Characteristics of the clothing industry

The high quality fashion market is based on modern technology which has a relatively well paid labour force and designers with various degrees of flexibility. Many firms within this industry try to capture the market through various designs which is targeted at meeting the taste and preference of consumers. Most of the firms under the high quality fashion markets are in the developed and industrialized countries.

The mass production low-quality/standard products markets are found in the developing countries. These categories are basically involved in the production of uniforms, under wears, t-shirts and many more. They are found in exporting zones working with major importers if the industrialized countries. Outsourcing in this market is basically to household productions, (Nordas, 2004).

The Clothing industries operate under free import quotas. This means that both clothing and textile industries do not have to pay import tariffs when importing raw materials connected to clothing and textiles. These tariffs are made possible by the World Trade Organisation, to improve the importation of varied clothing among producing countries. As a result of the protectionism, many developing countries producing clothing were able to survive the industry. This however did not go well with the developed countries since there were great competition between the developing countries like China and the developed countries.

On the part of employment, the industry has engaged the services of millions of people worldwide and also with other individuals who are not registered but work in their homes and factories. The industry was the first to trade on a global dimension, simply because of the low barriers in entering the production of clothing. The industry is governed by the international labour laws, employing the most sensitive part of the labour force with females and ethnic minority as the leading employees. Most of the employees are immigrants. The European community, and the US and UK also have blacks as the major employees of the industry. Most of the producing countries in the developing world have females as the majority of employees in the industry. As indicated above, the total labour force of the clothing industry is made up of 80% of women. This is largely due to the fact that women are immobile and therefore are able to take care of domestic chores. A greater number of the female workforce is also unskilled or semi-skilled. In the developing countries, many of the workers spend up to 12-14 hours per day and are paid with very low wages,

THE PRODUCTION CIRCUIT

The clothing industry is part of a large circuit which involves the production of textiles. The industry is more fragmented organisationally and less technological in nature. The industry outsource most of it components and products. The garment industry therefore produces to unpredicted consumer markets. The industry serves as a distribution point for all garments. Through retailer efforts, the organisation’s geography has been shaped accordingly. The industry is also known as a buyer driven industry, in the sense that they purchase most of the raw materials from producing countries worldwide.

There are six stages that individual producing countries have passed through, that is from the embryonic stage to the maturity and decline stage of the development process of the clothing industry. This can be seen in (Figure 1 below).

The stages indicate how raw materials flow within the industry, from the fabric production stage, design, preparation, production, distribution and consumption stage. In the reverse state is the information flow from customer orders down to the fabric production stage. There is no much technological change since inception of the clothing industry. The majority still uses the manual operations due to the complex nature of the production process.

The clothing industry can be related to a supply chain function, where activities flow from raw materials to textile designs, apparel plants through distribution centers and other retail stores to consumers. The chain is seen as an integrated network of marketing from production stage to the finish product to consumers. The various activities are located where each can be able to make a contribution to the value of the finished product. The various variables considered in the industry include quality, cost, reliability, access to quality inputs and transportation cost. From the figure 2 above, the black lines represents the flow of goods whereas the white lines represent the flow of information. The arrows indicate Demand-Pull System, where the design of a product is made from customer orders, (Nordas, 2004). The supply chain indicates the interplay of several companies, where logistics and other services are coordinated. In the industrialized countries, most companies engage the services of consultants or independent service providers in the provision of logistics.

PRODUCTION COST AND TECHNOLOGY

The clothing industry is characterized by low intensity of capital and high intensity of labour. The plant size is very small with simple technology.

Figure 4 represent percentage of leading exporters of Clothing worldwide. The figure compares percentage of 2000 and 2011. Asia dominates the clothing industry in-terms of exports with over 50% of world market. China has doubled their share within 11years of operation, with approx. 37% of the total exports worldwide. Closely followed is the European Union and Euro extra with a combined total of 35% of world export share, which I a combination of intra regional exports.

Figure 5 represents share in value for exporters for 2011. China leads with 38% representing 154 billion Dollars in 2011, (www. wto. org) European union closely follows with 36% of Share in value representing 144billion US Dollars including intra regional trade. Bangladesh also did better in 2011 with a share in value of 5%, representing an amount of 20billion US Dollars, www. wto. org).

LEADING IMPORTERS (SHARE IN VALUE AND PERCENTAGE)

The EU is the leading importer of clothing worldwide, with combined percentage of 67. 2% of total imports. The EU imports much of its clothing from China. Available records indicates that EU imports about 39% if Clothing from China, 14% from Turkey, 7. 7% from India, 6. 3% from Bangladesh and 3. 6% from Tunisia, (www. ec. europa. eu). It is also evidenced that China exports clothing more than imports. Whereas China leads in exporting clothing, in-terms of imports, they only imports about 0. 90% of world clothing. The US is the second largest importer of clothing as evidenced on figure 4 above. The US imports about 20. 5% of clothing in the country, followed by Japan with 7. 6%. The remaining countries imports less than 3% worldwide respectively, (WTO 2011 chart II. 69)

The share in value for the leading importer of clothing (EU) is 60%, representing an amount of 290Billion Dollars. The EU is therefore the largest importer of clothing worldwide. The US is the second largest importer of clothing with about 18% share in value, representing 89 Billion US Dollars

TOP TEN SUPPLIERS

The clothing industry has about ten major suppliers. China plays a leading role with about 29. 45million Euros in 2011 as compared to 2007 where it made a supply of approximately 21. 9million Euros. Bangladesh also improved in their supply in 2011 with 7. 5million Euros as compared with 2007 with a supply of 4. 4million Euros. India also had a slight increase in supply for 2011 with approximately 4. 5million Euros as compared to 2007 where the supply was approx. 3. 8million Euros. However, Turkey had a decline in supply in 2011 with an amount of 8. 2million Euros as compared with 2007 with approx. 8. 9million Euros. Other countries like Indonesia, Sri Lanka, Pakistan and Vietnam had their supply below 2million Euros as evidenced on figure 2.

Top 10 suppliers in clothing (million Euros)

Basic characteristics of the industry (share in value added and employment, structure and characteristics of the production process)

The role of trade policy (multilateral tariffs and quotas, " grey area protectionism, trade conflicts, preferential trade, etc.)

Trade policies are rules and regulations governing the operations of international trade among countries worldwide. Trade policies play a major role in the industrialization of the clothing and textiles market.

Regarding market access, trade policies

TEXTILES AND CLOTHING AGREEMENT

The textiles and clothing industry has long history in-terms of agreement for protection in trade across the US and Europe. Voluntary export restraints were agreed upon by China, Japan, Hong Kong, and India to enable them export cotton products to the US in the 1950s. The General Agreement on Trade and Tariffs were incorporated in the agreement with the Long Term Agreement (LTA) on Cotton. This agreement was later replaced by the Multi-Fibre Agreement in 1974, (Nordas, 2004). The main purpose of the MFA was to open up the restricted markets so to limit the disruptions of markets. The MFA was also extended to cover all man-made fibres in-terms of restrictions. However, according to Nordas 2004, the MFA violated the multilateral system principles as follows:

- The most favoured principle was not adhered to
- Instead applying tariffs, it rather applied quantitative restrictions
- Developing countries were discriminated against

- It was not also very transparent for easy understanding

By 1st January, 2005, the Textiles and Clothing were fully integrated in GATT which also gave way for quotas to be fully integrated making it easy for member countries to trade without trade barriers. In the views of Nordas, the eliminating quotas lead to welfare economic gains of about 42% of the Uruguay round liberation, and about 65% for dynamic models. In her view, Nordas indicated that much of the Welfare gains went to the importing countries where as the exporting countries made welfare loss through the static version of the model and welfare gain through the dynamic model. A tripartite committee report on promoting fair globalization in textiles and clothing indicates that phasing out quotas will benefit China, being the leader in exporting of clothing in the industry, where as the importing countries will lose market share, (www. ilo. org) .

The Agreement on Textiles and Clothing (ATC) ended in 2004, which led to an increase in competition in the clothing market. Some countries were affected as a result of the new entrants of the Asian countries like Vietnam and Cambodia, and other competitors like India and Bangladesh which are traditional exporters. This led to a decline in the importation of clothing from the affected countries by the US at an annual rate of 13. 4%. With the implementation of Preferential Trade Agreements (PTAs) which were imposed by the US and EU on the importation of textiles and clothing from China, inroads were created for some developing countries to experience marginal growth in their exports. The PTAs also made it possible for small countries like Madagascar and Haiti to increase their exports by 26% and 15% respectively, (www. ito. org).

THE FREE TRADE AGREEMENT

The US Free Trade Agreements has given the textiles and apparel industry the opportunity to enter in the world market and compete freely. The agreement enables the reduction of tariffs rates and improves the intellectual property rules and regulations, (Web. ita. doc. gov). The US has therefore signed agreements with the following countries and Institutions on textile and clothing industry. Notable among them are; Australia, Bahrain, CAFTA-DR, Chile, Colombia, Israel, Korea, Morocco, NAFTA, Oman, Panama, Peru and Singapore, (www. otexa. ita. doc). These agreements assist foreign governments to ensure that non-discriminating laws and regulations are enforced to streamline trade relations between the US and member countries, (www. otexa. ita. doc). The FTA provides that transparent measures be put in place for effective rules to be enforced. The FTA also ensures that all non-tariff barriers are removed completely, which opens the markets of the member countries to the US products. Under this agreement, all goods that qualify are said to be duty free the US markets.