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Reconfiguring global apparel sourcing: who will make the 'Made in China' of tomorrow?

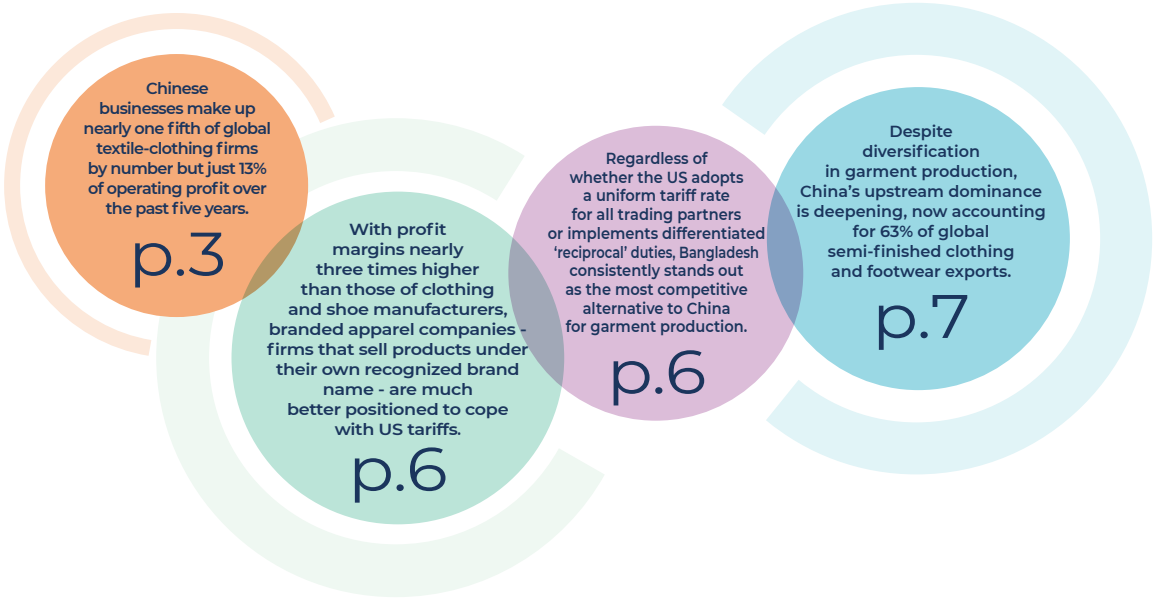
EXECUTIVE SUMMARY

From 1973 to 1995, international trade in textiles and apparel operated under a quota system, restricting exports from developing nations. Following its removal, trade gradually liberalized, accelerating the globalization of clothing and footwear supply chains. Western brands increasingly outsourced production to low-cost regions, with China emerging as a key clothing supplier. **Between 1995 and 2010, the volume of clothing and footwear exports rose 2.3 times worldwide, while in China it grew more than twice as fast, increasing 4.8 times.**

Although still the global leader, China's dominance in clothing and footwear exports has steadily declined since 2010. In 2023, China accounted for 41% of global exports (by volume), marking a 13-percentage point drop from its peak. This decline is tied to the structure of the Chinese textile-clothing sector, which remains primarily compounded by factories supplying Western brands seeking to reduce costs. Meanwhile, only a handful of domestic labels have gained traction in the ultra-fast fashion segment. **This creates significant pressure, as Chinese businesses make up nearly one fifth of global textile-clothing firms by number, yet capture just 13% of global revenue and 10% of operating profit over the past five years.** In addition, China's low-price positioning, stemming from this outsourced manufacturing model for Western brands, is becoming increasingly difficult to sustain amid rising labor costs and stricter environmental regulations.

The return of Donald Trump's to the White House in January 2025, and his tariff strategy targeting Beijing in particular, could further weaken China's lead in global apparel sourcing. While the country is likely to remain a key player, this tariff offensive is expected to accelerate the shift toward sourcing diversification beyond China. In this context, we identified alternative countries for apparel production. Given the uncertainty surrounding US trade policy, we developed two scenarios to anticipate future sourcing trends. One with uniform tariffs for US trading partners, except China, and a second one with differentiated tariffs between countries, following the "reciprocal tariffs" framework initially announced on April 2, 2025. **While some other Asian countries, especially Bangladesh, appear as among the most competitive countries independently to the US tariff scenario, Türkiye, as well as some countries in North Africa and Europe also offer opportunities.**

SOME OF THE THINGS YOU'LL LEARN...



Liberalization paved the way for China's hegemony in the apparel industry

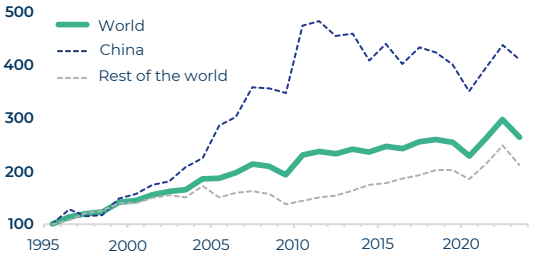
In the second half of the 20th century, global clothing and footwear supply chain underwent significant transformation. Whereas in the 19th century, western economies imported textile raw materials cultivated in their colonies for processing, these countries relocated their manufacturing activities to low-cost countries. However, this shift was limited by the Multifiber Agreement (MFA), which governed international trade in textiles and clothing between 1973 and 1995. It allowed developed countries to impose bilateral quotas on imports from developing nations. By 1989, the MFA had resulted in over 200 bilateral agreements involving nearly 50 countries.

The establishment of the World Trade Organization (WTO) in 1995 marked a turning point, as the MFA was replaced by the Agreement on Textiles and Clothing (ATC). This agreement initiated a decade-long phase-out of quotas, culminating in their full elimination in 2005, which further deepened supply chain globalization. However, it was not until 2008 that textile quotas were fully lifted, as the EU and the US had introduced temporary safeguard measures in response to China's rapid market expansion. The dismantling of the quota system contributed to improve export prospects for low-cost developing countries, particularly benefitting China, which joined the WTO in 2001. From the end of the MFA in 1995 to 2010, Western clothing brands increasingly outsourced to China, with the country's apparel and footwear export volume jumping by a factor of 4.8, far outpacing the 1.4-fold increase seen in the rest of the world **(Chart 1)**.

As a result, China's share of global export volume surged from 26% to 54% over the period, with a marked acceleration following the removal of quotas in 2005. This rise came primarily at the expense of western economies, namely the European Union (whose share fell from 19% to 11%) and North America (from 7% to 2%).

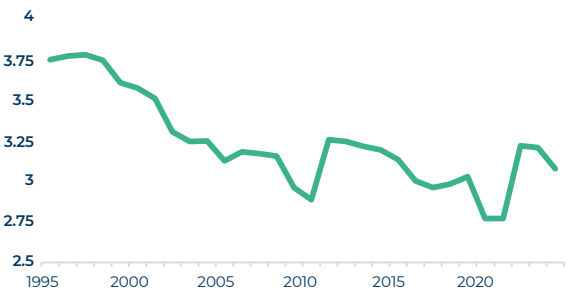
As major importers of China's clothing, Western regions experienced significant disruptions in their apparel and footwear supply chains due to the surge in Chinese exports. In the US, the inflow of Chinese goods led to a 30% fall in apparel import prices in the 15 years following the introduction of the ATC **(Chart 2)**. This heightened price competition contributed to the decline of domestic textile production. Reflecting this trend, China's share in US apparel and footwear import rose from 11% in 1995 to nearly 50% in 2010. Meanwhile, the US market penetration rate - measuring the share of imports in domestic consumption - rose from 43% to 86% **(Chart 3)**.

Chart 1 - Apparel & footwear volume exports *by place of origin (1995=100)*



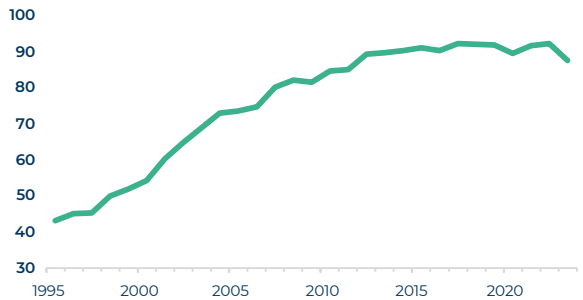
Sources: CEPII-BACI, Coface

Chart 2- US apparel import prices *(USD per Square Meter Equivalent)*



Sources: International Trade Administration, Coface

Chart 3 - US penetration rate for apparel, leather and allied products *(%)*



Penetration rate = imports/(production+imports-exports), in value
Sources: BEA, UNCTAD, Coface

The foundations of China's success in apparel exports in the 1990s

While trade liberalization opened the door to a surge in Chinese apparel exports, the shift would not have occurred without a combination of factors that gave China a comparative advantage in clothing and footwear production. Among them was its vast pool of cheap labor. As the second world's most populous nation, China leveraged an abundant and inexpensive workforce. In 2000, the nominal gross monthly minimum wage in the manufacturing sector was just $50, 18 times lower than in the US ($893)[1]. Labor costs, which include wages and all other expenses incurred by employers in employing workers, have traditionally been a key factor in choosing sourcing locations for the apparel sector, as they account for 20-30% of the total cost of manufacturing a garment[2]. They rank just behind material inputs, which are generally less controllable.

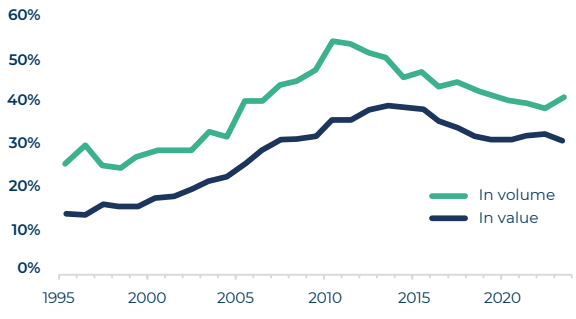
Additionally, China's dominance in both natural and chemical fiber production also significantly strengthened its ability to meet global demand for finished apparel products at limited costs. Leveraging its vast irrigated agricultural lands, China has outpaced the United States in cotton production in the early 1980s, when cotton accounted for almost half of the global textile fiber consumption[3]. By the end of the MFA in 1995, China was responsible for 23% of the global cotton supply. The country also swiftly positioned itself as a major player in fossil-based synthetic fiber production, representing around 40% of global polyester production as early as the early 2000s[4]. Today, cotton represents just 20% of the total fiber production, far behind polyester (57%)[5].

The country's political environment also played a key role. On the one hand, government stability and consistent policies strengthened foreign investor confidence. On the other hand, economic policies were instrumental in shaping a robust manufacturing sector capable of supplying international markets. In the late 1980s, the government promoted industrial development through the creation of Special Economic Zones (SEZs), which provided incentives such as tax advantages, relaxed regulations, and foreign trade facilitation. This strategy, coupled with the large-scale expansion of logistic and energy infrastructure networks, reinforced China's role as a leading global apparel production hub. Further amplifying China's export strength, its accession to the WTO in 2001 provided additional momentum.

A challenged position

Although remaining the top world's exporter, **China's share in global apparel and footwear export volume peaked in 2010 at 54% and then dropped to a low of 39% in 2022 (Chart 4).**

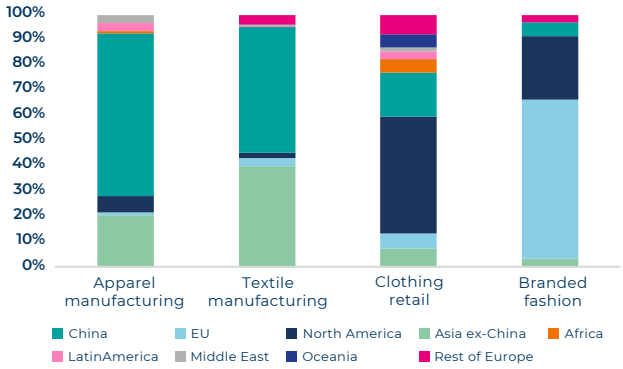
Chart 4 - China's apparel & footwear share in global exports



Sources: CEPII-BACI, Coface

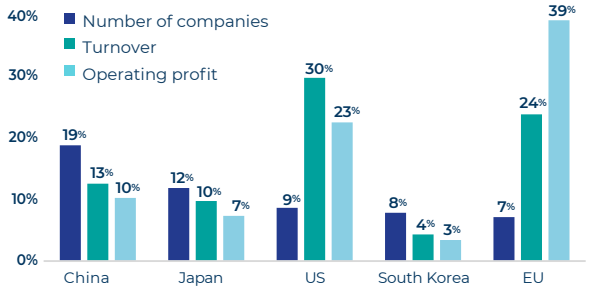
The drop is closely tied to the structure of its textile clothing sector. China emerged as a leading clothing exporter by attracting foreign brands looking to outsource production and cut costs. Since then, only a few domestic labels arose in the ultra-fast fashion segment, further pressuring the value of Chinese clothing exports **(See box 1-next page)**. As a result, China's apparel industry has remained primarily composed of multiple manufacturing units supplying Western brands. The country holds the strongest presence in the textile (40% of the segment's global profit) and apparel manufacturing (21%) subsectors. Unsurprisingly, advanced economies dominate the apparel retail and the branded fashion segment. The latter comprises clothing companies that sell products under their own recognized brand name, which remains overwhelmingly headquartered in advanced economies **(Chart 5 & 6)**.

Chart 5 - Breakdown of operating profit of textile-clothing listed companies by segment *(2020-2024)*



Sources: FacSet, Coface

Chart 6 - Share of textile-clothing listed companies by number, turnover and operating profit *(2020-2024)*



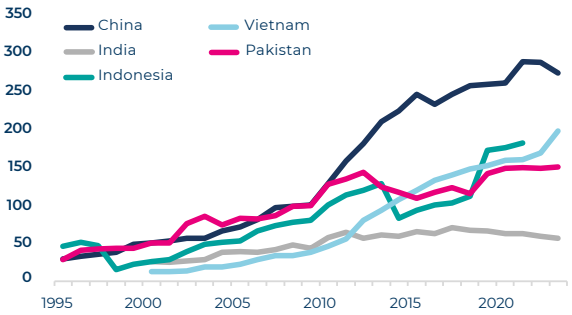
Sources: FacSet, Coface

The structure of the textile-clothing sector has a direct impact on China's value generation, as manufacturing activities remain the lowest-value segments within the industry. **While Chinese companies make up 19% of the sector's companies, they account for only 13% and 10% of the sector's global revenue and operating profit over the five past years (2020-2024). Meanwhile, former major apparel production centers dominate profit capture, with the EU and the US together accounting for over 50% and 60% of the sector's turnover and operating profit.** To quantify these dynamics, we compiled a panel of around 680 listed textile-clothing companies worldwide, assigning each to a country based on the location of its headquarters. The size and diversity of this panel reinforces its robustness and representativeness of the sector.

1 - International Labor Organization statistics
2 - United States International Trade Commission, August 30, 2024. Apparel: Export competitiveness of certain foreign suppliers to the United States (Publication No. 5543, Investigation No. 332-602).
3 - International Cotton Advisory Committee, October 2024. World Textile Demand
4 - Textile World (September 2004). A Polyester Saga Geography And All
5 - Textile Exchange, (2024, September). Materials Market Report 2024

China's low price positioning resulting from its focus on its outsourced manufacturing model for Western brands has become increasingly difficult to sustain. Although partly reflecting a rise in productivity, rising wages have eroded China's comparative advantage. Between 2010 and 2023, the country's gross minimum wage in the manufacturing sector increased by a compound annual growth rate of 6%, reaching over $270. As a result, the wage competitiveness gap with the US has narrowed significantly. In 2000, Chinese wages were 18 times cheaper than those in the US, but by 2023, the ratio had dropped to just 4.6. Similarly, China's wages, once comparable to those in South and Southeast Asian countries, now stand significantly higher **(Chart 7)**. For instance, an Indian worker in the manufacturing sector earns nearly five times less than a Chinese one.

Chart 7 - Minimum nominal gross monthly wage in the manufacturing sector in selected Asian countries *(inflation adjusted, current USD)*



Sources: ILO, Coface

Additionally, China's apparel exports face increasing threats from new trade and regulatory policies in key consumer markets, mostly driven by rising social and environmental concerns among consumers and policymakers. China has been directly impacted by the US's Uyghur Forced Labor Prevention Act (UFLPA), which banned imports linked to forced labor in the Chinese Xinjiang region. As of 2025, the law prohibits imports from 144 Chinese entities, mostly from the textile-clothing, mining, and solar energy sectors. The EU has followed suit with a similar regulation, which is expected to come into force in 2027[6]. While not directly targeting China, environmental policies pose a significant challenge to its fast-turnaround clothing sector. Pioneer in this area, the EU adopted a Strategy for Sustainable & Circular Textiles in 2022 **(Table 1)**.

Table 1 - Regulation linked to EU's Strategy for Sustainable and Circular Textiles *(inflation adjusted, current USD)*

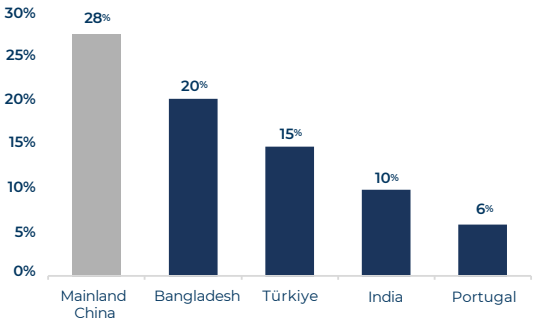
Directive/Regulation	Expected date of implementation	Requirements	Goal
Extended producer responsibility (EPR)	2025	Businesses placing the product on the EU market have to finance the collection, sorting, reuse and recycling of textile products.	Reduce textile waste, promote durability
Green claims directive	2025	Businesses placing the product on the EU market must provide clear, verifiable proof environmental claims accurately reflect a product's sustainability impact to	Prevent greenwashing
Ecodesign for Sustainable Products Regulation	2026/27	Manufacturers must comply with strict design criteria, improving the circularity, energy performance, recyclability, and sustainability of products placed on the EU market.	Reduce textile waste, promote durability
Digital Product Passport (DPP)	2026/27	Businesses must provide a DPP for any product placed on the EU market. It includes information of the product composition, environmental performance, durability and instruction for reuse, repair and proper disposal	Improve tracability, facilitate the monitoring of ecodesign rules
Corporate Sustainability Reporting Directive (CSRD)	2027-28	Large businesses operating in the EU must publish detailed environmental, social, and governance (ESG) reports carbon footprint, ethical sourcing, and sustainability efforts	Improve corporate transparency, prevent greenwashing

With some of the Strategy's regulations starting to apply as soon as 2025, Chinese clothing manufacturers are increasingly incentivized to adapt their model to ensure continued access to the EU market. Compliance could require significant investment in recycling and traceability technologies, potentially increasing production costs. If passed on to consumers, these costs may further erode China's competitiveness while, if absorbed, Chinese factories could face reduced profitability, with some potentially exiting the market. It is also worth mentioning that, in France, a law aimed at reducing the environmental impact of the ultra-fast fashion, dominated by Chinese operators, was approved in June 2025. The legislation imposes eco-taxes and advertising bans, further increasing regulatory burdens on brands like Shein and Temu.

Recent regulatory changes to de minimis exemptions further challenge Chinese clothing exports. Until May 2025, parcels valued under a given threshold entered in the US without facing duties or taxes. However, the American administration ended this de minimis exemption for Chinese goods, imposing specific tariffs on those shipments. Meanwhile, the European Commission proposed in the same month a blanket €2 tax on de minimis shipments, set to take effect in 2028. In 2024, 91% of 4.6 billion € minimis shipments to the EU came from China, making it the most affected country by this potential incoming tax.

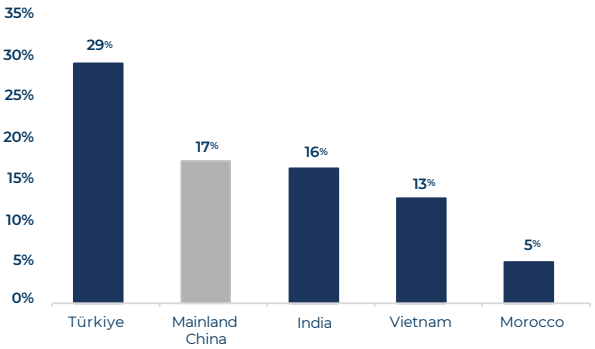
Reflecting this shift, several clothing brands have diversified their supplier networks. For example, China remains the most represented location among H&M's long-term tier-1 suppliers. It accounts for 28% of cut and sew factories supplying the brand for over a decade. However, this share falls to just 17% for newly onboarded suppliers, with Türkiye emerging as a preferred alternative **(Charts 8 and 9)**.

Chart 8 - H&M's Top 5 long-term manufacturing units by location *(% of suppliers for > 10 years)*



Sources: H&M, Coface

Chart 9 - H&M's Top 5 recent manufacturing units by location *(% of suppliers for < 3 years)*



Sources: H&M, Coface

6 - Regulation (EU) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market and amending Directive (EU) 2019/1937.

Box 1

FROM EUROPEAN FAST FASHION MADE IN CHINA... TO CHINESE ULTRA-FAST FASHION

China's integration into the global clothing supply chain positioned the country at the heart of a major transformation in consumer markets: the emergence of fast fashion. The later refers to an industrial apparel production model focused on rapid production cycles and affordable prices, allowing consumers to purchase more clothing for the same cost. With China's low-cost and flexible production capabilities, clothing brands were able to transform their business model. For example, Zara's production cycle for new items — including design and manufacturing — shrunk from six months in the 1970s to just six weeks by 2000. This led to a surge in production volumes, with Zara currently designing around 24 main collections a year, compared to two to four traditionally. In parallel, the number of clothing items purchased per year by a consumer has dramatically increased. As an example, an American nowadays buy 53 clothing items per year, four times more than in 2000.

The growth of e-commerce in the 2000s and mobile commerce in the 2010s then fueled the development of the ultra-fast fashion. This segment's players differ from traditional fast fashion brands in two ways. First, their business models. These companies quasi-exclusively operate online and focus on offering even cheaper clothes at an unprecedented pace. To achieve this, they partner with thousands of small-scale China-based suppliers, who break traditional manufacturing norms by accepting small initial orders, then scaling up production only if demand justifies it. This allows them to launch hundreds of new items per day, responding instantaneously to consumer trends. By contrast, established fast-fashion players like Zara and H&M still largely rely on predicting what styles shoppers will buy. Second, their market dominance. The ultra- fashion ecosystem is largely dominated by Chinese entities, with Shein[7] as the most prominent player.

Evaluating today's ultra-fast fashion's presence in global clothing production remains challenging. Shein operates through an opaque network of suppliers, making it difficult to estimate its total production volume. Furthermore, estimates of the number of new items Shein introduce to market vary widely, ranging from 300,000 to over 1 billion per year. However, financial data give a hint of Shein' importance in the clothing market. Thanks to its revenue growing by a compound annual growth rate of over 90% over 2019-2024, the brand now ranks among the top 3 apparel brands globally by market shares, trailing only the sportswear and athletic apparel giants Nike and Adidas, but surpassing Zara[8].

Beyond China: exploring alternative sourcing countries in the case of uniform US tariffs

China's position is weakening, even though it remains a key player in global clothing trade — and is likely to stay that way. However, Donald Trump's return to the White House could accelerate the diversification of supply chains, with clothing brands not ceasing ties with China but increasingly turning to alternative sourcing partners. Indeed, while the uncertainty is high regarding US tariff levels and longevity, there is little doubt about the fact that China would be one of the main - if not the primary - targets of those tariffs. In this context, we sought to envision what the global apparel and footwear supply map might look like in the coming years. For the purpose of this analysis, we developed a score to assess countries' competitiveness for garment and footwear manufacturing. This indicator incorporates several factors reflecting the availability of low-cost labor, the presence of an established apparel industry, the ease of doing business, as well as environmental and social conditions **(See box 2 - page 8)**.

We first calculated this score under a scenario where all US trade partners face uniform tariffs of 10%, except for China which is hit by higher tariffs. This scenario is directly inspired by the 90-day period instituted on April 9, 2025. At the macroeconomic level, our score highlights the top 20 countries with the greatest potential for developing a clothing and footwear manufacturing sector in the coming years **(See Table 2 - next page)**. Among them, several South and Southeast Asian economies stand out. Their competitiveness for labor-intensive industries like apparel is primarily driven by low wages while the presence of established textile industries enhances their appeal as alternatives to China for global clothing brands. **The four highest-scoring countries - Bangladesh, Cambodia, Pakistan, and Vietnam - are among the main beneficiaries of China's declining competitiveness in the apparel sector. While China's clothing and footwear exports have shrunk by 13 percentage points since 2010, Bangladesh and Vietnam have absorbed most of these lost market shares. Their respective shares of global exports rose by 6 and 4 percentage points, respectively. Some economies within our ranking present unique strengths that could enhance their competitiveness for global clothing brands. Although India has seen its share in global export stabilize in the past ten years, the country emerges as a dual opportunity – not only as a production hub for exports but also as a gateway to its domestic market, fueled by the world's largest population and a rapidly expanding middle class.** According to People Research on India's Consumer Economy, Indian middle class represented 31% of the domestic population in 2021 and should increase to 60% by 2047. The country's key role in cotton production (2nd worldwide), and especially in organic cotton, reinforces its competitiveness. Facing increasing demand, India is the top organic cotton producer with nearly 40% of the world output.

In addition, nearshoring has increasingly been a topic since the Covid-19 pandemic. When asked about solutions to achieve greater supply chain resilience, almost two thirds of fashion executives mentioned nearshoring in 2023, a 20-fold increase compared to 2018[9]. This could further favor some of our top 20 countries due to their proximity to the EU market, making them strong candidates for regional apparel production expansion. **European countries with low-cost labor – including Albania and Georgia – may therefore benefit from this. Although not in our top 20, Poland remains well-positioned to capitalize on this trend.** Despite its higher labor costs compared to Albania and Georgia, the country's status as an EU member offers key advantages. Its production adheres to EU standards and its logistics benefits from streamlined access to other EU countries. As a result, Poland has become an increasingly important apparel sourcing destination, accounting for 7% of the EU's clothing and footwear imports in 2023—up from 3% a decade earlier. **Nearshoring could also bring opportunities for Türkiye and North African countries – especially Tunisia and Morocco.** In the US, a trend for nearshoring has yet to materialize The country remains heavily reliant on Asian suppliers, consistently hovering around 80% in recent years.

7 - Although it has been legally based in Singapore since 2022, Shein is still widely recognized as Chinese-led company as its supply chains remains largely based in China.
8 - Global Data Apparel Intelligence Center.
9 - BoF-McKinsey State of Fashion 2023 Survey.

Table 2 - Score of competitiveness for garment and footwear manufacturing in the first scenario *(z-score)*

Rank	Country	Availability of cheap labor	Presence of an apparel & footwear industry		Ease of doing business			Environmental & social conditions		Total Score
		Nominal wage in the manufacturing sector	Share of clothing & footwear in exports	Clothing & footwear exports share	Logistic performances	Power outage	Social risk	Climate change vulnerability	Working conditions	
1	Bangladesh	66	100	100	35	20	36	35	24	74
2	Cambodia	68	94	53	44	17	49	55	43	69
3	Pakistan	66	83	86	27	39	31	30	24	67
4	Viet Nam	66	93	41	22	26	58	51	43	66
5	Sri Lanka	63	95	89	27	47	27	13	24	66
6	India	55	90	44	30	31	53	79	63	63
7	Myanmar	56	86	51	39	54	23	59	43	62
8	Lesotho	56	81	46	39	76	32	56	24	62
9	Albania	68	40	91	71	71	54	38	24	60
10	El Salvador	67	85	70	23	9	14	39	12	60
11	Tunisia	65	38	49	33	55	37	50	24	59
12	Indonesia	68	71	42	23	37	51	40	43	59
13	Jordan	61	70	40	30	50	73	58	63	59
14	Madagascar	63	63	100	67	47	35	15	43	58
15	Türkiye	58	43	87	53	77	45	33	24	57
16	Mauritius	53	67	40	58	69	38	51	63	57
17	Morocco	59	60	55	32	768	29	38	63	56
18	Panama	66	47	50	58	63	17	48	24	54
19	Egypt	58	50	42	53	75	34	58	63	53
20	Georgia	69	42	40	39	48	67	59	63	53

If nearshoring were to accelerate, Central American countries would be the most likely beneficiaries—owing to their geographical advantage and existing role in supplying apparel to the US market. Among potential candidates, El Salvador (10th in our ranking) stands out as a favorable location for new manufacturing units. Panama (18th) could also benefit, though its relatively small apparel industry suggests that heavier investment could be required to establish a stronger presence in the sector.

While the score provides a valuable framework for assessing future trends, it is important to acknowledge that certain external factors - such as social and political stability - can influence a country's long-term suitability as an apparel hub. For instance, Myanmar, which is ranked 7th based on our score, has been thrown in a civil war since a military *coup d'Etat* in early 2021. Meanwhile, although Lesotho, Albania, and Mauritius offer several advantages in terms of competitiveness for clothing brands, their potential for apparel manufacturing development remains limited by the small size of their population.

Since tariffs are uniform across alternative countries in this scenario, they do not serve as a discriminatory factor in apparel businesses' sourcing decisions. Consequently, we did not include them in our score calculation.
However, such tariffs have impacts on the textile-clothing sector within countries. Being a tax imposed by the importing country – here the US - they artificially raise clothing and footwear final prices there, reducing the price advantage of US trade partners. At the microeconomic level, the extent of this impact on a business depends on two key factors:

- **The position on the apparel value chain,** with greater pressure on firms operating with thin profit margins. Companies with tight profitability may struggle to retain customers, as they lack the flexibility to absorb tariff costs through discounts or strategic pricing. Taking the panel of nearly 700 listed companies previously mentioned in this text, we looked at the average EBITDA margin over the last five years (2020-2024). The data highlights significant variations across industry segments. **Branded apparel firms, those companies that sell items under their own recognized brand name, achieved an average margin of nearly 16%. Apparel and shoe manufacturers, by contrast, posted an average margin of just 5.5%, making them far more vulnerable to tariff-related cost increases.**
- **The reliance on price competitiveness. Within those segments, tariffs would more likely impact businesses that sell products relying on price competitiveness, namely low-cost items. In contrast, luxury fashion exporters and advanced technical textile producers - whose goods are valued for quality or specialized functionality rather than price - will likely be less affected.** This applies to firms overrepresented in countries such as Italy and France. Technical textile firms, which are more concentrated in countries such as South Korea and Japan may also better resist. Although being of the world's top advanced textile exporting country, Germany's overall textile-clothing exports are mostly composed by conventional textile linked clothing items, in part related to platforms like Zalando.

The future of global clothing and footwear supply in the context of 'reciprocal' US tariffs

In this scenario, the US administration implements differentiated tariffs, following the reciprocal tariff measures announced on April 2, 2025[10]. **The new ranking suggests that tariffs alone will not be enough to erase Bangladesh's competitive edge over other apparel-exporting nations.** Despite relatively high reciprocal tariffs of 37%, their impact is limited due to Bangladesh's relatively low dependence on the US market, which accounts for 16% of its clothing exports. Moreover, its strong trade relationship with the EU, which absorbs over half of Bangladeshi apparel exports, helps buffer the effect of US tariff measures.

Other countries would see their relative competitiveness more impacted. **Mentioned earlier as an increasing apparel and footwear supplier, US tariffs could heavily impact Vietnam's competitiveness.** This is mainly

because the country would face one of the highest reciprocal tariff rates announced (46%). Meanwhile, Vietnam has been one of the main winners from Trump's first term US-China trade war as some manufacturers moved production from China to Vietnam. But, Vietnam's exports -oriented economy (87% of GDP), notably to the US, makes its apparel sector highly exposed to American trade policy. Currently, over a third of its clothing exports are earmarked to the US, while the reliance of the EU remains limited. Among those previously ranked in the top 20 in the first scenario, Lesotho (8th) and Jordan (13th) fail to maintain their positions under the differentiated tariff framework. Lesotho faces the highest reciprocal tariffs (50%) and is also strongly reliant on the US for clothing and footwear exports. Eligible to the African Growth and Opportunity Act (AGOA), such exports benefited from free access to the US market. Meanwhile, Jordan's sharp decline in ranking is mainly due to its heavy dependence on the US, which absorbs 72% of its clothing exports.

By contrast, European countries seem to be relatively favored in this scenario thanks to their lower levels of reciprocal tariffs and limited dependence on the US. Nevertheless, a 50% tariff rate on EU goods, as threatened by Donald Trump in late May, would be a game-changer. **It is also worth noting the increase in ranking for some North African countries – Tunisia and Marocco – as well as Türkiye.**

Table 3 - Score of competitiveness for garment and footwear manufacturing in the second scenario *(z-score)*

Rank	Country	Global Score 1	Vulnerability to the US (in %)	Exposure to the US (in %)	Gobal Score 2
1	Bangladesh	74	49	11	68
2	Myanmar	62	56	3	60
3	El Salvador	60	10	77	60
4	Albania	60	22	1	60
5	Tunisia	59	40	1	59
6	Pakistan	67	40	15	59
7	Türkiye	57	22	3	57
8	India	63	37	19	56
9	Cambodia	69	61	19	56
10	Morocco	56	10	3	56
11	Panama	54	10	6	54
12	Georgia	53	23	2	53
13	Mauritius	57	40	12	52
14	Bosnia Herzegovina	52	47	2	52
15	Poland	51	32	0	51
16	Rwanda	51	10	0	51
17	Sri Lanka	66	56	24	50
18	North Macedonia	50	45	0	50
19	Bulgaria	50	32	0	50
20	Spain	50	32	1	49

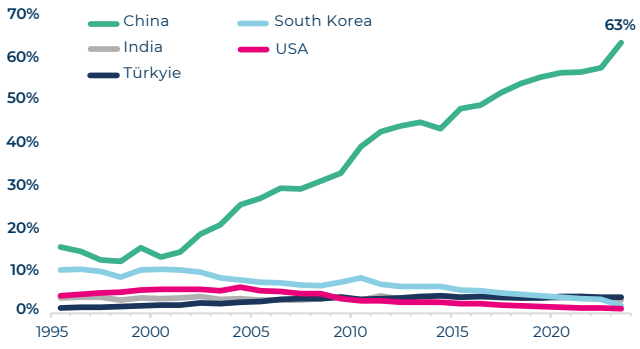
Will upstream production follow apparel's shift?

As seen, China's role in clothing and footwear supply chains is weakening, opening opportunities for other countries in Asia, but also in Europe and in North Africa, to expand their presence in the clothing market. In a longer-term perspective, it will be worth monitoring whether a similar shift occurs in earlier stages of the apparel supply chain - ranging from fiber preparation and spinning to knitting and weaving. Despite early signs of supply diversification in apparel and footwear, these upstream industries have remained concentrated in China due to their capital- and skill-intensive nature, making relocation significantly more challenging than for downstream operations.

China's dominance in clothing and footwear semi-finished goods[11] has only grown over the last twenty-five years, shaping global trade dynamics. In 2000, the country accounted for 13% of those exports globally, ahead of South Korea (10%) and the US (6%). Today, China's lead has widened dramatically, now holding 63% of global semi-finished clothing and footwear exports **(Chart 10)**. The next-largest exporting countries, namely Turkey and India, are far behind with 4% and 3% respectively. To another extent, same applies for intermediate inputs[12], with China providing around a third of the world's exports (up from 4% in 2000).

This may suggest that countries that have gained ground in the global apparel market have largely done so thanks to Chinese textile inputs. For instance, Vietnam's 4-percentage point increase in global apparel market share since 2010 coincided with a significant rise of its textile imports, notably from China. Its share in global imports of inputs and semi-finished goods actually grew from 4% to 10% in 2024. **Expanding upstream textile operations could allow those countries to gain greater control over their supply chains.**

Chart 10 - Share of countries in global exports of semi-finished products for clothing and footwear *(volume)*



Sources: CEPI-BACI, Coface

10 - Reciprocal tariffs are calculated by adding a minimum of 10% the 2024 and an additional specific tariff rate. The latter is US trade deficit in goods with a given country, divided by the total quantity of US imports from that country. For example, reciprocal tariff rates are for Bangladesh: 37%, Myanmar: 24%, El Salvador: 10% , Albania:10%, Tunisia: 28% Pakistan: 29% Turkiye, India: 26% Cambodia: 49% Morocco: 10%. Full list of additional tariffs *here*.
11 - Semi-finished textile products include fabrics and parts of footwear.
12 - Textile intermediate inputs include textile staple fibers, and yarns (exclude not carded nor combed natural fibers).

Box 2

METHODOLOGY OF OUR COUNTRIES' COMPETITIVENESS SCORE

We developed a score for evaluating countries' competitiveness for the establishment of a clothing manufacturing base. This score is calculated from eight indicators.

Score calculation:

1) For each indicator, we first calculated a z-score to standardize the data.

$$z = \frac{X - \mu}{\sigma}$$

With X=value; μ=mean; σ=standard deviation

2) We then applied a sigmoid transformation to map the z-scores onto a bounded scale from 0 to 100. Unlike linear normalization, this method is particularly effective when the data is highly concentrated around one or several values, as it helps reduce the influence of outliers and ensures greater comparability across indicators.

3) The global score is the weighted average of the eight components, with the weights reflecting the importance we believe the different components have in apparel brands' sourcing decisions:

> Global score = 35%* Availability of cheap labor + 45% *Presence of an apparel and footwear industry+15% * Ease of doing business +5%* Environmental and Social conditions

With

> Presence of an apparel and footwear industry = 55%* Share of clothing and footwear in exports + 45% * Clothing and footwear export size

Used indicators:

- **Availability of cheap labor** measured with gross nominal monthly nominal wages in the manufacturing sector from the International Labor Organization.
- **Presence of an apparel & footwear industry. This is measured by both:**
  - **The share of clothing and footwear in exports,** using ITC Trade Map data.
  - **Clothing and footwear export size (in volume),** using CEPII's BACI database.
- **Ease of doing business.**
  - **Logistic performance**, reflected by the World Bank's Logistics Performance Index.
  - **Power outage**, measured by the share of businesses experiencing electrical outages from World Bank Enterprise Surveys.
  - **Social risk**, using the Social Risk Index from Coface's 2024 Political Risk Model.
- **Environmental & social conditions.**
  - **Climate change vulnerability**, with the Climate Change component of the 2024 Environmental Performance Index built by Yale University et Columbia University.
  - **Working conditions**, using the Global Rights Index developed by the International Trade Union Confederation (ITUC).

In the second scenario, we adjusted the z-scores from the first scenario, incorporating a penalty. The latter is calculated by combining two elements:

- **Vulnerability to the US:** US tariffs levels applied on apparel (average 2023 tariff rate on apparel exports to the United States, plus reciprocal tariffs)
- **Exposure to the US:** an indicator reflecting a country's ability to absorb the impact of US tariffs, considering both its dependence on the US as an export market and its ties to the EU - another key consumer market accounting for 40% of global clothing and footwear imports. A country heavily reliant on US exports without strong EU trade links would be more exposed to tariff pressures, whereas economies with established access to the EU market may more easily find alternative routes to clear production.

It is calculated as follow:

$$\frac{\textit{share of the US in clothing and footwear exports}}{1 + \textit{share of the EU in clothing and footwear exports}}$$

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