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FACTORS DETERMINING CO-OPERATION BETWEEN SOME
SOCIALIST COUNTRIES IN PRODUCTION AND TRADE IN
TEXTILE AND CLOTHING PRODUCTS¹

Researches conducted in the Institute of Marketing of the Łódź University encompass also a wide range of problems concerning textile industries of Poland, Czechoslovakia, the GDR, and Hungary as well as the international trade exchange between these countries in the field of textile and clothing products. The researches are focussed on mutual co-operation between the above mentioned countries.

They are based on the following assumptions:

1. The four countries either border upon one another or are situated very near to one another.
2. Each of these countries possesses rich traditions in the discussed fields of activity and all these countries are exporters of textile and clothing products.
3. Although Czechoslovakia and the GDR represent a higher level of economic development than the remaining two countries. (Poland and Hungary), these differences do not constitute a barrier in promotion of labour division in the area in question.
4. Trade exchange in textile products between these countries is rather insignificant.
5. The structure of supply of textile and clothing products in their home markets is poorly diversified in relation to developed countries.

In all the four countries there can be observed a phenomenon of the producer's monopoly, which leads to a situation in which the supply of consumer goods is largely determined by the producer's preferences and

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¹ This paper makes a large fragment of a report on researches which have been conducted for several years by a research team in the Chair of Foreign Trade Economics, Institute of Marketing, Łódź University. The research team is directed by Prof. dr. Paweł Glikman.

not by demand. Simultaneously there are trends towards autarkic satisfaction of the domestic market needs; there is missing international specialization and co-operation in this field.

It can be undoubtedly stated that development of specialization and all other forms of co-operation between countries in the discussed field creates an opportunity of considerable enrichment of the market, acceleration of products rotation, creation of the import pressure making it possible to exert some pressure on home producers. Equally attractive seems to be a possibility of consolidating a position of these countries as exporters of textiles to third markets through deepening of mutual co-operation and specialization.

Against this background of assumptions made and research theses there arises a fundamental question — why did the discussed countries fail to employ reserves to be found in economic integration as regards textile industries?

This question gains a growing significance today when the four countries aim at increasing effectiveness of their economic performance. Along with the growing welfare of their populations it becomes necessary to create the so-called good market of consumer products. It is, however, hardly possible to create such a market in conditions of autarky, drive towards satisfaction of domestic needs within each country separately. It is an apparent paradox that despite considerable possibilities of expanding trade between the countries in question, these countries were often employing import from developed market economy countries to enrich the assortment of goods in their markets. In the situation of payments imbalance the possibilities of expanding this import appear to be rather doubtful.

In the context of the above mentioned factors, which, on one hand, is characterized by a growing demand pressure on enrichment of the domestic market for consumer goods, and — on the other one — by lack of possibilities of expanding their import from the hard currency zone, there arises an urgent need for comprehensive development and promotion of co-operation between Poland, Czechoslovakia, the GDR, and Hungary.

This co-operation seems to have been hitherto hampered by a number of barriers from among which we might — hypothetically — list the following:

— lack of knowledge about economic effects of specialization or sceptical attitude to feasibility of these effects (there exist here some psychological barrier which consists also in the fact that fear from an increased risk involved by co-operation may undermine the anticipated benefits);

- insufficient (although distinctly growing) pressure of the domestic market resulting among others from absence of the marketing orientation;
- poor attractiveness of reciprocal deliveries and/or lack of equal possibilities on the part of particular partners; it must result from secondary importance attributed to the mutual trade exchange; this phenomenon becomes more pronounced at a time of payments tensions with the countries from the hard currency zone;
- absence of systems mechanisms inducing economic units to participate in international co-operation and specialization;
- lack of new, attractive forms integrating co-operation in production and trade in consumer goods, including textile and clothing products (this goes also for the sphere of settlements);
- absence of forms of common policy and joint co-ordination of operations in third markets.

Analysis of possibilities of expanding co-operation was started with factors determining it. A starting point at this stage was provided by a comparative analysis of the present situation in the four examined countries (analysis comprised here productive factors, production, effectiveness ratios, foreign trade). In further stages of researches there was also made an attempt at defining the impact of the widely understood international environment and of longterm phenomena observed in the field of textile-clothing production in the world and in the world market for these products. Here it proved indispensable to examine the share of the four countries in production of textiles and especially their share in the market. Finally, there were analyzed developmental plans of the countries under survey.

The assumptions made by us were largely confirmed in the course of researches². In the opinion of the researchers they explicitly point at a need for expanding the scope of co-operation between countries. Expansion of co-operation in the examined sphere, search for its attractive forms — these are directions of activity for which in the present economic situation of Poland, Czechoslovakia, the GDR there is no logical alternative. Launching of these activities is prompted not only by numerous internal factors (improvement of effectiveness of economic management, growing pressure of the market, changes in consumption structure) but also by growing competition in the world market.

At this point it would be worth while to present briefly the results of already completed initial researches. The performed analysis of the

² Inaccessibility of necessary information (both statistical and non-statistical) was a factor largely hampering our researches.

present state in the four analyzed countries allowed us to formulate the following conclusions:

1. All four countries are characterized with a drive towards relatively autarkic satisfaction of domestic needs for textile and clothing products. That is best confirmed by a distinctly lower level of textile imports in each country (especially of clothing imports) than the level of their exports. In the extreme case of Poland import accounts for only 10 per cent of export. The share of export of the discussed products in the overall export is similar in the four countries and it amounts to 7—8 per cent. The corresponding index for import is much lower and reaches 4—6 per cent. In spite of the fact that in all these countries dynamics of import in this field is a little higher than of export, this does not imply any pronounced tendency towards balancing the levels of export and import, taking into account a substantial differentiation of these levels in the starting period of our analysis.

2. We can draw a conclusion that trade in textiles and clothing goods with foreign countries is expected to accomplish primarily tasks and targets which are not connected with satisfaction of domestic demand. Foreign trade in this group of commodities is a source of net hard currency earnings (i.e. there is a positive trade balance in this group) which can be justified by occurring tensions in hard currency payments. The basic outlets for textile and clothing products turned out by these countries are the Soviet Union and next developed market economies. It is worth adding here that European centrally planned economies (from among which a decisive role is played by the four countries analyzed by us) despite prevailing opinions are of secondary importance in the world trade in textiles. They hold a strong position only in supplies of textiles and especially clothing to the Soviet Union, with these supplies accounting for ca. 6.1 per cent of the world trade in clothing. Their role in remaining markets is insignificant. Thus, for example, the share of East European countries in overall import of textiles amounted in 1975 to³:

	textile products %	clothing products %
to: EEC	2.1	4.2
EFTA	3.5	3.1
USA	0.8	0.6

A hard-currency earning function of textile exports largely determines the secondary role of foreign trade as a source of diversification and improvement of domestic market supply with textiles and, first of all,

³ *Own calculations on the basis of Yearbook of „International Trade Statistics” 1977, UN, New York.*

clothing as well as minimum degree of utilization of opportunities afforded in this field by international co-operation and trade.

3. Low share of export from each of the examined countries to the remaining three countries (9 to 17 per cent of overall export of textile and clothing) is a symptom confirming a thesis about lack of co-operation in this area between the countries, and about lack or insignificant role of specialization within the framework of the examined group of countries.

4. There are visible differences between these countries in levels of textile and clothing turnover per one inhabitant. In most assortment groups, both in export and especially in import, the lowest position is held by Poland. Differences between the remaining three countries are less pronounced. In many cases a high position of Hungary, primarily in the field of import, appears to be quite interesting. A conclusion can thus be drawn that a tendency of self-sufficiency in satisfaction of domestic needs for textile and clothing products is most pronounced in Poland and relatively weakest in Hungary. This conclusion is also confirmed by other data. The share of import in provision of the domestic market for textile raw materials and ready-made products. It seems, cent. In the group of clothing as much as 98 per cent of market supplies come from domestic production. In this situation import from the remaining three countries represents not more than 1 per cent of textile supplies to the market. The share of import in market supplies of textiles and clothing in the remaining countries is much higher and amounts to 17 per cent in Czechoslovakia, and 18 per cent in Hungary. By comparison — in the EEC countries this share reaches the level of 30 to 35 per cent.

5. The examined countries are net importers of raw materials for their light industries (i.e. their trade balance is negative here) and net exporters (positive trade balance) of ready-made goods. Geographical and assortment structure of import of raw materials and export of ready-made textile and clothing products is quite similar although not identical in the four countries. We can accordingly accept with a great probability that these countries show a similar degree of their dependence on structural and market situation changes both as regards the market for textile raw materials and ready-made products. It seems, however, that the existing possibilities in the sphere of co-operation of the four countries in third markets have not been utilized so far.

6. Textile and clothing industries of the four countries represent a similar level of development. Occuring differences are relatively not too big, and most coefficients are shaped at a similar level. And thus, textile industries of these countries reveal similar volumes of production

in particular products per head of population. Bigger disproportions can be noted only in case of a few products. The analysis revealed considerable similarities in the branch structure of textile industry. Relations between production of textile and clothing industries are almost identical. Capital intensity in both industries of Poland, Czechoslovakia and Hungary is similar, although its level is much higher in the GDR. The four countries are characterized with a similar, high participation of women in employment in the analyzed sectors, which reflects lower than average level of wages in these industries.

7. Quite substantial differences between the GDR and remaining countries in the capital intensity level were not confirmed by labour productivity ratios. While estimating it there were achieved overstated data for Polish textile and clothing industries. This phenomenon may be due to lack of uniform pricing policies. If, however, we accept that prices are of parametric character, their high level in Poland would seem to testify to a low level of the domestic market satisfaction.

8. Over the period of 1960—1975 the highest level of development in the industries in question was noted in Poland. This refers to production dynamics both in *ad valorem* and quantitative approaches in particular groups of products: yarn, fabrics, knitted goods. In Poland there was witnessed also a considerable growth of productive factors — of employment and fixed assets in the two industries. This growth was a result of the highest investment rate ever observed in our country.

It is obvious that the countries discussed here are, to a smaller or bigger degree, dependent upon phenomena occurring in the world economy, constituting their widely understood environment. The degree of this dependence is growing along with processes referred to as „external orientation” of economies, wider participation in the international division of labour. This statement rings true also with regard to the area discussed here. The performed analysis of changes in the world output of textiles and clothing as well as long term market trends in this field allowed to define the most important trends and their probable impact on the discussed field in the countries under survey.

Thus, the world consumption of textiles, despite the observed deterioration of its dynamics, will be growing in the coming years at the rate of 2.5—3.5 per cent annually, with a higher than average growth rate of textile consumption to be expected in developing countries, and lower — in the most highly developed ones. For centrally planned economies there is projected a growth of textile consumption at a rate approaching the average rate. Despite projected differences in dynamics, there are not forecast any drastic changes in the share of the above mentioned countries in total consumption, although developing countries

will most probably increase their share at the cost of the most highly developed regions.

Much more essential changes will take place in the assortment structure of consumption of textile fibres. Synthetic fibres will already in the near future replace cotton, becoming thus a basic textile fibre. Technological conditions show that the level of participation of synthetic fibres in the domestic consumption of all fibres will be an index of modernity in this domain. Production of synthetic fibres will continue to be concentrated in developed countries.

Developed market economies will preserve their leading position in the world trade in textiles both on export and import side. This will be accompanied by a tendency towards consolidating the position of developing countries as the so-called „cheap exporters”, especially in the group of clothing products and textile goods of low or medium quality. Accordingly, there cannot be projected increase of the share of centrally planned economies in the world textile trade. In this group of countries there will be continued predominance of export over import. Their share in the world trade in textiles will remain to be much lower than their share in total consumption of textiles.

The world textile and clothing industries are characterized with very strong tendencies of growth in labour productivity — and accordingly — of increasing capital-output ratio and decreasing labour intensity in this branch of production. That will be connected with substantial structural changes consisting in transfer of more labour intensive branches and processing stages to countries with cheaper labour. Developed countries will probably retain easier for automation, earlier stages of fibre processing as well as production of textile and clothing products of the highest quality. The analyzed tendencies will pave the way for increased participation of more labour intensive clothing products in the international trade in textiles.

The analysis of general trends affords also conclusions concerning directly the examined countries. It is worth quoting at least most important of them here:

— the share of the four countries in the world trade in textiles shows, generally speaking, an insignificant decrease trend; accordingly there is not projected a change of their role as smaller suppliers to markets of western countries, although their position will be here more threatened by suppliers from developing countries;

— there are fears that in the situation of severe restrictions to mass export of textile-clothing products to developed countries, suppliers from the 3rd world will be focussing their efforts on considerable improvement of the quality of exported goods, which will all the more

distinctly pose a threat to exporters from the four analyzed countries, which hitherto have been supplying products of medium and medium-low quality to western markets; that can bring about decrease of effectiveness of this export, and even lead to serious selling difficulties;

— the four countries in question are important suppliers of textiles and clothing to the Soviet Union, but also in this market they should reckon with a growing competition both on the part of developing and developed countries;

— for the four countries to preserve their position in the above mentioned markets, they must constantly improve quality and modernity of their products both as regards raw materials, applied techniques, utility characteristics as well as their adaptation to trends in fashions; it is necessary here to promote steady and rapid improvement of labour productivity in textile industries, increase sensitivity and elasticity of textile-clothing branches, abandon expansion of branches having poor prospects for the future.

One of factors which can promote not only implementation of the above mentioned goals but also improvement and enrichment of domestic markets in these countries should be a considerable expansion of so far inadequate mutual trade turnover, deepening of mutual cooperation through establishment of permanent production and trade ties and co-ordination of activities in third markets. This will pave the way for a stronger import pressure exerted on domestic producers, improvement of quality, modernity. It will either enable or facilitate selective development in the discussed branches.

The postulated expansion of co-operation in the discussed industries between Poland, Czechoslovakia, the GDR, and Hungary calls for continuation of researches in several basic directions. Development of co-operation will necessitate among others finding its new forms. Here it will be necessary to solve numerous problems connected at least with the fact of differentiation of the environment (e.g. systems, legal environments) of companies in each country.

It is equally important to seek mechanisms of technology and information transfer between countries, connected with new product development, which will promote increased adaptability and competitiveness of the discussed industries. There must also be solved problems connected with mutual financial settlements, distribution channels, and effectiveness issues. Some of these problems will be analyzed in further stages of our research project.

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CZYNNIKI DETERMINUJĄCE WSPÓŁPRACĘ POMIĘDZY NIEKTÓRYMI
KRAJAMI SOCJALISTYCZNYMI W PRODUKCJI I WYMIANIE WYROBÓW
WŁÓKIENNICZO-ODZIEŻOWYCH

Artykuł stanowi raport z badań prowadzonych w Instytucie Obrotu Towarowego UŁ, które dotyczą przemysłów włókienniczego i odzieżowego Polski, Czechosłowacji, NRD i Węgier oraz wymiany międzynarodowej tych krajów w grupie wyrobów włókienniczo-odzieżowych. Prace badawcze prowadzone są z punktu widzenia wzajemnej współpracy pomiędzy krajami. Artykuł przedstawia w skrócie warunki wyjściowe współpracy i omawia niektóre czynniki — wewnętrzne i zewnętrzne w stosunku do badanego układu krajów — determinujące jej rozwój w przyszłości.