

Zofia Wysokińska

Technical University of Łódź
Faculty of Engineering and Marketing of Textiles
Institute of World Economy and Textile Marketing
ul. Zeromskiego 116, 90-543 Łódź, Poland
E-mail: zofwys@uni.lodz.pl

Competitiveness of the Polish Textile and Clothing Sector within the European Integration Process and the Liberalisation Procedures of GATT/WTO Agreement (ATC)

Abstract

The aim of this paper is to analyse recent trends in the EU's internal market for textiles and clothing, with special reference to production, internal and external turnover, employment and investment in EU industrial and common trade policies, and their adaptation to the WTO/ATC liberalisation rules with special reference to the protective measures and limitations on trade admissible under the WTO Agreement. The competitiveness of the Polish textiles and clothing sector in the EU internal market, as well as selected recent trends in its creation in the most important Polish regions for the T&C sector in Poland, are also analysed.

Key words: Polish textile & clothing sector, competitiveness, European integration, EU internal market, turnover, investment, employment.

Introduction: Protective Measures and Limitations on Trade Admissible under the WTO Agreement

From 2005 all the products from the following categories - tops and yarns, fabrics, made-up textile products, and clothing - should be integrated into the GATT 1994 [1]. All Multifibre Agreement (MFA) restrictions in place on 31 December 1994 will be carried over into the new agreement [2], the Agreement on Textiles and Clothing (ATC), and maintained until such time as the restrictions are removed or the products integrated into GATT. For products remaining under restraint, at whatever stage, the agreement lays down a formula for increasing existing growth rates.

The integration process was carried out progressively in four stages (Figures 1 and 2), over a ten-year transition period (divided into 3 years, 4 years, and 3 years). On 1 January 1995, members were required to integrate products from the list in the Annex to the Agreement which represented not less than 16 per cent of the total volume of their imports of all those products in 1990. At stage 2, on 1 January 1998, no less than a further 17 per cent was integrated; at stage 3, on 1 January 2002 no less than a further 18 per cent was integrated. Finally, on 1 January 2005, all the remaining products (which could amount to a maximum of 49 per cent) will automatically become integrated, and the ATC will terminate.

All the members of the WTO have also committed themselves to undertake the actions necessary to meet the rules and regulations of GATT 1994, with the following aims:

- to improve access to textile and clothing markets by means of such measures as reduction and tying of tariff rates, reduction or elimination of non-tariff restrictions and simplification of customs, administrative and licensing formalities,
- to ensure the application of trade policy measures connected with honest and fair conditions of trade in textiles and clothing in such areas as provenance rules and antidumping procedures, subsidies and compensatory funds and protection of intellectual property, and
- to avoid discrimination of imports in the textile and apparel sector while taking measures dictated by the rules of general trade policy.

The Agreement provides for an appropriate procedure of notifying the integration's actions. The MFA participants which applied no quantitative restrictions on 31 December 1994 (Poland was among them) and which wished to obtain the right of a temporary protection clause had to notify the Textiles Monitoring Body (TMB) of their actions within the framework of the integration program not later than 60 days after the WTO-instituting Agreement came into force.

Textiles and Clothing Industry in the EU at the Beginning of the New Century

After the period of deep restructuring of the EU textile and clothing sector during

the nineties, at the beginning of the new century the tendency of employment (Table 1) in both textile and clothing sectors to decrease has once more been observed, from 2,404,000 in 1999 to 2,072,000 employees in 2002 (this decline is especially in the clothing sector, from 1,194,000 to 980,000 in the period mentioned above; in the textile sector in 2000, an increase in employment from 1,210,000 to 1,556,000 employees was noted, but in 2001 and 2002 we could note a decrease to 1,142,000 and then 1,092,000) [3]. During the same time (1999-2002) the total number of firms (Table 1) in the EU textile sector was reduced from 76,000 to 70,000 and from 125,000 to 107,000 in the clothing sector. EU statistical data concerning turnover (Table 2) allows us to emphasise the increase in total turnover in the EU clothing sector from €67.2 bn in 1999 to €88.1 bn in 2002. In the EU textile sector, however, a similar tendency was observed during 1999-2000, an increase from €121.1 bn to €128.2 bn; a decrease to €126.0 bn was noted in 2001, and in 2002 the decrease was much higher, turnover achieving the level of €115.6 bn. [3]

The above-mentioned trends in the EU T&C sectors indicate an improvement in the productivity of the manufacturing processes (especially of labour productivity, which during the 1979-2001 period is evaluated at 2.3 percentage points annual growth in the textiles industry) [5]. A relocation of investment in these sectors to associate countries and to newly industrialised Asian countries, with special reference to China and India, is also noted. The reduction of investment in the EU textile sector (Table 2) was relatively high and reached €2 bn during 2000-

Table 1. Structural data of the EU textiles and clothing: total employment and total number of firms, including firms less than 20 persons. Source: [4].

Branch	Total employment (×1,000) in year				Total number of firms (×1,000) including firms less than 20 persons in year			
	1999	2000	2001	2002	1999	2000	2001	2002
Textiles	1,210	1,156	1,142	1,092	76	75	72	70
Clothing	1,194	1,106	1,038	980	125	120	113	107
Total Textile & Clothing	2,404	2,262	2,180	2,072	201	195	185	177

Table 2. Structural data of EU textiles and clothing: turnover and investment both in billions of euros and current prices & production variation, in percent. Source: [4].

Branch	Turnover (in €bn) in year				Investment (in €bn) in year				Production variation (in per cent) in year			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
Textiles	121.1	128.2	126.0	115.6	5.5	5.8	5.2	3.5	-4.5	0.7	-4.0	-4.8
Clothing	67.2	71.1	70.3	88.1	1.1	1.1	1.2	1.5	-10.6	-5.9	-3.7	-12.8
Total Textile & Clothing	188.3	199.3	196.3	203.7	6.6	6.9	6.4	5.0	-	-	-	-

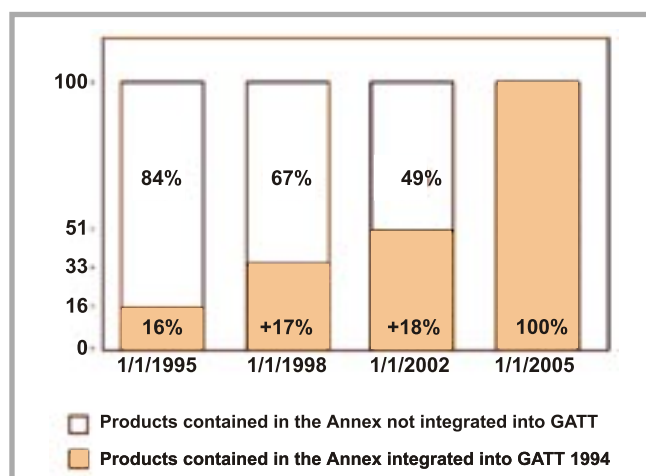


Figure 1. Integration stages (percentage of volume of 1990 imports). Source: [2].



Figure 2. Agreement on textiles and clothing. Evolution of quotas according to Article 2. Source: [2].

2002, but in the clothing sector an opposite trend was noticed, and an increase of €0.4 bn (from €1.1 bn in 1999-2000 to €1.5 bn in 2002) took place.

In 2002, the EU's total trade amounted to €207.3 bn. The EU remains still in first competitive position for world exports of textile products, and second among exporters of clothing products. During recent years the EU has achieved a positive trade balance in the textile sector. This was at its highest in 2002, and amounted to €7.863 bn. However, in the clothing sector the EU has posted a negative trade balance during recent years, and in 2003 this deficit achieved the highest level of €-34.719 bn [3]. At the end of the 1990s, a drop in cost competitiveness of EU textiles (calculated according to unit labour costs) was also observed, from 106.2 hours worked in 1994-1996 to 78.9 hours worked [6] in 1999-2001 [5].

According to statistical data presented by Eurostat, China, Turkey, India, Paki-

stan, the Czech Republic, Switzerland, USA, South Korea, Poland and Japan are the top 10 textiles suppliers to the Community; China, Turkey, Romania, Bangladesh, Tunisia, Morocco, India, Hong Kong, Poland and Indonesia are the biggest EU clothing suppliers. According to the same source of data, the EU textile sector mainly exports products to the following 10 countries: USA, Poland, Romania, Tunisia, Turkey, Morocco, the Czech Republic, Switzerland, Hong Kong and Hungary. During recent years Switzerland, USA, Japan, Russia, Romania, Norway, the Czech Republic, Hong Kong, Tunisia and Poland have comprised the EU's top 10 clothing markets [3].

The EU T/C sector is predominantly an SME-based industry. Enterprises of less than 50 employees account for 60% of the workforce in the EU clothing sub-sector, and produce almost 50% of the value added [7].

Recent Trends in EU Industrial Policy Related to the T&C Sector

The European Union's industrial policy will continue to follow a horizontal approach. Its instruments aim to provide framework conditions in which entrepreneurs and businesses can take initiatives, exploit their ideas and build on their opportunities. In December 2002, the European Commission published a communiqué on "Industrial policy in an enlarged Europe" [8]. This document recalled how the three pillars of sustainable strategy are equally important¹⁾ [9]. Two aspects of the 'Sustainable Development Strategy' were given particular emphasis. Firstly, all EU policies need to contribute to competitiveness; it is important to optimise the synergies between EC policies and industrial competitiveness. Secondly, while providing the best horizontal framework conditions for enterprises, horizontal policy has to take into account the specific needs of industrial sectors [9].

In October 2003, the Commission adopted the communiqué 'The future of the textiles and clothing sector in the enlarged European Union' [10]. How best to give the EU textiles and clothing industry chances to compete in the face of new and unprecedented challenges is the subject of this communiqué. These challenges are mainly related to developments in the international environment, in particular the elimination of import quotas on 1 January 2005, and the challenges and opportunities of a new round of multilateral negotiations; the evolution of competitiveness factors increasingly associated with innovation, research, skills, quality and creativity; preparation for EU enlargement in both the present member states and in the acceding countries; and a permanent process of restructuring and modernisation [10].

New requirements concerning market access are connected with the environmental impact of textile production. This impact starts with the use of pesticides during the cultivation of plants from which natural fibres are obtained, and the erosion (caused by sheep farming) of the emissions during the production of synthetic fibres. 'Eco-labels' are especially being used to distinguish a product in a positive, 'greener' way from the competitors'. They are of some importance in the textile and clothing sector, and their role is very positive in the creation of cleaner production [11]. The above-mentioned Commission communiqué also addresses several aspects of labelling for the textiles and clothing sector [10].

Table 3. Ranking of Revealed Comparative Advantage (RCA) Indices for the Polish T&C export in relation to EU external exports in 2001-2002 according to CPA Classification of EU. Source: author's own calculations according to statistical data of the Central Statistical Office, Warsaw [13]. Technical remarks: The positive index RCA means Revealed Comparative Advantage in the Polish export to the EU in relation to the EU external export; n.e.c. - not elsewhere classified.

Code CPA	Group of product	Index RCA in the year	
		2001	2002
1821	Work-wear	4.30	3.93
1740	Made-up textile articles, except apparel	3.56	3.79
2470	Man-made fibres	2.07	1.94
1710	Textile yarn and thread	0.31	1.74
1754	Other textile n.e.c.	1.34	0.96
1752	Cordage, rope, twine and netting	0.34	0.31
1823	Underwear	-0.04	-0.06
1751	Carpets and rugs	-0.59	-0.58
1760	Knitted or crocheted fabrics	-0.17	-0.17
1772	Knitted and crocheted pullovers, cardigans and similar articles	-0.20	-0.65
2111	Pulp	-1.03	-1.24
1824	Other wearing apparel and accessories n.e.c.	-1.37	-1.33
2614	Glass fibres	-2.61	-2.54

In April 2004, on the eve of EU enlargement, the Commission adopted a follow-up communiqué, 'Fostering structural change: An industrial policy for enlarged Europe'²⁾ [5]. This communiqué calls for action in three areas: a better regulatory environment for business, better mobilisation of all EU policy to boost competitiveness, and further work within individual sectors to develop policy responses which match specific needs, help them move up the value chain, and anticipate and accompany structural transformations³⁾ [5].

Competitiveness of the Polish Textiles and Clothing Sector on the EU Internal Market

Since 1998 [12], Polish T&C exports have achieved access to the European internal market free from customs duties and quotas. In 2004, Poland as a new EU member country is also a member of the customs union, and has adopted the external tariffs of the EU on its external (eastern) border with the third countries. Many Polish T&C products are still able to compete on the European internal market because of their relatively high comparative advantage (see Table 3), principally work-wear; made-up textile articles, apart from apparel; man-made fibres; textile yarn and thread; cordage, rope, twine and netting and other textiles (n.e.c. - not elsewhere classified - comp. Table 3). While analysing the data we should bear in mind that the RCA index is the difference between the ratio of the Polish export value of the particular product group to the total value of the

Polish export, and the ratio of the same but related to the European Union.

In many Polish regions (with the exception of the Podlasie region), during the 2001-2002 period the relatively high proportion was noted of some of the groups of T&C commodities mentioned below in their total exports (see Table 4):

- PCN 60. Knitted or crocheted fibres,
- PCN 61. Articles of apparel and clothing accessories, knitted or crocheted,
- PCN 62. Articles of apparel and clothing accessories, not knitted or crocheted,
- PCN 63. Other made-up textile articles; worn clothing and worn textile articles; rags.

The highest share in the regional export of T&C products was noted in the following regions, which have long traditions in the development of the textile industry and in competition in the foreign markets: łódzkie, warmińsko-mazurskie, wielkopolskie, kujawsko-pomorskie and lubelskie. The analysis presented in Tables 3 and 4 confirms the relatively high competitive ability of the Polish T&C industry in foreign markets, with special reference to the European Union internal market.

After the access of Poland to the customs union, the average custom duty for industrial products at Poland's external border has been significantly reduced (by almost two-fold). The decrease also covers the custom duties for textile & clothing products, especially the products included in the PCN-groups 61 and 62 (a reduction of about 70% for knitted clothing, and of about 80% for the remaining clothing). The smallest number of changes have taken place among the duties for products included in the PCN 53 group, which means for 'other plant fibres'. On the other hand, the greatest number of duties changed to lower levels in the PCN 60 group, i.e. for 'knittings'.

Almost 100% of custom duties for silk products have been reduced, but only 4 product positions with a share in import higher than €20,000 are in this group. An increase in the import duties has been noted only for some product positions in the PCN 54, 55, 56 and 59 groups. This increase concerns chemical fibres (staple fibres and filaments), cotton, wool, felts, ropes and cords of different kind, as well as textiles impregnated, coated, and laminated, and textiles for technical applications (elaborated on the basis of

Table 4. Structure of export of textiles and clothing from the 16 Polish regions (administrational divisions = voivodships; each province's capital is given in brackets) according to PCN Classification: PCN 55 - man-made staple fibres; PCN 60 - knitted or crocheted fibres; PCN 61 - articles of apparel and clothing accessories, knitted or crocheted; PCN 62 - articles of apparel and clothing accessories, not knitted or crocheted; PCN 63 - other made-up textile articles, warm clothing and warm textile articles, rags. Source: author's own calculations based on data of the Central Statistical Office-Warsaw [13].

Region	PCN branch	Total export in US\$ million, and shares in the export of region in percent in the year		
		2000	2001	2002
dolnośląskie (Wrocław)	Total export	3386.0	3733.8	4429.2
	PCN 62	3.96	3.45	2.78
	PCN 61	0.84	0.88	0.76
kujawsko-pomorskie (Bydgoszcz/Toruń)	Total export	1409.1	1430.2	1692.1
	PCN 62	9.17	8.15	6.53
	PCN 55	1.48	1.21	1.42
	PCN 61	1.16	1.19	1.01
	PCN 63	2.48	2.55	2.40
lubelskie (Lublin)	Total export	763.7	722.5	775.4
	PCN 62	6.47	7.55	6.04
lubuskie (Zielona Góra)	Total export	1092.2	1172.5	1350.1
	PCN 62	3.94	4.02	3.58
	PCN 61	1.12	1.12	1.05
	PCN 63	0.57	0.56	0.69
łódzkie (Łódź)	Total export	1289.6	1461.7	1613.6
	PCN 62	16.23	15.40	16.69
	PCN 63	2.70	2.54	2.07
	PCN 55	1.32	1.04	1.06
	PCN 60	0.78	0.86	0.84
małopolskie (Kraków)	Total export	1503.3	1795.9	2236.5
	PCN 62	0.42	3.85	2.64
	PCN 63	1.15	1.19	1.13
mazowieckie (Warszawa)	Total export	5733.5	6508.7	7149.0
	PCN 62	3.86	3.48	2.27
opolskie (Opole)	Total export	554.0	621.9	672.5
	PCN 62	4.16	3.47	3.00
	PCN 63	1.02	1.32	1.44
	PCN 61	1.04	0.95	0.74
podkarpackie (Rzeszów)	Total export	1262.1	1434.1	1606.6
	PCN 62	2.69	2.31	1.93
	PCN 61	0.69	0.86	0.72
podlaskie (Białystok)	Total export	413.3	478.2	525.6
pomorskie (Gdańsk)	Total export	2679.0	3765.1	4672.1
	PCN 62	2.21	1.88	1.45
	PCN 63	0.64	0.50	0.40
śląskie (Katowice)	Total export	5478.1	5985.4	6438.2
	PCN 63	1.32	1.14	1.09
świętokrzyskie (Kielce)	Total export	315.4	370.3	473.7
	PCN 63	1.84	2.26	1.76
warmińsko-mazurskie (Olsztyn)	Total export	860.3	938.4	1066.7
	PCN 61	3.28	2.33	1.52
	PCN 62	5.59	4.71	4.01
	PCN 63	1.36	1.26	1.23
wielkopolskie (Poznań)	Total export	3357.3	3845.9	4696.7
	PCN 61	2.16	2.14	1.80
	PCN 62	6.44	5.77	4.52
	PCN 63	1.62	1.37	1.34
zachodniopomorskie (Szczecin)	Total export	1525.6	1737.7	1553.5
	PCN 61	1.81	1.36	1.40
	PCN 62	4.60	3.96	3.76
	PCN 63	1.45	1.39	1.74

data from the Ministry of Economy and Labour:

http://clo.mg.gov.pl/asp/ts_analiza.asp.

The reduction of custom duties for the majority of textiles & clothing products means an increase in the competitiveness of many ready-made products (especially clothing including knittings), and will spell the possibility of buying cheaper components assigned for the production from third countries, especially China and other South-East Asian countries.

Editorial notes

1. The Helsinki European Council in December 1999 invited the European Commission to "prepare a proposal for a long-term strategy dovetailing policies for economically, socially, and ecologically" in [9].
2. op. cit. [5], pp. 1-45.
3. in [5], Executive Summary, p. 2-3.

References

1. The Outcome of the Uruguay Round: An Initial Assessment, Supporting papers to the Trade and Development Report, 1994. New York, 1994.
2. Agreement on Textiles and Clothing, www.wto.org
3. Textiles and clothing, statistics, <http://europa.eu.int/comm/enterprise/textile/statistics.htm>
4. Eurostat, Textiles and clothing, statistics, <http://europa.eu.int/comm/enterprise/textile/statistics.htm>
5. Fostering structural change: an industrial policy for an enlarged Europe, COM (2004) 274 final, Brussels, 20.04.2004, p. 41.
6. M. O'Mahony and B. van Ark (2003); Eurostat. Quoted in COM (2003) 704 final, 21.11.2003, in: Fostering structural change..., op.cit.: p. 41.
7. http://europa.eu.int/comm/enterprise/textile/update_of_financial_guide
8. Industrial policy in an Enlarged Europe, http://europa.eu.int/comm/enterprise/enterprise_policy/industry/communication_policy.htm
9. A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development, Commission of the European Communities, Brussels, 15.5.2001, COM (2001) 264 final.
10. The future of the textiles and clothing sector in the enlarged European Union, <http://europa.eu.int/comm/enterprise/textile/com.2003.htm>
11. Environmental Quick Scan Textiles, CBI, Rotterdam, 1998, p. 7-9.
12. Z. Wysokińska, Competitiveness of Textile and Clothing Industry on the European Market, in: Wyzwania rozwojowe przemysłu lekkiego w kontekście integracji z Unią Europejską (Development challenges for light industry in the context of EU integration), SWP, Łódź, 1998.
13. Statistical Yearbooks of Foreign Trade, GUS, Warsaw, 2001-2002.

Received 07.04.2004 Reviewed 06.09.2004