

Global Trade, European Integration and the Restructuring of Slovak Clothing Exports

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Introduction

During the 1990s the global clothing industry witnessed a series of profound transformations. Driven by increasing competitive pressures in the core markets of the USA and the European Union (EU), clothing producers and retailers increasingly undertook strategies that resulted in the further globalisation of the clothing industry (Gereffi, 1999). Throughout much of the 20th century the highly cost sensitive clothing sector has experienced increasing pressures of globalisation as manufacturers have sought out lower cost production locations (Dicken, 1998). Initially this process took the form of North American and EU producers seeking production locations primarily in East and Southeast Asia where labour costs were much lower and where export quotas under the Multi-fibre Arrangement (MFA) were available. A secondary level of outsourcing and offshoring soon followed with Asian producers accessing quotas of other semi-peripheral states (such as South Africa, see Pickles and Wood, 1989). The countries of East-Central Europe (ECE) also played a role in this outsourcing of production especially during the 1980s when largely EU-based firms began to contract manufacturers in ECE under outward processing trade arrangements, notably in the former Yugoslavia. By the late 1980s, the most important suppliers were the former Yugoslavia, Romania and Poland.

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More recently, during the 1990s, global clothing sourcing strategies changed once more. The core markets in the USA and the EU witnessed increased competitive pressure. In part these were driven by rapid changes in fashion markets and especially the shift from two to five (or more) fashion seasons. Retailers attempted to cut costs and delivery time to meet rapid and (at times) unpredictable changes in demand. One result was a re-orientation of contracting and sourcing towards producers in relatively close geographical proximity to these core markets. Relative proximity of production has enabled buyers to respond more rapidly and flexibly to changing competitive conditions in home markets, while at the same time reducing costs by locating contract production in relatively low wage areas (see Abernathy et al., 1999; Kessler, 1999; Gereffi, Spener and Bair, 2002; Smith et al., 2002; Begg, Pickles and Smith, 2003a, 2003b). For example, Gereffi, Spener and Bair (2002) have demonstrated how the process of increasing macro-regional integration in North America under the North American Free Trade Agreement (NAFTA) enabled buying practices and trade regimes to be more tightly linked together to provide for a dramatic growth of clothing trade between the USA and Mexico (see Kessler 1999, and Smith et al. (2002) for other discussions). Equally, during the 1990s in Europe, increasing pan-European regional integration has resulted in a dramatically increasing role for clothing export production in ECE as the foundations for EU enlargement were laid.

These changes were also driven by the relative decline of incomes in countries closest to the United States and the European Union. As economic output fell in the early 1990s in ECE, real wages also declined. Not only did this mean that ECE consumers purchased fewer consumer goods such as clothing, leading domestic producers to seek new export markets to make up for reduced orders in the home market, but the price of labour also became cheaper. Relatively weak trade unions were unable to effectively organise to defend wage cuts, which was particularly an issue in the clothing sector. As large former state owned enterprises downsized or fragmented and as new smaller firms emerged, trade unions found it very difficult to organise workers in the emerging small workshop economy. One consequence of a decade of neo-liberal policies that have increased income gaps and sharpened cross-border differentials, then, has been to make countries proximate to the core markets more cost effective in the process of clothing out-sourcing.

These macro-regional changes occurred at the same time as a full-scale emerging liberalisation of global clothing trade under the World Trade Organisation's Agreement on Textiles and Clothing (ATC), signed in 1994. The primary objective of the ATC was „... to secure the eventual integration of the textiles and clothing sector into the GATT (General Agreement on Trade and Tariffs) on

the basis of strengthened GATT rules and disciplines“.¹ Bilateral quotas negotiated under the Multifibre Arrangement (MFA) would then be eliminated. Integration of textiles and clothing products into the GATT is planned in stages up to January, 1, 2005, at which point all textile and clothing products will exist within a fully liberalised trade regime among WTO members.

The effects of this agreement to liberalize trade by removing all quotas on clothing trade by 2005 have been revolutionary for the industry, particularly those parts of it dependent on major world markets such as North America and the EU. The North American and European clothing sectors have experienced further dramatic transformations in their organization, linkages, and geographies as production has been relocated to proximate, lower cost regions (either through direct investment or out-sourcing). In particular, the significance of clothing production locations in the EU and the USA have diminished with the result of large scale job loss and factory closure as production is relocated (Kessler, 1999; Smith et al., 2002).

In this paper we document some of these main changes in export production for EU markets from ECE, highlight their links with broader changes in world trade regulatory frameworks, and concentrate on the specific forms that these changes are taking through the example of Slovak clothing exports to the EU.

1. The Changing Geography of the European Clothing Production System

Gereffi (1999) has shown how U.S. buyers and retailers have deepened their sourcing strategies from the Caribbean basin and Latin America (see also Gereffi, Spener and Bair, 2002). Others have pointed to a similar deepening of regional sourcing for the EU from producers in Central and Eastern Europe and North Africa (Graziani, 1998; Dunford, Hudson and Smith, 2002; Begg, Pickles, and Roukova, 1999; Pickles and Begg, 2000; Smith, 2003). In this section of the paper we examine the role of European Union countries in their reorientation of sourcing, showing how their strategies have reconfigured the geographies of production and trade throughout ECE and the Mediterranean-basin.

The primary suppliers of EU clothing markets have long been China and Hong Kong. However, between 1989 and 2000 China and Hong Kong did not increase their combined share of EU clothing imports (22.6 per cent in 1989 and 22.2 per cent in 2000). Indeed, the secondary off-shoring by the wealthier Asian economies, what Gereffi (1999) calls „triangular manufacturing“, has halved Hong Kong’s share of the EU market, while leading to significant simultaneous growth in China’s share. At the same time, ECE and Mediterranean countries

¹ See http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#cAgreement. Accessed 5. 11. 2002.

increased their share of EU clothing imports, from 37 per cent of the total imports in 1989 to 44.2 per cent in 2000, with Romania, Tunisia, Morocco, and Poland being the largest suppliers from ECE. Turkey was the largest exporter of the North African/Southern Mediterranean countries (Tan, 2001).

These broad regional patterns mask more complex national-level differences in the 1990s. In East-Central Europe, Romania, Hungary and Poland have become much more important suppliers for the EU clothing market. Bulgaria and Slovakia have also become increasingly important suppliers to EU clothing markets, but from smaller initial bases. In 1990, Poland accounted for 2.6 per cent of total EU clothing imports, and Romania and Hungary accounted for just below 2 per cent each. Bulgaria, by contrast, accounted for only 0.3 per cent of total EU clothing imports. By 2000, Poland's share of total EU clothing imports had increased to 3.8 per cent, Hungary's had increased to 2.1 per cent, and Romania's had continued to rise to 5.4 per cent. At the same time, Bulgaria accounted for 1.6 per cent of the EU total and the Czech Republic and Slovakia together accounted for 2.1 per cent. Over the same period exports to the EU from the former Yugoslavia and its successor states fell dramatically; in 1990 Yugoslavia accounted for 8.3 per cent of total EU clothing imports, but by 2000 its successor states together only accounted for only 2.5 per cent of the total. Except for Yugoslavia, then, we see a pattern of increased export assembly production for EU markets across the majority of ECE countries.

In addition to this general pattern of increasing clothing trade between ECE and EU there are also clear patterns of sourcing between individual EU Member States and particular ECE producing countries. Of all clothing exports to the EU from the six main ECE exporting countries,² Poland's clothing exports to Germany were by far the largest, accounting for 19.2 per cent of all clothing exports from this group of ECE countries to the EU in 1989. Although each of the ECE6 exporting countries have shown an absolute gain in clothing exports to the EU and all EU countries have increased clothing imports from the ECE, there are relative winners and losers. Germany's share of imports fell from 60 per cent of all clothing imports from the ECE6 in 1989 to 44 per cent in 2000. Meanwhile Italy's share increased from 7 per cent of total clothing imports from the ECE6 in 1989 to 17 per cent in 2000. Equally, Poland and Hungary have lost share while the Czech Republic and Slovakia, Bulgaria and Romania have gained share. Among trading pairs, the Romania – Italy connection shows the greatest growth, and Hungary – Germany the greatest decline.

In addition to the growing significance of ECE-EU clothing exports during the 1990s the clothing sector also represented a large proportion of manufacturing employment and production in ECE. East-Central Europe and the Mediterranean

² The ECE6 are Poland, Romania, Hungary, Czech Republic, Slovakia and Bulgaria.

Basin countries accounted for approximately 63 per cent of total employment in textiles and clothing in the pan-European zone, which includes the EU, ECE and the Mediterranean Basin. The sector also accounted for between 10 per cent and 15 per cent of total manufacturing employment in many ECE economies. Indeed, there is evidence to suggest that in ECE countries the relative role of the clothing sector in national employment and output has increased, or at least stabilised, during the 1990s (Pickles and Begg, 2000; Smith, 2003). This is all the more remarkable given the overall large-scale contraction of manufacturing employment and output in the majority of these economies over the same period (Dunford, 1998; Smith, 1998). The clothing sector experienced swift and dramatic declines in the early 1990s, but from the mid-1990s on it seems to have become a resilient alternative to the dominant experience of de-industrialisation in post-socialist ECE (Pickles, 2002). While Western European buying and retailing firms had established strong sourcing links with ECE producers during the 1980s (Dicken, 1998; Pickles and Begg, 2000; Begg, Pickles, and Roukova, 1999; Pickles, 2002; Smith, 2003), new possibilities for EU manufacturers and buyers for subcontracting with producers in ECE were created. The regulatory structures set up by the EU itself – such as the Europe Agreements signed with each EU applicant state – and the phasing in of the WTO's ATC provided a further incentive to tapping these low-wage, relatively skilled labor pools. It has often been assumed that this geographical shift of production to East and Southeast Europe has been driven by low wages and demand for low-value production. But in practice the existing industrial fabric in ECE also allowed for particular forms of production and export to develop that did not *necessarily* involve low value clothing products. Indeed, evidence from trade statistics and firm interviews in Slovakia and Bulgaria, and with retailer buyers in London, all suggest that ECE6 countries specialise in a discreet and quite narrow range of clothing product categories, with relatively high-skill levels and relatively high-value products, particularly men's and women's tailored garments (Begg et al., 2003a, 2003b). However, to understand the geographies of ECE and EU clothing trade requires consideration of the outward processing trade (OPT) arrangements implemented since the 1980s.

2. Outward Processing Trade and the Restructuring of East European Clothing Production

The Multi-fibre Arrangement (MFA) governed global clothing trade between countries. Individual countries were allowed to implement specific bi-lateral import restrictions (quotas) to safeguard their domestic industries from lower cost imports and from international competitors willing to seek off-shore locations

(see Glasmeier et al., 1993). The MFA, the labour-intensive nature of clothing manufacturing, the predominance of small firms, and the relatively low barriers to entry, especially in lower value clothing assembly, encouraged the movement of production to semi-peripheral lower-wage countries throughout the 1970's and 1980's (Gereffi, 1994; Dicken, 1998). In Europe, these processes created significant cost pressures on EU manufacturers and retailers to follow suit. One attempt to manage this dilemma was outward processing.

Outward processing can be understood as either a production process or as a specific vehicle for regulating that production process through trade and customs regimes. Outward processing as a production process is a synonym for off-shore clothing assembly and contracted out-sourcing. In contrast, as a trade regime, OPT is a system of production governed by EU customs regulations established in the early 1980s and developed further in the early 1990s. Under EU customs regulations governing OPT no duties are levied on raw materials (such as textiles) with their origins in the EU that are temporarily exported for outward processing (into clothing) undertaken in a third country and re-imported into the same EU country as partially finished or fully finished goods. The introduction of OPT quotas occurred initially under the Multi-Fiber Arrangement III (1982 – 1986) (Economic Bulletin for Europe, 1995). By carefully controlling the export, processing, and re-import of certain textile and clothing products under OPT, the EU hoped to manage the potential loss of employment in clothing and textiles in Member States. That is, they tried to protect the global position of EU firms in the face of foreign competition and the increasing tendency – already apparent by the late 1970s – for the shift to lower cost clothing production sites in the world economy. Consequently, a set of OPT quotas were established through bilateral agreements between EU members and ECE countries.³

Out-sourcing to ECE suppliers during the 1980's was thus part of a larger cost reduction strategy of the higher cost Northern European Community (EC) countries. However, the trade arrangements established in the early OPT legislation still shape relations between EU and ECE countries. For example, the main regions involved in export-oriented outward processing production between 1989 and 2000 were those where EU contractors had already established contacts in the early- to mid-1980s (except, as we have already noted, the former Yugoslavia). Poland and Hungary were particularly important in assembly production for the EU at this time. Later, as EU companies adopted more generalized sourcing strategies across ECE, Romania and Bulgaria grew rapidly in importance.

³ Similar arrangements emerged in North America where it is known as „production sharing“ or „807 production“, referring to the clause of US trade laws that governs the process (see Glasmeier et al., 1993; Bair and Gereffi, 2002).

These early origins of ECE-EU outward processing shaped the present situation in a number of ways. The collapse of command economies in 1989 initiated neither market relationships between the ECE clothing producers and the EU, nor the export of textile and clothing products from ECE to Western countries (Begg and Pickles, 2000). These sourcing practices existed prior to 1989 under the OPT regulatory regimes and this history and geography of textile and clothing trade has shaped the experience of the 1990s.

As a consequence of OPT regulations total EU clothing imports from ECE⁶ increased rapidly during the early to mid-1990s. In 1989, OPT accounted for just under 70 per cent of total clothing exports from ECE to the EU, and this percentage increased to a peak of around 80 per cent in 1996, although the particular role of OPT for various categories of clothing varied. In most ECE countries OPT accounted for an important initial stimulus to trade growth with the EU. However, since 1996 the importance of OPT has declined as OPT quota benefits were phased out and EU firms shifted their contracting to normal trade. By 2000, OPT had fallen to 35 per cent of total clothing exports from ECE countries to the EU. By the end of 1997, as the textile and clothing protocols signed between the EU and the ECE applicant states under the Europe Agreements came into full force, OPT-registered trade ended for most ECE countries.

However, it is important to note that the phasing out of OPT as a trade regime has not meant that outward processing as a set of cross-border production relations between the EU and ECE has ended. Indeed, there has been the continuation of outward processing as a production process involving contracted assembly and out-sourcing using inputs derived from the EU buyers concerned.

How did this emerging process of liberalization occur during the 1990s? The demise of clothing and textile quotas as a protectionist device was spelled out in the WTO's ATC. Under these rules all clothing quotas used by WTO members were to be eliminated as a device for managing imports by 2005. In aligning EU trade policy with ATC rules the EU has progressively removed quotas on textile and clothing imports. Such changes in trade regimes are also being driven by the desire of the European Union to create a pan-European free-trade area. Following the Barcelona Conference of 1995, the framework was set for a trade area that will include not only the former ECE applicant states, but also the Med-12.⁴ When fully implemented this trade area will include between 30 and 40 countries and 600 to 800 million people.

It is clear, therefore, that the EU's OPT regulations provided a key mechanism for the early expansion of clothing trade with ECE countries during the

⁴ The Med-12 include Algeria, Morocco, Tunisia, Egypt, Syria, Lebanon, Jordan, Israel, Palestinian Authority, Malta, Cyprus, and Turkey.

1990s. However, the more recent removal of quotas has favoured the ECE and Med-12 countries. In 1994 the long-standing system of bi-lateral OPT trade agreements was replaced by a community-wide system of quotas that governed trade with the early-accession countries in ECE. Under this system of „economic“ OPT all tariffs were cleared for a limited set of textile and clothing products used in assembly operations (see Economic Bulletin for Europe, 1995, p. 125). By 1998, the EU had also eliminated all tariffs for ECE applicant states as part of the more general trade liberalisation policy as it negotiated the basis for future EU enlargement.

We have also argued, however, that although the outward processing trade regime set the groundwork for the dramatic growth of clothing trade between the EU and ECE, its reduced role in custom's regulations has not stopped the practice of outward processing assembly production. Indeed, outward processing as a form of assembly production using imported fabric continues at an increased rate even as trade has been fully liberalized. For example, „In the first 9 months of 1998 production (from Bulgaria to Germany) was close to 1 million DM of which 632 million – about 60 per cent – was *ishleme*“ (or outward processing) (Obleklo Textil, 1999, p. 5), and outward processing continues to be important, as figures for Germany demonstrate. In 2001, off-shore assembly still comprised more than 75 per cent of total German imports from the ECE6 countries. Together, the ECE6 account for more than half of the total off-shore production of German firms. Interviews in Bulgaria and Slovakia suggest that exports to France, Greece, Holland and the United Kingdom continue to be dominated by cut-make-trim (CMT) production using materials imported from the EU.

Consequently, OPT has been a relatively short lived, but important transition mechanism on the way to full-scale trade liberalization with ECE applicant states. It has also been a longstanding political device for managing competing demand and complementing a broader vision of the greater Europe (enshrined in the European Agreements), and it is an important production process used by EU based manufacturers and marketers to reduce costs and enhance profitability in highly competitive European markets.

3. „Gulag Europe“? Does the Increased Share of Lower Cost Producers Mean That European Union Buyers Are Seeking Low-Wage Zones with Poor Working Conditions?

Within this context of increasing outsourcing of production from the EU to ECE, a key question is the extent to which this process has led to the creation of poor working conditions in ECE, resembling the „sweated“ conditions of

low-wage, low-skill labour elsewhere in parts of the global clothing production system (Bonacich and Appelbaum, 2000). For example, the London *Sunday Times* (September 26, 1999) has suggested that Western buyers privately refer to the growth of clothing producing regions in ECE as „gulag Europe“, where wages of 20p (about 32c) an hour are common and where in at least one „Bulgarian factory making Levi Strauss clothing for sale in British stores, more than 100 female textile workers are being forced to strip naked by their bosses at the end of their shifts – ostensibly to check they have not stolen anything“.

Table 1

Changing Absolute Role of High and Low Unit Value Clothing Products in ECE

	1989	2000	1989 – 2000 change	1989 – 2000 change relative to total change for ECE6
	000 ecu	000 ecu		
<i>High unit value</i>				
Poland	273 845	1 294 714	4.7	-0.6
Hungary	229 701	568 290	2.5	-2.8
Romania	295 772	1 826 965	6.2	0.9
Bulgaria	29 992	443 599	14.8	9.5
Slovakia	36 382	320 056	8.8	3.5
Czech Republic	36 382	311 434	8.6	3.3
CSFR	72 764	631 490	8.7	3.4
Total	902 074	4 765 058	5.3	0.0
<i>Low unit value</i>				
Poland	21 787	253 618	11.6	-2.9
Hungary	17 891	217 165	12.1	-2.4
Romania	32 871	434 772	13.2	-1.3
Bulgaria	4 060	235 850	58.1	43.6
Slovakia	7 420.5	85 802	11.6	-2.9
Czech Republic	7 420.5	98 644	13.3	-1.2
CSFR	14 841	184 446	12.4	-2.1
Total	91 450	1 325 851	14.5	0.0

Source: Comext database.

Our argument is that, while exploitative wage relations and even despotic production exist, the situation is more complex and ECE clothing production for export is constituted differently from what one might find in Asia because of the historical legacies of an already industrialised economy in central Europe. Relatively low wages (certainly the key to explaining the growth of ECE clothing production) exist alongside relatively high value production of goods such as men's and women's tailored clothing. These are produced in large measure in the former state-owned enterprise sector, where – despite enormous pressures to restructure practices – skills, knowledge, and negotiated social relations (such as labour relations and regulations) to some extent remain in tact (Begg, Pickles and Smith, 2003b). Such relatively high value tailored garment products accounted for over 35 per cent of total clothing exports from ECE countries to the

EU, a level of concentration in higher value goods that is much greater than in many of the other large sourcing countries (such as China, Hong Kong, Bangladesh, India, Indonesia, and Sri Lanka).

It is also clear that individual ECE countries play particular and different roles in export production for the EU and that over the past ten years these roles have changed relative to other ECE producers. For example, Poland and Hungary have seen a relative decline in high unit value products (Table 1).⁵

Bulgaria, Slovakia and the Czech Republic have seen a relative increase in high unit value products. All countries, except Bulgaria, have seen a relative decline in low unit value products. Overall Bulgaria has increased its production in both higher and lower value goods. Slovakia and the Czech Republic have concentrated more in higher value production. Poland and Hungary have lost their relative positions in higher and lower value production and they have also lost overall share in EU markets. Together this suggests that production has increased in lower cost areas but that quality continues to remain important.

4. The Slovak-European Union Clothing Production System

What particular role does export production to the EU from Slovakia play within this broader context? First and foremost is the speed with which Slovak producers were able to enter EU markets. Slovak clothing exports to the EU grew by 37 per cent per annum between 1994 and 2000, comprising 7 per cent of total Slovak exports to the EU in 2000.⁶ This was driven by EU manufacturers and retailers seeking to reduce production costs under OPT arrangements. One result of this dramatic growth has been the stabilisation of clothing employment in Slovakia during a period when overall industrial employment was declining (Smith, 2003). At the same time, however, it has created a reliance among many Slovak manufacturers on foreign trademarks, marketing structures and brands, further eroding the ability of the Slovak industry to compete independent of EU contracting in global markets. This reliance on western brands was also caused by the increased role of EU clothing products sold in the Slovak market, further undermining the competitiveness of domestic producers. Between 1994 and 2000, EU clothing exports grew by 90 per cent per year – around three times the rate of Slovak clothing exports to the EU – although it should be noted that in

⁵ Evaluating the relative value of different clothing products using trade data is complex. The single simplest indicator to calculate is the value to weight (ecu/kg) ratio, otherwise known as the unit value ratio.

⁶ Total world clothing exports to the EU increased on average over a similar time scale by only 8 per cent (Smith, 2003).

terms of volume Slovak clothing exports to the EU were six times larger than EU clothing exports to Slovakia in 2000.

The geography of clothing trade patterns between Slovakia and the EU has also changed during the 1990s. In 2000, 97 per cent of Slovak clothing exports to the EU went to the six main importing countries, Germany, Italy, Austria, France, the Netherlands and the UK (Table 2). Of these, over half of Slovak clothing exports to the EU went to Germany (55 per cent). During the latter half of the 1990s, however, the relative role of the Netherlands and the French markets fell quite considerably, while the role of the Italian and Austrian markets increased, as the German market held more or less constant. The growth of clothing exports to Italy is part of a larger process in which Italian firms developed deep sourcing strategies throughout ECE during the latter half of the 1990s. The growth of clothing exports to Austria represents a cross-border regional integration strategy, perhaps similar to that found between Greece and Bulgaria (Begg, Pickles and Roukova, 1999; Pickles, 2002).

Table 2

The Changing Distribution of Slovak-European Union Clothing Exports (1995 – 2000)

	1995	1996	1997	1998	1999	2000
Germany	51.9	48.4	49.0	51.2	50.6	54.5
Italy	11.7	17.5	20.0	20.7	21.6	21.0
Austria	8.8	10.8	10.9	10.3	11.3	10.0
France	6.8	5.9	5.0	4.9	4.3	4.0
Netherlands	11.2	8.3	6.9	5.1	4.7	3.9
UK	4.5	4.0	4.1	3.8	3.8	3.7

Source: Comext database.

This growth of clothing exports to the EU was concentrated in a limited number of products and was geographically concentrated in two main clusters, or agglomerations, of producers. First, in terms of product concentration, in 2000, 47 per cent of Slovak clothing exports to the EU were in two key, relatively high value product categories: men's woven suits, jackets, trousers and women's woven suits, jackets, trousers (Table 3). The four most important 4-digit products accounted for 64 per cent of total Slovak clothing exports to the EU (men's woven suits, jackets, trousers; women's woven suits, jackets, trousers; knitted jerseys and pullovers; men's woven shirts). These are the products that EU-based retailers source from ECE because of cost *and* quality considerations.

At the 6-digit product level, jerseys and men's wool jackets, suits and trousers, shirts and t-shirts have gained export share, and this has been particularly so in the case of men's wool suits and jackets which have significantly above average unit values (Table 4). Men's trousers (cotton and synthetic fibres) and

men's jackets (synthetic fibres) have lost export share. That is, there seems to be a general upgrading of export production into higher value products that also represent an increasing proportion of export share.⁷

Table 3

Top 4-Digit Clothing Exports from Slovakia to the European Union (% Total Slovak Clothing Exports to the European Union)

Product code	Product description	1989	2000
6203	Men's suits, etc., woven	36.2	34.4
6204	Women's suits, etc., woven	15.6	12.5
6110	Jerseys, pullovers, knitted	8.9	11.4
6205	Men's shirts, woven	3.9	6.0

Source: Comext database.

Table 4

The Role of the Top 10 Slovak Clothing Exports to the European Union

Product	CN	1993 % total clothing	2000 % total clothing	1993 unit value	2000 unit value
Men's cotton trousers woven	620 342	9.2	6.4	13.0	17.1
Men's trousers synthetic fibres woven	620 343	9.6	5.6	15.6	23.1
Men's cotton shirts woven	620 520	3.4	5.6	23.1	30.7
Jerseys man-made fibres knitted	611 030	3.6	5.0	18.7	17.3
Jerseys wool knitted	611 010	3.6	4.9	20.7	26.4
Men's wool jackets woven	620 331	4.2	4.7	25.0	43.5
Men's wool suits woven	620 311	1.2	4.3	26.3	53.5
Men's jackets synthetic fibres	620 333	5.9	3.7	23.8	30.4
T shirts	610 910	1.0	3.5	17.4	18.2
Men's wool trousers woven	620 341	1.8	3.4	18.1	27.9
Total clothing				19.5	22.8

Source: Comext database.

Slovak-EU clothing exports are concentrated in relatively high unit value products, in part because of increasing competition from other regional suppliers. Table 5 compares the unit values for the top 10 6-digit Slovak clothing exports to the EU in 2000 with those for other ECE countries, and also for Turkey and Ukraine. For these 10 product groups Slovakia is ranked fourth in terms of unit value. In addition, Slovakia is also well positioned in six relatively high unit value products, which include men's cotton shirts, men's wool jerseys, men's wool jackets, men's wool suits, men's synthetic fibre jackets and t-shirts. While not all of these products (such as t-shirts) are overall high unit value products, relative to its main competitors, Slovakia is exporting relatively high unit value products to the EU.

⁷ Those products that have lost export share have also seen an increase in unit value (except jerseys made of man-made fibres), but the increase has been at a much lower rate than woollen suits, jackets and trousers.

Second, in terms of geographical concentration of production, the Slovak clothing economy is dominated by producers located in the regions of Prešov and Trenčín. Together, these two regions account for 62 per cent of total employment in the clothing sector in Slovakia and 65 per cent of value added in the clothing sector. Firms also tend to be very export oriented. For example, survey research conducted in 2000 found that nearly 80 per cent of clothing plants in the Prešov region had more than half of their sales in western European markets (see Smith, 2003).

Such dense regional agglomerations of clothing producers have their roots in the state socialist period, and are centred on large former state owned enterprises. Yet, these regional agglomerations have transformed dramatically during the 1990s, largely involving the development of a dense network of often small firms, linked together through complex contracting and production relations (see Smith, 2003).

Indeed, the clusters of clothing producers in Prešov and Trenčín differ quite markedly with other regional clothing production systems in the Slovak Republic. For example, in Bratislava, which has many fewer clothing firms, clothing producers tend to be small and largely oriented to local markets. Later in this paper we will return to the competitive dynamics involved in such regional clusters of production.

Interviews with clothing producers in East Slovakia have suggested that some of the national differences suggested in Table 5, especially between Slovakia and Ukraine, are being drawn upon as the basis for the emergence of cross-border production relations. Several Slovak firms are now engaged in cross-border production arrangements whereby export production contracts for EU-buyers are further subcontracted out to Ukrainian clothing firms. There are a number of benefits in such arrangements, not least, the ability to lower costs, but also to shift risk from EU contracts away from Slovak producers. In the latter instance, only „excess“ production becomes part of such cross-border relationships, enabling Slovak firms to „put out“ parts of contracted production when demand is high, but also enabling such firms to retain „core“ production on a more-or-less continuous basis. There are, however, a number of apparent limitations to such cross-border relationships. Reliability of delivery has become an issue for some Slovak firms, with electricity and other power shortages producing delays in meeting production targets in Ukraine.

Equally evident from Table 5, overall quality and unit value are lower in Ukraine, meaning that such cross-border putting out of production often only concerns relatively low value, mass produced garments where the skill requirements are lower.

Table 5

Unit Values of Top 10 Slovak Exports to the European Union for Other ECE Countries and Turkey, 2000

Product	Turkey	Romania	Poland	Hungary	Bulgaria	Czech Republic	Slovakia	Lithuania	Croatia	Ukraine	Slovenia
Men's cotton trousers woven	18.4	18.2	16.4	16.1	12.4	18.8	17.7	16.2	17.5	15.2	36.5
Men's trousers synthetic fibres woven	27.3	21.9	23.5	24.0	25.9	21.2	23.1	26.6	30.6	14.4	30.0
Men's cotton shirts woven	25.9	24.6	30.2	31.4	18.5	36.6	30.7	18.0	40.6	15.8	36.9
Jerseys man-made fibres knitted	18.6	15.5	16.6	14.2	15.6	20.3	17.3	17.9	24.4	10.4	33.8
Jerseys wool knitted	23.1	14.8	24.3	31.5	16.2	34.1	26.4	25.1	28.9	13.0	32.3
Men's wool jackets woven	41.7	33.1	38.0	36.2	30.5	47.1	43.5	26.2	42.0	18.0	59.8
Men's wool suits woven	50.2	34.7	40.1	34.3	50.8	44.7	53.5	33.0	40.2	16.9	55.4
Men's jackets synthetic fibres	27.0	27.0	26.2	27.6	21.9	26.4	30.4	22.9	35.1	14.1	24.8
T shirts	16.4	12.3	11.0	13.2	8.2	16.8	18.2	15.5	17.4	6.2	28.8
Men's wool trousers woven	32.7	29.3	32.3	37.2	32.0	36.9	27.9	0.0	36.4	16.5	52.3
Average unit value for 10 products	28.1	23.1	25.9	26.6	23.2	30.3	28.9	20.1	31.3	14.1	39.1

Source: Comext database.

Conclusions

The Slovak clothing sector seems to have a number of relative competitive strengths and limitations within this broader context of EU–ECE trade liberalisation and growth of clothing exports. In terms of strengths, three issues are key. First, like other ECE countries, Slovakia is achieving increasing access to EU markets for its relatively high-value products. These are more competitive in the EU market in terms of value than those from lower cost neighbouring states, such as Ukraine. Second, part of the competitive strength of the clothing production system in Slovakia (as elsewhere) is derived from the distinct regional agglomerations of textiles and clothing producers in two main regions, Trenčín and Prešov (see Smith, 2003). Much recent attention in economic geography has been focused on regional agglomeration and the competitive underpinnings of regional economic success (Scott, 1988, 1998; Storper, 1995, 1997). Together, the two main regional agglomerations of clothing producers in Slovakia embody many of the features of such industrial districts found in Western Europe and North America, including dense forms of local co-operation between firms. Co-operation and contracting between firms has enabled export oriented firms to respond flexibly to the uncertain and unpredictable demands from EU buyers. In addition, there is some evidence of firm upgrading in which managers have been able to develop more independent market access of their own brand clothing thus reducing their reliance on western buyers. However, as Smith (2003) has argued elsewhere, such agglomerations are also characterised by unequal power relations between Slovak manufacturers and EU buyers, between core contracting firms in such regions and other local producers who play a more marginal role, and between firms and their workers given that wage levels remain low in the clothing sector.

There are also a number of strategic limits to the continued growth of the Slovak clothing export system. First, it is clear that producers face continuous costs pressures. Pressure for wage increases in a very low pay sector is apparent. Many firms have suggested that worker retention has become an issue because of low wages. Firms have sought out ways of coping with such pressures through other mechanisms such as subsidised transportation (Smith, 2003). Elsewhere, in Bulgaria, Pickles (2002) has found that firms have also been forced to respond to the temporal flexibility required by workers also engaged in supplementing household income through seasonal agricultural employment and work. Cost pressures are also experienced in the emergence of new competitors in lower cost areas, such as Ukrainian firms, although, as we have seen, this is counter-balanced by the quality differences of clothing production between Slovakia and Ukraine. Nevertheless, if Ukrainian producers are able to upgrade quality to match (if not surpass) Slovak levels then competitive pressures will intensify.

Furthermore, EU membership may increase costs for Slovak producers, through the costs of implementing otherwise desirable employment and environmental legislative requirements. The effect may be to stimulate a further off-shoring of production to newer producing regions, such as those in the former Soviet Union.

Second, it is clear that reliance on outward processing strategies has failed to develop significant design capability in Slovakia. While there are cases of design intensity in production in some firms, it is clear that being locked into outward processing forms of production has not enabled the transfer of technology and knowledge to enable many Slovak firms to develop design capability. Rather, reliance on western designs, brands and trademarks remains predominant in the Slovak clothing sector. However, the development of design capability is seen as necessary in order to upgrade production and move out of low-cost production.

Third, and finally, there is a general absence of specific regional policies to promote upgrading in the clothing sector and those policies that do exist are limited in scope. However, there is evidence from western Europe – notably from Italy – that a dense tissue of regional institutions involved in providing credit, technological support and employment training can be important in the sustenance and potential upgrading of clothing sectors. Whether, however, such policy foci would help to overcome the continual pressure for cost reduction and low wages in what, after all, is an increasingly globalised manufacturing sector remains an open question, and the experience of higher cost locations in the EU and USA suggest that cost imperatives may determine the fate of even relatively high quality production in central Europe.

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GLOBALNÝ OBCHOD, EURÓPSKA INTEGRÁCIA A REŠTRUKTURALIZÁCIA SLOVENSKEHO ODEVNÉHO EXPORTU

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Príspevok skúma meniacu sa pozíciu odevného priemyslu v SR a v strednej Európe počas 90. rokov v kontexte európskej integrácie a globálnej obchodnej liberalizácie. Koncentruje sa najmä na všeobecný rast exportu odevov zo Slovenska a strednej Európy do Európskej únie a dokumentuje, že tento rast sa vzťahuje, najmä na rast produkcie v rámci „práce vo mzde“ a Dohody o textile a odevoch WTO.

Príspevok sa snaží dokázať, že na rozdiel od mnohých ázijských konkurentov, exportéri zo strednej Európy smerujú ku koncentrácii produkcie do relatívne hodnotných a kvalitných odevov. Podrobnejšie sa pritom skúma špecifické postavenie slovenských výrobcov odevov. Odevný sektor na Slovensku sa vyznačuje početnými silnými, ale aj slabými stránkami. Z hľadiska silných stránok Slovensko dosiahlo zvýšený prístup na trh EÚ pre svoje relatívne kvalitné produkty. Tieto produkty sú z hľadiska hodnoty konkurencieschopnejšie na trhu EÚ než produkty zo susedných krajín, založené na nízkonákladovej produkcii. Navyše, konkurenčná sila systému odevnej produkcie na Slovensku (podobne ako v iných krajinách) sa odvodzuje z vysokej regionálnej aglomerácie textilných a odevných firiem vo dvoch rozhodujúcich oblastiach – v Trenčíne a Prešove. Tieto dve najdôležitejšie aglomerácie výrobcov odevov v SR sa vyznačujú mnohými črtami tzv. priemyselných okrskov, ktoré môžeme pozorovať v západnej Európe a v Severnej Amerike, vrátane úzkej kooperácie medzi podnikmi navzájom. Táto spolupráca a zmluvné väzby medzi podnikmi posilňujú exportne orientované firmy v ich schopnosti flexibilne reagovať na neistý, a často nepredvídateľný dopyt zo strany nákupcov z EÚ.

Na druhej strane existujú mnohé výrazné ohraničenia z hľadiska trvalého rastu slovenského exportu odevov. Po prvé, výrobcovia odevov očividne čelia stálemu tlaku nákladov a tlaku zvyšovať mzdy v tomto sektore. Po druhé, rozširovanie „práce vo mzde“ zabraňuje rozvíjať vlastný dizajn a tvorbu kapacít v tejto oblasti na Slovensku. Aj v podnikoch, v ktorých sa tieto kapacity nachádzali vo väčšom rozsahu, sa postupne vtiahli do rôznych foriem práce vo mzde, čo nepodporuje transfer technológií a rast poznatkov, potrebných na rozvoj dizajnu v slovenských firiem. Po tretie, na Slovensku všeobecne chýba špecifická regionálna politika, ktorá by pomáhala pozdvihnúť odevný sektor v relevantných regiónoch (avšak aj v prípade, že by existovala, treba vidieť jej limity). Poznatky zo západnej Európy – najmä Talianska – však ukazujú, že existencia regionálnych inštitúcií, zahrňujúcich finančné inštitúcie (napr. na poskytovanie úverov), inštitúcií podporujúcich transfer technológií a inovácií, zvyšovanie kvalifikácie a pod., môžu mať podstatný vplyv na udržanie a potenciálny rast odevného sektora.