

# THE TEXTILE INDUSTRY AND THE CHALLENGES OF THE EUROPEAN INTEGRATION

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*Summary: Textiles and ready-made clothes are considered to be one of the first products manufactured within a productive economy. They have constantly developed, adapting themselves to the requirements of companies with an ongoing interest in the overall development of mankind. Europe has always played an important part in the changing world of textile industry. The textile industry is one of the most general ones at world level. There are many challenges at European level and that is why effectiveness measures are continuously adopted.*

*The textile industry was one of the main fields that has adopted social dialogue at European level. The Committee for social dialogue in terms of textiles and ready-made clothes of the EU gathers periodically in order to discuss current matters on the political orientation of the EU in this field, launching and monitoring common projects for promoting contractual relationships in benefit of the Union, improving the labor organization, anticipating structural changes and adapting to the contractual frame, that allows the creation of new job opportunities and the access to permanent training. The EU has issued guidelines for labeling textile and ready-made products containing detailed information on the raw materials and the processing; this comes in addition to its concern towards the consumer needs, his social values and the protection of the environment.*

*Romania, being a member of the EU, and holding one of the most dynamic and competitive textile industry and ready-made products, is confronted with challenges in order to face the new competitors like China, Turkey, Bangladesh.*

*The new strategies for the Romanian textile fields should consider the improvement of the products' competitiveness, within the market economy, with minimal material and social costs and highest efficiency, at the same time with strengthening the position on current markets and conquering new markets.*

**Key words:** *textile industry, European integration, social values, competitiveness, commercial trade.*

## **The Textile Industry and the Challenges of the European Integration**

The European integration has defined new challenges for the Romanian economy in the field of textile and ready-made products industry.

The textiles and ready-made products are considered among the first products manufactured in a productive economy.

The textiles and ready-made products' industry is one of the oldest industries in the world and has known a continuous improvement due to its quick adaptation to the needs of a company interested in the overall development of mankind.

Europe has always played a major role in the changing world of textile industry. During the 20<sup>th</sup> century the textile industry has been the main producing field, with an extraordinary dynamic. In the last two decades, though, this industry has been subject to a period of stress due to some restrictions imposed by developed countries in order to protect their own manufacturing industry. The competition has developed on a yearly basis, each producer being in search of ways to decrease the production costs and therefore to target less developed countries, where the labor force is extremely cheap.

Once the Multifiber Agreement has become not valid, on the 1<sup>st</sup> of January 2005, a new era of liberalization of the textile and ready-made products' world commerce has started; this is the final point of the quota system that had begun a decade ago, during the *Uruguay Round*.

The new conditions of an overall, multipolar economy and of the growing industrial power of China, India and Pakistan have lead to a sensitive period of European textile and ready-made products' industry. In EU,

the textile industry employs approximately three million people in around 250.000 producing enterprises; this industry is ruled by a set of social and environmental policies, management policies, regional and international relations policies. This business field is especially focused on research and innovation, trying to regain the lost market quota and to become the world's market leader. This is why, upon the request of several member states of the EU, the European Committee has launched the implementation of security measures, meant to improve the protection of European producers and, by this, to counter-weight the import of textiles and ready-made products from China.

The textile industry is one of the most wide-spread worldwide and acts like a major source of revenues, by generating lots of job opportunities. Millions of options and decisions of corporations in the entire world have materialized due to the globalization factor into flexible projects leading to a higher capital mobility, goods, direct foreign investments and the intensity of trade exchanges among countries.

The textile industry is dominated by small and medium sized companies, having an approximate average of 50 employees per entity, representing around 60% of the entire labor force in the field of ready-made products, concentrated mainly in major economic and social big regions. In the last years, within the EU, the mass production has been considerably reduced and moved firstly in Central European countries and afterwards to Eastern Europe, in countries like Romania and Bulgaria (before they joined the EU), as well as Mediterranean countries.

Nowadays, the textile industry in the EU goes through an extremely challenging period. The reasons are the termination of quantitative restrictions, of the shares referring to the textiles and ready-made products, as well as the negotiations in progress within *The Doha Development Round* and the reconstruction of the Euro-Mediterranean area. In the last period, the Euro currency has also registered a significant growth as compared to the American dollar, having a strong impact over the production costs.

According to *Eurostat – Statistical Office of the European Commission*, the major vendors of textiles to the EU are: China with 18,1% from the total import figure, followed by Turkey with 15,8%, India with 11,2%, Pakistan with 8% and Switzerland with 5,7%. The major markets for the export of textiles in the EU are Switzerland with 17,4%, U.S.A. with 14,6%, Russia with 9,1%, Romania with 5,2%.

Related to the imports of ready-made products, the main vendors to the EU are: China with 23,1%, Turkey with 15,4%, Romania with 7,7%, Bangladesh with 7,5% and Tunisia with 5,2%.

The textile industry was one of the first fields to adopt social dialogue at European level. Today, *The EU Committee for Social Dialogue on textiles and ready-made products* meets every 4-6 months to discuss current matters, referring to the policy of the EU in this respect, the launch and monitoring of common projects on promoting contractual relations within the Union, modernize the work structure, anticipate structural changes and adjust to the contractual frame, that allows the development of new job opportunities, the access to ongoing training sessions.

The EU – constant to its policy of concern towards the customer, social values and environment protection – has issued mandatory guidelines related to labeling textile and ready-made products, containing as much information as possible on the raw materials and processing method.

The quality, design, creativity and fashion represent significant elements that define the competitive advantage of the EU textile industry. Its commercial policy is aimed at combating fraud, the theft of intellectual property in form of licenses, drafts and templates, technological and production information.

The evolution of competitive factors is associated to innovation, research, quality improvement, encouraging creativity, prepare the member states and those in process of joining to face the impact of the Union extension and the continuous restructuring and modernizing of the textile industry in Europe.

It took only 30 years and 5 expansion rounds for the EU to enlarge from 6 founding member states, having a population of 185 million people, to 27 member states, representing the biggest commercial power of the world, with a total population of about 500 million people.

Romania, who has become a member of the EU in 2007, has been a major supplier for the contractors in Western Europe even before that year. Romania has not only been a temporary supplier, as it has been considered at the beginning of the 90's. The investments, the technology, the ability to react quickly to market needs, the gained or imported know-how and, not as last, the cultural compatibility has put us in the position of first European exporter in the EU.

The field of ready-made clothes is very dynamic and competitive, with a weight of 2,2% of the Romanian GDP, 6,7% in the industrial production, 20,9% of Romania's export and 2,4% of Romania's import. This is

also important on an international level, due to the place held by Romanian products on the world market and mainly on EU markets, a place providing the first rank among Central and Eastern European countries.

The Romanian ready-made clothes industry faces the following challenges and options:

- EU enlargement to 27 member states;
- Romania's joining the EU and its implications;
- the complete liberalization of world textile commerce starting with 01.01.2005;
- determination of a free trade area in the PAN-EURO-MEDITERRANEAN frame;
- negotiations within the DOHA round regarding the restrictions imposed to the import custom taxes;
- the effects of globalization.

It is necessary to mention that the development strategy of the clothing industry had already been shaped and it ensures the growth of competitiveness and the development of Romanian confection industry. Within the world crisis in the field of textiles, the diminishing of the RON/EUR and RON/USD relation seriously damages the Romanian exports.

În the field of Romanian textile industry there is a trend to increase the investment by the significant implication of the national capital and by attracting external resources mainly as direct investments. It is very important to create a favourable environment for Small and Medium Sized Enterprises to have small investment expenses and to use cheap local resources. Therefore, it is crucial to implement national programs, even supported by external sources, in order to sustain the exports and regional development programs. The existence of an important fund of fixed assets allows the lowering of the investment effort necessary for realizing new production capacities. Modernization and retechnologization can make existent production capacities performant, which leads to creating competitive products on the international market. The three big markets for Romanian exports need to be considered: EU, U.S. and the former Sovjet countries, by taking advantage of the geographical closeness to them.

The merger with the EU has led to a growing volume of trade exchanges on the European market, and Romanian producers were forced to improve their design of clothing and to produce small volumes depending on market segments. It is important to support the growing manufacturing of environmental friendly products and of those under own brand, as well as the development of internal *lohn* policy, allowing the increase of orders for some companies and, therefore, the increase of using the production capacities and of economical effectiveness. The chemical industry is somewhat developed being able to provide a major part of the raw materials for the textile industry; this is crucial for staying competitive on the EU market, as well as on the world market.

The short and medium term perspectives of Romanian textile industry are influenced by the following factors, some already mentioned: the growing competition on the internal and international market, the liberalization of world's textile trade, joining the EU, the lowering of import custom fees, determining a free Pan-European-Mediterranean trade area that shall also include Romania and Bulgaria next to the 12 member states, China and Russia entering the World Trade Organization (WTO), the adopting of the EU custom code. The evolution of the fuel price shall have a major impact on the price of electricity and on production costs. Environment protection shall increase and each country shall have to adopt such measures. A new trend is to use recycleble materials.

The following has been outlined by a study on competitiveness in the field of textiles of the new EU member states, Romania and Bulgaria (the study has been presented by the representatives of the CAST in Milan):

- the new strategies for textile branches have to consider privatization, the restructuring of European partners, the new challenges: competition from China, Turkey, Bangladesh, Romania's joining the EU with its limitations, constraints and new opportunities; it is necessary for local companies to cooperate, including the cooperation with European countries; this is an opportunity but it is not enough;
- the new strategies imply a full change in the mentality of Romanian companies, passing from good producers to good managers. This is the biggest problem of Romanian economy.
- the new strategies in the field of textiles should consider cost reduction, increase of productivity and an overall promotion of the products and services with the purpose of

keeping the competitiveness of Romanian companies at high standards, in order to face new competitors.

A possible answer to these aspects can be found in the development program of Romanian textile industry up to 2010, considering the perspectives of the internal market, as well as the study on the tendencies of world and European economy, issued by the Ministry of Industry and Trade – Department of Industry, in cooperation with the National Research Institute for Textiles, Leather and the HR Development Center.

The main objective of the above mentioned strategy is the increase of the competitiveness of products, within the frame of market economy, with minimal material and social costs and maximum efficiency at the same time with strengthening the current market position, conquering of new markets.

The following economic measures aimed at reaching this objective come to our attention:

- establishing a national program for revitalizing the branches of textile industry, for ensuring raw materials like wool, linen and hemp;
- retechnologization of production flows by acquiring high-level tools, to increase labor productivity and the quality level of products;
- supporting the companies in implementing the European Quality Standards ISO 9001/2000, of the Environment Standard ISO 4001/2000, and the Social Standard 180001;
- moving to exporting home-made goods;
- input computer systems in order to increase design operations, tailoring and end product realizing;
- creating own collections according to world tendencies;
- timely informing the producers on the non-reimbursing financing programs and criteria, provided by international institutions;
- supporting the SMEs to take part in several international events specific to the industrial field, like faires, exhibitions a.s.o.;
- involving various institutions and professional associations in industrial cooperation activities;
- issueing investor friendly regulations;
- not taxing the reinvested profit in modernizing the manufacturing flows;
- establishing technological innovation centres next to specialty institutes and faculties.

The effects of implementing these measures and other ones may contribute to the growth of competitiveness level, by increasing the contribution of the textile industry to ensuring the foreign currency resources necessary for the development of other branches of national economy, as well as the increase of textile industry to the GDP. Specialists show that an average annual growth of 6% of the production needs an increase in the field of the sales volume, both on the internal and on the external markets. The increase of the internal market volume can be done under the conditions of the increase of living and the use of products that are specific to the industry.

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