
THE IMPACT OF TRADE LIBERALISATION ON THE TEXTILE AND CLOTHING SECTOR

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ABSTRACT

Trade liberalisation is one of the prominent aspects of today's economy. It gives the States freedom to trade globally. It can also create opportunities for domestic manufacturers to expand their export markets and access new customers abroad. Though, sometimes, restrictions are mandatory in order to avoid market disruptions. However these often interrupt the free flow of trade. Textile industry has always been important in the process of industrialization for countries world over. Textile goods are very important products for many economies, and for the people who make things like clothes, T-shirts, and blankets that are shipped to retail stores.

There has been number of conventions and agreements at international, regional and national level dealing with trade liberalisation. Every new policy gives rise to fresh issues while seeking to resolve old ones. The trade liberalisation in textile sector is concerned with the deeper interests of vast population including owners, producers, distributors, workers and consumers. The paper shall focus on the impact of globalisation and International Trade on Textile and Clothing sector and how it affects the legal framework governing this sector.

Keywords: trade, textile, clothing, economy, agreement, competition

Meaning

Trade liberalisation is a crucial policy towards globalization. It is the removal or reduction of restrictions or barriers on the free exchange of goods between nations.¹ Trade barriers include tariffs, quotas, and subsidies. Tariffs are taxes imposed on imported goods, making them more expensive and less competitive in the domestic market.² Quotas, on the other hand, limit the quantity of goods that can be imported. This restriction aims to protect domestic industries from foreign competition.³ Other trade barriers include technical barriers such as product standards and regulations, as well as administrative barriers like customs procedures and licensing requirements. These barriers can affect the free flow of goods and limit international trade.

Subsidies, which are financial assistance provided by governments to domestic industries, can also act as trade barriers by giving those industries an unfair advantage.⁴ Subsidies can have both positive and negative effects on the textile industry. On one hand, subsidies provided by governments can help support domestic producers by reducing their production costs. This can make their products more competitive in the global market and stimulate growth in the industry. Subsidies can also encourage investment in research and development, leading to innovation and technological advancements. On the other hand, subsidies can distort the global market by creating an uneven playing field.

Institutions regulating Trade Liberalization

Trade liberalization has been pursued through various means and agreements. There are various institutions at global, regional and national level which are as follows:

1. World Trade Organisation: World Trade Organization (WTO) provides a platform for

¹ “Trade Liberalization: Definition, How It Works, and Example,” *available at*: <https://www.investopedia.com/terms/t/trade-liberalization.asp> (last visited April 16, 2026).

² “Understanding Tariffs and Their Impact on Global Trade,” *Shapiro available at*: <https://www.shapiro.com/resources/understanding-tariffs-and-their-impact-on-global-trade/> (last visited April 16, 2026).

³ “What are import quotas and why might they be used instead of an import tariff? | Reference Library | Economics | tutor2u,” *available at*: <https://www.tutor2u.net/economics/reference/what-are-import-quotas-and-why-might-they-be-used-instead-of-an-import-tariff?srsltid=AfmBOooO2i6DmUQ4gwi6f1AR34TCvideVssarxqYOwcKva7AqsGU6rve> (last visited May 11, 2026).

⁴ “What are subsidies as a form of import protectionism?,” *available at*: <https://www.tutor2u.net/economics/reference/what-are-subsidies-as-a-form-of-import-protectionism> (last visited April 28, 2026).

member countries to negotiate and agree on rules and regulations related to international trade. It seeks to promote free and fair trade by eliminating barriers to trade such as tariffs, quotas, and subsidies. One of the key roles of the World Trade Organization (WTO) is to promote trade liberalization. The WTO provides a framework for resolving disputes that may arise among member countries. The WTO negotiates and implements multilateral trade agreements, such as the General Agreement on Tariffs and Trade (GATT) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which aim to reduce trade barriers and promote liberalization. It has a dispute settlement mechanism that allows countries to bring their trade-related grievances to an impartial panel for resolution. This helps to avoid trade wars and promotes stability in the global economy. It also conducts regular trade policy reviews of member countries to identify areas where trade liberalization can be further promoted. It also provides technical assistance and capacity building to developing countries to help them participate in the global trading system. This includes assistance with implementing WTO agreements and developing the necessary infrastructure to facilitate trade.⁵

2. North American Free Trade Agreement (NAFTA): This agreement aimed to remove trade barriers between the United States, Canada, and Mexico. The North American Free Trade Agreement (NAFTA) entered into force on January 1, 1994. NAFTA is significant because it was the most comprehensive free trade agreement (FTA) negotiated at the time and contained several pioneering provisions.⁶ NAFTA reduced or eliminated tariffs on imports and exports among the three participating countries, creating a huge free-trade zone. Two side agreements to NAFTA aimed to establish high common standards in workplace safety, labor rights, and environmental protection, to prevent businesses from relocating to other countries to exploit lower wages. It aimed to encourage economic activity among North America's three major economic powers. Its primary focus was to open up and expand trade in the agricultural, automotive, and textile industries. Some of its main goals included reduction of trade barriers, creation of trade rules, improvement of working conditions, establishment of a safe market for North American goods and services and expansion of global trade and cooperation. It was later replaced by the United States-Mexico-Canada

⁵ "Key Study Notes on the World Trade Organisation," *available at*: <https://www.tutor2u.net/economics/reference/world-trade-organisation> (last visited June 2, 2026).

⁶ "The North American Free Trade Agreement (NAFTA)," *available at*: <https://www.congress.gov/crs-product/R42965> (last visited June 2, 2026).

Agreement (USMCA), which was signed on Nov. 30, 2018, and went into full force on July 1, 2020.⁷

3. **European Union Single Market:** The European Union aims to enable European Union citizens to study, live, shop, work and retire in any European Union country and enjoy products from all over Europe. To do this, it ensures free movement of goods, services, capital and persons in a single European Union internal market. By removing technical, legal and bureaucratic barriers, the European Union also allows citizens to trade and do business freely. These are the most important aspects of trade liberalization. However, some barriers like fragmented national tax systems; separate national markets for financial services, energy and transport; varied e-commerce rules, standards and practices between European Union countries and complicated rules on the recognition of vocational qualifications exists within the single market. The European Union is working to harmonize these by technical regulations and ensuring legal certainty across member States.⁸ The Single Market is therefore enabled by Regulations and Directives that lower barriers in specific areas and are implemented at national level by Member States themselves.⁹
4. **ASEAN Free Trade Agreement:** The ASEAN Trade in Goods Agreement (ATIGA) provides the legal framework for ASEAN to realise free flow of goods in the region. The Agreement builds upon the Common Effective Preferential Tariff (CEPT) Agreement and incorporates commitments on transparency, notification and trade facilitation to support the further deepening of commitments among ASEAN Member States.¹⁰ The ultimate aim of AFTA is to increase ASEAN's competitive edge as a production base geared for the world market through trade liberalization and closer economic cooperation. The agreement on the Common Effective Preferential Tariff Scheme for AFTA (CEPT-AFTA) is the main instrument through which ASEAN seeks to achieve trade liberalisation by removing both tariff and non-tariff barriers.¹¹

⁷ Amanda Bellucco-Chatham Full Bio Amanda Bellucco-Chatham is an editor et al., "North American Free Trade Agreement (NAFTA): What It Was and How It Worked" *Investopedia* available at: <https://www.investopedia.com/terms/n/nafta.asp> (last visited June 7, 2026).

⁸ "Single market, capital markets union | European Union," available at: https://european-union.europa.eu/priorities-and-actions/actions-topic/single-market_en (last visited June 7, 2026).

⁹ "European Single Market," 2025 available at: <https://www.cece.eu/industry-and-market/european-single-market> (last visited June 7, 2026).

¹⁰ "About ASEAN," *ASEAN Main Portal* available at: <https://asean.org/about-asean/> (last visited June 7, 2026).

¹¹ L.R. Cordenillo, *The Economic Benefits to ASEAN of the ASEAN-China Free Trade Area (ACFTA)* (ASEAN Secretariat, 2005)

Trade Liberalization in Textile and Clothing Sector

Textiles and clothing is one of the basic needs of human life like food and shelter. This industry fulfils one of the basic needs of mankind. Trade liberalization can have a significant impact on the textile and clothing sector. It can lead to increased competition, as more countries can export their products. The elimination of quotas under the Agreement on Textiles and Clothing (ATC) by the World Trade Organization (WTO) in 2005 led to increased trade in this sector. It outlines to bring international trade in textiles and clothing under the normal liberalising and non-discriminatory trade rules.¹² Before this agreement, the Multifibre arrangement (MFA) provided the framework for bilateral agreements or unilateral actions that established quotas limiting imports into countries whose domestic industries were facing serious damage from rapidly increasing imports.¹³ Additionally, bilateral and regional trade agreements, such as the Trans-Pacific Partnership (TPP), have also aimed to liberalize trade in textiles and clothing. These agreements help facilitate the flow of goods and promote international trade.¹⁴

Trade liberalization in the textile and clothing sector can bring several benefits. It can lead to lower prices for consumers, as increased competition often results in more affordable products. It can expand market access for textile and clothing producers, allowing them to reach customers in different countries. This can stimulate economic growth and create job opportunities. Trade liberalization in the textile and clothing sector can lead to increased market access for textile and clothing exporters. By reducing trade barriers, such as tariffs and quotas, countries can expand their customer base and tap into new markets. This can result in higher export volumes and increased revenue for the industry. Additionally, trade liberalization encourages innovation and efficiency, as companies strive to remain competitive in the global market. When domestic producers face competition from international counterparts, they are motivated to improve their productivity, quality, and innovation. This can lead to improved product quality and increased productivity and lower prices for consumers.¹⁵

¹² "WTO | legal texts - Marrakesh Agreement," *available at*: https://www.wto.org/english/docs_e/legal_e/16-tex_e.htm (last visited May 12, 2026).

¹³ "WTO | Understanding the WTO - Textiles: back in the mainstream," *available at*: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm5_e.htm (last visited May 12, 2026).

¹⁴ "Trade liberalisation and international co-operation : a legal analysis of the Trans-Pacific Partnership agreement," *available at*: <https://repository.unescap.org/items/8cb928b4-f2b1-4b1e-a1cd-0997e5ca7838> (last visited May 18, 2026).

¹⁵ Sonali Jain-Chandra and Ananthkrishnan Prasad, "The Impact on India of Trade Liberalization in the Textiles and Clothing Sector" 2005 IMF Working Papers 214 (2005), *available at*: <https://doi.org/10.5089/9781451862331.001> (last visited on June 8, 2026)

Moreover trade liberalization can foster specialization and global value chains in the textile and clothing sector. Countries can focus on producing the goods they are most efficient at, while importing other inputs or components from different countries. This can lead to cost savings and improved competitiveness. It can also create opportunities for investment and technological transfer in the sector. With increased trade flows, foreign companies may choose to invest in domestic textile and clothing industries, bringing in capital, expertise, and advanced technologies. This can help modernize the industry and enhance its capabilities. Overall, trade liberalization in the textile and clothing sector can boost exports, enhance competitiveness & consumer choice, encourage innovation, boost economic development and attract investment. It opens up doors for growth and collaboration in the global market.¹⁶

Challenges

Trade liberalization can also present some challenges which are listed as follows:

1. Economic hardships: One challenge is that domestic industries may face increased competition from foreign producers as they have to compete with cheaper imports. When trade barriers are reduced, it allows imported textiles to enter the domestic market more easily. This can put pressure on domestic manufacturers to lower their prices or improve the quality of their products to remain competitive. This can lead to job losses and economic hardships for certain sectors.¹⁷
2. Labour Concerns: There may be concerns about the working conditions and labor rights in countries with lower labor standards. The workers are given limited access to legal remedies. In certain developing countries, the supply of labour is more than the demand. The apparel industry is labour intensive. The labour often has to bear the cost of rejected exports. Moreover workplace health and safety also is required to enhance productivity, protect life and provide positive workplace environment.¹⁸

¹⁶ “WORLD TRADE LIBERALIZATION IN TEXTILES AND CLOTHING OFFERS PROMISES AND RISKS, SAYS UNCTAD | UN Trade and Development (UNCTAD),” 2004 available at: <https://unctad.org/press-material/world-trade-liberalization-textiles-and-clothing-offers-promises-and-risks-says> (last visited June 7, 2026).

¹⁷ Petros Symeonidis, “Understanding the Implications of Trade Protectionism for the Economy” *FocusEconomics*, 2025 available at: <https://www.focus-economics.com/blog/effects-of-trade-protectionism-on-economy/> (last visited June 8, 2026).

¹⁸ PricewaterhouseCoopers, “Weaving the warp and weft of employee wellbeing in textiles” *PwC* available at: <https://www.pwc.in/research-and-insights-hub/how-ai-can-power-employee-wellbeing-in-textiles.html> (last visited June 8, 2026).

3. Technological advancements: There has been drastic technological advancement in textile and clothing industry from mechanized origins. Some domestic manufacturers may struggle to adapt to the changing market dynamics and face difficulties in upgrading their technology or improving their production processes. This can make it harder for them to compete with more efficient and cost-effective foreign manufacturers.¹⁹
4. Unequal gain distribution: Another challenge is the potential for unequal distribution of benefits. While trade liberalization can bring overall economic growth, it may not benefit all individuals or regions equally. Some sectors or communities may struggle to adapt to increased competition.²⁰
5. Subsidies: There is a stronger impact of subsidies on textile sector. When one country heavily subsidizes its textile industry, it can flood the market with low-cost products, which may harm producers in other countries who are unable to compete with such artificially low prices. This can lead to job losses and economic challenges in those countries. It's important to strike a balance when it comes to subsidies in the textile industry. Governments should consider the potential impacts on both domestic and international producers, and work towards fair and sustainable practices that promote healthy competition and support the overall growth of the industry.²¹
6. Environmental Impact: Trade liberalization can also impact the environment, as increased trade can lead to higher carbon emissions and resource depletion. It's important to address these challenges and ensure that trade liberalization is accompanied by policies that support workers, promote sustainability, and address any inequalities that may arise.²²

Conclusion

Trade Liberalization can have both positive and negative impacts in the textile and clothing sector. Trade liberalization can lead to increased competition from foreign producers, leading

¹⁹ Textile School, "Industrial Textile History: A Journey Through Innovation, Mechanization, and Global Transformation" *Textile School*, 2025 available at: <https://www.textileschool.com/10132/industrial-textile-history-a-journey-through-innovation-mechanization-and-global-transformation/> (last visited June 9, 2026).

²⁰ "Challenges of Trade Liberalisation for Developing Nations • Sociology.Institute," 2025 available at: <https://sociology.institute/sociology-of-development/challenges-trade-liberalisation-developing-nations/> (last visited June 9, 2026).

²¹ Mohammad Abul Hasan Shibly and Mohammad Mohsin Ul Hoque, "Sustainability Challenges of the Textile Industry" *Textile Industry and the Environment - Challenges, Recent Development and Future* (IntechOpen, 2025).

²² *Ibid.*

to pressure on domestic manufacturers and job losses. However, trade liberalization can create new employment opportunities in the industry. By reducing trade barriers, textile companies can expand their operations, invest in new technologies, increase their production capacity, which can lead to the creation of new jobs in areas such as manufacture, design, marketing and logistics. It can stimulate overall economic growth, which can have positive spill over effects on employment in the different sectors including textiles.

Countries can try to tackle the challenges of trade liberalization by implementing some strategies. A way to tackle these challenges is by investing in education and training programs to ensure their workforce has the skills to compete in the global market. Also, countries can tackle these challenges by focusing on diversifying their economies by promoting the development of new industries and sectors. This can reduce their dependence on just one industry and making their economy a more resilient to changes in the global trade, governments can try to tackle these challenges by implementing policies to support domestic industries which includes offering financial assistance, improve the infrastructure, and reducing bureaucratic barriers. Finally countries can tackle these challenges by engaging in international cooperation and negotiations to establish fair trade rules to resolve issues such as intellectual property rights and labor standards. The policies should be framed at international level to deal with these issues. With these measures, countries can better navigate challenges and maximize the benefits of trade liberalization.