STAGES OF DEVELOPMENT OF THE ROMANIAN TEXTILE AND WEARING APPAREL INDUSTRY

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Abstract. *Romanian textile and wearing apparel industry has a long tradition as an important economic sector regarding its contribution to the industry's total exports and its capability in providing jobs but also as regards research and innovation results. This branch has benefited since its beginnings, due to the wealth and diversity of native natural resources. Later on, although its evolution has been rather sinuous, by alternating auspicious and poor periods, still its basic characteristic was an outstanding contribution to supporting the development of economy as a whole, especially in the years 1965-1980. Over the past 30 years, the textiles and wearing apparel sector has experienced a regression but also a rebound on some indicators, making efforts to adapt to the requirements of the world market by implementing the concept of sustainable development. In this respect, it is neccessary to modernize and acquire new technologies, implementing a high degree of adaptability to change, especially in fashion.*

Keywords: *textile and wearing apparel industry: structure of the textile industry; economic indicators of the textile industry*

1. Introduction

The textile and wearing apparel industry, or commonly called textile industry, is represented by a wide range of products, from yarns and textile fibers to finished textile, knitwear and garments. To those, over time, leather and fur products have been added as traditional products. In this paper, we present the most important economic and social aspects of its long time activity, dating back to the 1-st century as crafts or home occupations, continued in various forms of organizations (e.g. guilds) until the emergence of cloth manufactures in 1859-1938 period. Textile industry performance main indicators in 1949-1989 period are also shown and, especially, that sector hard efforts to cope with the challenges and to adjust

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to present time conditions. In the end, some necessary action measures are highlighted meant to increase competitivity level.

Beginnings of the textile industry

The national textile industry as its first economic manifestation, has been recorded since ancient times, the archaeological vestiges of the Geto-Dacian settlements indicating that domestic crafts, spinning and weaving, fabric and leather processing were some of the main occupations of the population during the first century.

In the following centuries, craftsmanship has developed in Transylvania while Wallachia, Moldavia and Dobrudja have further developed their agricultural economy and trade.

Multiplication, diversification and specialization of the 17th century crafts led to the need for a more rigorous organization, e.g. the emergence of the brotherhoods and, then, of the guilds in Moldavia and Wallachia, such as the tailors and furriers guilds, which were, for a longer period of time, already in operation in Transylvania. This upward trend become stronger in the 18th century, by establishing the first manufactures of cloth, as the precursors of the capitalist production stage.

The period of economic and social modernization, 1859-1938

Between 1859 and 1938, it is appreciated that the trend of economic and social modernization has been asserted by the exit of the country out from the stagnant state, characterized by feudal structures, and by the formation of the unitary national state in 1918.

In 1860, the establishment of industrial freedom and the definitive abolition of the guilds, encouraged the emergence of the first businesses on their own, marking the continuation of capitalist production emergence, especially in the wool and cotton sectors. Thus the 1901-1902 industrial survey recorded the existence of 14 factories in the ”textile industry” of the „big industry”, 7 enterprises for cotton, hemp, 5 knitting enterprises and 4 „rope and strings factories” totaling a fixed capital of 12 million lei. from the beginning of the 20th century, the statistics showed a modest position of the textile industry in the total manufacturing industry, in terms of the invested capital (4.8%) and of the employed personnel (6.1%), the share of the value of the production being only of 2.8%. A slightly better situation had the tannery and the leather, while the wearing apparel and accessories were in an intermediate position.

During the first global conflagration, the textile industry generally mirrored the involutions of the economy as a whole, but thanks to the efforts of the state to reduce destruction, the tannery, leather, footwear, textiles (cloth fabrics etc.) production, being meant to cover army needs grew to an appreciable extent, many factories being militarized. The textile industry registered a significant increase in production by 1916, but after that the lack of raw materials began to be felt; for example, instead of natural wool, artificial wool and textile waste began to be used.

In defiance of the disastrous events the loss of human life, impoverishment of a large part of the population, destruction and damage, the formation of the Romanian unitary state was the starting point for the establishment of a new Romanian national market, with positive influences on of the national economy.

After 1900, trade structure showed that Romania despite all the structural changes made to encourage the development of industry, remained an agrarian country. Thus, in 1911, total textile products accounted for more than 16% of total imports, wool and wool yarns were almost 9%, garments 5%, leathers products 4%, silk fabrics and silk products 3.6%. The pattern of exports in the same year showed that textile products recorded modest weights such as fur 0,46%, wool and wool products 0.37%, leather and leather goods 0.27%, while cereals held the overwhelming share of 80.6%, oil and its derivatives almost 6%, vegetables, flowers and fruit 5%.

During the interwar period, 1919-1938, there was a general revival of the national patrimony of human and material resources. Although the textile and leather industry growth was lower than the average manufacturing industry, textile products continued to take an important place as a traditional activity in the economic policy of the Romanian state, with same results as the whole economy.

Table 1.

The evolution of industrial production in the interwar period

- in percentages -

Activity	1925	1929	1934	1938
Total	100,0	100,0	100,0	100,0
Mining and quarrying	16.5	17.3	12.4	11.1
Manufacturing of which:	83.5	82.7	87.6	88.9
- food products	19.0	22.7	22.3	20.0
- textiles	10.5	12.4	17.5	18.9
- leather products	4.6	3.8	4.1	4.4
- wood products	9.7	7.9	4.0	4.6
- paper and graphic arts	2.7	3.6	4.8	4.0
- metallurgical products	11.2	12.4	13.5	14.6
- electrical and electronic products	0.1	0.3	0.2	0.9

- chemical (including refining) products	22.9	16.2	17.8	18.2
- building materials	1.8	3.3	3.4	3.3

Source: N. N. Constantinescu (coord.), *Economic Industry of Romania*, vol. 1, Economic Publishing House, Bucharest, 1998, p. 414; Romanian Statistical Yearbook, 1925-1940

The above mentioned data show a continuous growth trend of the textile industry, which, from a weight of 10.5% in the total manufacturing industry in 1925, reached 12.4% in 1929, 17.5% in 1934 and 18.9% in 1938, ranking from this point of view immediately after the food industry, which registered 20% in the last investigated year, before other branches like chemistry and metallurgy, with over 18% and respectively, almost 15%. The leather sector registered, of course, a smaller weight, and also a slightly alternating dynamics, decreasing at 4.4% in 1938, from 4.6% in 1925.

An important specific feature of economic development in the 1940s, according to global trends, there was the emergence of large companies that could compete with introduction of advanced technologies and the promotion of superior production and efficiency conditions, such as Scherg's Cloth Inc. in Brasov, Iris in Cluj etc. As a result, a higher profit rate was achieved in these companies that accounted for 4-9.3% in the textile industry between 1933 and 1939, according to Virgil Madgearu's calculations.

The penetration and expansion of the factory production caused the reduction of the two manufacturing areas, namely the domestic and the craftsmanship, respectively. The household industry was present mainly in rural areas, processing plant fibers and wool to cover local needs (households, fairs), using only their own resources. Craftsmanship moved to the village, but also to fairs or small towns. This activity was diversified through the development of specific services (tailors, furriers, shoemakers). The progress of the textile industry was also positively influenced by the increase in the share of industrial crop production from 3.4% in the period 1925-1929 to 4.1% in the years 1934-1938.

The 1939-1944 period

During the Second World War the production policy has put major stress on branches serving military purposes, such as the textile industry. Although the textile branch has been usually „favored", because of the lack of raw materials (eg imported cotton) and of partial destruction and degradation of machinery and equipment, production diminished. As a result, the documents mentioned that in 1944, textile industry production was only half of 1941, one while similarly; total industrial production in the summer of 1944 was half of that of 1938.

The post-war period, 1945-1949

Despite the severity of general conditions, of population extreme poverty and of material resources draining, by striving hard, the textile and leather industry managed to equal and exceed its 1940s level production. That performance was possible, on one hand, due to the centuries-old tradition of this activity in the Romanian territory, on the other hand, it benefited by the program of restoration and development of the national economy, with emphasis on heavy industry and electrification, that contributed substantially to the advance of agriculture, an asset for the textile and leather industry development.

The centrally planned socialist economy, 1949-1989

As a result of the efforts for economic recovery, textile industry managed to reach the pre-war indicators levels, the wearing appareal industry being one of the first top sectors, registering a 3.2 – fold growth in 1950 as against 1938.

That textile industry development trend continued until the 1989-1990 period, both due to the profitability of existing enterprises and due to the building of new production capacities, as well as by the implementation of organizational measures regarding the ownership form, mainly by supporting production cooperatives and workshops of small industrial craftsmen.

Table 2.

Evolution of textile, leather and footwear production, in the period 1951-1989

- inpercentages -

1. Average annual growth rate of production	**1951-1960**	**1961-1970**	**1971-1980**	**1981-1989**	**1986-1989**	**1950-1989**
- Industry – total	13.0	12.8	11.2	3.3	2.6	10.2
Textile industry	8.9	10.8	11.4	2.5	2.3	8.5
Wearing apparel	9.2	11.8	12.8	6.1	4.0	10.0
Leather fur and footwear	9.4	9.9	9.1	4.3	2.7	8.2
2. Structure of industrial production	**1950**	**1960**	**1970**	**1980**	**1985**	**1989**
- Industry – total	100.0	100.0	100.0	100.0	100.0	100.0
Textile industry	11.1	7.9	7.2	8.2	6.6	6.6
Wearing apparel	7.5	5.6	4.3	3.6	3.7	4.0
Leather fur and footwear	4.0	2.8	2.1	2.2	2.2	2.3

Source: Statistical Yearbook of Romania, 1971, 1981, 1990, Bucharest, CNS

Production indicators evolution shows a rather good trend of the textile sector between 1951 and 1989 (Table 2). Thus, if we take into account the average annual growth rate of production, we can notice a relatively constant trend, with a decreasing bent, less than the total industry or other branches of industry, towards the end of the analyzed period, namely the gap 1986-89. Moreover, the evolution of we can appreciate that textile, wearing apparel and leather goods, fur, footwear shares are relatively good, taking into account the fact that the unitary value of the respective products is relatively small compared to that of other products of the machine building, chemistry, oil, refining activities that have benefited from major investments, about 48-75% of total industrial investments, for example in 1976-1980.

Structural changes in production pattern represented, also, another positive aspect. Thus, in the total fabrics production the share of cotton was on a descending slope because that raw material was practically imported, e.g. from 76.7% in 1950 to 64.7% in 1989, while the weight of flax and hemp, as well as of silk, raw materials produced in the country, increased.

The textile sector exports have had a significant contribution in obtaining the foreign currency required for the payment of national external debt. At the same time, in this branch, average annual growth rates of labor productivity per employee were superior to those per whole industry, for example in wearing apparel 6.1% and in leather and footwear 4.5% compared to 2.9% for the total industry, between 1980 and 1989.

Market Economy

As we have seen before in the years 1965-1980, textile and wearing apparel industry has strongly developed being supported by domestic machinery, equipment and technologies, while production was intended to cover domestic consumption in particular, the rest being exported predominantly to other CMEA countries.

Since 1980, on one hand, the demand for textile products has been drastically reduced, on the other hand, the CMEA market has been abolished and, moreover, export opportunities to other countries have been very poor because of products lower quality compared to the one similar goods obtained in other countries. As a result, the Romanian textile industry had to cope with a new business environment with specific challenges given the fact that the current world market was saturated, characterized by a high level competition, and the elasticity coefficient of demand vs income was low.

These trends are highlighted by the evolution of the textile products market, respectively, by their destination (Table 3).

Table 3.
The evolution of the Romanian textile products market in the years 1989,2001,2003

-mil.$-

	1989	2001	2003
The volum of production	4000	3744	5520
- Textiles	2537	1004	1004
- Wearing apparel	1643	2740	4516
Of which:			
a) Domestic consumption	2969	709.6	1342.2
- Textiles	1975	462.6	462.6
- Wearing apparel	994	247.0	879.7
b) Export	1031	2998.4	4403.4
- Textiles	382	505.4	767.0
- Wearing apparel	649	2493.0	3636.3

Source: MEC; Doina Popescu, Full Business in Clothing Apparel Industry, ASE Publishing House, Bucharest, 2005

Between 1989 and 2003, efforts were directed towards the restructuring and modernization of the branch, towards the acquisition of high-performance machines, aiming at improving the level of product quality while increasing the economic performance.

The effects of modernization and refurbishment have resulted in the increase of industrial production of wearing apparel by 2.72 times, in the increase of exports, over 5.6 times, respectively in the increase of that branch contribution to the improvement of foreign trade balance of the national economy.

For decades, textiles and wearing apparel have been the only internationally regulated processed products through the import quata system (the Multifibre Agreement in 1956-2000 and the Textile Agreement in force until the end of 2004). This latter Agreement has prepared the gradual liberalization of trade in these products and the elimination of any quantitative restriction since 2005 that was an aggravating factor for the crisis that the Romanian textile industry was facing in those years.

In the following years, the textile industry has suffered from the same issues caused by the decline of the whole economy, as shown in Table 4.

Table 4.

Nr. crt.	Indicator	UM	2007	2008	2008/2007
1.	Industrial production				
	- Textile products	$1,0^3$ lei	3859.6	2983.5	93.8
	- Wearing apparel	$1,0^3$ lei	7159.9	7073.9	98.8
2.	Physical production:				
	- Textiles	10^6 m^2	101.2	68.1	67.2
	- Knitwear	10^6 pairs	17.5	14.6	83.4
3.	Export				
	- Textile products	10^6 euro	10453.0	1028.0	97.6
	- Wearing apparel	10^6 euro	2880.0	2657.0	92.2
4.	Import				
	- Textile products	10^6 euro	2856.0	2565.0	89.9
	- Wearing apparel	10^6 euro	653.0	759.0	116.3
5.	Number of employees	10^3			
	- Textile products		58.0	48.0	81.2
	- Wearing apparel		215.0	182.0	84.5

Source: Ministry of Economy – Directorate General Industrial Policy and Competitiveness

In 2007, the textile wearing apparel and leather-footwear industry achieved the following shares in Romanian macroeconomic indicators:

– 2,72% of GDP;
– 5.2% of industrial production;
– 18.42% of Romania's exports;
– 23,35% of the number of employees in industry;
– more than 11,500 companies – at the beginning of 2008.

In the first years after 1989, the textile authority evolution is marked by the restriction and closure of several production capacities in the textile industry, which led to a continuous decrease in the economic share of this subsector. The other subsector of that industry, the wearing apparel activity has registered a remarkable growth since the mid-1990s, supported by the development of lohn production and the increase of exports to European markets, as can be seen from Table 4 data.

Light industry lohn activity has been a beneficial short – and medium – term factor, providing technology transfer, increasing work skill level and managerial capacity, competitiveness, connection to international quality control standards However, the jobs created by the implementation of the lohn system, are particularly precarious, being subject, at any time, to the risk of being transferred to another country where labor costs are lower. In the long run, however, it is advisable to gradually re-orientate production, making it more cost – effective to export directly from its own production.

After the sharp contraction in sales volume during 2009 (15% decrease in total turnover and net losses of 11 million euro), the companies remained in operation, have achieved a real revival over the next 3 years, increasing sector turnover by 4.7% in 2011 and 17.3% in 2012, while maintaining a profitability rate of 2-2,5%.

Despite all the precarious conditions, the textile sector has manage to maintain a good position in terms of investment dynamics, especially in the manufacture of wearing apparel, but also in the manufacture of textiles. Also, the sector, as a whole, has increased its share in total manufacturing branch production from 7.3% to 11% in the period 2011-2013, but at the same time, there has been an involution of gross value added, its share declining from 6.9% to 5.6% over the same period.

Table 5.

Evolution of main economic indicators, 2011-2014

	2011	2012	2013	2014
Total investment (EUR million-current prices)	33108.7	35519.7	34664.8	35066.5
%	100.0	100.0	100.0	100.0
Of which:				
- Mining and Quarrying	4581.7	4747.0	5062.4	5445.8
- Manufacturing	17497.2	17371.2	14195.6	15586.5
Of which:				
- Manufacturing of textiles	203.0	160.0	218.6	328.3
- Manufacture of wearing apparel	285.2	328.6	275.0	432.1
- Leather, fur, footwear tanning of leather, leather goods, furs and footwear	140.6	101.1	148.4	146.7
Production (millions dollars)				
- Manufacturing	315,604.1	194,285.4	121,318.7	-
%	100.0	100.0	100.0	-
Of Which:				
- Manufacture of textiles wearing apparel and leather products	23004.0	9629.8	13377.2	-
%	7.3	5.0	11.0	-
Added Value				
- Manufacturing	194,285.4	229,833.9	246,124.4	-
%	100.0	100.0	100.0	-
Of which:				
- Manufacture of textiles wearing apparel and leather products	13377.2	12907.3	13844.6	-
%	6.9	5.6	5.6	-

Productivity and Gross Value Added index, as a percentage of the previous year				
- Manufacturing - production - gross value added	 103.5 97.3	 99.3 94.9	 107.0 107.9	 -
Of which:				
- Manufacture of textile products - production - gross value added	 109.8 110.9	 99.1 90.5	 110.8 102.5	 - -

Source: Romanian Yearbook, 2015, Bucharest, INS

A global image of the textile-wearing apparel world suppliers reveals China, India and Turkey as competitive countries, mentioning that China stands out as the most competitive when price is the priority criterion. Turkey, also, is well positioned in markets where flexibility and quick response to order matter in market segments for fashion items and brands. Romania finds itself at an average level of competitiveness, being disadvantaged by the insufficient quantities of raw materials of its own production and the degree of technical and technological endowment in spinning, weaving and finishing sections.

In the European context, the analysis of the Romanian textile sectors potential shows that the competitive advantage is mainly due to low pay. If in the value – added/employment ranking, Romania occupies the penultimate place, followed by Bulgaria, (below 30% of the EU-27 average), the added value, in terms of total wage costs in industry, exceeds the EU average for textiles and wearing apparel production. Compared to the country with the highest value added/employee in the EU, Romania does not exceed 12% of its performance. Also, Romania has a very low share in EU turnover per employee, because an incomplete value-added chain, missing the links with the greatest potential contribution. A study published by DG Enterprise and Industry at the end of 2012 shows that, among EU countries, Romania has the highest untapped export potential in the textile industry, about 15% of the EU's untapped potential.

In the short term, low pay levels can be considered a competitive advantage, although it has also a negative impact on the real competitiveness of these industries. Effective medium and long-term measures are needed to exploit the untapped potential and to increase the complexity of products. The European textile industry remained competitive, partially due to innovation, many companies investing in industrial textile products, generally belonging to niche markets.

The EU textile industry is currently dominated by five major players (Italy, Germany, France, Spain and the UK with ¾ of EU production. By making great efforts Romania, has managed to keep a meritorious place among the top 10 EU countries whose textiles and wearing apparel sectors account for more than 10% of the manufacturing products exports (Portugal, Greece, Lithuania, Poland, Slovakia, Romania, Bulgaria, Czech Republic etc.). By subsectors, the southern countries (Italy, Greece, Portugal), Romania, Poland and less France and Spain have an outstanding contribution to wearing apparel production, while the Nordic countries (Germany, Great Britain, Sweden, Belgium, the Netherlands, Austria) stand out by the production of textiles.

Conclusions

1. In Romania, the textile wearing apparel and footwear industry has a long tradition, of more than a century, being supported by the wealth, abundance and diversity of natural resources, such as silk and wool yarn and fiber as well as flax and hemp fibers.

2. Over time, the textile industry has experienced a constant evolution, positively influencing the national economy, with an important share in the total Romanian exports and with a remarkable contribution to the foreign trade balance.

3. The textile industry evolution has been characterized by longer periods, such as the years 1965-1980, when a peak of that trend has been recorded, using equipment, installations and technologies manufactured and developed mainly in Romania. After 1989, under the new political, economic and social conditions, the textile, leather and footwear industry had to make some necessary adjustments, while suffering an inherent regress from new phenomena, such as: the development of the private sector; introduction of technological upgrades, refurbishments; the need to implement a high degree of adaptability to changes, especially in fashion.

4. Increasing the competitiveness of the Romanian textile and wearing apparel industry in the next period should be based on the use of a set of tools to develop industrial cooperation, while ensuring compatibility with the business environment, promoting social cohesion, developing the

competitive market, supporting the development of small and medium-sized enterprises, modernizing the role of central public authorities in the field of industry, with a particular emphasis on increasing work productivity and promoting clean technologies. In this regard, research&development must be more actively involved in adapting production to the world market demand, to the major European trends, such as: promoting products obtained by using by flexible high-tech methods and biotechnologies; switching to a customized production, with a fashionable design, applying new concepts of life cycle management.