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THE EVOLUTION OF TEXTILE AND CLOTHING PRODUCTS WORLD TRADE

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Abstract: Textiles and clothing products world trade with has increased over 60 times in the last 40 years. The main influential factors of the production evolution and the exports with textiles and clothing products were the production costs and the contribution system. The competition on the EU market has determined, starting with 1990, the development of production delocalization from the industrialized countries, especially USA and EU, towards the developing countries. Together with the production development in loan system, an important impact on textiles and clothing production and trade had a series of events that took place after 1990.

Textile and clothing world trade had increased over 60 times in the last 40 years, from $ 6 billion per year in 1962 to over $450 billion in 2004 and is one of the most dynamic production sectors the exports of which make 7% out of the goods total exports in the world. Between 1980-1998 the annual increases of textile and clothing products exports represented 13%, being surpassed only by the electronics and electrical devices exports which have reached an annual increase of 16%.

Clothing products exports have increased more rapidly than the textiles, representing 57% out of the total textile and clothing exports in 2004. A great contribution to this increase had the developing countries, countries that provide 50% of world market textiles and over 60% of clothing products. This sector plays an important role in the developing countries economy and the economical performances registered have great socio-economical impacts. In *Hayashi Michiko's opinion* [3], the most important ones are:

1. it insures the equal distribution of incomes
2. it creates employment opportunities for women
3. small and medium businesses can be easily developed
4. it promotes rural development
5. it integrates isolated regions in global economies
6. "it softens the poverty"

Together with the quantitative increase of exports, also great mutations were registered regarding the main textile and clothing products exporters. As *Appelbaum R.P.* states, 40 years ago the industrialized countries were controlling exports in this field, which is not the case anymore, when the developing countries are producing more than a half of the textile world trade and almost two thirds of clothing exports. [1]

The main influential factors of production evolution and textile and clothing products exports were the production costs and the contribution system established in 1974 by the MFA (The Multifibre Arrangement) [4], agreement which expired in 1994 and was replaced in 1995 by ATC (The Agreement on Textiles and Clothing), agreement negotiated during the Uruguay Round and which establishes the reduction of restrictions for textile and clothing imports for a duration of 10 years. Because many European producers were concerned regarding the instant increase of textile and clothing exports from China towards EU, immediately after eliminating the contributions, an agreement between China and EU was signed (Memorandum of Understanding – MoU) on the 1st of June 2005 and which expires on the 1st of January 2008. By this agreement some categories of textiles and clothing exports are limited from China towards EU.

The competition emphasis on EU market has determined, staring with 1990, the development of production delocalization from the industrialized countries, especially from USA and EU towards the developing countries. This was achieved both through the direct transfer of a part of their production volumes for textiles (threads, fabrics) and through the outward processing trade – OPT, also known as loan. According to market analyst appreciations *M. Scheffler,* over 60% out of companies' production in EU is realized in OTP system. [7]

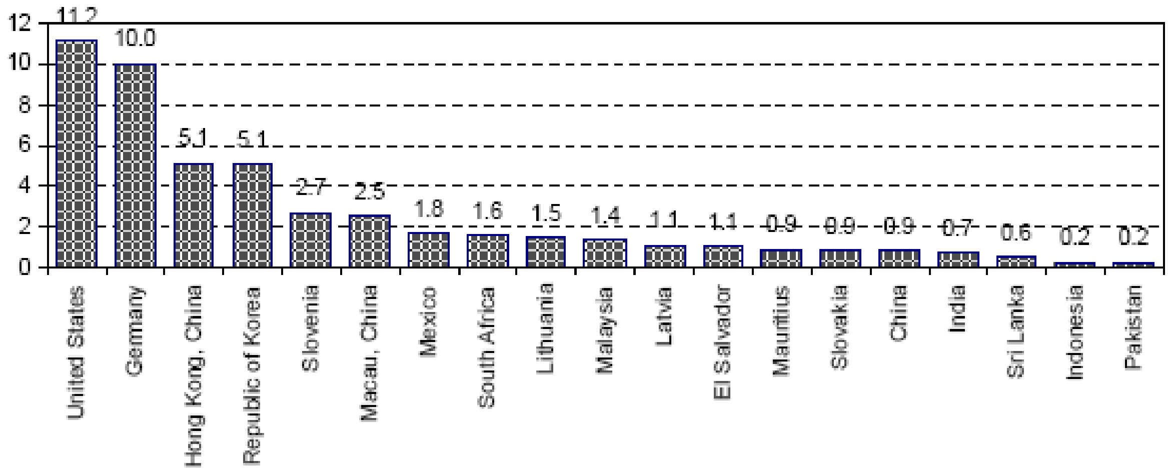
Loan represents a type of international contract by which the producer binds itself to execute a product on a beneficiary demand in exchange of a remuneration and on the basis of some technical documentation given by the beneficiary. The beneficiary is offering the producer the raw materials and fabrics, execution technology (patterns, designs, drafts, etc) after which the finite product is completed, he establishes the technical parameters and the quality indicators of the finite product. In its turn, the producer binds himself to complete the finite product according to the technical rules established by the beneficiary, until the date stipulated in the loan contract.

In *Pellegrin J.'s opinion,* the main factors that have influenced the production growth in loan system are the following: [5]:

1. <u>The cost of labour force is much more lower</u> in the developing and east-European countries.

The cost of labour force for ready-made clothes industry in 2000, in different countries is shown in figure no.1.

Figure no. 1 – The costs of labour force from the ready-made clothes sector ($/hour)



Source: Appelbaum, R.P., *TNCs and the Removal of Textiles and Clothing Quotas*, United Nations, New York and Geneva, 2005, p.1

2. <u>Reduced cost of transport</u>, by hiring such operations preferring from countries geographically closer to the importing country. This factor increases the number of loan contracts in EU, especially with the east-European and Mediterranean countries and in USA with Mexico and some countries from Central America;
3. <u>Rapid response and great flexibility in executing finite products</u> based on the geographic proximity with respect to sale market, but also on the ability of producing companies to respond to demand and fashion fluctuations;
4. <u>Transmitting the know-how</u> through investments done in the beneficiary's country in machines, tools and modern technologies.

The production loan type had advantages and disadvantages for the ready-made clothes firms form Romania. Among the advantages we can mention that it allowed the execution at full capacity of ready-made clothes and knitting factories, it determined the factory to equip it with modern technologies and tools and it insured the increasing access of producers on the east-European markets. Some analysts consider that the biggest advantage is that the producers have learnt what quality means and that it has developed a certain sensibility towards “fashion” and the processing and finishing techniques.

On the other hand, loan production has limited the development of ready-made clothes firms regarding the knowledge and the conception/projection structures, provisioning, marketing and sale. Another disadvantage is that the added value is smaller and smaller for the loan production, fact that limits the establishment of a capital needed for investment, for provisioning with raw materials and sale promotion.

Together with production development in loan system, a great impact on textile and clothing production and trade had the following events which occurred after 1990 [3]:

1. East Asia producers have switched from simple assembly of raw materials to more complex operations, switch which needed coordination, financing, replacement of machines and entrepreneur management. They now represent the full-package suppliers for international buyers and they act as transnational agents – they receive orders from important buyers and subcontract through their networks the producers form Asia, Latin America and Africa.

1. The market has become more concentrated in most of the importing countries. Clothing sales in most of the importing countries are dominated by big companies which control the majority of distribution channels (for example in USA 29 companies cover 98% of the ready-made clothes sales).

2. The advent of a new form of trade, called **“lean retailing”** (retail commerce in small quantities, better say those who keep small amounts on storage and get supplies more often “just-in-time”. This is a commercial technique which is possible because of the progress registered and information technology, which allow the retail tradesmen to keep small amounts on storage and to respond rapidly to the fluctuations registered in consumers’ demand.

Clothing and textile products are, at the moment, a typical example of **“buyer-driven”** goods (determined by the buyer). Globally, important retail tradesmen, buyers or sellers on the market as well as brand producers play essential roles in creating decentralized production networks in different exporting countries, for example in developing countries. This industrialization model based on trade has become common in consumer goods industry, labour consuming such as the clothing, footwear, toys, workmanship and consumer electronics industry. The networks organized on many levels of suppliers from the third world (underdeveloped countries), which make finite goods for external buyers, are the ones that execute the production and the big retail tradesmen or the buyers/sellers on a market are the ones who order the goods and supply the specifications.[2]

Conclusions

At the moment the production cost and the contribution system are not sufficient fro insuring the competitivity of companies and countries from which they come, internationally this is determined by a series of factors such as speed, quality, legal agreements and contracts, logistics and production cost.

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