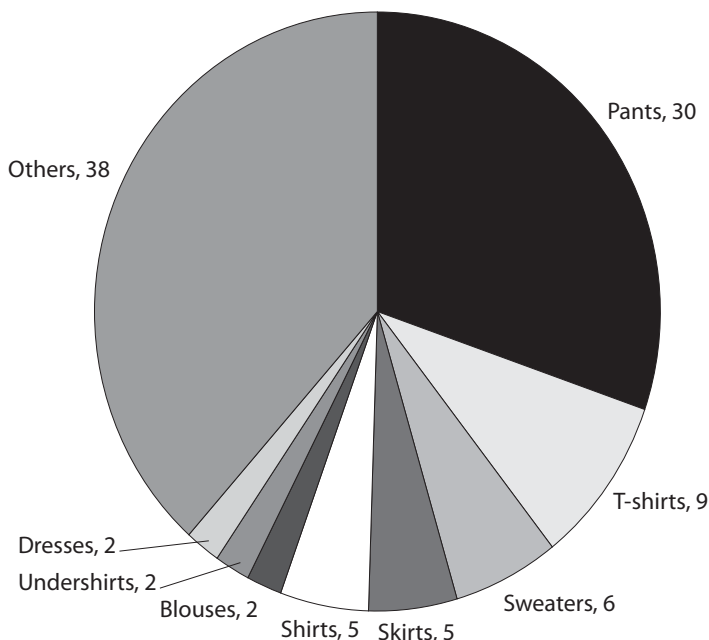
Source: Royaume du Maroc, Office des Changes (Foreign Exchange Office), [www.oc.gov.ma](http://www.oc.gov.ma).

manufacturing. Needless to say, this model excluded the expansion of the manufacturing process to include weaving and spinning, capacities developed in the Asian countries. Nevertheless, the combination of the opening of European markets, technology transfer, foreign investment, and joint ventures all favored the rapid export growth of Moroccan manufactured goods.

These developments bear out the results extrapolated from theoretical analyses of the impacts of the MFA. These analyses project the reallocation of production (1) from countries that are constrained by quotas to those that are not—as happened, to Morocco's advantage—and (2) among businesses, which also happened, to the advantage of both European weaving and spinning firms and Moroccan garment manufacturing workshops, and to the detriment of Asian businesses. The analyses confirm two other results: a rise in the price paid by European and US consumers and rent sharing between the producers of the South and North.

During this first wave of offshoring, the European textile sector managed to retain its market share and even extend it in the case of certain countries in the European Union, such as Italy. In the case of the Moroccan

**Figure 4.3** Main textile and apparel products exported by Morocco, 2005 (percent)



Source: Royaume du Maroc, Office des Changes (Foreign Exchange Office), [www.oc.gov.ma](http://www.oc.gov.ma).

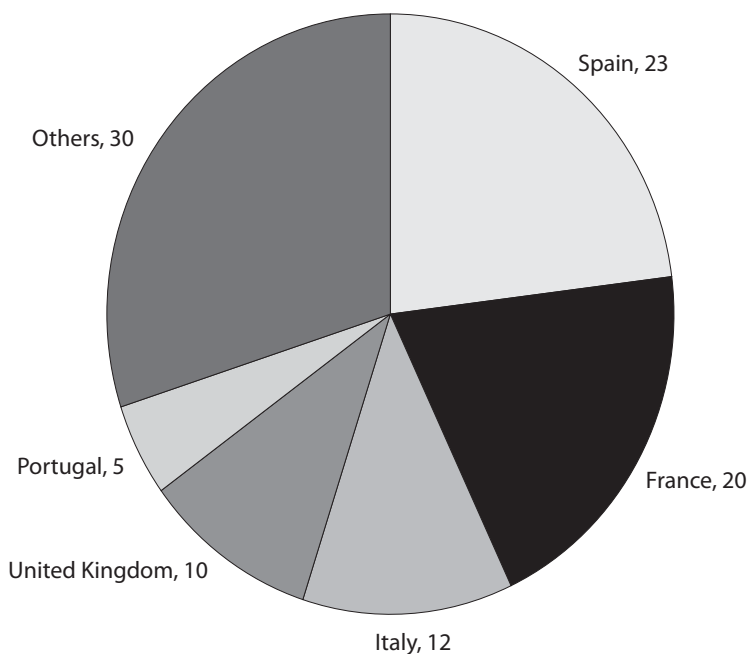
manufacturers, the strategy allowed them to develop a strong industrial base, to understand the needs of foreign markets—and, in particular, the European market—and to put in place structures to support the sector: training schools, technical institutes, professional associations, and study centers.

With respect to long-term competitiveness, the problems raised by the emergence of the Asian industry remained. The Europeans could not rely indefinitely on the protection of the MFA to maintain their activity, and the Moroccans could not continue benefiting over the long-term from their privileged access to European markets.

### Recent Developments and Problems

New models of production and integration into the world market began evolving in the late 1980s in anticipation of the dismantling of the MFA. The textile and apparel industries of the developed countries increasingly abandoned production in favor of design and marketing and moved production to developing countries.

**Figure 4.4 Main sources of Moroccan textile imports, 2004 (percent)**



Source: Royaume du Maroc, Office des Changes (Foreign Exchange Office), [www.oc.gov.ma](http://www.oc.gov.ma).

### *Outsourcing*

As the industries of the developing countries improved their productivity, it became clear to the firms of the Northern countries that added value was to be found in the control of marketing rather than in production. On the model of the rise of mass distribution for everyday consumer products, where the buying centers of large retail groups inverted the balance of power between manufacture and trade, the large retail chains exploited the opportunity to outsource production and concentrate on marketing, logistics management, design, and quality control. The firm Nike showed the way, by outsourcing its entire production chain, with the production workshops put into competition with one another by the buying center. Other large clothing retailers, such as H&M, Zara, and the Gap, followed suit.

### *Finished Products*

The second important development, which brought radical changes to the distribution of tasks throughout the textile and apparel industry, concerns the shift of emphasis from garment manufacturing to trade in finished

items. The first step in this transformation followed the increased role of independent design offices in creating the collections of the large retail houses. These offices prepared collections and models and then sold their creations to the retailers, who, having already begun to relinquish manufacturing production, subcontracted the design. The next step was the merging of these two functions—the purchase of finished products directly from the manufacturers while retaining the part of the design process associated with marketing.

This evolution forced manufacturers to develop a range of finished products for marketing to large retailers (this is the model for large-scale garment retail). In other words, they had to develop or acquire models, identify suppliers, coordinate the logistics of obtaining inputs, organize the production workshops, and train their workers. Those who remain wedded to the model of manufacturing to order—producing according to a model and pattern supplied by the client—still have to identify suppliers and deal with the logistics of coordinating production. Obviously, subcontractors need to strengthen their management to deal with these tasks. This transition from simple manufacturing workshop to structured business explains the demography of the textiles and apparel industry in Morocco over the past 10 years.

### *Lean Retail and “Fast Fashion”*

The last important developments for the textile and apparel sector in Morocco are the reduction of order volumes and delivery times, combined with a far greater frequency of orders.

The previous model for the delivery and marketing of clothing retail had a relatively long cycle (15 to 18 months) between the design of collections and their marketing. Once the collections had been approved, the buying centers placed large orders to take advantage of economies of scale and reduce the cost per unit. If the products were not as successful as anticipated, retailers put their remaining stock on sale to make room for new stock. This model is perfectly adapted to the Asian textile manufacturers, which are organized in districts similar to the Italian model, where all the suppliers are grouped together to ensure low costs. Because of the relatively long time lag between the placement of an order and its delivery, the logistical constraint of the distance from markets does not apply. The margins made on the product at normal prices, outside of sales, compensate for the reduced, even negative, margins realized during stock clearance.

The “fast fashion” model was developed to increase the margins realized on normal sales. Instead of making one large order to cover the season and resorting to sales to liquidate less popular stock, this model restocks based on demand—in terms of model, size, and color—which considerably reduces the need to liquidate stock through bargain sales (which are costly in terms of margins). In this model, the important fac-

tor is not to reduce the unit cost of the product but to reduce the number sold at a discount. To have to liquidate a large amount of unsold stock is considered a sign of poor risk management.

The fast fashion model requires a restocking order time of about one week to ten days. It also requires great responsiveness and flexibility on the part of the manufacturers, who have to be able to set up a new production line on very short notice, produce in small series, and guarantee quality control with very little time to train their workforce. The choice of supplier is thus no longer determined by the price per minute of work.

Given the proximity of the European market and the capability of Moroccan manufacturers to deliver by truck or air at relatively low costs, Moroccan manufacturers are particularly well placed to deal with repeat orders from the European Union and to benefit from the spread of this model. However, they need to improve their capacity to manufacture a finished product without the client having to identify suppliers for the different inputs.

As explained in the next sections, the situation of Moroccan manufacturers for exporting to the United States is not as straightforward.

## **FTA Negotiations and Principal Provisions for the Textile Sector**

It may be useful to consider the context in which the negotiations took place as well as their results, including the status accorded to Moroccan exports compared to those of other countries. Indeed, when talking of supply, everything depends on comparisons. US importers select their suppliers according to the relative advantages of different preferential agreements: A tariff concession has value only if the cost to the importer of the product in question is less than the cost from a different source. Of course, there may be characteristics other than price that constitute competition, but as a general rule this is the measure of the value of a concession.

### **Context of the Negotiations**

For the United States, the idea of signing a free trade agreement with Morocco arose from the long-standing friendship and cooperation between the two countries. On the eve of the invasion of Iraq, the United States realized that it had done little for its Arab friends in terms of economic development. In the US view, the best way to achieve this was to open its market—the largest in the world—on preferential terms (Galal and Lawrence 2004).

In addition to these essentially political considerations, other factors also helped promote the project. The first of these was the possible failure of the Doha Round of negotiations, given the failure of the Cancún summit and subsequent meetings. The United States had not found enough

support for its positions on intellectual property, market access for agriculture and services, and the need for symmetrical concessions between developed and developing countries. The WTO's mechanism of decision by consensus made it even more difficult to reach an agreement that protected US interests. The bilateral approach made it possible for the United States to obtain concessions on contentious issues by offering access to its huge market in return. Once the United States has concluded a sufficient number of partial agreements, it could be possible to consolidate them into a global agreement.

From Morocco's point of view, the prospect of partnerships with the European Union, the United States, the Arab League, and the countries of sub-Saharan Africa opened possibilities for its strategy of becoming a regional platform for investment and trade. The termination of the MFA on January 1, 2005, also factored heavily in Morocco's decision to enter negotiations with the United States. Indeed, the 1995 Agreement on Textiles and Clothing (ATC) provided for the abolition of quotas in four stages, the last of which would take effect January 1, 2005, when the Moroccan textile industry would be faced with a flood of Chinese products on the European market. This fear, justified by the rapid growth of China's market share since its accession to the WTO, pushed the Moroccan manufacturers to ask the government for support in restructuring their industry.

The problem for the United States was very different. The prospect of the expiration of the MFA was creating opportunities for negotiation during the transition period. The US negotiators could make tariff concessions in this sector without incurring the anger of Congress. Since the signing of the North American Free Trade Agreement (NAFTA), the outsourcing of the textile and apparel industry to countries with low wages was inevitable. The concessions on textile and apparel only accelerated a global dismantling process that was already under way following the ATC.

## **Provisions of the Morocco-US Agreement**

The FTA provisions concerning trade in textiles and apparel are covered in the third chapter of the agreement. Before describing these provisions in the sections below, we reiterate the balanced character of the concessions. The US negotiators insisted on a negotiation between equals, without the patronizing attitude that can mark relations between developed and developing nations, and on complete symmetry in the concessions—those made by the United States had to be matched by equivalent concessions by the Moroccans.

### *Market Access*

The agreement with respect to textiles and apparel distinguishes between three groups of products. For the first group, duties are abolished imme-

diately when the FTA comes into effect. Duties for the second group are abolished over six years—50 percent immediately and then 10 percent per year over five years. The third group covers 45 products subject to quotas with zero duty and a reduction in duties similar to that of the second group when imports exceed the quota. These quotas will increase by 20 percent a year over six years, after which they will simply be abolished; since the duty for exceeding quotas will be nil, the quotas no longer serve any purpose.

The Moroccan negotiators of the textile provisions viewed these provisions very positively. They expected that these arrangements could open the way for additional exports amounting to \$1.2 billion from the first year and reaching \$2.4 billion, 3 percent of the US market, once they were up to speed.

### *Rules of Origin*

The trading of textile products is regulated by specific rules of origin, which in general are based on “triple transformation,” affecting the products as follows:

- Yarn: “from fiber,” meaning the fiber has to originate in the zone
- Fabric: “from yarn,” meaning the yarn has to originate in the zone
- Garments: “from fabric,” meaning the fabric has to originate in the zone

However, there are exceptions to the rule for each type of product:

#### *Yarn*

- For wool, silk, and vegetable fiber, the fibers can be imported from outside the zone.
- For filaments, the basic petrochemical material or cellulose used to make the filaments can be imported from outside the zone.
- A contingent of 1,000 tons of African cotton is allowed for the manufacture of yarn in Morocco.

#### *Fabric*

- In the case of cotton thread, synthetic fiber, and nonwoven fabrics, the fiber must originate in the zone.
- For silk and linen fabrics, the silk yarn may be imported.

#### *Garments*

- For brassieres, the fabric originating in the zone must constitute at least 75 percent of the total value of the product (excluding accessories).

To allow the industry to benefit from the agreement as soon as it came into force, while allowing enough time for the sector to adapt, the agreement has some flexibility built in:

- A contingent of 30 million square meters of textile products that can be made up of yarn and fabric from outside the zone. This contingent, equivalent to 150 percent of Morocco's pre-FTA exports to the United States, was valid for the first four years, before being progressively reduced over the next six years.
- A minimal 7 percent rate of inputs from the zone, giving leeway for the importation of yarns, fabrics, and accessories from outside the zone.
- The possibility of revising certain rules (relating to lingerie) if there is no expansion in trade.

### *Comparison with Egypt and Jordan*

In 1996 Jordan and Egypt signed agreements with the United States covering qualifying industrial zones (QIZs) in order to promote increased economic integration with Israel. In 2000 the United States signed a free trade agreement with Jordan.

The agreements on QIZs provide for duty-free access for all products originating from the zones containing a minimum portion of Israeli inputs—8 percent for the Jordanian zones and 15 percent for the Egyptian zones.

Table 4.4 compares trade preferences between the QIZs, the Jordan FTA, and the Morocco FTA. The rules of origin applied in the qualified industrial zones are very simple: It is sufficient for 35 percent of the value added to be local (Jordanian or Egyptian) to gain the origin benefit. There is no constraint on the origin of the fiber for the yarn, the yarn for the fabric, or the fabric for the garment.

The FTA with Jordan widened the scope of the rules of origin for QIZs to cover the whole country. Customs duties were to be abolished in five years and tariff quotas after nine years.

### **Comparison with NAFTA**

In their approach to the Morocco-US FTA, the US negotiators used the highly protectionist NAFTA model<sup>1</sup> instead of relying on the QIZ model, which is more in the spirit of the WTO Agreement on Textiles and Clothing. NAFTA requires Mexican manufacturers to obtain their inputs from the United States, an arrangement that is considered beneficial to both

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1. This is the view of the Industry Sector Advisory Committee (ISAC 2004). See also Bannister and Low (1992).

**Table 4.4 Comparison of trade preferences under the QIZs, Jordan FTA, and Morocco FTA**

Implementation date	Qualifying industrial zones (QIZs) Jordan and Egypt	Jordan FTA	Morocco FTA
	October 2, 1996 (PL 104-234)	December 17, 2000	January 1, 2006
Duty treatment for apparel and textiles	Duty free for qualifying goods First Jordanian QIZ designated in 1998 First 3 Egyptian QIZs designated in 2004	Five categories of duty phaseout: A. Duty free year 2 (2002) B. Duty free year 4 (2004) C. Duty free year 5 (2005) D. Duty free year 10 (2010) E. Duties eliminated per WTO schedule One category of one-time duty elimination: F. 5 apparel and 4 luggage categories retain base rate of duty until duty free in 2010.	Four categories of duty phaseout: A: Duty free on entry into force D: Duty free year 6 (2011) F: Duty free year 9 (2014) H: Duty free year 10 (2015) Majority of goods fall under D.
Value-added requirement	35 percent May include up to 15 percent US content Jordan QIZ products require minimum of 8 percent Israeli content Egypt QIZ products require minimum of 10.5 percent Israeli content	35 percent May include up to 15 percent US content	35 percent No limit on percentage of other party's goods counted toward 35 percent

*(table continues next page)*

**Table 4.4 Comparison of trade preferences under the QIZs, Jordan FTA, and Morocco FTA (continued)**

Implementation date	Qualifying industrial zones (QIZs) Jordan and Egypt	Jordan FTA	Morocco FTA
	October 2, 1996 (PL 104-234)	December 17, 2000	January 1, 2006
Rules of origin (ROO)			
Use of third-country yarn and fabric	Origin determined per ROO in 19 USC 3592 permitting unlimited third-country yarn and fabric	ROO provisions correspond to provisions of 19 USC 3592 permitting unlimited third-country yarn and fabric	"Yarn forward" ROO requiring that yarn production and all operations forward occur in Morocco
Tariff-rate quotas (TRQs)	None	Duty-free TRQs for 5 chapter 58 goods through year 9; unlimited quantity as of year 10	Duty-free TRQs for 45 chapters 61 and 62 goods through year 5  Over quota receives preferential treatment  Unlimited quantity as of year 6
Tariff preference levels (TPLs)	None	None	TPL quantities established for nonoriginating fabric (chapters 51, 52, 54, 55, 58, and 60) and apparel (chapters 61 and 62)
Other preference provisions			Special allowance for use of cotton fibers from listed least-developed sub-Saharan countries meeting processing requirements

Source: Nathan Associates (2008).

parties: The United States produces the yarn and fabric, and the Mexicans make them into garments. It also represents a compromise between the interests of the two countries' textile industries and clothing retailers.

This model is clearly appropriate for promoting the integration of an economic zone. It would have been wrong, in the case of NAFTA, to use a rule of origin based on value added, as this would have encouraged the manufacture of apparel based on inputs imported from outside the zone. But in the case of the Morocco-US FTA, which was supposed to enter into effect at the same time as the dismantling of the MFA, such provisions are not justified. Morocco is too small and too far away to be able to build an exclusive economic zone for textiles with the United States. And zero duty quotas are hardly an encouragement to create an industry, as they are scheduled to disappear.

It is therefore surprising that the Moroccan negotiators did not obtain the same treatment with regard to rules of origin as Jordan and Egypt did in the QIZs. The complexity of the rules of origin in the Moroccan FTA, and the difficulty for importers in complying with these rules, do not favor suppliers from Morocco, as shown in the following section.

## **Impact of the FTA on Morocco's Textile and Apparel Sector**

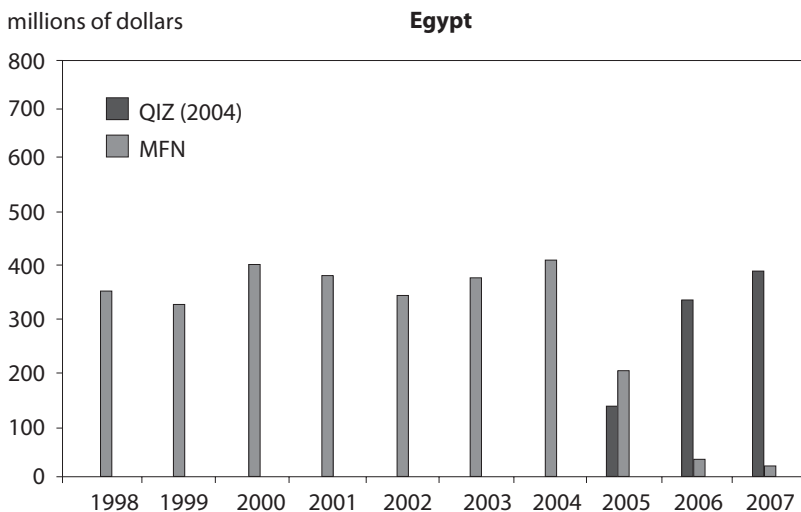
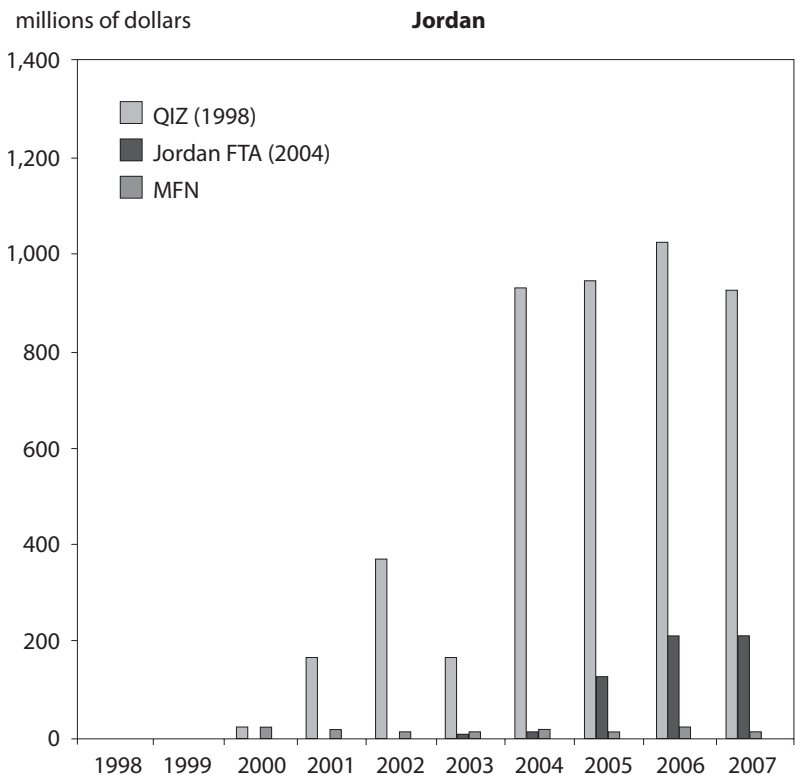
Figure 4.5 compares the trade performances of three Arab countries—Egypt, Jordan, and Morocco—linked to the United States through free trade agreements or QIZs. For each country, exports are distinguished according to the nature of the preferential regime in place since 1998 and according to the two chapters on apparel of the Harmonized Tariff Schedule (HTS 61 and 62). The figure shows data for (1) classic trade in the context of the most favored nation clause (MFN), (2) the Generalized System of Preferences (GSP), (3) trade associated with the QIZs, and (4) free trade agreements.

Jordan did not export any apparel products to the United States before the QIZ agreement, after which Jordanian exports saw exponential growth. The Jordan-US FTA, which came into force in 2001, allows for a long phasing out of liberalization in the textiles and apparel industry. Therefore, QIZ preferences remain more beneficial than the terms of the FTA, and trade in textiles and apparel between the United States and Jordan still occurs mostly through QIZs.

Egypt was already supplying the United States long before the QIZ agreement. The effect of the establishment of QIZs in December 2004 was, first, a rerouting of traditional exports to these zones and then an acceleration of exports—from 2005 to 2006 the country's textile exports grew about 65 percent.

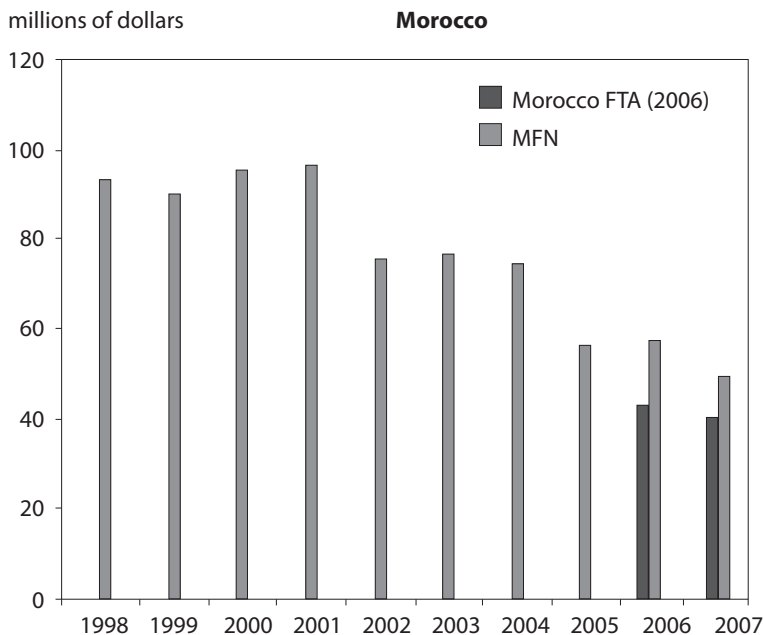
Morocco does not have QIZs and is not subject to the GSP. Its textile trade with the United States began declining in 2002 and, according to the

**Figure 4.5 Textile and apparel exports under various agreements, 1998–2007**



*(figure continues next page)*

**Figure 4.5 Textile and apparel exports under various agreements, 1998–2007 (continued)**



QIZ = qualifying industrial zone

MFN = most favored nation

Notes: Dates in parentheses indicate when the agreements came into force. Textile and apparel exports are HS categories 61 and 62. Jordan and Egypt are also subject to the Generalized System of Preferences, but neither country exported textile and apparel products under this program.

Source: Nathan Associates (2008).

figures, with the implementation of the US agreement simply regained its 1998 levels. An examination of the figures for 2008, in appendix 4A, confirms this trend.

## Use and Impact of Quotas

During the negotiation of the Morocco-US FTA, great hopes were pinned on preferential quotas as a way of ensuring the presence of a substantial number of Moroccan products in the US market. The results of this policy are described below, with an analysis of the level of use for the two quota systems negotiated: zero duty quotas and quotas for dispensations from the rules of origin.<sup>2</sup>

2. A detailed table in appendix 4B shows the use of quotas for products over the past three years.

**Table 4.5 Use of TPL quotas, 2006–09**

<b>Year</b>	<b>Quota limit</b> (million square meters)	<b>Entered quantity</b> (million square meters)	<b>Share filled</b> (percent)
2006	30	3.1	10.24
2007	30	2.5	8.49
2008	30	2.6	8.76
2009 <sup>a</sup>	30	0.3	1.10

TPL = tariff preference level

a. Figures are for the first three months of the year.

Source: US Customs and Border Protection Commodity Status Report for Tariff Rate Quotas, [www.cbp.gov](http://www.cbp.gov) (accessed on June 2, 2009).

### *Zero Duty Quotas*

An examination of the use of tariff quotas, which are intended to facilitate the duty-free entry of promising products to the US market, reveals a highly significant fact: For the first three years of the Morocco-US FTA, *only 1 percent of the quota level for each of the 45 categories of zero duty quotas was used.* The one exception has been for trousers and shorts in synthetic materials: In 2006 the quota was used at 26 percent, but for 2007 and 2008 the level of uptake for this quota was zero.

### *Quotas with Concessions on the Rules of Origin*

In order for the Moroccan industry to benefit from the FTA as quickly as possible and develop links with US buyers and suppliers, an important concession was made with regard to the rules of origin. For a set quantity of 30 million square meters of fabric, Moroccan manufacturers are allowed to use textiles originating from outside the zone of the FTA, while still benefiting from the origin status terms of the agreement. In other words, instead of using US or Moroccan inputs, they can obtain them from the best possible source without losing the advantages of the agreement. This quota expires after 10 years, on the supposition that by then US and Moroccan industries will have established a mutually profitable relationship.

Table 4.5 demonstrates that this powerful incentive has proven insufficient to launch the massive exports anticipated. In principle, the Moroccan manufacturers should have combined this quota with the zero duty quota to export their products directly, without changing their sourcing, which would have given them an important advantage over their competitors. This has not happened, for reasons discussed below.

Another dispensation quota with regard to the rules of origin was conceded to Morocco, which allowed Morocco to buy cotton from sub-Saharan Africa and to use up to 1,000 tons of this fiber in its manufacturing. From the US viewpoint, this should have encouraged exports very

rapidly, taking into account the level of subsidies to US cotton producers. But nothing came of it— *Moroccan manufacturers did not use a single kilo of African cotton*, even though the government tried to advertise these opportunities to the textile sector.

## **Explanatory Factors**

### *Production: Labor Costs*

Table 4.6 details the wage cost structure of the main textile-exporting countries to the United States and Europe. It shows that wage costs in Morocco are three to four times higher than those in Egypt or Jordan and are comparable to those of Mexico, Tunisia, or Turkey. But these differences alone are not enough to explain the mediocre performance of Moroccan exports.

### *Timing of the Implementation of the Agreement*

One explanation given by US buyers for their lack of interest in Moroccan textile products relates to the timing of the agreement. By the time the FTA came into force in January 2006, the MFA had already ended. Operators had anticipated the abolition of the quotas and begun to rationalize their supplies using criteria based on competitiveness rather than on the quota or tariff concessions extended to suppliers in various countries. Following the principles of lean retail, they focused on the capacity to produce finished products, in short series and within a tight time frame, while taking upon themselves the tasks of organization, logistics, and supplier selection. This model inevitably favors countries that are near the markets and that are capable of responding within a window of one or two weeks.

The textile provisions of the Morocco-US FTA were based on commercial models that were already on the wane as factors beyond tariff and quota advantages played an increasingly important role in shaping trade flows.

### *Difficulty in Implementation*

Another explanation put forward by US buyers relates to the difficulties anticipated in implementing the agreement. In particular, with respect to the rules of origin, they expressed reservations about the resources they would need to invest to trace the different inputs used in production. Their past experience with bilateral agreements has revealed the high costs of complex rules enacted to protect the textile sector. Given the choice, they prefer to avoid supply from countries subject to this kind of constraint.

### *The Dollar*

The Moroccan Central Bank fixes the value of the dirham according to a basket of currencies in which the euro is dominant, so the dirham is more

**Table 4.6 Labor costs in textile and apparel industries in MENA countries and comparators, 2005**

Country	Total cost per operator hour (dollars) <sup>a</sup>	Normal operator hours/week	Normal equivalent operator days /year	Firm operating days/year
Bangladesh	0.28	48	290	343
Bulgaria	1.5	40	230	291
China (coastal)	0.76	44	277	334
Mainland China	0.48	48	293	340
Colombia	1.97	n.a.	n.a.	n.a.
Egypt	0.82	48	291	281
India	0.67	48	301	357
Indonesia	0.55	40	245	336
Jordan	0.46 <sup>b</sup>	n.a.	n.a.	n.a.
Malaysia	1.18	48	295	338
Mexico	2.19	n.a.	n.a.	n.a.
Morocco	2.56	46	272	329
Pakistan	0.37	48	280	351
Poland	3.8	n.a.	n.a.	n.a.
Romania	1.07	n.a.	n.a.	n.a.
Sri Lanka	0.46	45	269	340
Taiwan	7.58	42	250	350
Thailand	1.29	48	286	333
Tunisia	2.05	48	282	312
Turkey	2.88	46	277	322
Vietnam	0.28	48	290	350

n.a. = not available

MENA = Middle East and North Africa

a. Including all social charges.

b. Based on minimum wage of \$3.75 a day in the qualifying industrial zone.

Source: Pigato (2006).

closely linked to the euro than to the dollar. When the euro goes up against the dollar, as has been the case since 2001, the dirham also gains. But, as shown in figure 4.6, which plots the course of the dollar-euro exchange rate from 1999 to April 2009, the dollar has been falling since 2002 and continued to fall against the euro and the dirham after the implementation of the FTA. It is only since the global economic crisis of October 2008 that the dollar began to rise for a short period. The sustained decline of the dollar was a disaster for Moroccan manufacturers wishing to export to the United States because they invoice in dollars for costs in euros and

**Figure 4.6 Euro-dollar exchange rate, January 1999 to April 2009**

euros per dollar



Source: European Central Bank, [www.ecb.int/stats](http://www.ecb.int/stats).

dirhams, which reduces their margins. This relative fluctuation of currencies explains why many Moroccan exporters have abandoned their projections for the US market and are instead concentrating on maintaining their present market positions, focusing largely on the European Union.

### Producers' Perspective

This section draws on interviews with Moroccan manufacturers to convey the concerns of producers; for the opinions of importers, this section draws on previous interviews, analytical reports, and the opinions of technical experts entrusted with the promotion of Moroccan exports.<sup>3</sup>

From the point of view of Moroccan manufacturers, the United States is a difficult market. The first constraint is managerial: To respond to the needs of this market, they have to train English-speaking middle managers to deal with both the requirements of the client and the administrative constraints of the agreement. Even where such managers can be found, their cost is high relative to the profit opportunities.

The second difficulty lies in the order size. US buyers usually order

3. The latter are participants in the New Business Opportunities (NBO) project, financed by USAID to help Moroccan businesses take advantage of the opportunities offered by the FTA; see [www.nbo-program.com](http://www.nbo-program.com) (accessed on April 19, 2009).

50,000 to 100,000 pieces, and at the same time are very demanding when it comes to price. These are not the strong points of the Moroccan industry, which excels in the manufacture of small quantities of fashion merchandise. Although the adoption of lean retail practices has in some cases reduced the size of the average order to 8,000 pieces, which is more manageable for the Moroccan industry, delivery times are often too short for Moroccan firms to meet.

The third difficulty relates to the US preference for basic items of clothing (e.g., T-shirts, sweatshirts, and casual wear), which differs from European tastes and for which Moroccan manufacturers are not really geared.

Finally, Moroccan manufacturers do not believe that US buyers are interested in their products, reporting that their marketing efforts at salons and during trade missions have not been successful. Although programs such as New Business Opportunities (NBO), funded by the USAID, provide technical assistance to help overcome such cultural constraints, their reach is somewhat limited, and the NBO program is expected to end by September 2009.

For these and other reasons, Moroccan manufacturers prefer the EU to the US market: The average prices they can obtain in Europe are higher, and the euro is less risky than the dollar and more favorable to Moroccan exports. Moreover, the EU rules of origin, which allow for cumulation of origin with Turkey in particular, afford the Moroccan manufacturers greater flexibility in the choice of suppliers and make their products more competitive on the European market, especially compared with the rules of origin applied in the FTA with the United States.

Moroccans also believe that the Europeans are more committed than the Americans to the creation of an integrated trade and manufacturing zone. Indeed, the decisions taken by the European Community to accelerate the adoption of pan-European rules of origin and impose restrictions on Chinese imports have supported this perception and the importance Moroccans accord to the European market. And this despite a belief that these measures will largely benefit European manufacturers based in Morocco and Tunisia.

## **Importers' Perspective**

US buyers and importers emphasize the radical change in sourcing practices brought about by the abolition of the MFA. Their first observation is that the quotas no longer impose constraints and are therefore no longer a determining factor in the location of sourcing. If Morocco wants to penetrate the US market, it has to do so on the basis of its own competitiveness and not simply because of the advantages of a benevolent customs regime.

The second observation relates to the consolidation of sourcing in a small number of countries, to reduce management costs and create posi-

tive external factors (clustering). It would appear that distributors have chosen to source large quantities from China and generally from Asia. For small repeat series, they tend to favor the countries of Central America, which are closer geographically and can respond more rapidly. When asked about the comparative competitiveness of Egypt, Jordan, and Morocco, US importers stress the simplicity of sourcing from the QIZs, because of rules of origin of the Breaux-Cardin type.

They consider that Morocco has a real advantage in two important niche areas: jeans, where they have established themselves very successfully, and high-end products, which are less cost sensitive and where quality is all-important (notably lingerie and haute couture).

They advise Moroccans to develop their own sourcing (fabric, accessories) to become more competitive. When invited to invest in these opportunities, Moroccan firms refer to the uncertainty of the future of international trade relations in this sector. If globalization continues without any restrictions on the free movement of inputs, the question of integration will present itself in different terms than in the case of a less liberal evolution.

According to a Moroccan technical assistant in charge of promoting Moroccan exports, Moroccan manufacturers do not have sufficient incentive to penetrate the US market, not only because of the profitability of the EU market due to favorable exchange rates but also, above all, because of the advantages of proximity in fast fashion and lean retail. In view of wage levels in Morocco, this specialization is the best option.

## Conclusion and Recommendations

Based on the data and analyses presented in this chapter, the conclusion is clear: The FTA between the United States and Morocco has not succeeded in boosting Morocco's textile and apparel exports. On the contrary, the complexity of the rules of origin imposed by the textile lobby is a handicap to large-scale Moroccan garment retailing in the United States.

Based on this conclusion, the recommendation is clear: The FTA rules of origin governing the trade of textiles and apparel must be changed. They should mirror the rules for the QIZs in Jordan and Egypt, or more simply still, the rules of the FTAs with Israel and Jordan. Such changes are even more important since the MFA has ended, and with it the opportunity for trade creation through bilateral quota agreements.

In view of the difficulty in returning to the US Congress and Moroccan Parliament to modify the text of the agreement, three solutions are proposed:

- establish a list of inputs used in the textile sector that are not produced by either the United States or Morocco and exclude them from the rules of origin;

- make use of the provisions for revising the agreement if it does not succeed in boosting trade and modify the rules of origin. If applied intelligently, the provisions of Article 4.3 of the FTA (Rules of Origin and Related Matters) would allow the accord to be rebalanced; and
- consider the creation of qualified industrial zones in Morocco, with simplified rules of origin and content requirements for US products (instead of Israeli ones) similar to the Egyptian and Jordanian agreements.

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## Appendix 4A Moroccan textile and apparel exports to the United States, by product, 2006–08

HS code	Description	Value of exports (millions of dollars)			Share of total trade (percent)			Annual change (percent)
		2006	2007	2008	2006	2007	2008	2007–08
	Total	457.34	568.61	811.94	0.03	0.03	0.04	43
42	Articles of leather, saddlery and harness, travel goods, handbags, articles of gut	1.87	1.65	1.23	0.41	0.30	0.15	-25
50	Silk, including yarns and woven fabrics thereof	0.00	0.00	0.00	0.00	0.00	0.00	-100
51	Wool and fine or coarse animal hair, including yarns and woven fabrics thereof	0.00	0.00	0.00	0.00	0.00	0.00	-100
52	Cotton, including yarn and woven fabrics thereof	0.53	0.23	0.18	0.11	0.04	0.03	-23
53	Vegetarian textile fibers nesoi, yarns and woven, etc.	0.53	0.25	0.19	0.11	0.04	0.03	-23
54	Man-made filaments, including yarn and woven, etc.	0.07	0.07	0.16	0.02	0.02	0.02	138
55	Man-made staple fibers, including yarn, etc.	0.03	0.06	0.08	0.01	0.01	0.01	30
56	Wadding, felt and non-wovens, special yarn, twine, cordage, ropes and cables and articles	0.02	0.00	0.00	0.01	0.00	0.00	-100
57	Carpets and other textile floor coverings	0.12	0.10	0.12	0.03	0.01	0.01	15
58	Special woven fabric, tufted textiles, lace	0.01	0.01	0.01	0.00	0.00	0.00	72
59	Impregnated, coated, covered or laminated textile products, textiles products for industrial use	0.00	0.00	0.00	0.00	0.00	0.00	0
60	Knitted or crocheted fabrics	0.01	0.00	0.00	0.00	0.00	0.00	0
61	Articles of apparel and clothing accessories, knitted or crocheted	0.11	0.13	0.18	0.03	0.03	0.02	45
62	Articles of apparel and clothing accessories, not knitted or crocheted	0.04	0.22	0.43	0.01	0.04	0.05	99
63	Made-up textile articles nesoi, needlecraft sets, worn clothing, rags	0.03	0.06	0.04	0.01	0.01	0.01	-33
64	Footwear, gaitors and the like	0.22	0.09	0.11	0.05	0.02	0.01	18
65	Headgear and other parts	0.85	0.60	0.67	0.19	0.11	0.08	11

nesoi = not elsewhere specified or indicated

Source: US Census Bureau, US International Trade Statistics, <http://censtats.census.gov>.

## Appendix 4B Originating textile tariff rate quotas, by HS code and category, 2006–08

Year	Quota limit (m <sup>2</sup> )	Entered quantity (m <sup>2</sup> )	Percent of quota filled
610462 Women's and girls' trousers, breeches, of cotton, knitted or crocheted			
2006	1,027,517	1,147	0.11
2007	1,284,396	3,040	0.24
2008	1,541,275	2,265	0.15
610463 Women's trousers, breeches, of synthetic fibers, knitted or crocheted			
2006	541,800	142,414	26.28
2007	677,250	0	0
2008	812,700	0	0
610510 Men's or boys' shirts, of cotton, knitted or crocheted			
2006	782,110	1,560	0.20
2007	977,638	480	0.05
2008	1,173,165	210	0.02
610610 Women's or girls' blouses, shirts, of cotton, knitted or crocheted			
2006	76,850	942	1.23
2007	96,063	996	1.04
2008	115,275	0	0
610620 Women's blouses, shirts, of man-made fibers, knitted or crocheted			
2006	445,200	50	0.01
2007	556,500	250	0.04
2008	667,800	0	0
610822 Women's briefs, panties, of man-made fibers, knitted or crocheted			
2006	17,022,703	17,520	0.10
2007	21,278,379	0	0
2008	25,534,055	0	0
610910 T-shirts, singlets, other vests, knitted or crocheted, of cotton			
2006	17,134,067	122,736	0.72
2007	21,417,583	206,994	0.97
2008	25,701,100	298,115	1.16
610990 T-shirts, singlets, and other vests, of other textile materials			
2006	1,756,467	163	0.01
2007	2,195,583	19,095	0.87
2008	2,634,700	363	0.01
611011 Sweaters, pullovers, sweatshirts, waistcoats (vests), knitted or crocheted, of wool			
2006	1,529,322	0	0
2007	1,911,652	0	0
2008	2,293,982	0	0

**Appendix 4B Originating textile tariff rate quotas, by HS code and category, 2006–08 (continued)**

Year	Quota limit (m <sup>2</sup> )	Entered quantity (m <sup>2</sup> )	Percent of quota filled
611012 Sweaters, pullovers, sweatshirts, waistcoats (vests), knitted or crocheted, of wool			
2006	1,322,731	0	0
2007	1,653,413	0	0
2008	1,984,096	0	0
611019 Sweaters, pullovers, sweatshirts, waistcoats (vests), knitted or crocheted, of wool			
2006	17,217	0	0
2007	21,521	0	0
2008	25,825	0	0
611020 Sweaters, pullovers, sweatshirts, waistcoats (vests), knitted or crocheted, of cotton			
2006	5,736,583	6,950	0.12
2007	7,170,729	10,538	0.15
2008	8,604,875	3,223	0.04
611030 Sweaters, pullovers, sweatshirts, waistcoats (vests), knitted or crocheted, of man-made fibers			
2006	5,394,700	18,544	0.34
2007	6,743,375	10,133	0.15
2008	8,092,050	16,903	0.21
611120 Babies' garments and accessories, of cotton, knitted or crocheted			
2006	2,366,183	18,424	0.78
2007	2,957,729	7,982	0.27
2008	3,549,275	6,384	0.18
611130 Babies' garments and accessories, of synthetic fibers			
2006	249,033	675	0.27
2007	311,292	0	0
2008	373,550	523	0.14
620192 Men's or boys' anoraks, wind-cheaters, wind-jackets, of cotton			
2006	4,250,708	1,277	0.03
2007	5,313,385	345	0.01
2008	6,376,063	207	0
620193 Men's or boys' anoraks, wind-cheaters, wind-jackets, of man-made fibers			
2006	332,367	0	0
2007	415,458	0	0
2008	498,550	0	0
620292 Women's or girls' anoraks, wind-cheaters, wind-jackets of cotton			
2006	1,285,990	2,072	0.16
2007	1,607,488	690	0.04
2008	1,928,985	552	0.03

(table continues next page)

**Appendix 4B Originating textile tariff rate quotas, by HS code and category, 2006–08 (continued)**

Year	Quota limit (m <sup>2</sup> )	Entered quantity (m <sup>2</sup> )	Percent of quota filled
620311 Men's or boys' suits, of wool or fine animal hair			
2006	483,610	0	0
2007	604,513	16,634	2.75
2008	725,415	6,381	0.88
620331 Men's or boys' jackets, blazers, of wool or fine animal hair			
2006	332,420	0	0
2007	415,525	0	0
2008	498,630	873	0.18
620333 Men's or boys' jackets, blazers, of synthetic fibers			
2006	143,200	0	0
2007	179,000	0	0
2008	214,800	0	0
620342 Men's or boys' trousers, overalls, breeches, of cotton			
2006	108,394,613	234,689	0.22
2007	135,493,267	112,278	0.08
2008	162,591,920	40,283	0.02
620343 Men's or boys' trousers, overalls, breeches, of synthetic fibers			
2006	1,749,417	0	0
2007	2,186,771	0	0
2008	2,624,125	551	0.02
620433 Women's or girls' jackets, of synthetic fibers			
2006	600,733	311	0.05
2007	750,917	932	0.12
2008	901,100	0	0
620442 Women's or girls' dresses, of cotton			
2006	2,045,717	20,657	1.01
2007	2,557,146	21,226	0.83
2008	3,068,575	11,339	0.37
620443 Women's or girls' dresses, of synthetic fibers			
2006	2,144,750	4,359	0.20
2007	2,680,938	4,359	0.16
2008	3,217,125	796	0.02
620444 Women's or girls' dresses, of artificial fibers			
2006	1,254,500	1,745	0.14
2007	1,568,125	152	0.01
2008	1,881,750	0	0

**Appendix 4B Originating textile tariff rate quotas, by HS code and category, 2006–08 (continued)**

Year	Quota limit (m <sup>2</sup> )	Entered quantity (m <sup>2</sup> )	Percent of quota filled
620452 Women's or girls' skirts, divided skirts, of cotton			
2006	2,095,985	5,066	0.24
2007	2,619,981	8,571	0.33
2008	3,143,978	11,966	0.38
620459 Women's or girls' skirts, divided skirts, of other textile materials			
2006	1,295,450	5,723	0.44
2007	1,619,313	313	0.02
2008	1,943,175	0	0
620461 Women's or girls' trousers, breeches, of wool or fine animal hair			
2006	392,625	0	0
2007	490,781	45	0.01
2008	588,938	0	0
620462 Women's or girls' trousers, breeches, of cotton			
2006	39,216,310	51,130	0.13
2007	49,020,388	83,971	0.17
2008	58,824,465	194,137	0.33
620463 Women's or girls' trousers, breeches, of synthetic fibers			
2006	6,299,430	75	0
2007	7,874,288	909	0.01
2008	9,449,145	373	0
620469 Women's or girls' trousers, breeches, of other textile materials			
2006	1,151,967	13,650	1.19
2007	1,439,958	2,638	0.18
2008	1,727,950	0	0
620520 Men's or boys' shirts, of cotton			
2006	6,011,550	17,125	0.28
2007	7,514,438	93,949	1.25
2008	9,017,325	248,919	2.76
620530 Men's or boys' shirts, of man-made fibers			
2006	1,862,667	0	0
2007	2,328,333	0	0
2008	2,794,000	0	0
620630 Women's or girls' blouses, shirts, of cotton			
2006	4,318,080	10,804	0.25
2007	5,397,600	20,224	0.37
2008	6,477,120	21,991	0.34

(table continues next page)

## Appendix 4B Originating textile tariff rate quotas, by HS code and category, 2006–08 (continued)

Year	Quota limit (m <sup>2</sup> )	Entered quantity (m <sup>2</sup> )	Percent of quota filled
620640 Women's or girls' blouses, shirts, of man-made fibers			
2006	2,295,367	122	0.01
2007	2,869,208	73	0
2008	3,443,050	0	0
620892 Women's or girls' singlets, briefs, panties, negligees, man-made fibers			
2006	5,974,200	524	0.01
2007	7,467,750	21,373	0.29
2008	8,961,300	1,065	0.01
620920 Babies' garments and clothing accessories, of cotton			
2006	11,400,900	20,670	0.18
2007	14,251,125	8,537	0.06
2008	17,101,350	10,339	0.06
621133 Other garments, men's or boys', of man-made fibers			
2006	1,831,600	0	0
2007	2,289,500	0	0
2008	2,747,400	0	0
621142 Other garments, women's or girls', of cotton			
2006	1,275,887	2,635	0.21
2007	1,594,858	2,097	0.13
2008	1,913,830	5,161	2.70
621210 Brassieres			
2006	8,286,787	3,212	0.04
2007	10,358,483	2,616	0.03
2008	12,430,180	0	0
630140 Blankets, travelling rugs, of synthetic fibers			
2006	380,000	0	0
2007	475,000	0	0
2008	570,000	0	0
630391 Other curtain, interior blinds, bed valances, of cotton			
2006	51,710	0	0
2007	1,034,200	366	0.04
2008	1,292,750	0	0
630392 Other curtain, interior blinds, bed valances, of synthetic fibers			
2006	362,400	0	0
2007	453,000	4,061	0.90
2008	543,600	0	0

Source: US Customs and Border Protection Commodity Status Report for Tariff Rate Quotas, available at [www.cbp.gov](http://www.cbp.gov) (accessed on June 2, 2009).