



THE CURRENT STATE OF CLOTHING TRADE IN THE BALKAN COUNTRIES

TRIPA Simona^{1,3}, CUC Sunhilde², YALDIZ Suleyman³

^{1,2} University of Oradea, Faculty of Energy Engineering and Industrial Management, Department of Textile -Leather and Industrial Management, B. Ștefănescu Delavrancea street, no. 410058, Oradea, Romania, E-Mail:

tripasimona@yahoo.com, sunhilde_cuc@yahoo.com

³Selcuk University, Konya, Turkey, Faculty of Technology, Mechanical Education Department, Konya, Turkey, E-Mail: syaldiz@selcuk.edu.tr

Corresponding author: Tripa, Simona, E-mail: tripasimona@yahoo.com

Abstract: *The study presented here is aimed at analysing the current state of clothing trade in the Balkan states. The dynamics of change over a 15-year period following economic reforms are revealed. The clothing industries play a significant role and continue to contribute to the economic prosperity of countries with an inexpensive labour force. For most Balkan States clothing's export plays an important role in promoting economic growth and development – for example, exports of garments Albania was in 2015, 16.81% of its exports, Republic of Macedonia 11.75% of its exports, in Turkey 10.51% etc. The main factors which influence the level of competitiveness of clothing products from the Balkans are the gross value added per employee and wages. When the producers of the Balkan countries will create products with higher added value in garment industry the competitiveness of these countries will decrease. Also rising wages in this industry, as a result of trade union pressure or government policy, will lead to decreasing competitiveness of these products on the EU market and implicitly to the decrease of exports of garments from these countries. The main challenges that must face the Balkan States are related to restructuring of economic system, changing trade markets and patterns, declining of domestic demand of most merchandise, reduction of competitive ability, narrow export base, and lower economies of scale. The main opportunities that most of these countries can exploit are related to their geographical position, membership of the EU market, infrastructure in garment sector, and highly skilled workforce.*

Key words: *clothing, trade, economic prosperity, gross value added per employee, wages*

1. INTRODUCTION

Globalization affects the economies of most of the world's countries, as capital is free flowing over the world, seeking a host country where the costs are as low as possible.

International competitiveness is influenced by numerous and interrelated factors. In the Community legal order the artificial notion of "consumer citizen", a reduced functional concept of the individual, a holder of economic freedoms, a quality that gives him the judicial power to play a role in the community market, has become a beginning.[1]

Our study is based on the microeconomic concepts and indicators of competitiveness who have a more consolidated theoretical base because they focus on the essential characteristics of producers in competition for market share and profits or the capability to export. The Balkans [2],



along with the East European countries, is economically the least developed region of Europe, and is significantly differentiated within itself by level of economic development. For all Balkan countries export plays an important role in promoting economic growth and development. They have been confronted with problems such as restructuring of economic system, changing trade markets and patterns, reduction of competitive ability, narrow export base, and lower economies of scale. In presented context, we considered opportune to analyses the current situation from Balkan countries (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Greece, Montenegro, Serbia, Slovenia, Republic of Macedonia and Turkey) in the clothing's European market.

Scope and objective of the research

The main aim of this paper is to examine and analyse the current state of clothing trade in the Balkan countries. In this sense, we presented the level of imports and exports of clothing in the Balkan countries, for the year 2015. The level of competitiveness of clothing products is tightly correlated to the gross value added per employee. Therefore, we present the Gross Value Added per employee, in manufacture of wearing apparel, in 2014 and the wages and salaries per employee in full-time equivalents, per hour (EURO), in manufacture of wearing apparel, in 2014 for each studied country.

The results of this research will help clarify trends in the structural change of the Balkan countries' clothing trade and the quality level of exports achieved in each of the observed countries.

Methodology and methods

Methods of the scientific research that have been employed in the paper are scientific analysis and summarizing of literature, and comparative analysis of statistic indexes.

In this paper, we use the structure of exports and imports by SITC (Standard International Trade Classification) to a two- (a three-) digit level for Turkey, Bulgaria, Greece, Slovenia, Romania, Croatia, Serbia, Bosnia-Herzegovina, Montenegro, extra EU28.

The paper is organized as follows: the first part presents the current state of clothing trade in the Balkan countries. The second part presents the main factors which influence the level of competitiveness of clothing products and the final part draws some conclusions based on the findings.

2. THE CURRENT STATE OF CLOTHING TRADE IN THE BALKAN COUNTRIES

The clothing industry has a venerable history and tradition of supplying good quality products and despite increasingly ferocious global competition and significant relocation of manufacturing to low-wage countries. [3] This chapter analyses the evolution of the Balkan clothing trade and shows the position held by the total trade products of these industries. For this purpose, the annual data has been taken from the website of WTO for the variables such as clothing sector export of each country, world total clothing exports, total exports of each country of all commodities, total world exports of all commodities. Data is taken in US \$.

The level of imports and exports of clothing in the Balkans, for the year 2015, is revealed in Figures 1 and 2.

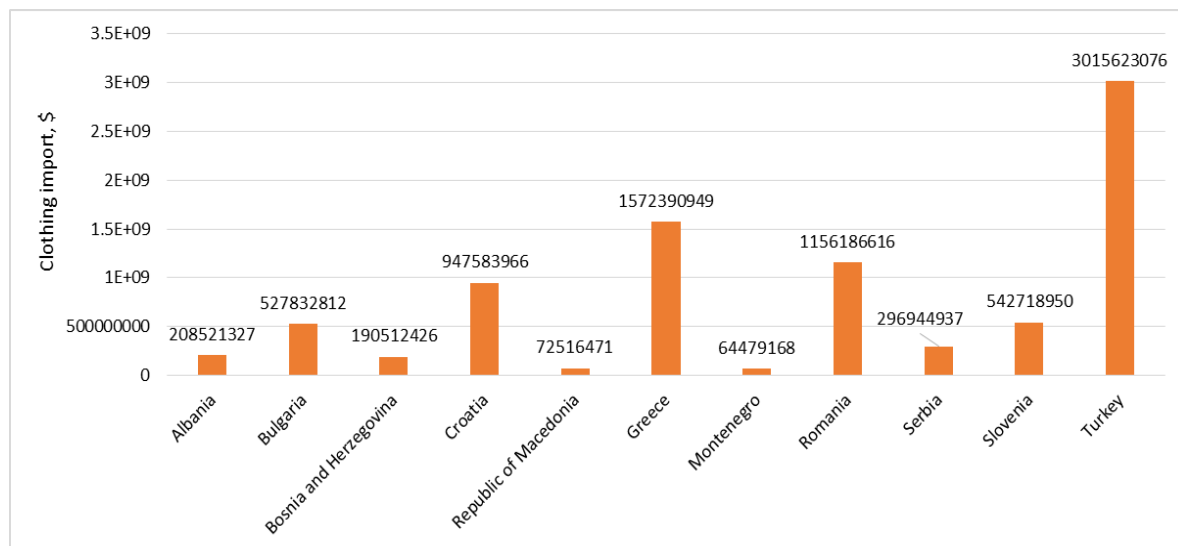


Fig.1: The level of imports of clothing in the Balkan countries, for the year 2015 [4]

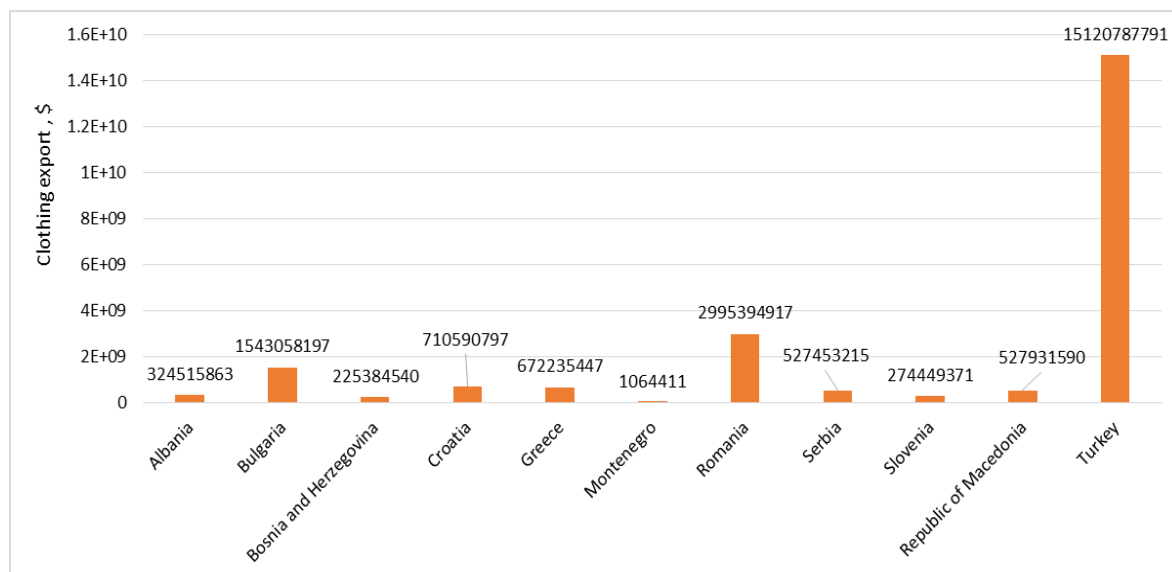


Fig. 2: The level of exports of clothing in the Balkan countries, for the year 2015 [4]

As can be seen first position, both in terms of exports and imports clothing's is held by Turkey followed by far from Romania and Bulgaria regarding exports and by Greece and Romanian in terms of imports.

Important is not only the quantity actually exported but also share held by these exports in total exports of garments at countries analysed. As can be seen from table no 1, garment exports from countries such as Albania and Republic of Macedonia, although not large in terms of value, they represent the highest percentage of exports of those countries.



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Table 1: Share of clothing export in total exports, in the Balkan States

	Bulgaria	Croatia	Greece	Romania	Slovenia	Albania	Bosnia Herzegovina	Montenegro	Serbia	Republic of Macedonia	Turkey
% garments exports	6,00	5,50	2,34	4,94	0,85	16,81	4,41	0,30	3,94	11,75	10,51

Source: Calculated by the authors according to the WTO dates.

The largest part of exports of garments of EU member countries is carried on the Community market. For some countries the proportion of these exports is over 90%, as 95.08% for Romania, Croatia 94.49% and Bulgaria 94.41% (see table 2)

Table 2: Percentage share of EU member Balkan countries' clothing export in the EU-28 market

	Bulgaria	Croatia	Greece	Romania	Slovenia
%	94.25	95.23	73.72	95.37	82.75

Source: Calculated by the authors according to the EUROSTAT dates.

Table 3: The export value (EURO) from EU member countries - the subgroups of clothing products (according classification SITC) - on the Extra and Intra EU market, in 2015

PRODUCT	84	841	842	843	844	845	846	848
PARTNER	EU28 EXTRA							
BULGARIA	79,857,972	25,638,188	11,667,614	1,704,566	8,597,234	22,114,195	8,878,744	1,257,431
GREECE	159,207,461	7,927,976	14,578,721	1,386,725	12,816,796	14,445,575	1,229,097	106,822,571
CROATIA	30,519,969	2,803,165	1,753,106	958,553	1,083,503	13,469,020	2,045,339	8,407,283
ROMANIA	125,321,945	32,048,073	54,024,977	3,497,990	5,766,039	15,980,581	10,515,624	3,488,661
SLOVENIA	42,667,216	4,310,068	4,792,191	1,220,155	2,353,763	12,883,800	14,246,855	2,860,384
PARTNER	EU28 INTRA							
BULGARIA	1,310,911,020	349,508,937	353,029,308	67,768,124	229,335,763	256,389,842	42,929,247	11,949,799
GREECE	446,682,982	31,905,994	60,445,280	14,406,358	192,031,683	101,452,094	19,011,358	27,430,215
CROATIA	609,940,416	51,707,452	41,033,698	12,426,747	99,650,831	205,072,390	189,822,014	10,227,284
ROMANIA	2,584,308,894	771,852,279	1,016,690,550	76,395,869	219,584,028	351,599,250	88,339,420	59,847,498
SLOVENIA	204,695,894	21,036,361	28,536,253	9,452,622	11,170,537	75,498,636	47,082,519	11,918,966
Total	5,594,113,769	1,298,738,493	1,586,551,698	189,217,709	782,390,177	1,068,905,383	424,100,217	244,210,092

Source: Eurostat - EU trade since 1988 by SITC [DS-018995] [5]

The classification SITC refers to: **Division: 84 - Articles of apparel and clothing accessories** - is divided into the following Groups: **841** - Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted; **842** - Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted; **843** - Men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted; **844** - Women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, knitted or crocheted; **845** - Articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s.; **846** - Clothing accessories, of textile fabrics, whether or not knitted or crocheted; **848** - Articles of apparel and clothing accessories of other than textile fabrics; headgear of all materials

Among the most important clothing products made in the Balkan countries member EU and exported in the EU 28, could be ranked: women's or girls' coats, capes, jackets, suits, trousers, shorts, shirts, dresses and skirts, underwear, nightwear and similar articles of textile fabrics, not

knitted or crocheted (group 842), amounting 1,586,551,698 Euro, men's or boys' coats, capes, jackets, suits, blazers, trousers, shorts, shirts, underwear, nightwear and similar articles of textile fabrics, not knitted or crocheted (group 841) amounting 1,298,738,493 EURO si articles of apparel, of textile fabrics, whether or not knitted or crocheted, n.e.s..(group 845) amounting 1,068,905,383 EURO.

In 2015, Turkey exported clothing of USD 10,94 billion to the EU, which was equivalent to 73,74% of Turkey's total clothing exports. "T-shirts, singlets and other vests" and "Women's/girls' suits, dresses, skirt etc & shorts" are the most important export products in woven clothing sector. In 2015 exports of "T-shirts, singlets and other vests" and "Women's/girls' suits, dresses, skirt etc & shorts" were USD 2.98 billion and US\$ 1.27 billion, respectively.

In 2015, the total value of clothing exports was US\$ 15 billion. The sector exports about 65% of its production. Approximately 80% of the clothing exported is cotton clothing. Knitted clothing and accessories, with an export value of US\$ 8.9 billion, had a share of 60,14% in total clothing exports, and woven clothing had a share of 39,86% with a value of US\$ 5.9 billion in 2015. T-shirts and pullovers are the most important export products in knitted clothing sector. Exports of t-shirts and pullovers were US\$ 2.9 billion and US\$ 1.6 billion respectively in 2015. In addition, as the second largest manufacturer in the world, Turkey's hosiery exports amounted to US\$ 1.02 billion in 2015.[6]

3. THE MAIN FACTORS WHICH INFLUENCE THE LEVEL OF COMPETITIVENESS OF CLOTHING PRODUCTS

The main factors which influence the level of competitiveness of clothing products from the Balkans are the gross value added per employee and wages. When the producers of the Balkan countries will create products with higher added value in garment industry the competitiveness of these countries will decrease. Also rising wages in this industry, as a result of trade union pressure or government policy, will lead to decreasing competitiveness of these products on the EU market and implicitly to the decrease of exports of garments from these countries.

The level of competitiveness of clothing products is tightly correlated to the gross value added per employee. As can be seen from figure 3, it has the lowest values, respectively 4.3; 5.1 and 6.3 in the countries with the highest value of competitiveness index RC (Republic of Macedonia, Bulgaria and Romania)

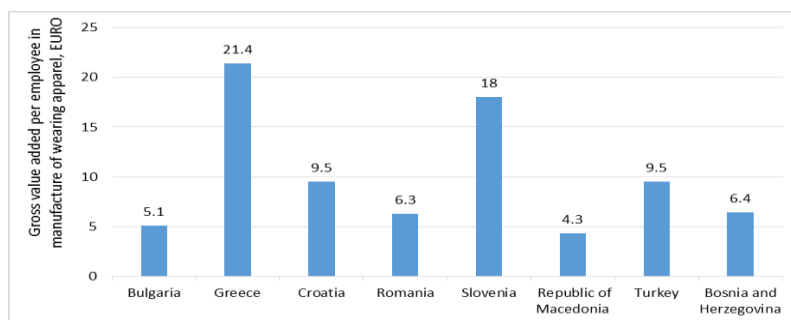


Fig. 3: Gross value added per employee, in manufacture of wearing apparel, in 2014 (source EUROSTAT)

High competitiveness of clothing industry in the EU candidate countries could be due to the low level of wages on this sector. Small salaries have the employees of garment firms from Bulgaria

and Romania, where RCA have the highest values for EU member countries (except Croatia). In Slovenia and Greece where the wages are highest, 10.02 EURO / hour respective 8.51 EURO / hour, is recorded the lowest values of RCA - 0.45 in Slovenia and 1.27 in Greece.

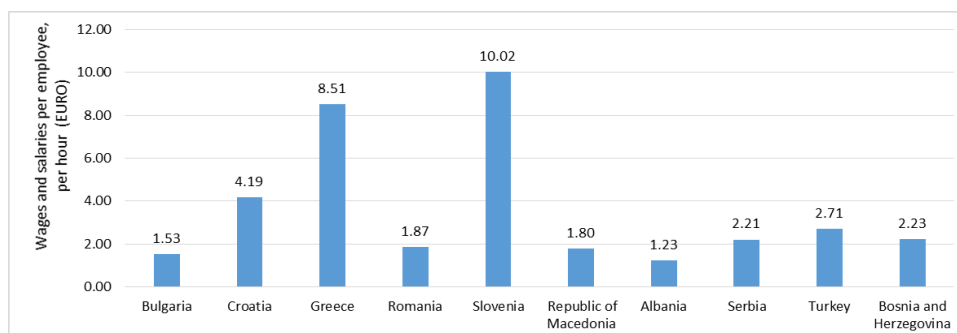


Fig.4: Wages and salaries per employee in full-time equivalents, per hour (EURO), in manufacture of wearing apparel, in 2014 (source EUROSTAT)

4. CONCLUSIONS

The study presented here is aimed at analysing the current state of clothing trade in the Balkan countries. The dynamics of change over a 15-year period following economic reforms are revealed. The clothing industries play a significant role and continue to contribute to the economic prosperity of countries with an inexpensive labour force.

Based on the present analysis several conclusions can be drawn with respect to the clothing export competitiveness of Balkans.

For most Balkan Countries, clothing's export plays an important role in promoting economic growth and development – for example, exports of garments ALBANIA was in 2015, 16.81% of its exports, Republic of Macedonia 11.75% of its exports, in Turkey 10.51% etc.

The main challenges that must face the Balkan Countries are related to restructuring of economic system, changing trade markets and patterns, declining of domestic demand of most merchandise, reduction of competitive ability, narrow export base, and lower economies of scale. The main opportunities that most of these countries can exploit are related to their geographical position, membership of the EU market, infrastructure in garment sector, and highly skilled workforce.

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