

IMPACTUL CRIZEI MONDIALE ASUPRA COMERTULUI INTERNATIONAL CU CONFECȚII

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At the end of 2008, the world economy has been slapped by a severe economic and financial crisis. The crisis negative effects were countless, as almost all financial international flows have dropped. Since the crisis outbreak the global economic activity has slowed down considerably, while foreign direct investments and trade flows have been declining. In this context, consequently to these trends world apparel industry have been also damaged. Despite all its negative effects the crisis has spurged the international apparel market from uncompetitive players and has enforced producers that survived the crisis to review their activity on purpose to become more competitive.

At the end of 2008, the entire world has been covered by a deep economic and financial crisis, the second crisis of such dimensions after the great depression of 1929. At first the crisis has been considered a developed countries' disease, but progressively it has contaminated almost every continent and each economy.

The distortions produced firstly in the international financial systems have had a great immediate impact on the real sector, which conjunctly have affected the main international financial flows: foreign direct investments, worker remittances, international credits and international official assistance. Another flow that have been negatively affected by the crisis was the international trade that have registered a significant drop under the pressure of international merchandise prizes fall and a considerable reduction of demand both for intermediate and final goods. It should be considered that during the first year of crisis consumer confidence fell sharply in many parts of the world, reaching historical lows first in the case of the United States and later in the European Union.¹

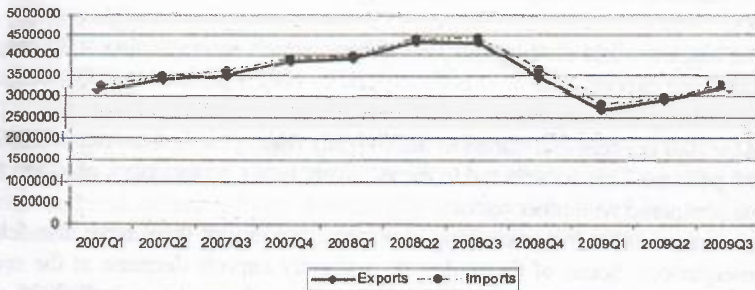


Chart 1: Quarterly world trade evolution since the crisis outbreak, million USD
Source: WTO statistics

The stress that was spreading in the society and the drop of international industrial demand as well as in final consumer demand has impacted negatively the international trade. Up until the third quarter of 2008, exports of all product categories continued to experience a relative high growth. But, already in the fourth quarter of 2008, all product categories have begun to register an abrupt decline, which worsened in the early months of 2009 registering for this year a strong decrease. Despite this, at the mid 2009 the international trade began to consolidate.

The most affected tradable commodity groups were non-ferrous metals, automotive products, mineral products and in general raw materials.²

¹ Caraganciu Anatol, Clipa Victoria „World crisis: transmission channels and development prospects”, Proceedings of the IECS 2009 „Industrial revolutions, from the globalization and post-globalization perspective”, 2009, VI, pg.71

² International trade statistics 2009, http://www.wto.org/english/res_e/statis_e/its2009_e/its09_toc_e.htm

The crisis has also hit the clothing international trade due to the strong internationalization of this branch. Though, at international level, among all exports, clothing is one of the least-affected so far, showing a mere 2.1 per cent decline in the fourth quarter of 2008. Though, due to export growth during the first three quarters in the 12 months of 2008 clothing exports have expanded by 4.6 per.

Table 1

Evolution of international clothing trade until the crisis beginning, inclusive the first year of crisis

| International clothing trade, millions USD | | | | | | |
|--------------------------------------------|--------|--------|--------|--------|--------|--------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Export | 260305 | 277133 | 277133 | 309142 | 345830 | 361880 |
| Import | 273852 | 291159 | 291159 | 322513 | 358085 | 375604 |

Source: WTO statistics

World clothing exports have registered a more dramatic drop, exceeding 10% in the first quarter of 2009. Exports drop concerns the most of the major world clothing suppliers.

The biggest world clothing supplier, *China*, which accounts almost 33 per cent of world clothing exports, saw its exports expand by only 4 per cent in 2008, far below the 20.8 per cent growth registered in 2007. In the last quarter of 2008, China exports increased by 10.9 per cent and started to decline only during the first quarter of 2009, by a modest 5 per cent. This contributed to the relatively better performance of world trade in clothing compared with other sectors.

As concern other major clothing exporters, majority of them have also felt the crisis consequences. Some of them, despite a slightly exports decrease at the end of 2008, have succeed to maintain a positive export trend for the overall 2008 year, namely European Union, Viet Nam, Indonesia and United States. As concern Hong Kong and Turkey that are the holders of the third and fourth position in the ranking of leading world clothing suppliers, their exports have dropped dramatically, registering negative values in 2008 and a further decrease in the first quarter of 2009.¹

The international trade with clothing has declined since the crisis outbreak due to a fall in international consume, especially of developed countries that represent at the same time the leading importers of clothing products—EU (47.8% of world clothing imports), US (22%) and others.

EU imports from outside the European Union declined moderately by 2.7 per cent in the last quarter of 2008 and by 9.4 per cent in the first quarter of 2009.

As concern US clothing imports they fell in value by 7.0% during the year ending June 30, 2009. In terms of volume, they were down by 4.9%. The average price of imports fell by 2.1%.²

¹ http://www.wto.org/english/res_e/statis_e/its2009_e/its09_merch_trade_product_e.pdf

² <http://www.marketresearch.com/product/display.asp?productid=2468902&g=1>

In condition of crisis there were registered two main tendencies in the international apparel trade, a decrease of demand for clothing imports of main importers - EU, US; their progressive reorientation to the producers from developing countries with lower labor costs from Asia, especially India, Bangladesh, Viet Nam and others.

These tendencies have had a dramatic impact exclusively on other developing countries from Europe specialized in apparel production. For many of these countries apparel represents an important export branch, and some of them, have developed this much the last decade by localizing the main activities of apparel production process of developed countries. This is also the case of Republic of Moldova.

In the first half of this decade apparel production had developed and increased its share in the structure of Moldovan exports to almost 11%, by engaging in garment production under subcontracting arrangements for buyers/contractors mainly from European Union, apparel exports to EU amounting to over 90%.

Developed countries being permanently in search of countries with the least labor costs to delocalize their production, have generated a tightening competition among apparel producers from developing countries. As result, the industrial production volume index has begun to decrease already in 2007, in Moldova. These were the first signs of national producers' comparative advantage gradual loose. That meant that is was the time to advance in the apparel value chain and to produce products with a higher value added.

Thus the world crisis has highlighted these problems and became even fatal for some national clothing producers. This is the case of one of the biggest and oldest Moldavian apparel factories Dana S.C. The firm was producing for France and since the crisis outbreak orders reduced dramatically. In 2009 the factory has not had orders at all that enforced the fabric administration to curtail production and to close the factory.

In 2008 almost all companies have reduced their production and sales what have affected their activity. At the same time, due to long lasting relationship with some partners, apparel firms have managed to get some small orders, which allowed them to keep personnel.

According to apparel producers their foreign partners didn't refuse to work with Moldavian firms but most of them suspended their activity for a time, alleging to the decline in purchasing power of the population. In fact, they began to place their orders in China, where labor is much cheaper.¹ According to several literature sources labor costs in China are two times lower, and in such countries like Bangladesh and Madagascar three times lower.

At the same time, national producers estimate that, in fact, labor costs in these countries are much lower.

Once have reduced orders from EU partners in the last quarter of 2008 was recorded a drop in exports of almost 15% compared to the previous quarter which represented 92.8% compared to the same period a year ago. In the first half of 2009 year the exports have continued to decrease, being registered their slight revitalization in the third quarter. According to the national statistics, from January to September 2009, Moldovan apparel exports amounted to 95, 69 million dollars, which represent a decrease of 20, 2%, if compared to last year's results for the same period.

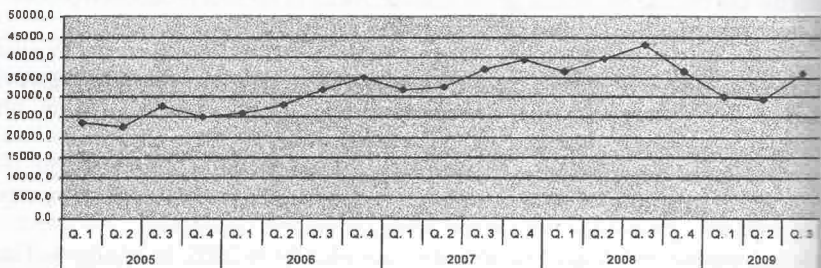


Chart 2: The quarterly evolution of Republic of Moldova apparel product export, thousand USD

Source: National Bureau of Statistics of Republic of Moldova

As it can be seen in the chart above, export situation started recovering during the third quarter of last year. However, even if the situation seems to improve slightly this should not let the producers to relax, but think about the probability of such crisis in the future, about their management and production lacks and to take steps to prevent these kinds of risk.

The present crisis has brought to light the weak entrepreneurs and purged the market of uncompetitive firms. The crisis made most entrepreneurs to analyze the situation and to review their development strategies.

As concern apparel producers the crisis showed the time for them to move beyond the CMT production and to upgrade into more innovative and design intensive activities. That's mean to produce own production and to reduce their dependence on a few partners, finding new markets.

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5. <http://www.statistica.md/category.php?l=ro&idc=336&>