



STRATEGIES FOR ADVANCING SMART ECONOMIC DEVELOPMENT OF THE TEXTILE INDUSTRY IN ROMANIA

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Abstract: *This paper examines the evolution of the textile industry, from global to national level. Statistical analysis emphasis is placed on the national market characterization of textiles and clothing, which will be the basis in designing future policies and marketing strategies within this industry. To develop the textile industry in Romania, a long term strategy that will focus on local resources will have to be developed, well-trained specialists, customer orientation, reduce mass production and increase the quality of the products, these are the main directions.*

JEL classification: A110

Key words: Textile, clothes, statistics, human resources, consumption and production.

1. INTRODUCTION

Garment industry is the second largest polluter globally. For this reason both garment manufacturers and consumers have both the responsibility and opportunity to make important decisions, with a positive impact on the environment.¹

Worldwide, consumers allocate more than one trillion dollars every year, and the industry provides jobs for 26 million people.² However, this sector is an accomplice to the ecological crisis, starting from the production phase and reaching the stage of actual consumption of textile products, affecting both the environment and human welfare.

¹ Ethical Fashion Forum. Consumer Behaviour & Ethics ; 2010

<http://source.ethicalfashionforum.com/article/consumer-behaviour-ethics>. Accessed 6th of October 2015

² Allwood, J.M., Laursen, S.E., Malvido de Rodríguez, C., Bocken, N.M.P. Well Dressed? The Present and Future Sustainability of Clothing and Textiles in the United Kingdom. *Cambridge, UK: University of Cambridge, Institute for Manufacturing*; 2006.



Global consumption of textiles is estimated at over 30 million tons annually³, this high consumption causes major environmental and social issues throughout the supply chain.

Clothing industry is one of the most important industrial sectors in Romania, providing for a significant part of the domestic consumption of textile products, but also for markets worldwide.

Romania remains a major supplier of manpower for the textile industry in Europe, due to relatively low wages, skilled workforce and a favorable geographical position in relation to consumer markets.

2. EVOLUTION OF TEXTILE INDUSTRY

Textile and clothing industry is one of the oldest in the world, so pieces of fabric were found in Egypt dating from 5000 BC.

For hundreds of years, the textile industry has evolved, but with the liberalization of world trade in textile and clothing products, competition in this market has become fierce due to the emergence of Asian producers. In these circumstances, producers of textile industry in Romania must find new ways to differentiate their products from products coming from Asia.

2.1 The evolution of the textile industry at an international level

The leading exporters of textiles worldwide are China, Turkey, India, Bangladesh, Morocco and Tunisia. Until recently, Romania occupied a leading position among textile exporters in the European Union, but now occupies the 7th place in the ranking.

In the European Union, the textile and clothing industry is concentrated in 5 Member States, namely Italy, Germany, France, Spain and the UK. They hold 75% of the industrial sector in the European Union.

The Euratex Report, 2014⁴, indicates in EU a domestic consumption of textiles and clothing of around 500 billion euros, while the turnover of the industry is 165 billion euros, pointing out a decline in income this year compared to previous years.

³ Shen, B. Sustainable Fashion Supply Chain: Lessons from H&M. *Sustainability*. 2014; 6(9), p.6236.

⁴EURATEX- Annual report 2014
http://euratex.eu/fileadmin/user_upload/documents/Library/Annual_Report/new-uratex-annual-report-2014-LR.pdf Accessed on 4th of June 2016



According to this report, the European Union is the second largest exporter after China. EU's principal customers are the US, Switzerland, Russia and China, while the EU's main suppliers in 2014 were China, Turkey, Bangladesh, India and Pakistan.

The European textile product sales declined due to lower consumption of textiles. The competitiveness of European markets remains high, despite the influx of cheap products, innovation remains the key to competitiveness. The pioneers of innovation in the textile industry were the Scandinavian countries. Sweden invests more in R & D than the rest of Europe. Sweden also trains engineers to meet the real needs of the textile industry to develop new technologies, materials and designs.⁵

Italian clothing sector occupies a very important place, realizing over 30% of total European production. In 2000, Italy ranked fourth in terms of exports after China, Hong Kong and South Korea.

Germany represents the largest market for textiles and clothing in Europe, accounting for over 33% of the EU market. Germany still resorts to imports to cover domestic needs, working with countries such as Italy, China, Turkey, Poland and Romania. The value of imports in Germany is 30 billion euros. Companies in Germany gradually move their production to other countries, for reasons of cost and efficiency.

UK considers the clothing sector as one of the most important and most competitive industries in the country. The British clothing industry recorded a production of 8.1 billion pounds, 7,500 companies being involved directly in production, registering more than 100,000 employees. Exports are turning to the EU countries, 40% of the total exports are going to France, Germany and Ireland. Significant exports are made outside the EU, notably in the US.

Spain ranks sixth in the European Union textile manufacturers with a turnover of 6.8 billion euros. Exports are growing due to the evolution of brands like Zara, Mango, H & M. The most important supplier for Spain is China followed, in terms of value, by countries such as Italy and France.

⁵Businessstexin.ro . Coface: Romania's textile industry has a profit margin of only 2-2.5% <http://www.businessstexin.ro/stire-industria-usoara/n674> Accessed on 4th of February 2015.



In the European Union the textiles and clothing sector represents 10% of all producers, so special attention should be paid to this industry, industrial processes and its consequences on the environment.

2.2 The evolution of the national textile industry

Textile and clothing industry has a tradition of over a century in Romania. The industry's peak period was between 1965-1980, a period when the industry was well equipped with tools and technologies and significant funds have been invested in research and development. During this period, domestic consumption of textile products was encouraged, the surplus being exported to CAER countries (Council for Mutual Economic Assistance).

Romania remains a bidding market in Europe, thanks to the numerous advantages, including:

- the long tradition of this industry;
- cheap and skilled labor;
- existence of production capacity, which can be upgraded with minimal investment;
- strategic geographic location, is close to markets;
- EU membership;
- strong market competition, exerted by the numerous existing companies in the field;
- training employees in the Romanian education system;
- reduced costs in order to create jobs.

During this period, textile and apparel producers in Romania are facing problems such as:

- constant increase of the minimum wage, lowering the attractiveness of the industry, especially since most of the employees in this sector have minimum wage levels;
- increasing price of utilities: electricity, water, gas; the effect will be felt more strongly in outsourcing activity;
- subsidies in agriculture: limiting the areas for which the grant is awarded, the lack of certain raw materials such as flax and hemp;
- implementation of European standards of quality, environmental, social, labor protection and decent work in order to work further with markets like EU and US;
- use of Customs Tariff.

Between 2008-2011, there was a massive decline in the number of existing companies in the textile and clothing industry in Romania, in the next period the number of companies began to grow. The number of businesses existing in 2014 in the textile and apparel industry is much lower than in the period before the outbreak of the financial crisis in 2008.

Diminishing number of companies is not necessarily a bad thing, because the economic crisis vanished uncompetitive firms.

Number of active companies in textile industry

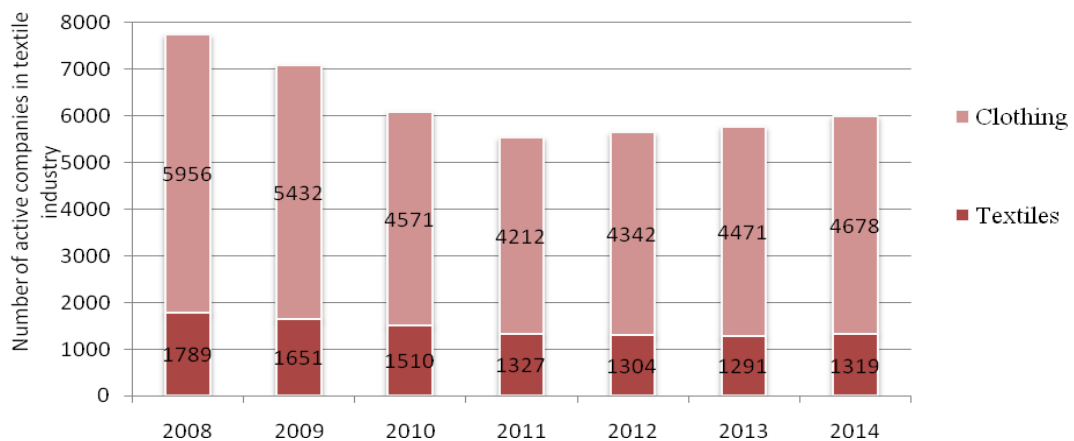


Fig.1 - Number of active enterprises in the textile and clothing industry in Romania, from 2008-2014

Source <http://statistici.insse.ro/shop>

In 2012, 30% of Romanian companies in the field have not conducted any activities, having declared zero turnovers. It is alarming that only 45% of the companies that activates in the textile and clothing industry were able to have profit in 2012. The average turnover achieved in 2012, in the textile industry was 831 000 Euro and 85% of companies have sales less than 500,000 euros, only 39 exceeded the ceiling of annual sales of five million euro.⁶

The economic crisis of recent years has acted as a selection of competitive companies. So after a period of decline, when sales of companies decreased (15%), many companies took major losses (in 2009 companies in the field have lost 11 million), the remaining companies

⁶Businessstexin.ro . Coface: Romania's textile industry has a profit margin of only 2-2.5% <http://www.businessstexin.ro/stire-industria-usoara/n674> Accessed on 4th of February 2015.

on the market could return rapidly increasing turnover by 4.7% in 2011 and 17.3% in 2012, with profitability 2-2.5%.

It is noted that in the entire period of analysis of the structure of employees in the textile industry, by gender, women represented 72%, while in the clothing sector, the percentage of women is higher, reaching 86%.

The economic crisis has brought significant decreases in terms of jobs in the two economic sectors clothing or textiles.

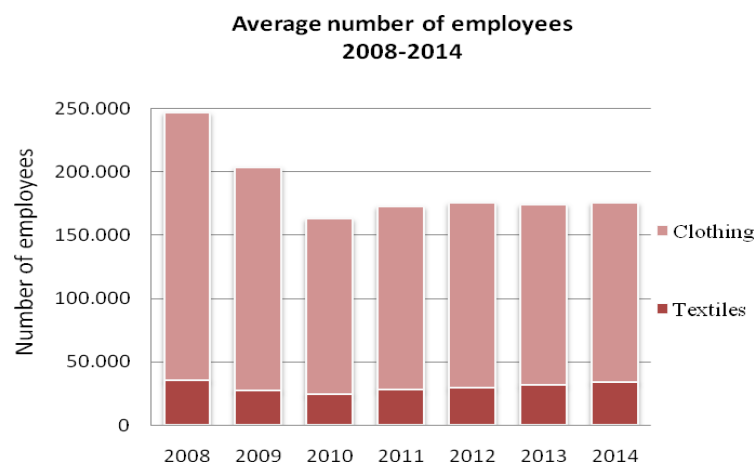


Fig.2 - Average number of employees in the textile and clothing industry in Romania, from 2008-2014

Source <http://statistici.insse.ro/shop>

Between 2008-2014, the number of jobs in the textile industry fell by 30%. The largest decrease was recorded in 2008-2010. By 2011, employment in this sector has remained stable, with no major changes. It is observed however, for 2011-2014, a decrease in the number of employees in the clothing industry and a slight increase in their number in the textile industry.

A study published in November 2012 by the "Enterprise and Industry" shows that Romania has the largest untapped export potential in the textile industry, about 15% of the entire EU untapped potential.

Exports of textiles and apparel make an important contribution to our country's trade balance. In 2013 the aggregate value of merchandise exports from the two branches amounted to over EUR 626 million, up 30% compared to 2003.

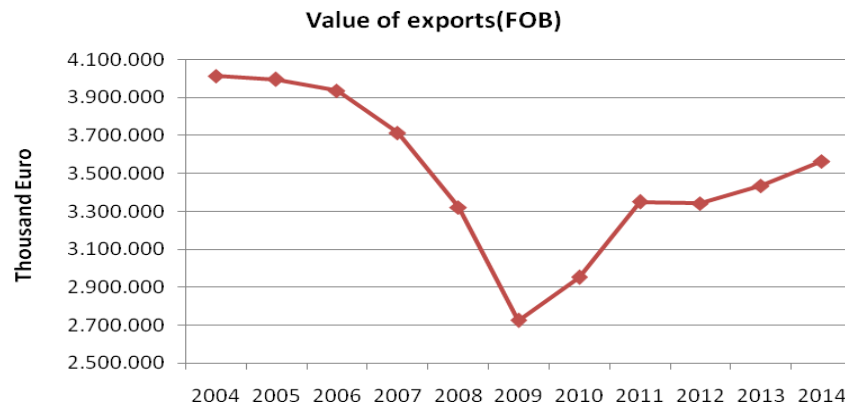


Fig. 3 - Romania's export value of textiles and textile to EU countries during 2004-2014

Source <http://statistici.insse.ro/shop>

Export value to the EU countries, has decreased during the period, 2004-2009, followed by an appreciation of its absolute value. However export value in 2014, failed to reached the value of 2004. The growth trend of recent years is not spectacular, but is constant for this period.

The main country, at EU level, that companies producing textile directed their exports from Romania is Italy, followed at considerable distance by Germany, UK and France. Other countries towards which exports of textiles are heading are Austria, Belgium, Bulgaria, the Netherlands, Poland, Spain and Hungary.

In the year 2014, the textile sector represented the fourth most important export product of Romania. However, 10 years ago, the textile industry ranked first, but suppliers and investors shifted to markets with lower production costs.

Among the largest exporters of textiles in Romania are: Productie Zarah Moden (clothes), Rieker Romania (shoes), Raffaello Shoes Factory (footwear), Rosko Textil (Textile) and Ara Shoes Romania (shoes). The top five companies are foreign-owned, they have 4,000 employees and a combined turnover in 2013, of over 1 billion lei.⁷

⁷Roşca, C. Textile factories have exported over 5.7 billion Euro, Ziarul Financiar ; 2015 <http://www.zf.ro/companii/fabricile-de-textile-au-exportat-produse-de-pestre-5-7-mld-euro-13806693> Accessed on 12th of February 2016



Romania's imports from the European Union, in the textile industry, does not present a steady trend, so they decreased in the 2004-2006, increased intensively in 2007 with the integration of Romania into the European Union.

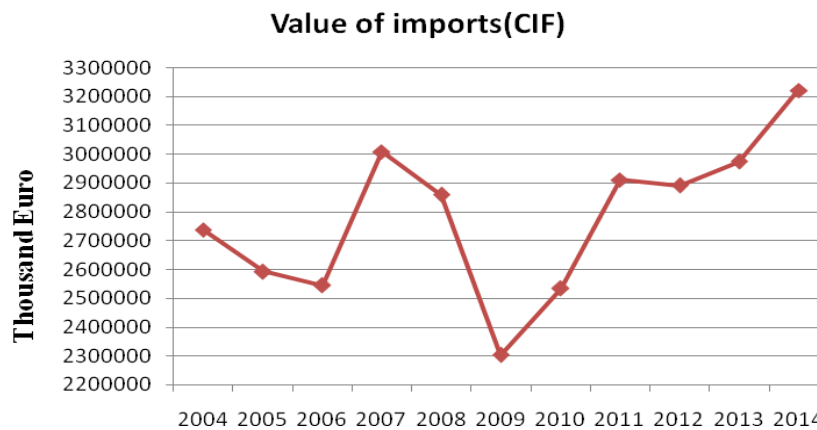


Fig.4 - Romania's import value of textile products to EU countries in the period 2004-2014

Source <http://statistici.insse.ro/shop>

After the rapid decrease in 2008 and 2009, follows an accelerated growth until 2011, based on increased consumption. The value of imports carried by Romania at EU level in the textile industry reached a peak in 2014, the best year from the period reviewed.

Romania has made imports of textile products, in 2014, from European countries such as Italy, Germany, UK and France.

In recent years has developed the outsourcing by manufacturers of apparel from Romania, they gave up their own brand name and accepted it to work under large manufacturing companies. This type of system has been able to help Romanian exports products, but under a different brand internationally recognized. Lohn was the cause of bankruptcy for many companies in Romania.

3. CONCLUSIONS

Strategic development of the textile industry in Romania must take into account the strategic change from mass production where added value is low, to the production of



innovative goods with high added value. Romania must focus now on research, innovation, design, material and production processes.

Market intelligence, knowledge of consumer behavior and consumer purchasing, adopting new production technologies are just a few items that may constitute Romania's industrial competitive advantage.

Manufacturing companies should focus primarily on domestic market and stimulate ethical production and consumption.

To develop the textile industry in Romania, will need to promote a long-term strategy that would bring Romania into the top producing countries, in the European Union and even worldwide. To achieve this objective, Romania will need to develop this sector in terms of technology, human resources training, to improve the product quality, to use specialized yarn, tackle new areas (such as defense), to focus on the customer, to reduce mass production, to create and develop clusters and production should rely on local resources.

CONFLICTS OF INTEREST AND PLAGIARISM: The authors declare no conflict of interest and plagiarism.

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