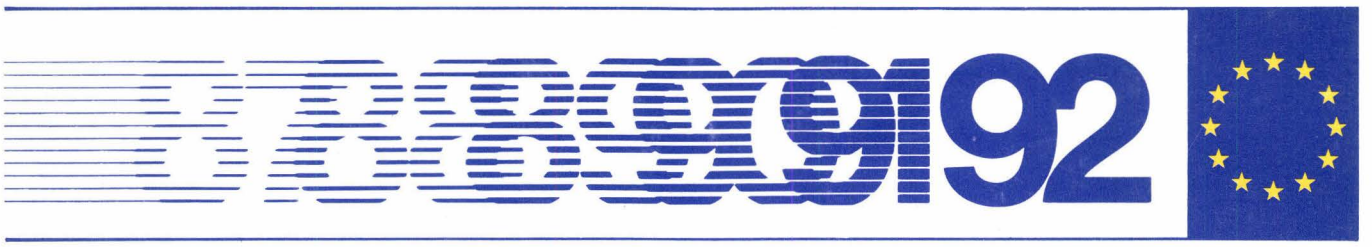
RESEARCH ON THE "COST OF NON-EUROPE"

BASIC FINDINGS

VOLUME 14



THE "COST OF NON-EUROPE" IN THE TEXTILE-CLOTHING INDUSTRY

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VOLUME 14

THE "COST OF NON-EUROPE" IN THE TEXTILE-CLOTHING INDUSTRY

by

IFO-Institut für Wirtschaftsforschung — Prometeia Calcolo SrL

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The Cost of »Non-Europe« in the Textile-Clothing Industry

Executive Summary

By

Michael Breitenacher, Sergio Paba, Gianpaolo Rossini

December 1987

We would like to acknowledge the fruitful collaboration of
Wolfgang Gerstenberger, Milena Monterastelli,
Angelo Tantazzi

Contents

I. Introduction

1. The Textile and Clothing (T-C) industry is unanimously considered as the industrial sector which has more benefited from the economic integration to date. It is often argued that the T-C industry has almost completed the integration process, particularly relative to what other industrial sectors have been experiencing. We shall try to:

i) assess the validity of this argument by discussing the positive effects of integration in the past;
ii) evaluate the extent and the impact of the existing barriers to trade;
iii) present the main results on the costs of Non-Europe with an assessment of the direct and indirect impact of the barriers removal by the end of 1992.

2. Before going into the discussion of the main results of the study, it is important to note that:

i) The I-C industry has been exposed to increasing strong extra-EC competition from low-wage countries. This fact makes difficult to disentagle how much of the structural changes which occurred in the EC industry in the past and will occur in the future are due to outside-EC competition or intra-EC competition;
ii) The T-C industry is by no means a homogeneous sector. Sub-sectors have different problems and they experienced different adjustment strategies to cope with economic integration. Nonetheless, we think that some useful insights on the effects of integration can be gained without too much sectoral details.

3. The study is based on three types of data sets:

i) existing national and EC-statistics;
ii) data on quantitative production and trade flows by T-C products have been processed;
iii) qualitative insights and quantitative information have been gained from 60 interviews (15 in each of the four countries: West Germany, France, Italy, United Kingdom) to managers and executives of dynamic, Europe oriented firms of the various sub-sectors of the T-C industry.

II. The textile and clothing sector: a general picture

1. Market structure

1. The general picture of the EC textile and clothing industry is still one of a fragmented industry characterized by a high number of small and medium-sized firms. Furthermore, there has been a general reduction in the average size of the firms in the textile industry since mid-1970s for all the countries under analysis. The figure for EC fell from 152 employees in 1975 down to 128 employees in 1981. The decrease has been particularly strong in Netherlands, France and Great Britain. The average size of the firms in the clothing industry (110-114 employees), however, remained basically the same during the period under analysis.

2. The analysis of concentration based on the GINI index shows that the two industries in the 1970s tended to be less concentrated, at least in terms of employment. The 1981 index for the clothing sector is 17 percentage points below the 1975 value, while the gap for the textile sector is 11 points. The past experience of the sector, then,

shows that 'size' has not been a crucial strategic variable. Concentration has not proved to be very important for the competitive performance of the industry in the face of increased intra-EC and outside-EC competition. In a number of cases, the overall organization of the industry (e.g. linkages between firms) has probably been more important. Clearly, both size and concentration have played a more relevant role in some particular segments of the market, and in some particular stages of production. The man-made fibre industry, for example, has always been strongly oligopolistic. High concentration ratio can also be found in the printing and teinture industry, in the classic branded jeans, in the production of very standardized clothing goods.

2. An assessment of economies of scale and efficiency

1. As recognized by several studies, product specific economies of scale (PSES) are very important in the T-C industry and, in particular, they are more important than plant economies of scale (PES) (see Textile Council, 1969; Pratten, 1971; Scherer et al., 1975; Mariotti, 1982). The importance of PSES increases as we move from upstream stages of production to downstream stages (particularly from weaving onwards).

2. The existing literature also shows that PES play a limited role in the T-C industry. The estimates of the minimum optimal size of the plants (MOS) for various subsectors show that, in general, they account for a modest share of total domestic production. Furthermore, the estimated increase in costs with 1/3 of the MOS is generally slight.

These results suggest that static production economies of scale, with some exception, do not represent an effective barriers to entry for the T-C industry, and that for the majority of sub-sectors concentration processes could not be based on them.

3. The possibility of exploiting static economies of scale, both PSES and PES, is strongly limited by the low level of standardization of products, essentially due to demand factors. There is a clear trade-off between product variety and PES, and the choice depends on the market target of the firms (segments with highly variable demand in terms of product-mix vs. segments with more standardized demand). Flexibility of production processes, in the sense of the capability of varying the product mix without strong increases in costs, is one of the strategic variables for many T-C subsectors. Static efficiency as such can be of a limited value if demand is highly variables in quantitative and qualitative terms.

4. The key factor which allows the firms to obtain substantial efficiency gains in those sectors where PES and PSES are not important is flexibility. This can be achieved in two ways:

i) The first one relies entirely on technological innovation, particularly by developing flexible manufacturing systems (FMS) for textile and clothing productions. Potentially, these systems can allow significant economies of scope, in some sense solving the problem of the trade-off between static efficiency and product variety. In the last decade many firms were investing in these new technologies.

ii) The second one is the development of a flexible organization of the industry. The Italian T-C sector provides a clear example. In some sub-sectors, dynamic, export-oriented firms "put out" a large share of production to a great number of small production units, which provide the necessary flexibility and efficiency in production. The crucial strategic variable which affects the performance of the firms is not plant size as such. Far more important is the power to "organize" production, to set up a network of production units, both upstream and downstream. The knitwear industry, for example, is organized in industrial districts which work as if they were a single firm with hundreds of small, independent, highly flexible, production units. The fragmentation of this production system is counterbalanced by the concentration of commercial and marketing activities in a smaller number of firms, often of a very large size in terms of turnover, which organize the whole system of production. This production system has been at the heart of the good export performance of the Italian firms of the knitwear, clothing, and wool sectors from the second half of the 1970s onwards. The Italian model, however, is not widespread in Europe, although some countries, like Belgium and France, are moving in this direction.

5. The efficiency and flexibility level required by the EC market could also be obtained by subcontracting either processes of production or the manufacture of final products to productive units in developing and eastern countries. Germany extensively used this strategy in the last decade with two main results. The first one was the gain of substantial cost reductions which made the German products very price competitive across Europe. The second one was a sort of control of the competitiveness of the imports from low wage countries, preventing, in this way, a much more

devastating impact to these producers on the European T-C industrial structure. German firms control the commercial and distributive networks, own brand image and develop advertising policies. For all these activities, barriers to entry and economies of scale are very important, and very few producers from low-wage countries could allow successful entry at these levels.

6. The increased intra-EC competitiveness brought about by the economic integration, together with the competitive pressure of low-wage not-EC countries, are at the root of substantial technical improvements in the industry starting from the early 1970s. Technical improvements have regarded:

- single stages of processing, usually in the form of increasing the speed and the reliability of operations;

- increase in the continuity of the overall productive cycle with technological innovations;

- greater simplification and rationalization of many processing stages, with the introduction, whenever possible, of automated machines;

- introduction of advanced methods of management and control of the productive process (CAD, CADAM systems, etc.) (see OECD, 1987; Mariotti, 1982).

7. The various subsectors of the T-C industry have been affected by technical innovations to a different extent. The more relevant changes have occured in the spinning and finishing industries, and in the cutting stages of the clothing industry. Also weaving has been greatly involved in technical improvements. The German leading position in some sectors of the textile industry is based on an extensive use of technical innovations.

8. Technical innovation has caused a strong increase in productivity, with significant cost reductions. In the last decade, this has been the case for the Italian textile industry, which showed the highest productivity growth rates, for the German textile sector, and for the clothing industry in Italy, France and UK. There is no clear evidence of the fact that technical progress has determined a significant increase in the optimal size of the plants.

9. The existence of a common European market has been a crucial factor for the achievement of economies of scale due to commercial and marketing aspects. These also represent strong barriers to entry for low-cost developing countries. The main point is that, in order to exploit these economies, it is not necessary to be a multi-plant firm. As we have already seen, sub-contracting, both at national and international level, and "putting out systems", can do the job probably more efficiently.

3. Trade creation and diversion

1. In the Interim Report we showed with the help of statistical ratios that intra-EC trade had expanded strongly in the 1960s and the first half of the 1970s. This was primarily due to the forces of integration emanating from the realization of the Common Market. The majority of the firms interviewed pointed out that without the Common Market their exports could not have been increased as much as was actually done.

It cannot be ignored, however, that there were other forces at work besides the integration effects, forces which led to a strong intensification of trade in textiles and clothing in the Community. They include:

i) The European countries share the same cultural background, which provides favourable conditions for foreign trade;

ii) after the Second World War there has been a tendency towards internationalization, favouring international trade especially of such "individualistic" products as clothing;

iii) the export markets outside the EC were in part little absorptive, either because of a lack of purchasing power (like in the developing countries), or because of trade barriers which made (and in part still make) access to these markets difficult (Cf. Wettbewerbsverhältnisse und Wettbewerbsverzerrungen im Welttextilhandel, Schriften zur Textilpolitik, Vol. 2, ed. by K. Nenndörfer and E.-H. Stahr for Gesamttextil, Frankfurt/Main 1985).

The newly industrializing countries impose tariffs of 20 to 100 % on imports of textiles and clothing, in addition they have established non-tariff and non-quantitative trade barriers (e.g. cash deposits for imports). The state-trading countries purchase, via state foreign-trade monopolies, according to set supply priorities and foreign exchange reserves; textiles and clothing usually rank very low. But imports of textiles and clothing also face tariff and non tariff barriers in some Non-European industrialized countries.

2. In the mid-1970s, the European integration process in the textile and clothing sector entered a late phase. This is reflected, for example, by the fact that the share of intra EC imports or exports in total imports or exports of

Germany, France and Italy was generally declining in the second half of the 1970s and the first half of 1980s (Table 1). In contrast, during the same period the textile and clothing sector of the United Kingdom was still in the midst of the integration process (due to her late EC entry), which is reflected in rising shares of intra-EC imports in total British imports (British exports of textiles and clothing to other EC-countries lost in importance, however).

In detail, the analysis of foreign trade for the period 1978-1985 yielded the following findings:

i) In the textile sector the mutual interrelationship of the EC member countries is higher than in the clothing industry. This may be traced to the large imports of clothing from low-wage countries.

ii) The establishment of the Common Market - in cooperation with other factors - led to trade creation in some subsectors. This benefitted primarily the Italian textile and clothing industry. The French and in particular the British producers were not able to take equal advantage of the opportunities offered by the Common Market.

iii) With respect to specialization in intra-EC exports, the leading position is held by Italy in the clothing sector, by Germany in the textile sector.

iv) In the period 1978-1985 trade diversion from third countries following the establishment of the Economic Community was ascertained only in some sub-sectors of the textile and clothing market. In this period the

Table 1

Intra-EC Trade in Textiles and Clothing
(Intra-EC Trade as Percentage of Total Exports or Imports[a])

Country / Sector		Exports				Imports			
		1960	1970	1980	1985	1960	1970	1980	1985
Germany									
Textiles	EC(6)	20,8	42,3	43,0	31,1	57,7	69,8	50,3	49,5
	EC(9)	.	.	51,8	44,7	.	.	56,1	54,7
Clothing	EC(6)	23,0	59,8	54,0	40,6	55,9	61,2	47,5	29,5
	EC(9)	.	.	60,1	52,0	.	.	50,6	32,0
France									
Textiles	EC(6)	30,9	53,7	57,2	49,1	50,6	78,9	61,7	61,4
	EC(9)	.	.	64,5	61,1	.	.	68,5	66,9
Clothing	EC(6)	15,2	57,6	56,6	41,9	76,5	79,7	44,0	42,5
	EC(9)	.	.	62,1	49,8	.	.	49,6	47,7
Italy									
Textiles	EC(6)	31,1	44,5	48,7	44,6	43,1	63,0	45,5	48,5
	EC(9)	.	.	58,4	55,9	.	.	52,8	55,1
Clothing	EC(6)	36,0	68,0	65,1	37,1	54,5	75,5	32,1	37,3
	EC(9)	.	.	71,5	45,2	.	.	43,3	46,1
United Kingdom									
Textiles	EC(6)	13,0	14,7	33,4	32,6	32,9	27,2	40,2	52,4
	EC(9)	.	.	44,6	43,1	.	.	50,5	58,9
Clothing	EC(6)	17,0	17,6	34,6	28,5	32,7	11,3	20,0	29,4
	EC(9)	.	.	55,2	46,8	.	.	26,2	34,9

a) Basis: Values in US-$.
EC(6): Belgium/Luxembourg, France, Germany, Italy, Netherlands.
EC(9): In addition to EC(6) Denmark, Ireland, United Kingdom.

Source: OECD, Trade by Commodities; calculations by the Ifo-Institute.

Common Market had therefore no severe protectionistic effect vis-à-vis third countries, despite the existence of the Multi-Fibre-Agreement (MFA). On the other hand, imports from developing countries may not have increased to the same extent as the competitiveness of low-cost countries has grown.

3. Trade creation in the Common Market - via greater and more varied supply and increasing competition - has led to faster growth of the national textile and clothing markets than would have occured without the stimulus of the tariff union. Especially the German market has expanded greatly, whereas the growth of the British market has lagged. The extent to which market growth affected the distribution of production in the individual countries will be shown below for the period 1978-1985.

i) The distribution of textile production among the individual EC countries did not change much during the period 1978-1985. Only Italy, Belgium-Luxemburg and EIRE (only towards the end of the 1970s) were able to achieve share gains. Losses were primarily suffered by the British textile industry. French textile producers suffered quite significant share losses in the first half of the 1980s.

At the disaggregated level, the specialization trends become even more pronounced. In almost all areas of spinning, weaving, and the production of knitted fabrics, the Italian textile industry gained considerable production shares. German producers were only able to do so in cotton spinning. Great specialization occured also in the UK regarding the production of knitted fabrics (cotton system, man-made) and in Belgium concerning the production of carpets.

ii) The distribution of clothing production capacities among the member countries of the EC changed, in part, quite considerably during the period of investigation. The clear winner was Italy, which was able to raise its production share to almost one third. Italy was able to improve its position in most sectors of the clothing industry. In the production of knitted garments (wool system, man-made), however, it had to relinguish production shares. Despite the considerable shifts within the European clothing industry and the specialization related to it, increasing returns to scale failed to be realized. That may be traced to the fact that manufacturing steps in the production of clothing in the past could not be automated further. That is also why the manufacture of large runs was frequently shifted to low-wage countries.

4. The analysis of prices

The aim of this part of the study is twofold. On one hand we seek to evaluate the extent of residual trade barriers within the EC by observing the level of prices of some clothing articles all over the EC countries. On the other hand we investigate the dynamics of clothing price indices to elucidate the movement of relative prices of the clothing industry over time in each EC country. We call the first horizontal analysis and the second time analysis.

Horizontal analysis

The analysis is based on net retail prices for selected clothing products which in some instances are not fully identical in the member countries. In both 1980 and 1985

for some clothing merchandises the price differences reach even 200 %. Despite the fairly advanced stage achieved by the internal market in this industry these apparent divergences reveal at least the existence of some peculiarities of national markets.

The coefficients of variation presented show that there are price differences in clothing (Table 2). There is no clear trend towards a reduction over time. The interviews confirm

Table 2

Coefficients of variation of average net retail prices of clothing products for EUR-10

Clothing product	1975*)	1980	1985
Coat M.	0,06	0,06	0,06
Coat W.	0,07	0,07	0,08
Raincoat	0,08	0,07	0,06
Jacket M.	0,05	0,06	0,07
Jeans	0,05	0,06	0,05
Trousers W.	0,04	0,07	0,11
Trousers M.	0,05	0,07	0,06
Trousers C.	-	0,10	0,10
Wool Skirt	0,03	0,07	0,08
Pull. M.	0,08	0,09	0,09
Pull. W.	0,11	0,08	0,04
Shirt	0,03	0,07	0,06
Chemise	0,06	0,06	0,10
Slip M.	0,03	0,09	0,10
Slip W.	0,07	0,10	0,07

*) Computed on gross prices.

Source: Data from EUROSTAT calculations by PROMETEIA.

these findings. In all four major EC countries there are businessmen who said that they set prices in the EC within a discretionary range which represent on average 10 percent of the net final price. We have reason to believe that they purposedly gave a lower figure because they feared legal consequences. Then if we add price discrimination made by retailers we understand why such phenomenon is still so relevant. A detailed analysis on some standard textile products also shows price differences.

Price differences look lower in textiles than in clothing. The reasons are:

- Product differentiation in textiles is lower and hence price differences cannot reflect different consumer tastes to a great extent.

- More homogeneous goods in the textile industry make competition fiercer and price differences less likely even if stronger competition is not accompanied by any decrease in concentration and economies of scale have still to be fully exploited.

- Textile production is more capital intensive, hence the slight differences in labour costs among the EC countries have less weight.

- Textile goods are mostly sold directly by producers leaving less room to different commercial margins which are sometimes the cause of price differences among goods of the same branch across countries.

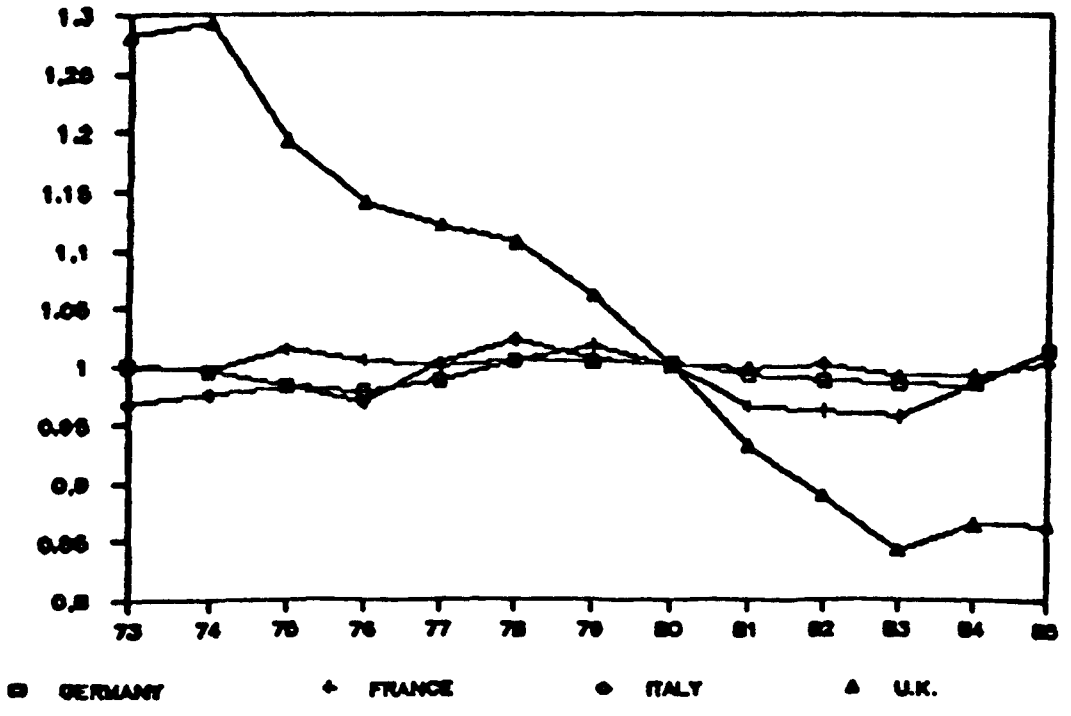
Why do we observe price discrimination? Is it really the sign of a still lagging internal market in the T-C sector? Will it persist after 1992? First of all price discrimina-

tion by firms across different countries might just be a policy by firms induced by different consumption habits of consumers across the EC. Insofar price discrimination is not the sign of residual non tariff barriers within the EC. Taking into account the pronounced price differences it is clear that the bilateral agreements within the MFA play an important role.

Time series analysis

The analysis of prices time series shows a substantial stability of relative prices of clothing over the period 1973-1986 in three major countries, i.e. Italy, Germany and France. In Italy the price of clothing has gained over the period some five points, while in Germany and France some two points which shows greater stability (figure 1). Quite

Figure 1: Relative Prices Clothing-Footwear *)
(1980 = 100)



*) In relation to general price index.

a different behaviour is displayed by UK prices. Here the relative price of clothing has lost some 40 points. This is primarily the signal of cheap imports from third countries (Commonwealth) and the switch of British consumers towards lower price articles.

5. Consumption patterns

From branch data we can easily infer some features of the evolution of private expenditure in the four major EC countries. It appears that from 1973 to 1985 the share of private consumption expenditure for clothing and footwear in total private consumption has slightly declined both in value and quantity terms in Italy, Germany and most in France. This is due to the inferior nature of clothing expenditures, that means demand for clothing is rather income-inelastic. A sharply different picture is provided by UK. In this country clothing expenditure has diminished its share over total consumption expenditure only in value terms, whereas it has increased its share in quantity terms.

Demand for clothing can be divided into two parts. On the one hand there is a mass market primarily supplied by imports from third countries. Demand for these products is relatively price-elastic. On the other hand there is a market for high quality products which is the very domain of most of the European producers. Demand for these goods is rather price-inelastic. This is the reason why the role of price developments in the determination of clothing demand in the industrial countries is a controversial issue in the economic literature. Some studies indicate that prices are important, whereas other studies (mainly European) conclude that, according to the available data, pri-

ces are rather insignificant in comparison with other factors in explaining clothing demand. (Cf. GATT, Textiles and Clothing in the World Economy, Geneva, July 1984, pg. 168). On the average the elasticity to prices of consumption expenditure for T-C is a little below 0. We consider two different scenarios according to two different values of elasticity: -0,6 and -1,0. The lower figure (-0,6) is more realistic if we take into account the inferiority character of T-C goods.

The effect of 1992 on concumption

One effect of eliminating the trade barriers will be lower prices (see chapter II.6). To evaluate the impact of lower prices on the level of consumption of T-C products we assume that prices will decrease by 0,8-1 % in Italy, 0,4-0,6 % in Germany and France and 0,6-0,8 % in the UK. The effects of the completion of the internal market will be a small increase of consumption in the range of 0,24-1 % in the period 1985-92. The total increase will be higher because aggregate consumption will have increased owing to a higher income in 1992.

6. Barriers to trade

Most of the firms in the sample did not complain about the existence of significant barriers to intra-community trade. An Italian firm even said that there are more troubles in selling in Southern Italy than in Germany or France. The EC market is considered almost perfectly integrated.

Although there are no significant barriers intra-EC trade is still hampered by slight barriers. In accordance with

the Commission's 1985 White Paper, three categories of barriers may be distinguished:

- Physical barriers:

One of the most trade barriers within the EC are delays at the borders, primarly because of exaggerated border formalities or arbitrary and therefore discriminatory use of customs rules. In these conncection the surveyed firms mentioned above all the customs practice in France, but also in Italy, Greece, Portugal and Spain. To be sure, the frequency of border delays has declined recently, according to the firms.

This category of physical barriers includes also the control of origin of goods in order to ensure that products from third countries, the imports of which to the EC has been restricted, have been set against the relevant Member States quotas. Moreover, Member States may be authorised by the Commission, on the basis of art. 115 EC treaty, to exclude those imports from Community treatment.

- Technical barriers:

Of some importance are restrictions in cross-border capital flows, which affect merchandise trade as well as direct investment. Firms' complaints concern primarily practices in Italy and France. Frequently mentioned was the lack of a unique European currency; this was said to cause high hedging costs, especially for exports to the UK.

In the category of technical trade barriers mention was also made now and then of a restriction in the case of public procurement. In many cases, the firms didn't even participate in the calls for tenders, as they were sure of not having a chance.

- Fiscal barriers:

Very frequently the firms mentioned the different value added tax rates in the member countries as being a trade barrier. Individual member countries, e.g. Italy, demand the value added tax at the time of import, which is discriminatory in favour of the domestic competitors.

According to a special survey of German clothing manufacturers, the trade barriers mentioned above concern in particular small and medium size firms. The barriers have less grave effects on the large producers.

The trade barriers mentioned did not, however, prevent the firms from exporting to other Common Market countries. These exports might possibly have been even higher, although there are many dynamic, Europe-oriented firms which stopped differentiating between domestic sales and exports a long time ago. Consequently the elimination of the still existing trade barriers will only have marginal effects on quantitative trade flows within the EC. This implies that economies of scale yet to be realized may also be minimal for production processes.

Given that the trade barriers will be eliminated, the interviewed firms expect costs reductions for exports of some 1 to 3 percent. Because of the sharp competition in the textile and clothing markets one may assume that the cost reductions will also be passed on prices.

III. Results on the costs of Non-Europe

Immediate direct effects

1. Unit labour costs will drop as a result of the internal market simply because the job of monitoring the custom formalities, filling the custom documents, checking the labelling requirements, etc., will be no longer necessary. Part of the staff working on these items can be moved to other assignements or fired. Our estimate of the importance of these jobs in the employment structure of a firm with substantial export activity, is around 0,5 % to 2 % of the total number of employees. If these people were fired, the cost saving would be around 0,5-2 % of the wage bill.

2. There are, however, two possible scenarios. The best one in terms of cost reduction, is that of lower employment with the same production level and efficiency, or the redeployment of the white collars formerly working on custom formalities to other internal jobs which increase the overall efficiency of the firm. The immediate firing is quite unlikely. Furthermore, if one of the possible effect of the internal market is an increase of the export performance of the firm, the marketing staff might need to be reinforced, so people formerly working on custom formalities can still be valuable for the firm.

3. The more likely scenario is that of no significant changes in the number of white collars, at least in the short term. So the unit labour cost reduction as a direct effect, will be accordingly negligible.

Deferred direct effects

1. The completion ot the internal market can have a psychological effect in the sense of making firms more Europe minded and willing to increase their export and investment activity in the European community. Harmonization of VAT and a complete liberalization of movements of capitals and currenties could make some firms even more EC minded. In this scenario, the strategies of the firms are going to experience some changes even if they already have a European orientation, although, in this case, the impact will be correspondingly smaller. Firms will probably decide their market strategies at a European level, and not country by country as they usually do now.

2. In any case, the most important expected effects of the completion of the internal market come from the estimated net increase in competitiveness among European producers. We are talking about net effects because most of the changes that we would expect to occur in the next years will be mainly a reaction to forces that are in motion now and will affect the industry structure and performance for many years to come. According to the interviews' results the complete barriers-free European Community will affect these trends only marginally, not more than 10 % of the expected unit cost reductions.

3. The expected increase in competition in the European markets will have some effects on the mark-up of the firm. It is very difficult to work out a single estimate of the expected reduction, because of the strong differences between the competitive systems of the various sub-sectors of the industry. Furthermore, the pressure on prices due to the competitiveness of low wage producers has already been forcing firms to adapt their strategies to a price competitive environment.

4. The mark-up reduction depends also very much on the distributive structure of the countries and on the marketing and distribution policies of the firms. The more the distributive structure of T-C goods is concentrated on independent large units (department stores, mail order houses etc.) the more price competition is expected to reduce the mark-ups of the firms. In this case, however, nothing guarantees that reductions in the mark-ups will be passed on consumer prices: the expected mark-up reduction might simply mean more profits for the distributive sector. On the other hand, the more fragmented is the distribution structure, or the more important is the market power of single brands and labels, in other word, the more oligopolistic are the T-C sub-sectors, the less strong will be the effect on prices not only of increased competition but also of the estimated cost reduction.

5. Countries like Great Britain and Germany, where the distribution of T-C goods is relatively more concentrated and the distributive sector is price-competitive, might experience the strongest price reductions. France, and above all Italy, on the other hand, where the distribution of T-C goods is very fragmented, are expected to experience a comparatively smaller price reduction[1]. Firms which sell to the branded segments of the market, however, irrespective of the country, are going to develop strategies aimed at strengthening their market power, Franchising in the clothing industry is an example of such a policy. In this case, the pressure towards price reductions is comparably lower.

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1) A la longue in Italy and France there will be a restructuring in the distribution sectors, consequently price reductions also will be very strong.

6. A fall in productin costs due to economies of scale has been indicated as another plausible deferred direct effect. A scenario might be a tendency towards a homogeneity of tastes and demand across Europe, which could change the balance between static efficiency and product variety in favour of the former. In the United States demand is more homogeneous and plants are usually larger than in Europe. Volumes are relatively more important than variety. It seems very unlikely, however, that demand in Europe will follow the US pattern. Then flexibility will remain the main route to efficiency for the European firms. In any case, even assuming that most of the T-C industry is currently working at 2/3 of the optimal size of the plants, the cost reduction due to the full exploitation of static economies of scale would not exceed, on average, 1,5-2,5 per cent of unit cost of production. The internal market effect, at best, might account for only 10 % of this reduction.

7. Marketing economies of scale on the other hand, mainly due to advertising, brand image, and distribution factors, have still to be fully exploited for many sub-sectors of the T-C industry. A complete European market can help firms to reach a European dimension and save on marketing costs. Assuming that there is still on average a potential gain of 2,5 per cent in the textile and 5 per cent of the unit cost in the clothing industry, and allowing the internal market to account at best for 10 per cent of the expected changes[1)], the best scenario for the internal market effect is an estimated cost reduction of not more than 0,20-0,30 per cent of unit cost due to multi-plant marketing economies of scale. These figures, added to the static economies

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1) See paragraph 2 of this chapter.

of scale effect, give us an idea of the expected cost reduction due to the completion of the internal market in the more favourable hypothesis: 0,3-0,6 percent of the total unit cost of production and marketing. The highest cost savings can be expected in France and Great Britain, currently the less efficient T-C industries.

Indirect dynamic effects

Generally speaking, a more larger use of international sub-contracting, de-centralization of production, and outward processing practices with producers of low wage countries, are expected in the future. This will probably represent the most important structural changes in the next decade, particularly in the clothing industry.

The cost saving due to the de-centralization of the assembly operation in low wage countries can be estimated around 15-25 per cent of the total unit cost of production. The increased competition effect of the internal market can force firms to increase their recourse to outward processing and direct investments in low wage countries. The more optimistic scenario is that, in the second half of the 1990s, the share of imports of clothing from low-wage countries will be 2-5 percentage points higher of the estimated trend as a result of the internal market. The additional saving on unit labour cost can be estimated around -1 per cent for France, the country which is expected to experience the largest increase in outward processing and direct investment in the next years, and roughly -0,2 to -0,5 per cent for Germany, while for Italy and Great Britain the cost savings will be even less pronounced.

IV. Conclusions

1. The internal market effect will be marginal in the T-C sector, because of the advanced state of integration achieved. This statement can be reinforced by observing that:

1.1 Plant and technical economies of scale have already been exploited to a large extent.

1.2 Commercial economies of scale have still to be exploited and their effect will be a further homogeneity of tastes and prices, with scanty relevance for the level of prices.

1.3 The proportion of disposable income devoted to T-C is not going to increase, so the income effects of the internal market on consumption are rather low.

2. The reduction of production prices due to direct and indirect effects should range between 0,5 and 1,5 %. How much of this reduction is going to be passed on to consumers depends on the commercial structure which will prevail after 1992. Great Britain and Germany might experience the strongest price reductions, but in all countries the effect on consumption will be insignificant.

3. What is going to reshape dramatically the T-C sector in the EC in the years to come is not the internal market integration, but the fiercer competition from third countries. Prices, profits, employment will be set where third countries competition on one side and import protection on the other will compromise. Compared to the shocks produced by low wage countries import, the internal market effect looks like a grain of sand.

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The Cost of »Non-Europe« in the Textile-Clothing Industry

FULL REPORT

By

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We would like to acknowledge the fruitful collaboration of Wolfgang Gerstenberger, Milena Monterastelli, Angelo Tantazzi.

The calculations concerning the effects on trade and production have been conducted by Harald Blau.

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I. Introduction: Objective, methodology and data base

Major obstacles still stand in the way of the completion of a unified market in the Community. The Commission thus asked the European Council in 1985 to set itself as objective the complete realization of a common market by 1992. To contribute to the discussion, the Commission put forth a White Book in mid-1985, which shows which material, technical and fiscal constraints in the Community will need to be overcome, and which proposes a timetable for the implementation of the various measures.

There are different hindrances to the achievement of a common market in the various sectors of the Community. An effective common market has in no way been achieved even in the textile and clothing sector. One thinks for example about the illegal requests for certificates of origin, about national standards of marking the country of origin or about the frequent appeal to article 115 of the Rome Treaty (exclusion of a good from tariff-free movement).

Although there are direct obstacles to the free movement of textile goods within the Community, the Textile and Clothing (T-C) industry, with around 2 Million employees (1986) one of the most important industries in the Community, is unanimously considered as the industrial sector which has more benefited from the economic integration to date. It is often argued that the T-C industry has almost completed the integration process, particularly relative to what other industrial sectors have been experiencing. We shall try to:

- assess the validity of this argument by discussing the positive effects of integration in the past;

- evaluate the extent and the impact of the existing barriers to trade;

- present the main results on the costs of Non-Europe with an assessment of the direct and indirect impact of the barriers removal by the end of 1992.

Before going into the discussion of the main results of the study, it is important to note that:

- The T-C industry has been exposed to increasing strong extra-EC competition from low-wage countries. This fact makes difficult to disentagle how much of the structural changes which occurred in the EC industry in the past and will occur in the future are due to outside-EC competition or intra-EC competition;

- The T-C industry is by no means a homogeneous sector. Sub-sectors have different problems and they experienced different adjustment strategies to cope with economic integration. Nonetheless, we think that some useful insights on the effects of integration can be gained without too much sectoral details.

With regard to methodology, the study follows two approaches: On the one hand, the questions posed are to be answered with the help of characteristic ratios and, on the other, with the help of businessmen's statements.

The study is based on three types of data sets:

- existing national, EC- and OECD-statistics;

- CIRFS-data[1] on quantitative production and trade flows by T-C products have been processed;

- qualitative insights and quantiative information have been gained from 60 interviews (15 in each of the four countries: West Germany, France, Italy, United Kingdom) to managers and executives of dynamic, Europe oriented firms of the various sub-sectors of the T-C industry[2].

II. Early effects of integration (1960s and first half of 1970s)

1. Development of production, employment and intra-EC trade

In the last twenty-five years the EC T-C industry was subject to a considerable restructuring process and structural changes.

In the 1960s, this was caused mainly by the early effects of economic integration in Europe and the increase of competition between intra-EC producers. Great changes were

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1) CIRFS = Comité International de la Rayonne et des Fibres Synthétiques.
2) The questionnaire and the results of the inquiry conducted in the four countries are exposed in annex A.

also due to the process of substitution of natural fibres with man-made fibres, which was particularly marked in this decade.

In the 1970s, the major causes of the changes were, as mentioned, the increasing exports of the developing countries[1)], the slowdown in consumption, and the effects of technological progress.

In terms of production, the increased intra-EC competition of the 1960s, which brought about a selection process which favoured the most efficient firms, and the increase in consumption of T-C goods, caused an increase in the production of textile goods (Tables 1 and 2). The adjustment strategies of the firms had also an employment cost:

Table 1

EC (9) Textile Industry: Index of Production
1980 = 100

1961/63	1970	1973	1980	1982	1984	1985	1986
83	102	114	100	94	94	96	97

Source: EC-Commission: Lage der Textilindustrie (SEC(85) 1027, 8/7/85); EUROSTAT.

1) The EC aimed at limiting the growth of imports from low-wage countries. Within the Multi-Fibre-Agreement, the EC therefore signed so-called self-limitation agreements with numerous newly industrializing, developing, and statetrading countries. This way imports especially from the newly industrializing countries could be stemmed. Nevertheless, the share of imports from low-wage countries in the textile and clothing market of the EC continued to increase because of the simultaneous stagnation of consumption.

Table 2

Textile and Clothing Industry: Indices of Production

Sector / Country	1980 = 100				Average annual rate of change		
	1963	1970	1980	1986	1963/70	1970/80	1980/86
Textile industry							
Germany	78,8	103,3	100	95,7	3,9	-0,3	-0,4
France	97,5	101,4	100	86,3	0,6	-0,1	-2,4
Italy	75,9	75,5	100	101,2	-0,1	2,8	0,2
United Kingdom	107,6	136,1	100	97,5	3,4	-3,0	-0,4
Clothing industry							
Germany	109,7	120,0	100	80,7	1,2	-1,8	-3,5
France	.	.	100	98,0[a)]	.	.	-0,3
Italy	84,9	97,6	100	90,7	2,0	0,2	-1,6
United Kingdom	87,2	94,7	100	91,8	1,2	0,6	-1,4

a) Incl. footwear.

Source: OECD, Commission of the EC, EUROSTAT; calculations by the Ifo-Institute.

from 1963 to 1970 the number of employees fell from 3.74 million to 3.29 million, i.e. by 450 000 people (Table 3). From the first half of the 1970s, the combined effects of increasing imports and slowdown in consumption had the result that the production of textile and clothing in the industrialized countries has no longer tended to rise. In the EC textile production peaked in 1973 (Table 1). In 1980 production was about 12 % below this peak. Particularly strong production cut-backs were recorded in the textile industry of the United Kingdom since the beginning of the 1970s, whilst in Italy this sector did relatively well until the beginning of the 1980s (Table 2).

In the clothing industry, the German firms have suffered from the sharpest production decline since the beginning of the seventies. This does not only reflect the strong increase in imports, but also the fact the German clothing firms started relatively early to shift parts of production abroad. In contrast the Italian clothing industry was able to raise production until the early 1980s.

In terms of employment, between 1970 and 1980 more than one million employees were laid off, so that in 1980 only 2,21 million found employment in the T-C sector. This accelerated decline in employment was especially marked in the FR Germany and in the United Kingdom (Table 3).

As far as trade is concerned, in the 1960s the importance of intra-EC trade - in terms of its share on total foreign trade in textile and clothing (Table 4) - rose significantly. The corresponding shares for Germany, France and Italy confirm the trade-creating effect of the European Community. In the 1970s the importance of intra-EC trade for the

Table 3

Textile and Clothing Industry: Number of Employees

Sector / Country	Number of employees (1000)				Average annual rate of change			Reduction of number of employees (1000)
	1963	1970	1980	1986	1963/70	1970/80	1980/86	1963/86
Textile industry								
Germany	568	497	304	228	-1,9	-4,8	-4,7	340
France	421	360	262	209	-2,2	-3,1	-3,7	212
Italy	478	417	302	215	-1,9	-3,2	-5,5	263
United Kingdom	667	621	323	254	-1,0	-6,3	-3,9	413
Clothing industry								
Germany	366	385	249	186	0,7	-4,3	-4,7	180
France	186	236	186	143	3,5	-2,4	-4,3	43
Italy	.	207	155	108	.	-2,9	-5,8	99[a)]
United Kingdom	443	377	237	170	-2,3	-4,5	-5,4	273

a) 1970/86.

Source: OECD; Commission of the EC, EUROSTAT; calculations by the Ifo-Institute.

Table 4

Intra-EC Trade in Textiles and Clothing
(Intra-EC Trade as Percentage of Total Exports or Imports[a])

Country / Sector		Exports				Imports			
		1960	1970	1980	1985	1960	1970	1980	1985
Germany									
Textiles	EC(6)	20,8	42,3	43,0	31,1	57,7	69,8	50,3	49,5
	EC(9)	.	.	51,8	44,7	.	.	56,1	54,7
Clothing	EC(6)	23,0	59,8	54,0	40,6	55,9	61,2	47,5	29,5
	EC(9)	.	.	60,1	52,0	.	.	50,6	32,0
France									
Textiles	EC(6)	30,9	53,7	57,2	49,1	50,6	78,9	61,7	61,4
	EC(9)	.	.	64,5	61,1	.	.	68,5	66,9
Clothing	EC(6)	15,2	57,6	56,6	41,9	76,5	79,7	44,0	42,5
	EC(9)	.	.	62,1	49,8	.	.	49,6	47,7
Italy									
Textiles	EC(6)	31,1	44,5	48,7	44,6	43,1	63,0	45,5	48,5
	EC(9)	.	.	58,4	55,9	.	.	52,8	55,1
Clothing	EC(6)	36,0	68,0	65,1	37,1	54,5	75,5	32,1	37,3
	EC(9)	.	.	71,5	45,2	.	.	43,3	46,1
United Kingdom									
Textiles	EC(6)	13,0	14,7	33,4	32,6	32,9	27,2	40,2	52,4
	EC(9)	.	.	44,6	43,1	.	.	50,5	58,9
Clothing	EC(6)	17,0	17,6	34,6	28,5	32,7	11,3	20,0	29,4
	EC(9)	.	.	55,2	46,8	.	.	26,2	34,9

a) Basis: Values in US-$.
EC(6): Belgium/Luxembourg, France, Germany, Italy, Netherlands.
EC(9): In addition to EC(6) Denmark, Ireland, United Kingdom.

Source: OECD, Trade by Commodities; calculations by the Ifo-Institute.

countries mentioned only rose with respect to exports of textiles. In the case of UK, the intensification of intra-community trade in textile and clothing does not show up until the 1970s, as this country did not enter the EC until 1973.

The extent to which the individual countries could improve their position in intra-EC trade may be seen from the change in the export-import ratios (Table 5). Accordingly, in the 1960s the German as well as the French and Italian producers took advantage of the intensification of intra-community trade in textiles and clothing: German exports to the EC rose faster than imports from the same area, so that the deficit declined; while in the case of France and Italy, although intra-EC imports rose faster than the corresponding exports a surplus was maintained. In the 1970s it was in particular the Italian T-C producers who improved their position in intra-EC trade, but also the German textile firms as well as the French and British clothing manufacturers could raise considerably their exports to other members of the Community. In contrast, for the French and British textile industry and for the German clothing industry intracommunity competition rose sharply.

2. Effects on productivity and industrial structure

When the process of economic integration started, the market structure of the T-C industry was close to monopolistic competition. The sector was characterized by a large number of firms, absence of relevant barriers to entry, limited market power based on product differentiation. This market structure did not necessarily signal inefficiency. For some sub-sectors (clothing, knitting etc.), due to the limited

Table 5

Export-Import Ratio in Textiles and Clothing
(in %[a])

Country / Sector		1960	1970	1980	1985
Germany					
Textiles	Total	69,7	104,6	90,9	119,3
	EC(6)	25,1	63,3	77,7	74,9
	EC(9)	.	.	83,9	97,5
Clothing	Total	84,7	41,7	34,6	40,8
	EC(6)	34,8	40,8	39,3	56,3
	EC(9)	.	.	41,0	66,4
France					
Textiles	Total	671,1	163,7	87,6	88,9
	EC(6)	409,5	111,5	81,2	71,1
	EC(9)	.	.	82,5	81,2
Clothing	Total	1 005,9	167,0	87,0	71,5
	EC(6)	200,0	120,7	112,0	70,5
	EC(9)	.	.	108,8	74,6
Italy					
Textiles	Total	611,1	203,7	145,3	172,4
	EC(6)	441,9	143,9	155,4	158,8
	EC(9)	.	.	160,8	174,9
Clothing	Total	1 490,9	882,7	575,2	684,1
	EC(6)	983,3	794,6	1 166,4	681,0
	EC(9)	.	.	949,6	671,4
United Kingdom					
Textiles	Total	192,4	154,8	88,4	56,3
	EC(6)	76,0	83,8	73,5	35,0
	EC(9)	.	.	58,5	41,2
Clothing	Total	77,9	94,9	65,7	56,2
	EC(6)	40,5	148,6	113,4	54,4
	EC(9)	.	.	138,3	75,4

a) Basis: Values in US-$.
EC(6): Belgium/Luxembourg, France, Germany, Italy, Netherlands.
EC(9): In addition to EC(6) Denmark, Ireland, United Kingdom.

Source: OECD, Trade by Commodities; calculations by the Ifo-Institute.

importance of static production economies of scale, there were no substantial constraints on growth in terms of size of the market. In principle, firms could reach an efficient size of production even without integration. For some other sub-sectors, mainly in the textile industry, economies of scale were of some importance.

To some extent, nonetheless, the economic integration process broke the static attitudes of many firms and put them, at least potentially, in a very dynamic environment. Just the fear of potential competition was enough to accelerate the undertaking of adjustment strategies to the new situation.

The efficiency effects, however, should not be overstressed. There were a number of factors which prevented the full exploitation of the benefits of integration. Among them, demand factors were certainly the more important ones. For the T-C industry, market enlargement was not a purely geographical problem. Differences in demand - tastes, habits, etc. - between European countries represented one of the main obstacles to a true economic integration. For this reason, many firms could not reach a European dimension, even if they would have to. Of course the removal of barriers was the necessary premise for a process of homogeneization of demand, but the realization of it is a typical long term process, and some results were only clear in the second half of the 1970s and in the 1980s. The segmentation of demand certainly mitigated the impact of economic integration on the industrial structure, and it worked as a residual barrier in the period.

At the beginning, a large part of the structural changes were due more to the comparative advantages in terms of factor costs of some national industries than to pure effi-

ciency effects. Italy, in particular, shows a significant comparative advantage relative to the other EC countries in terms of production costs, basically due to lower wages. The potential for growth of Italian exports in low to medium priced segments of the market was then very high. Some Italian firms, furhtermore, tried to broaden their cost advantage by increasing the volume of their production, in order to gain more efficiency and lower cost through economies of scale. This happened in particular in the clothing industry. In many cases, however, this strategy was definitely not successful. Firms became very production-oriented, and the products were too standardized and of a low quality. A process of concentration took place, often with government subsidies. The result was that some firms were clearly larger than required by economies of scale, and not as flexible as required by market conditions.

Structural changes were less important in the Italian textile industry, which remained for all the 1960s made up of unspecialized, less dynamic inefficient firms. As in the clothing industry, commercial and marketing aspects were systematically under-valued. As shown in Table 6, the productivity growth rate of the Italian textile industry was the lowest in Europe.

The cost advantages of Italian firms put pressure on European prices, with some benefits for the consumers, particularly in the lower segments of the markets. This situation brought about a process of structural changes in the European T-C industry. In France and Germany, low-priced segments of the market were progressively left to low-cost countries, while the national industries tried to specialize in medium to high segments, where the quality factor could mitigate against strong price competition.

Table 6

Labour Productivity
(Output per person empoloyed)

Sector / Country	1980 = 100				Average annual rate of change		
	1963	1970	1980	1986	1963/70	1970/80	1980/86
Textile industry							
Germany	42,2	63,2	100	127,6	6,0	4,7	4,2
France	60,7	73,8	100	108,1	2,9	3,1	1,3
Italy	47,9	54,7	100	142,1	1,9	6,2	6,0
United Kingdom	52.1	70.8	100	124,0	4,5	3,5	3,7
Clothing industry							
Germany	74,6	77,6	100	108,0	0,6	2,6	1,3
France	.	.	100	127,5	.	.	4,2
Italy	.	73,1	100	130,2	.	3,2	4,5
United Kingdom	46,7	59,5	100	128,0	3,5	5,3	4,2

Source: OECD, Trade by Commodities; calculations by the Ifo-Institute.

In Germany, the plant and firm size-structure of the textile industry was not considered optimal in the 1960s. There was a considerable process of concentration, with the aim to make the textile sector much more similar to the other concentrated industrial sectors. Rising labour costs forced many firms to shift from labour intensive to more capital intensive techniques. In order to be able to sell large series, the number of quality batches offered was simultaneously reduced to a minimum. A lot of investments was concentrated in the man-made fibres, which were considered a strategic sector of the industrialized countries in the long run. These strategies allowed the German textile producers to achieve large economies of scale and productivity gains (Table 6) in the sub-sectors where scale effects were important. For other sub-sectors, mass production at decreasing cost proved less and less adequate in the course of the 1960s. Many firms who had followed a size-growth strategy had to leave the market or could only survive with government support. The weakening of textile demand and the growing demand for more differentiated products left a major role to small and medium-sized firms. The strategy which was progressively undertaken by the German companies aimed at higher quality products and increasing flexibility.

In the case of clothing industry, productivity gains were smaller compared to the textile industry (Table 6), mainly because of the difficulties in automating and rationalizing the production processes in presence of a very differentiated demand. In the face of strong import competition from low wage countries, German firms concentrated production on high quality products and decentralized the production of simple products or easily standardizable production processes to third countries. This trend intensified in the

early 1970s, when new low cost non-EC countries increased their export activities towards Europe. In the early 1980s, "outward processing" and own production abroad contributed for more than 10 % of the sales of the clothing industry. In addition, purchases of foreign merchandise accounted for almost another 10 % of sales. These figures are relatively high compared to other EC countries.

In France, the adjustment policies to the potential competition brought about by the removal of tarrifs and barriers to trade, were basically similar to those undertaken by the German industry. A concentration process took place in some sub-sectors, while part of production was decentralized in low wage countries. Technical improvements and scale effects in the textile sector, however, were less marked than in West Germany, and the growth of productivity was correspondingly smaller. The clothing industry tried to specialize in high quality production.

The British textile and clothing sector (see Ray, 1987) was particularly exposed to competition from low wage countries because of the role of UK in the Commonwealth. At the beginning of the 1960s a number of measures were introduced to help the agonizing industry. The outcome was a slimmer but somewhat healthier industry, which succeeded - with the magre help from EFTA - to raise its output between 1958 and 1973, though not without minor interruptions. In this phase of development, the British textile industry experienced a considerable concentration process. It originated with two important producers of chemical fibres, whose aim was the vertical integration of the mass producers of yarns, fabric, and clothing, in order to be able to withstand the competitive pressure from low wage countries (see OECD, 1983). Although the British textile industry achieved rela-

tively large productivity gains[1)] in the 1960s and 1970s (Table 6), the strategy of mass production was finally bound to fail in many branches. This became especially clear after the UK had joined the Common Market in 1973. As mentioned above, production had to be cut back considerably since then. Focusing on the achievement of productivity gains frequently led to excess capacity and thus to profit reductions. In addition, the process of concentration, especially the vertical integration strategy, had too much restricted the flexibility of the firms, i.e. their ability to react rapidly to growing and changing market demands (Wiemann, 1983).

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1) One should not forget that productivity figures should be received with great caution. The main reason for this warning is as follows: a great many of the firms and plants have "died" in the past. It can be reasonably assumed that those were the least efficient firms. Their disappearence from the scene - and from the statistics - automatically improve the productivty figures. A good deal of improvement, indicated by the very high productivity-growth figures above, must have been due to this phenomenon. It is not possible to exactly calculate this effect as distinct from everything else, but it seems plausible that productivity in the remaining firms must have been rising less rapidly than shown above.

III. Effects of integration since the end of the seventies and present situation

1. Effects on trade and production

a) General remarks

In chapter II.1 we showed with the help of statistical ratios that intra-EC trade had expanded strongly in the 1960s and the first half of the 1970s. This was primarily due to the forces of integration emanating from the realization of the Common Market. The majority of the firms interviewed pointed out that without the Common Market their exports could not have been increased as much as was actually done.

It cannot be ignored, however, that there were other forces at work besides the integration effects, forces which led to a strong intensification of trade in textiles and clothing in the Community. They include:

- The European countries share the same cultural background, which provides favourable conditions for foreign trade.

- After the Second World War there has been a tendency towards internationalization, favouring international trade especially of such individualistic products as clothing.

- The export markets outside the EC were in part little absorptive, either because of a lack of purchasing power (like in the developing countries), or because of trade barriers which made (and in part still make) access to these markets difficult (Neundörfer/Stahr, 1985). The newly industrializing countries impose tariffs of 20 to 100 % on imports of textiles and clothing; in addition they have established non-tariff and non-quantitative trade barriers (e.g. cash deposits for imports). The state-trading countries purchase via state foreign-trade monopolies according to set supply priorities and foreign exchange reserves; textiles and clothing usually rank very low. But imports of textiles and clothing also face tariff and non-tariff barriers in some non-European industrialized countries.

In the mid-1970s the European integration process in the textile and clothing sector entered a late phase. This is reflected e.g. by the fact that the share of intra-EC imports or exports in total imports or exports of Germany, France, and Italy was generally declining in the second half of the 1970s and the first half of the 1980s (Table 4). In contrast, during the same period the textile and clothing sector of the United Kingdom was still in the midst of the integration process (due to her late EC entry), which is reflected in rising shares of intra-EC imports in total British imports. (British exports of textiles and clothing to ohter EC-countries lost in importance, however.)

Although the process of integration in the European textile and clothing industry has slowed down in recent years, some very interesting details may be discerned which point to the fact that, especially at the level of specialized

branches, adjustment to the larger dimensions of a uniform European internal market is still going on. It must be remembered, however, that the findings presented below for the period 1978-1985 (which are based on quantitative data) cannot at all be ascribed only to the realization of the Common Market, but also to such other factors as were mentioned above.

b) Textile industry

aa) Trade creation

In 1985 intra-Community trade in products of the textile industry met about one quarter of consumption (or domestic availability) in the entire EC (formula 2[1] in Table 7). From 1978 to 1985 this proportion rose slightly, supporting the hypothesis that the establishment of the Common Market increased intra-comunity trade. In the smaller member countries the ratio of intra-Community imports to consumption is relatively high (especially in the Netherlands with 88 %), whereas it is lower in the larger member countries Germany, France, Italy, and the United Kingdom (formula 2 in Table B1)[2)3)]. There are, however, considerable differences within this group of countries. Whereas in particular the German, but also the French and British textile industries are highly integrated into the Common Market - with respect to imports -, Italy imports few tex-

1) The formulas are explained in annex B.6.
2) Greece also has a relatively low intra-EC import ratio. This is primarily due to the fact that this country did not join the EC until 1981 and therefore the process of integration is just starting.
3) Tables with the index B may be found in annex B.

tile products from the other member countries. This may in part be due to the trade barriers effective in the past, but certainly also reflects the high fashion competitiveness of the Italian textile industry, which makes it particularly difficult for the textile producers of the other EC countries to gain a foothold in the Italian market. This is shown by the fact that - in absolute terms - the intra-EC import share of Italy has risen little since 1978. The same is also true of France. In contrast, the Netherlands, Germany, and the United Kingdom have increasingly opened their textile markets to imports from other EC contries. On the other hand, in Eire and Denmark certain disintegration effects may be observed.

The high competitiveness of the Italian textile industry is also confirmed by the high and rising share of intra-EC textile exports relative to textile consumption of the other EC countries (formula 1 in Table B1). The German textile industry, however, holds an even stronger position in the EC textile markets than the Italian industry, reflecting the considerable export efforts of the German producers. Besides the Italian and German textile industries, those in Belgium/Luxembourg and the Netherlands also profitted from the establishment of the Common Market during the period of observation. In contrast, large segments of the British textile industry were no match for competition in the Common Market.

Integration - in terms of import shares - has progressed quite differently in the various stages of the textile production process. It is relatively high in weaving and - with qualifications - in the production of knitted fabrics (Tables B3 to B5). In the latter sector, however, the intra-EC import shares have declined in most member coun-

tries since the beginning of the 1980s. This is less likely to have been the result of waning integrative forces, but rather of the fashion related changes in consumer attitudes.

In the spinning sector the ratio of intra-EC imports to consumption is comparatively low despite an in part remarkable increase since the beginning of the 1980s (Table B2). The major reason may be that yarns are frequently produced in integrated plants, i.e. the yarns are often processed into woven or knitted fabrics in the very same plants.

bb) Trade diversion

In 1985 the volume of intra-Community trade (exports plus imports) in textiles on the average of all member countries of the EC amounted to almost two thirds of the total trade volume. In 1981 this share was still slightly higher, after having remained almost constant between 1978 and 1980 (formula 3 in Table 7). Therefore this indicator does not point to a protectionistic effect, caused by the establishment of the EC, vis-à-vis third countries. A separate look at export and import flows reveals a more differentiated picture. Relative to total export growth, intra-EC exports grew faster over the entire period of observation (formula 4 in Table 7). This implies that exports to third countries have expanded less than proportionally. In other words, the data suggest that in the textile sector trade was diverted in favour of the EC as a whole. This development varies among the member countries, however. In the first half of the 1980s the Danish, German, Irish, and Greek textile industries benefitted from the Common Market, whereas for example the British textile producers stepped up their exports to third countries (formula 4 in Table B1).

Table 7

Indicators[a] concerning the effects of integration
Sector: 52 (Textiles)

Formula	Shares in %				Change	
	1978	1980[b]	1981[c]	1985	1978/80	1981/85
2) $\frac{M_{n,E,k}}{C_{E,k}}$	19,2	21,0	22,1	24,2	1,8	2,1
3) $\frac{X_{n,E,k}+M_{n,E,k}}{X_{t,E,k}+M_{t,E,k}}$	60,9	61,1	64,0	63,6	0,1	-0,4
4) $\frac{X_{n,E,k}}{X_{t,E,k}}$	65,9	67,7	67,6	68,3	1,8	0,7
5) $\frac{M_{n,E,k}}{M_{t,E,k}}$	56,6	55,7	60,8	59,6	-0,9	-1,2

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Intra-EC textile imports grew more slowly than total textile imports during the period 1978/85. Thus the corresponding share fell (formula 5 in Table 7). Textile imports from third countries therefore increased more than proportionally. Thus, for the entire EC there was from 1978 to 1985 no total trade diversion from third countries. This is the more remarkable as the textile sector of the Common Market is protected from competition by developing, newly industrializing, and state-trading countries by the Multi Fibre Agreement (MFA). The MFA possibly contributed to an early integration of the textile sector into the Common Market, i.e. intra-Community trade has already reached a relatively high degree. In recent years this has also opened up sales opportunities for textile imports from third countries. On the other hand, imports from developing countries may not have increased to the same extent as the competitiveness of low-cost countries has grown. Another factor may have been the relatively restrictive import policies of the United States and Japan in particular, forcing third countries to turn increasingly to the European market. With the exception of Italy, the United Kingdom, and Greece, all EC member countries proved to be very receptive to textile imports from third countries (formula 5 in Table B1).

The findings presented for the entire textile industry also hold more or less for its individual sub-sectors. Only in the production of knitted fabrics are there more pronounced deviations from the general development. This sector achieved a very strong export performance in third country markets (formula 4 in Table B5).

cc) Redistribution of production

The distribution of textile production among the individual EC countries did not change much during the period 1978/85.

Only Italy, Belgium/Luxembourg, and Eire (only towards the end of the 1970s) were able to achieve share gains. Losses were primarily suffered by the British textile industry. French textile producers suffered quite significant share losses in the first half of the 1980s (formula 6 in Table B1).

The increasing importance of the Italian textile industry within the EC stems from a positive evolution of foreign trade with other EC countries as well as with third countries (formulas 8 and 9 in Table B1). The textile industry of Belgium/Luxembourg benefitted primarily form a favourable development of intra-EC trade. The large share losses of the United Kingdom towards the end of the 1970s were primarily related to a negative development of British intra-EC trade.

Relative to textile consumption, domestic production in almost all member countries lost in significance. Only in Germany and Belgium/Luxembourg did the ratio of production to consumption rise (formula 7 in Table B1).

Looking at the individual production sectors of the textile industry, the evolution of the sectors wool worsted weaving and knitted fabrics is particularly striking. In both sectors Italy was able to expand its already high production share in the period 1978/85 (formula 6 in Tables B4 and B5). In wool weaving this occurred primarily at the expense of weaving mills in France, Germany, and the United Kingdom. In the production of knitted fabrics the German and British producers suffered the greatest share losses. In contrast, German producers were able to improve their position within the EC in cotton weaving and spinning.

At the disaggregated level the specialization trends become even more pronounced. In almost all areas of spinning, weaving, and the production of knitted fabrics the Italian

Table 8

Redistribution of production (formula 6)[a] in the textile sector with reference to the two most important countries in 1985

Sector	Country	Shares in %		Change
		1978	1985	1978/85
10 Industrial textiles/woven	F	25,5	27,0	1,5
	GB	27,3	25,9	- 1,4
15 Carpets	BL	19,7	28,8	9,1
	GB	29,9	22,1	- 7,8
20 Cotton weaving/natural	I	24,3	29,0	4,7
	D	25,9	27,8	1,9
21 Cotton weaving/man-made	D	35,5	35,2	- 0,3
	I	14,6	17,4	2,8
22 Cotton weaving/filament	D	27,6	30,4	2,8
	I	19,5	23,9	4,4
23 Wool worsted weaving/natural	I	44,1	54,2	10,1
	D	14,1	15,3	1,2
24 Wool worsted weaving/man-made	I	50,4	65,5	14,1
	D	19,0	13,2	- 5,8
25 Knitted fabric/cotton system	I	28,1	33,1	5,0
natural	D	26,3	27,0	0,7
26 Knitted fabric/cotton system,	GB	27,9	35,9	8,0
man-made	I	30,0	34,1	4,1
27 Knitted fabric/wool system,	I	35,7	62,2	26,5
natural	D	43,9	26,4	-17,5
28 Knitted fabric/wool system	I	52,0	66,0	14,0
man-made	D	22,5	14,4	- 8,1
29 Knitted fabric/filament	D	27,2	28,5	1,3
	I	17,1	26,7	9,6
30 Cotton spinning/natural	I	29,4	34,6	5,2
	D	19,2	24,0	4,8
31 Cotton spinning/man-made	D	38,5	41,2	2,7
	I	19,2	25,1	5,9
32 Wool worsted spinning/natural	I	41,3	42,1	0,8
	GB	29,7	17,9	-11,8
33 Wool worsted spinning/	I	44,9	50,3	5,4
man-made	GB	17,5	13,7	- 3,8

a) Excl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

textile industry gained considerable production shares (Table 8). German producers were only able to do so in cotton spinning. Great specialization occurred also in the United Kingdom regarding the production of knitted fabrics (cotton system, man-made) and in Belgium concerning the production of carpets.

dd) Export specialization index

The export specialization index for the textile industry is, by nature, relatively high for the smaller countries. Among the four "majors", Germany's textile industry held the top position in 1985, followed by France, Italy, and the United Kingdom. This implies that the German textile industry is rather dependent on exports to the other EC countries. This dependence increased markedly during the period of investigation, whereas it declined in the French, Italian, and British textile industries (formula 12 in Table B1).

In the spinning sector, export specialization of the German producers rose considerably; the same is true of the Danish and Dutch spinning mills (Table B2). In cotton weaving similar trends prevailed. Here the remarkable fact is, however, that the degree of specialization also increased in Italian and Greek cotton weaving (Table B3).

In wool worsted weaving the Italian producers have by far the highest degree of specialization among the larger EC countries. Recently the German, French, and British producers have been catching up, however (Table B4).

In the production of knitted fabrics the German producers hold the leading position (among the producers from comparable countries). This lead was even enlarged during the

first half of the 1980s. Increasing specialization can also be determined for the French producers, whereas the Italian producers' dependence on intra-EC exports diminished somewhat (Table B5).

c) Clothing industry

aa) Trade creation

In 1985 intra-Community trade in clothing met around 13 % of total EC consumption (formula 2 in Table 9). This share has stagnated since the beginning of the 1980s, after having risen towards the end of the 1970s. This implies that in recent years the Common Market failed to stimulate intra-EC trade. Levels and changes of intra-Community import shares differ, however, among the individual countries. Disregarding the smaller countries, whose trade is rather closely related to the larger member countries, the German and also the French clothing markets absorb a large volume of imports - relative to consumption - from the EC (16 % and 14 %, respectively; cf. formula 2 in Table B6). These shares rose slightly during the period 1978/85. Although the corresponding shares for Italy and the United Kingdom also registered an increase, their levels remain rather low. At 2 % of consumption, Italian clothing imports from other EC countries are especially low. This is also true in comparison to textile imports. This implies that, according to EC standards, the Italian clothing industry is very competitive. This is also confirmed by the large share of Italian clothing exports in the clothing consumption of the other EC member countries (formula 1 in Table B6). In 1985 this share, at about 6 %, was more than double that of the German clothing industry. Notable is the fact that

besides the Italian clothing industry only the German and Dutch clothing industries were able to benefit from the improved export opportunities offered by the establishment of the Common Market.

bb) Trade diversion

In 1985 the intra-Community trade volume (exports plus imports) in clothing almost amounted to half of the total trade volume of the EC countries in clothing. Since 1978 this share has declined (formula 3 in Table 9). This implies that the establishment of the Common Market did not block trade flows with third countries. Therefore, any protection effects emanating from the Common Market should have been small. This applies to exports as well as imports (formulas 4 and 5 in Table 9). Intra-Community clothing imports rose more slowly from 1978 to 1985 than the corresponding trade flows with third countries. The reasons for this development are similar to those given for the textile sector, i.e. primarily the early integration of the clothing sector into the Common Market as well as the protectionistic textile policies of the United States and Japan.

Remarkable is the fact that, in contrast to the general trend, intra-Community trade accelerated again in several member countries in the first half of the 1980s. This is especially true of the clothing sectors of Italy, the United Kingdom, and Denmark (formula 3 in Table B6). Looking only at exports, the Netherlands must be added to this list (formula 4 in Table B6). Regarding intra-Community imports, Greece, Denmark, Belgium/Luxembourg, and the United Kingdom were especially absorptive in the first half of the 1980s.

Table 9

Indicators[a] concerning the effects of integration
Sector: 53 (Clothing)

Formula	Shares in %				Change	
	1978	1980[b]	1981[c]	1985	1978/80	1981/85
2) $\frac{M_{n,E,k}}{C_{E,k}}$	10,3	11,2	13,0	12,9	0,9	-0,1
3) $\frac{X_{n,E,k}+M_{n,E,k}}{X_{t,E,k}+M_{t,E,k}}$	49,7	46,1	49,7	48,5	-3,6	-1,2
4) $\frac{X_{n,E,k}}{X_{t,E,k}}$	70,7	69,7	70,4	68,1	-1,0	-2,3
5) $\frac{M_{n,E,k}}{M_{t,E,k}}$	38,0	34,2	38,6	37,7	-3,8	-0,9

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

cc) Redistribution of production

The distribution of clothing production capacities among the member countries of the EC changed, in part, quite considerably during the period of investigation. The clear winner was Italy, which was able to raise its production share to almost one third (formula 6 in Table B6). Italy was able to improve its position in most sectors of the clothing industry (Table 10). In the production of knitted garments (wool system, man-made) it had to relinguish production shares, however.

Small share gains were also registered by Denmark, Eire, and (until the beginning of the 1980s) France. The German clothing industry, in contrast, had to close down considerable capacities, because of negative developments in foreign trade with other EC countries as well as with third countries (formulas 8 and 9 in Table B6). In several sectors the British clothing industry also lost production shares.

Despite the considerable shifts within the European clothing industry and the specialization related to it, increasing returns to scale failed to be realized. That may be traced to the fact that manufacturing steps in the production of clothing in the past could not be automated further. That is also why the manufacture of large runs was frequently shifted to low-wage countries.

Relative to consumption, the production of clothing lost in significance in most countries, thus also in Italy (formula 7 in Table B6). In the first half of the 1980s, however, the Netherlands, the United Kingdom, and Eire, in particular, were able to meet an increasing proportion of their consumption by domestic production.

Table 10

Redistribution of production (formula 6)[a] in the clothing sector with reference to the two most important countries in 1985

Sector	Country	Shares in %		Change
		1978	1985	1978/85
Knitted cut and sewn garments				
1 cotton systems	I	29,6	34,2	4,6
	GB	19,6	22,9	3,3
2 woollen systems	I	44,9	58,9	14,0
	D	23,4	18,7	- 4,7
3 filament	GB	38,7	25,9	-12,8
	I	14,3	23,0	8,7
Woven cut and sewn garments				
4 cotton systems	I	32,1	39,7	7,6
natural	F	17,6	19,4	1,8
5 cotton man-made	GB	32,3	35,1	2,8
	D	23,3	20,2	- 3,1
6 wool systems	I	25,8	34,1	8,3
natural	D	24,2	26,7	2,5
7 wool man-made	I	36,3	48,4	12,1
	GB	15,2	16,6	1,4
8 filament	I	25,4	27,3	1,9
	GB	23,8	23,0	- 0,8
9 Household textiles/woven	I	18,9	26,1	7,2
	D	28,8	22,7	- 6,1
Knitted garments				
11 Cotton systems	I	21,4	32,4	11,0
	D	32,8	24,3	- 8,5
12 wool systems	I	47,7	56,9	9,2
natural	GB	18,0	18,3	0,3
13 wool man-made	I	59,9	48,9	-11,0
	GB	15,5	18,6	- 3,1
14 filament	I	26,5	43,6	17,1
	GB	30,5	20,4	-10,1

a) Excl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

dd) Export specialization index

Because of their limited domestic markets the smaller EC countries Belgium/Luxembourg, the Netherlands, Greece, and Eire are relatively dependent on exports to other EC countries (formula 12 in Table B6). Among the larger countries, the Italian clothing industry had the highest export specialization in 1985 with a value above 100. The clothing industries of Germany, France, and the United Kingdom registered values of, in part, far below 100, i.e. their export shares in intra-EC trade were lower than their production shares within the EC. The German clothing industry did, however, increase its export specialization during the period 1978/85. This applies especially to the production of sewn garments (i.e. excluding knitted products). The British clothing producers, too, have pushed forward their export specialization since 1978. The Italian clothing industry, on the other hand, has lost shares in the european market; this applies especially to sewn garments (formula 12 in Table B7). In knitted garments, however, the Italian producers have maintained their extraordinary export position.

d) Digression: Man-made fibres

Since the beginning of the 1980s intra-Community imports of man-made fibres increased more slowly than the corresponding EC consumption. The trade creation indicator was, therefore, negative (formula 2 in Table 11). The major reasons for this development were the declining intra-EC imports of the Netherlands and Belgium/Luxembourg (formula 2 in Table B8). The relationship of a country's intra-EC exports to EC consumption (minus consumption of the country under consideration) also points to no marked trade creation; only the British and Italian man-made fibres industries were able to realize trade creation.

Table 11

Indicators[a] concerning the effects of integration
Sector: 43 (Man-made fibres)

Formula	Shares in %				Change	
	1978	1980[b]	1981[c]	1985	1978/80	1981/85
2) $\frac{M_{n,E,k}}{C_{E,k}}$	43,6	45,3	48,7	47,7	1,7	-1,0
3) $\frac{X_{n,E,k}+M_{n,E,k}}{X_{t,E,k}+M_{t,E,k}}$	64,2	61,5	64,0	66,7	-2,7	2,7
4) $\frac{X_{n,E,k}}{X_{t,E,k}}$	57,1	55,5	56,7	65,2	-1,6	8,5
5) $\frac{M_{n,E,k}}{M_{t,E,k}}$	73,3	69,2	73,7	68,4	-4,1	-5,3

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Trade diversion from third countries to EC countries has been observed in exports since the beginning of the 1980s (formula 4 in Table B8). This shift in trade flows was primarily due to the British and Danish producers of man-made fibres. Imports of man-made fibres from third countries were not affected negatively by the establishment of the European Community.

Considerable changes occurred in the distribution of EC man-made fibres production among the individual countries during the period of investigation. In the United Kingdom and France capacities were reduced markedly (formula 6 in Table B8). Production gains were registered primarily by the man-made fibres industry in Italy, but also in Germany (toward the end of the 1970s). The Italian producers of man-made fibres improved their position, expecially in staple fibres. The German producers further consolidated their leading position in filament fibres (Table 12).

Specialization in intra-EC exports of man-made fibres is quite high in most member countries, even though it is, in part, declining (formula 12 in table B8). Relatively low is the dependence of the Italian man-made fibres industry on exports to other EC countries; this dependence even declined during the period 1978-85.

e) Major results of the calculations

A comparison of the indicators for the textile and clothing industries highlights the following findings:

- In the textile sector the mutual interrelationship of the EC member countries is higher than in the clothing industry. This may be traced to the large imports of clothing from low-wage countries.

Table 12

Redistribution of production (formula 6)[a] in the man-made fibre sector with reference to the two most important countries in 1985

Sector	Country	Shares in %		Change
		1978	1985	1978/85
40 Fibre/staple	D	31,1	35,2	4,1
	I	23,2	31,3	8,1
41 Fibre/filament	D	35,7	41,7	6,0
	I	18,0	23,2	5,2

a) Excl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

- The establishment of the Common Market - in cooperation with other factors - led from 1978-1985 to trade creation in some sub-sectors. This benefitted primarily the Italian textile and clothing industry. The French and in particular the British producers were not able to take equal advantage of the opportunities offered by the Common Market.

- With respect to specialization in intra-EC exports, the leading position is held by Italy in the clothing sector, by Germany in the textile sector.

- In the period 1978-1985 trade diversion from third countries following the establishment of the Economic Community was ascertained only in some sub-sectors of the textile and clothing market. In this period the Common Market had therefore no severe protectionistic effect vis-à-vis third countries, despite the existence of the Multi-Fibre-Agreement (MFA). On the other hand, imports from developing countries may not have increased to the same extent as the competitiveness of low-cost countries has grown.

- With respect to changes in production capacities, the Italian producers were the winners at almost all levels of the textile and clothing sector. In the textile sector capacities were reduced primarily in France and the United Kingdom, in the clothing industry especially in the Federal Republic of Germany.

2. Market Structure

a) Size distribution analysis

The general picture of the EC textile and clothing industry is still one of a fragmented industry characterized by a high number of small and medium-sized firms (see graph C1[1]). Note that the available EUROSTAT data certainly underestimate the role of smaller firms in the industry, because they leave out all the production units with less than 20 employees, which are recognized to be of a great importance in the organization of the industry[2]. An OECD document estimates that the Italian sector is made up of roughly 200 000 firms, including all the firms, while the figure excluding the units with less than 20 employees drops to 5000. Furthermore, it is generally agreed that the number and the weight of small productive units in the industry has steadily increased in the 1970s and in the first half of the 1980s (table C11 provides a clear example).

An idea of the role of the small firms in the industry is given by the data in table C12 for 1975. On average, in EUR-7, 68 % of the total number of firms fall in the small size class (20-99); Italy (with 80 %) and Denmark (with 83 %) have the more fragmented structure, with a largest share of small firms, a smaller share of medium-sized firms (100-499 employees; 27 % on average in the EUR-7), and a small quota of large firms (= 500 employees; 5 % on average in EUR-7).

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1) Graphs and tables with the index C may be found in annex C.
2) For sources and definitions of the data see annex C.a.

Clearly, the number of firms belonging to the various size classes can provide only a partial view of the structure of the industry. More important is to weigh these classes with employment data. Having done this, the importance of small-sized firms reduces drastically, and the industry structure appears to be based, with some exceptions, on medium-sized firms. The main exceptions are France and Netherlands, where the large firms share the largest quota of employment (see table C8, table C13 and compare graph C1 to graph C5).

In the 1975-81 period, the structure of the textile industry has experienced some important changes. The pattern of adjustment has varied according to the country, although the basic organization of the industry has not changed very much - medium-sized firms still hold the largest share of employment in almost every country (see graph C6). Compared to 1975, in 1981 the weight of the small-size class on total employment is significantly lower in Germany, Italy and Denmark. In the same countries, as well as in Netherlands, the quota of medium-sized firms on total employment increased (see table C13). The low reliability of the 1975 data does not allow to use the number of firms figures to infer something on the process of growth of the firms in these countries. In particular, we cannot say whether behind these percentage changes there has been a process of growth of a nunmber of small firms, although this is not unreasonable for some countries, notably Italy.

In Great Britain and in Netherlands the share of the small-sized firms had in the period a sharp increase counterbalanced by a parallel decline in the role of large firms. For these two countries this change is quite understandable, for they had an industy structure heavily based on large firms, which have proved not to be very competitive in the majority of market segments. The French textile industry did not change very much its size structure, with the exception of a moderate fall in the share of total

employment held by medium sized firms. In Belgium, on the other hand, despite the experience of the other countries, the weight of the large firms increased of 12 percentage points, probably due to a process of growth of medium-sized firms.

With respect to average size of the firms, the process of adjustment of the European textile industry during the 1970s brought about a general reduction of the values for all the countries under analysis. The decrease in the average size of the firms has been particularly strong in Netherlands, France, and Great Britain. The figure for EC fell from 152 employees in 1975 down to 128 employees in 1981. As we shall see, in contrast with the textile sector, the average size of the firms in the clothing industry (110-114 employees) remained basically the same during the period under analysis.

The general conclusion which can be drawn from the above analysis, given the unreliability of the 1975 data and, above all, the lack of data on firms of a less than 20 employees size, is that the process of adjustment in the main EC countries in the 1975-81 period was based on a greater role for medium sized firms, probably due to a process of growth of small firms.

The structure of the clothing industry is basically similar to that of the textile sector. The number of small-sized firms is very high in all the countries (see graph C3 and table C14), and a major role is played by medium-sized firms, as shown by the share on total employment held by this class of firms in all countries but Denmark (see graph C7 and table C15).

Looking at the changes in the 1975-81 period, the first data is that of a relative reduction in the weight of medium and large sized firms, in terms of employment, compared to small firms. Absolute and relative data on number of

firms according to size class (see table C14) show that the number of firms belonging to the two larger size classes declines relatively more than the number of firms in the small-size classes. The data based on the number of employees (see table C10) confirm the above picture: the medium and large firms classes lose percentually more employment than the classes of small-sized firms. Large firms, in particular, tend to have less employees. The greater weight of small firms in the clothing industry in terms of employment can be explained in terms of efficiency. It is not unreasonable to say that medium and especially large firms have undertaken a considerable amount of restructuring and technological reorganization in the plants, with the result of less employment and more productivity. Concentration processes through mergers and take-overs could also have occured in a number of cases. Probably, at least a quota of small firms have lagged behind this process of restructuring. The insight is confirmed by the average size data: while the value for the small firms classes has remained basically unaltered, for mediumsized firms classes and, above all, for large-sized firms classes, the average size declined significantly (see table C10).

In the clothing industry, the process of adjustment has brought about a relative reduction in the weight of medium and large sized firms, in terms of employment, compared to small firms. Absolute and relative data on number of firms according to size class show that the number of firms belonging to the two larger size classes (100-499 and = 500 employees) declines relatively more than the number of firms in the small-size classes. The data on the number of employees confirm that the medium and large firm classes lose percentually more employment than the small-sized firms class. Large firms, in particualr, tended to have

less employees. Presumably, this was due both to the fact that larger firms have been more active in technical improvements and in restructuring, and that part of the production has been sub-contracted to small units.

b) Concentration analysis[1)]

The clothing industry appears to be more concentrated than the textile industry (the 1975 GINI index is 0,48 for the latter compared to 0,67 for the former, table C16). Of all the sub-sectors of the textile industry, the manufacture of household textiles and other made-up textile goods is by far the more concentrated, with a value of the 1975 GINI index of 0,79. Less inequality in size can be found in the preparation, spinning and weaving of flax, hemp and ramie, with a low value of the 1975 GINI index, 0,30.

Looking at the differences in the concentration index by countries, in the majority of cases the smallest countries have industries with more equality in size. Denmark shows values of the GINI index systematically lower than the other countries.

Comparing the values of the index in the two reference years, 1975 and 1981, a fairly general conclusion may be drawn: the two industries tend to be less concentrated, at least in terms of employment. The 1981 index for the clothing sector is 17 percentage points below the 1975 value, while the gap for the textile sector is 11 points.

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1) For methodology see annex C.b.

c) Conclusions

Some general conclusions can be drawn from the size distribution and concentration analysis:

- There is evidence that "size" has not been a crucial strategic variable for the European textile and clothing industry in the period 1975-1981. Clearly "size", measured in terms of number of employees, tends to underestimate the true role of economies of scale, because it does not take into account the increase in productivity due to technological up-dating and innovation.

- Concentration has not proved to be very important for the competitive performance of the sector in the face of increased intra-EC competition and outside competition. The overall organization of the industry (e.g. linkages between firms) has probably been far more important.

- The limited role played by production economies of scale, as we shall see in the next section, may be an explanation of the above conclusion.

3. Economies of Scale and Efficiency Gains

a) General remarks

One of the main positive effects which are expected from the completion of the internal market comes through cost savings due to further economies of scale. In this section we try to provide some evidence of the importance of economies of scale in the textile and clothing industy. We will follow two different routes: the first one is the development of a statistical index, the second one is the report of some estimates based on engineering surveys.

b) Statistical analysis

In this paragraph we analyse the importance of economies of scale using the G.V.A. (Gross Value Added) per employee index (GVA/PE). This index has been calculated by dividing the gross value added of each size class by the corresponding total nunmber of employees of the size groups (EUROSTAT data). This calculation has been carried on for each sector and sub-sector and for each EC country. The basic assumption of the entire analysis is that economies of scale are positively correlated to the GVA/PE index. Note that some general warnings on the significativity for economies of scale analysis of an index similar to this are made by Pratten in his 1971 book. The main point is that more efficiency is not necessarily related to size in terms of employees.

The results of the analysis are presented in table D1 for 1975 and table D2 for 1981[1]. The tables show the comparison of the values of GVA/PE index of the three size groups (small firms with 20-99 employees, medium-sized firms with 100-499 employees, large firms with more than 500 employees) for every country in each sector. The difference of the values between the size classes is shown in percentage terms. The main result is that there is no clear evidence of a significative positive correlation between the GVA/PE index and the size of the firms in the case of the textile industry (NACE 43), while for the clothing sector economies of scale seem to play a greater role.

In the 1975 textile sector (NACE 43), four EC countries out of six had large firms more efficient than small firms,

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1) Tables with the index D may be found in annex D.

although the value of the GVA/PE index was not more than 10 % higher for large firms than for small ones. There also seemed to exist some gain of efficiency for medium-sized firms compared to small ones in five out of seven countries. In the case of two countries this gain was quite substantial (the GVA/PE index for large firms was 30 % higher than the small firms index). Efficiency gains for large firms were particularly important in the silk industry (NACE 433) and in miscellaneous textile industries (NACE 439).

An interesting result, which confirms the analysis of the section on market structure, comes about from the comparison of the above data with the 1981 estimates (see table D2) for the textile sector. The data clearly show that there has been a gain in efficiency for small firms compared to large, and for medium-sized firms compared to both large and small firms. Efficiency, in this case, varied irrespective of size, and, in particular, large firms did not prove to be more efficient than smaller productive units. This has been especially true for the wool industry (NACE 431) and the cotton industry (NACE 432).

The performance of the clothing industry (NACE 453) in the period was quite different. The 1975 data provide only moderate evidence of some efficiency gain for larger firms compared to smaller ones. The 1981 data, on the contrary, strongly support the conclusion that, behind the more sustained concentration process relative to the textile sector, there has been a greater role played by economies of scale. In five countries out of five, large firms had a higher value of the GVA/PE index compared to small firms. Large firms were also more efficient than medium-sized firms.

The above conclusions, which reflect in part the type of data used and the general shortcomings of the use of the GVA/PE index for economies of scale analysis, must of course be supported by estimates of economies of scale based on the engineering knowledge of the technical conditions of production, which will be presented in the next paragraph.

c) Engineering analysis

As recognized by several studies, product specific economies of scale (PSES) are very important in the T-C industry and, in particular, they are more important than plant economies of scale (PES) (see Textile Council, 1969; Pratten, 1971; Scherer et al., 1975; Mariotti, 1982). The importance of PSES increases as we move from upstream stages of production to downstream stages (particularly from weaving onwards).

The existing literature also shows that PES play a limited role in the T-C industry. The estimates of the minimum optimal size of the plants (MOS) for various subsectors show that, in general, they account for a modest share of total domestic production. Furthermore, the estimated increase in costs with 1/3 of the MOS is generally slight (see table 13).

These results suggest that static production economies of scale, with some exception, do not represent an effective barriers to entry for the T-C industry, and that for the majority of sub-sectors concentration processes could not be based on them.

TABLE 13

PLANT ECONOMIES OF SCALE. ESTIMATES OF MINIMUN AND MAXIMUM OPTIMAL SIZE FOR TEXTILE-CLOTHING INDUSTRY

BRANCH	M.O.S annual production	M.O.S employees	M.O.S MAX production	M.O.S MAX employees	MOS as % of total an. prod. in Italy	increase of average costs at 1/3 of MOS
COTTON SPINNING						2 - 4
open-end	3000 TON	50	9000 TON	150	1.3	
cotton carding	3075 TON	135	4100 TON	180	1.4	
cotton combing	2700 TON	180	3600 TON	240	1.2	
COTTON WEAVING	2500 TON	350	3750 TON	525	1.4	2 - 4
COTTON FINISHING	5300 TON	550	5300 TON	550	3.0	4 - 6
WOOL COMBING	5600 TON	110	>=11200 T.	>=220	8.0	n.i
COMBED WOOL SPINNING	3800 TON	220	5700 TON	330	1.3	2
WOOL WEAVING	2600 TON	300	<=3900 TON	<=450	1.2	2
WOOL FINISHING	1300 TON	300	2600 TON	600	<1	n.i
INNER KNITWEAR	700 TON	190	n.i	n.i	n.i	n.i
READY MADE CLOTHING	200000*	400	350000*	700	1.4	3
SHIRT	550000*	175	1100000*	350	1.4	3 - 4

SOURCE: S. MARIOTTI, Efficienza e struttura economica: il caso tessile-abbigliamento, Milano 1982.

* number of articles

The possibility of exploiting static economies of scale, both PSES and PES, is strongly limited by the low level of standardization of products, essentially due to demand factors. There is a clear trade-off between product variety and PES, and the choice depends on the market target of the firms (segments with highly variable demand in terms of product-mix vs. segments with more standardized demand). Flexibility of production processes, in the sense of the capability of varying the product mix without strong increases in costs, is one of the strategic variables for many T-C subsectors. Static efficiency as such can be of a limited value if demand is highly variable in quantitative and qualitative terms.

The key factor which allows the firms to obtain substantial efficiency gains in those sectors where PES and PSES are not important is flexibility. This can be achieved in two ways:

- The first one relies entirely on technological innovation, particularly by developing flexible manufacturing systems (FMS) for textile and clothing productions. Potentially, these systems can allow significant economies of scope, in some sense solving the problem of the trade-off between static efficiency and product variety. In the last decade many firms were investing in these new technologies.

- The second one is the development of a flexible organization of the industry. The Italian T-C sector provides a clear example. Dynamic export-oriented firms greatly differentiated production and moved to higher segments of the markets. The production of a large range of differentiated products required a highly flexible production

system. This was realized by putting more emphasis on the overall organization of industry rather than on single firm performance. For some sub-sectors, a large share of production was contracted out to a great number of small production units, which could provide the necessary flexibility and efficiency in production. The crucial strategic variable which could affect the performance of the firms was not plant size as such. Far more important was the power to "organize" production, to set up a network of production units, both upstream and downstream. The knitwear industry, for example, was organized in industrial districts which worked as if they were a single firm with hundreds of small, independent, highly flexible, production units. The fragmentation of this production system was counterbalanced by the concentration of commercial and marketing activities in a smaller number of firms, often of a very large size in terms of turnover, which organize the whole system of production. This production system was at the heart of the good export performance of the Italian firms of the knitwear, clothing, and wool sectors from the second half of the 1970s onwards. The Italian model has been imitated in a number of cases. Belgium is a typical example. Also in France some firms have been undertaking similar strategies of adjustment.

The efficiency and flexibility level required by the EC market could also be obtained by subcontracting either processes of production or the manufacture of final products to productive units in developing and eastern countries. Germany extensively used this strategy in the last decade with two main results. The first one was the gain of substantial cost reductions which made the German products very price competitive across Europe. The second one was a sort of control of the competitiveness of the imports from low wage countries, preventing, in this way, a much more

devastating impact to these producers on the European T-C industrial structure. German firms control the commercial and distributive networks, own brand image and develop advertising policies. For all these activities, barriers to entry and economies of scale are very important, and very few producers from low-wage countries could allow successful entry at these levels.

The increased intra-EC competitiveness brought about by the economic integration, together with the competitive pressure of low-wage not-EC countries, are at the root of substantial technical improvements in the industry starting from the early 1970s. Technical improvements have regarded:

- single stages of processing, usually in the form of increasing the speed and the reliability of operations;
- increase in the continuity of the overall productive cycle with technological innovations;
- greater simplification and rationalization of many processing stages, with the introduction, whenever possible, of automated machines;
- introduction of advanced methods of management and control of the productive process (CAD, CADAM systems, etc.) (see OECD, 1987; Mariotti, 1982).

The various subsectors of the T-C industry have been affected by technical innovations to a different extent. The more relevant changes have occured in the spinning and finishing industries, and in the cutting stages of the clothing industry. Also weaving has been greatly involved in technical improvements. The German leading position in some sectors of the textile industry is based on an extensive use of technical innovations.

Technical innovation has caused a strong increase in productivity, with significant cost reductions. In the last decade, this has been the case for the Italian textile industry, which showed the highest productivity growth rates, for the German textile sector, and for the clothing industry in Italy, France and UK (see table 6). There is no clear evidence of the fact that technical progress has determined a significant increase in the optimal size of the plants.

The existence of a common European market has been a crucial factor for the achievement of economies of scale due to commercial and marketing aspects. These also represent strong barriers to entry for low-cost developing countries. The main point is that, in order to exploit these economies, it is not necessary to be a multi-plant firm. As we have already seen, sub-contracting, both at national and international level, and "putting out systems", can do the job probably more efficiently.

4. The analysis of prices[1)]

a) General remarks

The aim of this part of the study is twofold. On one hand we seek to evaluate the extent of residual trade barriers within the EC by observing the level of prices of some clothing articles all over the EC countries. On the other hand we investigate the dynamics of clothing price indices

1) The original data of the analysis are presented in annex E.

to elucidate the movement of relative prices of the clothing industry over time in each EC country. We call the first horizontal analysis and the second time analysis.

b) Horizontal analysis

The analysis is based on net retail prices for selected clothing products. In both 1980 and 1985 for some clothing merchandises the price differences reach even 200 %. Despite the fairly advanced stage achieved by the internal market in this industry these apparent divergences reveal at least the existence of some peculiarities of national markets.

The analysis of prices corrected for differences in per capita income does not show any substantial diversity in price behaviours. It was tried also to see whether this phenomenon was the result of the still lagging integration of the EC clothing market during the seventies. The presumption was that price differences should become less severe as integration went on.

The coefficients of variation presented for 1975, 1980 and 1985, show that the phenomenon of price differences is in the way (table 14). There is no clear trend towards reduction over time. The interviews confirm these findings. In all four major EC countries there are businessmen who said that they set prices in the EC within a discretionary range which represent on average 10 percent of the net final price. We have reason to believe that they purposedly gave a lower figure because they feared legal consequences. Then if we add price differences made by retailers we understand why such penomenon is still so relevant.

Table 14

Coefficients of variation[a] of net average retail prices of clothing products for EUR-10

Product	1975[b]	1980	1985
Coat M.	0,06	0,06	0,06
Coat W.	0,07	0,07	0,08
Raincoat	0,08	0,07	0,06
Jacket M.	0,05	0,06	0,07
Jeans	0,05	0,06	0,05
Trousers W.	0,04	0,07	0,11
Trousers M.	0,05	0,07	0,06
Trousers C.	-	0,10	0,10
Skirt W.	0,03	0,07	0,08
Pull. M.	0,08	0,09	0,09
Pull. W.	0,11	0,08	0,04
Shirt	0,03	0,07	0,06
Chemise	0,06	0,06	0,10
Slip M.	0,03	0,09	0,10
Slip W.	0,07	0,10	0,07

a) The coefficients of variation have been computed according to the following formula:

$$\frac{\text{ST.DEV.}}{\text{MEAN}} \cdot \frac{1}{\sqrt{n-1}}$$

n = number of observations.

(See: A. Naddeo "Statistica die Base" ed: Kappa Roma 1983.)

b) Computed on gross prices.

Source: Data from EUROSTAT; calculations by PROMETEIA.

A detailed analysis of price differences has been undertaken also on some standard textile products by using data on values and quantities exported. Tables with the export prices for two 6-digit subsectors of four major European countries are presented. This has been done with the purpose of comparing price differences across countries in the clothing sector to price differences in the textile sector. The first one (table 15) covers 1975-80-85-86 so as to have the same reference years of clothing prices above analysed. 1986 has been studied because comparison with 1985 is quite useful due to the scarce exchange rate variability recorded in the EMS in 1985 and 1986. The choice of the sector has been influenced by the need of the utmost homogeneity of the good. The second sector (table 16) has been analysed on 1985-86 data (data are not available before for this branch). This branch seems to produce an even more homogeneous good than the former. Tables 15 and 16 present in each column the prices set by one country in the three major EC countries. Denim (sector 5509.09) shows a lower price differences than any clothing good (table 14). Also printed woven fabric (sector 5509.66) gives a similar answer even though the product is less homogeneous.

Price differences look lower in textiles than in clothing. The reasons are:

- Product differentiation in textiles is lower and hence price differences cannot reflect different consumer tastes to a great extent.

- More homogeneous goods in the textile industry make competition fiercer and price differences less likely even if stronger competition is not accompanied by any decrease in concentration and economies of scale have still to be fully exploited.

Table 15

Differences of Export Prices for Printed Woven Fabrics[a)]

Exp. from	D				F				I				U.K.			
Exp. to	75	80	85	86	75	80	85	86	75	80	85	86	75	80	85	86
F	6,1	10,2	14,3	16,6	-	-	-	-	4,2	7,2	12,6	11,5	7,8	15,3	18,7	22,4
D	-	-	-	-	6,3	10,2	12,7	13,1	8,1	11,8	24,5	22,7	9,6	11,3	19,9	23,9
I	7,1	11,2	10,9	18,0	11,4	13,5	14,3	16,7	-	-	-	-	9,0	5,8	26,2	23,8
U.K.	5,8	10,5	13,9	15,6	6,0	10,9	13,4	10,9	6,8	6,1	12,2	17,5	-	-	-	-
Mean	6,33	10,60	13,03	16,73	7,90	11,53	13,47	13,57	6,37	8,37	16,43	17,23	8,87	10,80	21,60	23,37
Standard deviation	0,56	0,42	1,52	0,98	2,48	1,42	0,65	2,39	1,62	2,47	5,71	4,58	0,82	3,89	3,29	0,68
Coefficient of variation	0,06	0,03	0,08	0,04	0,22	0,09	0,03	0,12	0,18	0,21	0,25	0,19	0,07	0,25	0,11	0,02

a) Printed woven fabrics with min 85 % cotton (SITC 55 09. 66).

Source: Data from NIMEXE EUROSTAT; calculations by Prometeia.

Table 16

Differences of Export Prices for denim fabrics[a)]

Exp. from	D		F		I		U.K.	
Exp. to	85	86	85	86	85	86	85	86
F	7,2	6,2	-	-	7,1	5,7	6,7	5,3
D	-	-	7,4	5,2	6,3	7,1	6,1	5,8
I	6,3	5,7	5,1	5,6	-	-	5,0	5,4
U.K.	8,2	7,9	7,4	8,7	10,5	4,7	-	-
Mean	7,23	6,60	6,63	6,50	7,97	5,83	5,93	5,50
Standard deviation	0,78	0,94	1,08	1,56	1,82	0,98	0,70	0,22
Coefficient of variation	0,08	0,10	0,12	0,17	0,16	0,12	0,08	0,03

a) Denim fabrics with min 85 % cotton and min 85 cm width (SITC 5509.09).

Source: Data from NIMEXE EUROSTAT; calculations by Prometeia.

- Textile production is more capital intensive, hence the slight differences in labour costs among the EC countries have less weight.

- Textile goods are mostly sold directly by producers leaving less room to different commercial margins which are sometimes the cause of price differences among goods of the same branch across countries.

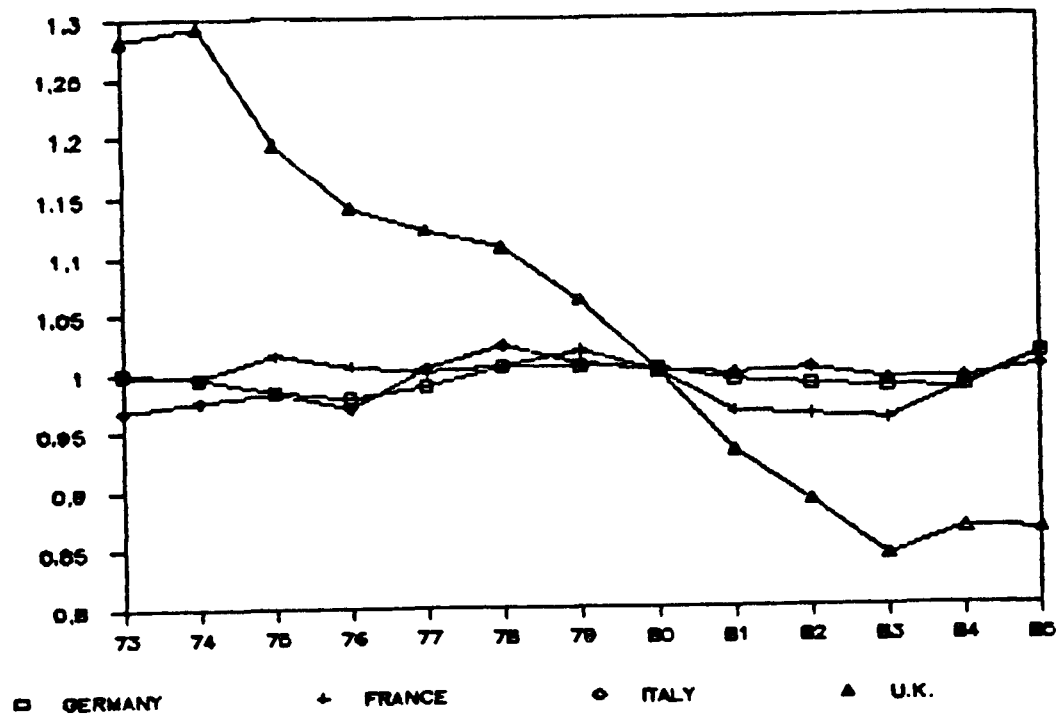
Why do we observe price discrimination? Is it really the sign of a still lagging internal market in the T-C sector? Will it persist after 1992? First of all price discrimination by firms across different countries might just be a policy by firms induced by different consumption habits of consumers across the EC: price elasticity of consumers demand can be exploited by non perfect competitors to charge different prices. Insofar as some market segmentation is due to different consumption patterns or to different consumers culture, the phenomenon of price discrimination is not the sign of residual non tarriff barriers within the EC. Taking into account the pronounced price differences it is clear that the bilateral agreements within the MFA play an important role. The EC countries have signed the MFA which allows bilateral agreements over import quotas. It should be reminded that the effect of an import quota on domestic prices hinges upon the elasticity of demand and, where there is perfect competition, of supply. Therefore the same quota might have different impact on prices of the various countries which adopt it. If different quotas are allowed price patterns may diverge even more. We did not find evidence even during direct firm interviews of other reasons which can explain price differences, but of the prevalence in each country of market

niches corresponding to higher or lower prices, which cannot assumed away by per capita incomes. No hope that these differences will disappear in the future.

c) Time series analysis

The analysis of prices time series shows a substantial stability of relative prices of clothing over the period 1973-1986 in three major countries, i.e. Italy, Germany and France. In Italy the price of clothing has gained over the period some five points, while in Germany and France some two points which shows greater stability (figure 1). Quite

Figure 1: Relative Prices Clothing-Footwear *)
(1980 = 100)



*) In relation to general price index.

a different behaviour is displayed by UK prices. Here the relative price of clothing has lost some 40 points. This is primarily the signal of cheap imports from third countries (Commonwealth) and the switch of British consumers towards lower price articles.

5. Consumption patterns

a) Development in the past[1)]

From branch data we can easily infer some features of the evolution of private expenditure in the four major EC countries. It appears that from 1973 to 1985 the share of private consumption expenditure for clothing and footwear in total private consumption has slightly declined both in value and quantity terms in Italy, Germany and most in France (figure 2). This is due to the inferior nature of clothing expenditures. A sharply different picture is provided by UK. In this country clothing expenditure has diminished its share in total consumption expenditure only in value terms, whereas it has increased its share in quantity terms.

Data on per capita consumption shares of clothing for 1979 also show that money devoted to these goods declines proportionally as income increases (table F5). This implies

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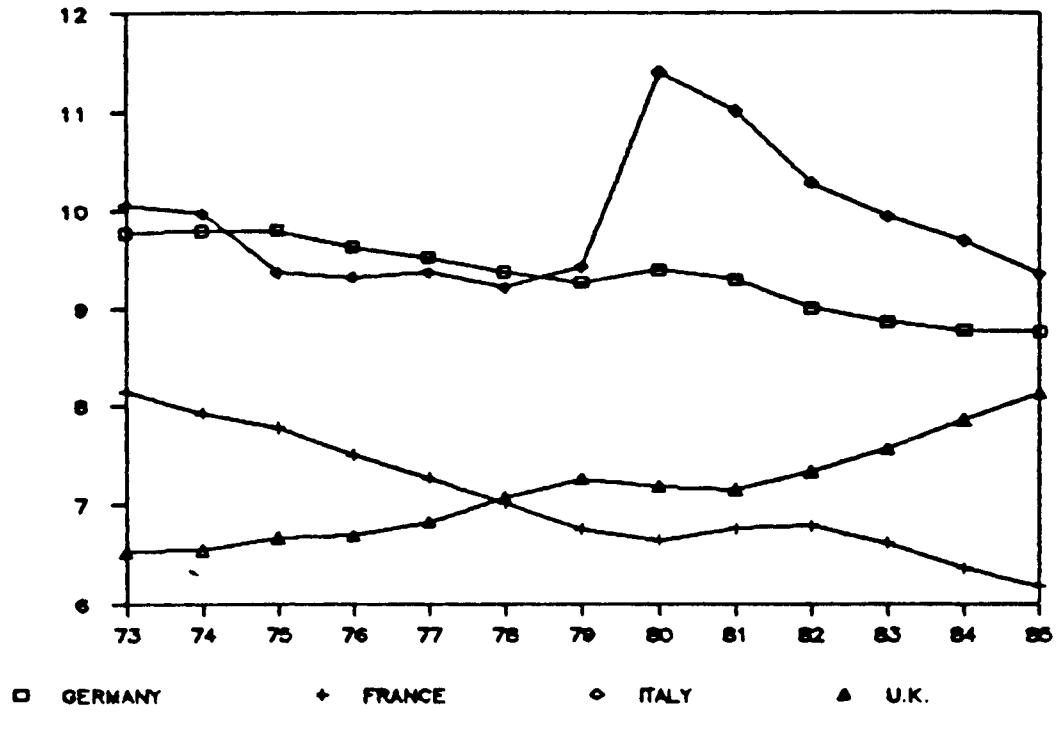
1) The original data for the analysis are presented in annex F.

Figure 2: Shares of Private Consumption Expenditure for Clothing-Footwear in Total Private Consumption (at constant prices of 1980)



that this sector has some character of maturity despite the non durable nature of the goods concerned. This leads to the conclusion that the sector will not benefit much in terms of its expenditure shares by a further reduction of internal barriers.

Demand for clothing can be divided into two parts. On the one hand there is a mass market primarily supplied by imports from third countries. Demand for these products is relatively price-elastic. On the other hand there is a market for high quality products which is the very domain of most of the European producers. Demand for these goods is rather price-inelastic. This is the reason why the role of price developments in the determination of clothing demand in the industrial countries is a controversial issue in the economic literature. Some studies indicate that prices are important, whereas other studies (mainly European) conclude that, according to the available data, prices are rather insignificant in comparison with other factors in explaining clothing demand (Cf. GATT, 1984, pg. 168). On the average the elasticity to prices of consumption expenditure for T-C is a little below 0. We consider two different scenarios according to two different values of elasticity: -0,6 and -1,0. The lower figure (-0,6) is more realistic if we take into account the inferiority character of T-C goods.

b) The effect of 1992 on consumption

One effect of eliminating the trade barriers will be lower prices (see chapter IV.1). To evaluate the impact of lower prices on the level of consumption of T-C products we assume that prices will decrease by 0,8-1 % in Italy, 0,4-0,6 % in Germany and France and 0,6-0,8 % in the UK. The effects of the completion of the internal market will be a small increase of consumption in the range of 0,2-1 % in the period 1985-92 (table 17). The total increase will be higher because aggregate consumption will have increased owing to a higher income in 1992.

Table 17

Effects of decreasing prices on consumption of clothing and footwear

Elasticity/ Scenario	Italy		France		Germany		U.K.	
Elasticity to prices	-0,6	-1	-0,6	-1	-0,6	-1	-0,6	-1
Scenario 1								
Variation of prices (%)	-1	-1	-0,6	-0,6	-0,6	-0,6	-0,8	-0,8
Effect on consumption (%)	+0,6	+1,0	+0,4	+0,6	+0,4	+0,6	+0,5	+0,8
Value terms*	284,1	473,5	0,75	1,12	0,36	0,54	0,75	1,20
Scenario 2								
Variation of prices (%)	-0,8	-0,8	-0,4	-0,4	-0,4	-0,4	-0,6	-0,6
Effect on consumption (%)	+0,5	+0,8	+0,2	+0,4	+0,2	+0,4	+0,4	+0,6
Value terms*	227,3	378,8	0,37	0,75	0,18	0,36	0,60	0,89

* Consumer effect calculated from private consumption expenditure for clothing and footwear at current prices of 1985. They are billions of lire, of fr franc, of DM, of pounds.

IV. Effects of the Planned Completion of the Internal Market

In the following, the effects of the planned complete realization of one single European market will be presented. The analysis will be based largely on the results of the interviews.

1. Barriers to Trade

Most of the firms in the sample did not complain about the existence of significant barriers or obstacles to intra-community trade. According to them, there are no significant differences in selling in the domestic market. An Italian firm even said that there are more troubles in selling in Southern Italy than in Germany or France. The EC market is then considered almost perfectly integrated.

Although there are no significant barriers intra-EC trade is still hampered by a number of more or less slight barriers. In accordance with the Commission's 1985 White Paper, three categories of barriers may be distinguished:

- Physical barriers:

  One of the most trade barriers within the EC are delays at the borders, primarly because of exaggerated border formalities or arbitrary and therefore discriminatory use of customs rules. In these conncection the surveyed firms mentioned above all the customs practice in France, but also in Italy, Greece, Portugal and Spain. To be sure, the frequency of border delays has declined recently, according to the firms.

This category of physical barriers includes also the control of origin of goods in order to ensure that products from third countries, the imports of which to the EC has been restricted, have been set against the relevant Member States quotas. Moreover, Member States may be authorised by the Commission, on the basis of art. 115 EC treaty, to exclude those imports from Community treatment. Since the middle of the 1970s this article has increasingly been invoked, especially by France and Ireland (table 18)[1].

Table 18

Measures based on Art. 115 EEC Treaty 1973-1985

Products/Countries	1973	1975	1977	1979	1981	1983	1985
	Frequency of Use						
MFA-products	8	12	37	176	89	123	81
Agrarian-products	6	10	2	3	2	5	5
Other products	20	14	22	58	25	31	39
All products	34	36	61	237	116	159	125
	Distribution by Country (%)						
Benelux	25,0	16,7	27,0	19,9	16,9	12,2	3,2
Denmark	0	0	0	1,1	0	0	.
France	62,5	42,7	32,4	42,6	39,3	29,3	44,0
FR Germany	0	0	21,6	3,4	1,1	3,3	.
Ireland	0	0	2,7	14,2	27,0	38,2	24,0
Italy	12,5	33,3	2,7	3,4	6,7	6,5	16,8
United Kingdom	0	8,3	13,5	15,3	9,0	10,6	12,0
Total	100	100	100	100	100	100	100

Source: H. Dicke et. al., 1987, p. 31.

1) Since 1985 the member countriers have had to get permission from the Commission before invoking Art. 115.

Application of Art. 115 has the effect that merchandise once imported into the Common Market may not simply be exported from one member country to another. For intra-EC trade importers must then provide certificates which prove in which country the merchandise had originally been produced (country-of-origin certificate). Then too, individual member countries have their own interpretation of which activities determine the origin (e.g. in the case of clothing, sewing or producing the fabric). This explains to a large extent the differential application of Art. 115.

- Technical barriers:

Of some importance are restrictions in cross-border capital flows, which affect merchandise trade as well as direct investment. Firms' complaints concern primarily practices in Italy and France. Frequently mentioned was the lack of a unique European currency; this was said to cause high hedging costs, especially for exports to the UK.

In the category of technical trade barriers mention was also made now and then of a restriction in the case of public procurement. In many cases, the firms didn't even participate in the calls for tenders, as they were sure of not having a chance.

- Fiscal barriers:

Very frequently the firms mentioned the different value added tax rates in the member countries as being a trade barrier. Individual member countries, e.g. Italy, demand the value added tax at the time of import, which is discriminatory in favour of the domestic competitors.

According to a special survey of German clothing manufacturers, the trade barriers mentioned above concern in particular small and medium size firms. The barriers have less grave effects on the large producers.

The trade barriers mentioned did not, however, prevent the firms from exporting to other Common Market countries. These exports might possibly have been even higher, although there are many dynamic, Europe-oriented firms which stopped differentiating between domestic sales and exports a long time ago. Consequently the elimination of the still existing trade barriers will only have marginal effects on quantitative trade flows within the EC. This implies that economies of scale yet to be realized may also be minimal for production processes.

Given that the trade barriers will be eliminated, the interviewed firms expect costs reductions for exports of some 1 to 3 percent. Because of the sharp competition in the textile and clothing markets one may assume that the cost reductions will also be passed on prices.

2. Strategies for the future

As already said 1992 is expected to have mainly a psychological effect even if there are some events which could push the internal market to degrees of integration never experienced before.

- Harmonization of VAT and a complete liberalization of movements of capitals and currencies could make certainly some firms even more EC minded. In that scenario the strategies of the firms are going to change slightly,

since they already have a European orientation. However in that event they will probably decide their market strategies at a European level, and not country by country as they do now. This will imply the need to monitor continously the EC market and to respond very quickly to changes of EC tastes and to create EC commercial networks.

- The full integratin of Spain and Portugal will mean a strong competition by low wage countries within the EC and this will certainly favour a further delocalisation of plants in these countries. Many firms already produce outside the EC and the process seems to be preferred by firms in the four major countries.

- Delocalization responds to two purposes which are sometimes simultaneous and sometimes separated. The first is to take advantage of low wages in some recently industrialised or developing countries. In these countries it is possible to produce with the latest technology even if it takes some time to reach the quality standards of EC plants. This delocalisation takes place mainly in the southern Mediterranean areas, Far East, central and south America. The second purpose of delocalisation is to be in markets which have relevant barriers and which show great opportunities, like USA, China etc. This kind of delocalisation takes the form of direct investments in new plants or of buy out of existing firms. Exchange rates variability outside the EC may be another reason to invest outside the EC to decrease risks. The exchange rates variability in the EC is not considered an incentive to delocalise production within the EC, except Spain and Portugal. This exchange rate variability is just a nuisance which obliges firms to keep big financial offi-

ces for just small differences of everyday EMS[1] rates.

- As far as market structure is concerned many firms feel that the EC is going to experience an increase in concentration. The reason is not one of technological economies of scale as we have seen before, but simply linked to the huge economies of scale in commercial networks which are still to be exploited. The homogenization of tastes due to the psychological effects of 1992 will certainly push firms to be more aggressive at the commercial level causing the disappearance of those firms which will not have made the necessary investments in a solid EC commercial network. This fact will probably lessen price differences across the EC.

- Another strategy which seems to be increasingly successful is one of looking for higher niches of the markets. This strategy does not need to be commented since it is well known. We just add a couple of caveats. First of all clothing is a good which is inferior, i.e. its share in consumption declines as income increases, and this implies that rich people buy proportionally less than medium income people. Secondly, whenever a firm goes to higher market niches the EC market might become too small. This is true even if economies of scale are less important the more flexible are production organization and the machines of the firm. In that case the need to be more open to third countries would be a real necessity to allow high quality firms to compete on a more efficient production scale. Some EC firms have already invested in USA and are trying to penetrate Japan's markets.

---

1) European Monetary System.

3. The effects in detail

a) Immediate direct effects

Unit labour costs will drop as a result of the internal market simply because the job of monitoring the custom formalities, filling the custom documents, checking the labelling requirements, etc., will be no longer necessary. Part of the staff working on these items can be moved to other assignements or fired. Our estimate of the importance of these jobs in the employment structure of a firm with substantial export activity, is around 0,5 % to 2 % of the total number of employees. If these people were fired, the cost saving would be around 0,5-2 % of the wage bill.

There are, however, two possible scenarios. The best one in terms of cost reduction, is that of lower employment with the same production level and efficiency, or the redeployment of the white collars formerly working on custom formalities to other internal jobs which increase the overall efficiency of the firm. The immediate firing is quite unlikely. Furthermore, if one of the possible effect of the internal market is an increase of the export performance of the firm, the marketing staff might need to be reinforced, so people formerly working on custom formalities can still be valuable for the firm.

The more likely scenario is that of no significant changes in the number of white collars, at least in the short term. So the unit labour cost reduction as a direct effect, will be accordingly negligible.

b) Deferred direct effects

The completion ot the internal market can have a psychological effect in the sense of making firms more Europe minded and willing to increase their export and investment activity in the European community. Harmonization of VAT and a complete liberalization of movements of capitals and currenties could make some firms even more EC minded. In this scenario, the strategies of the firms are going to experience some changes even if they already have a European orientation, although, in this case, the impact will be correspondingly smaller. Firms will probably decide their market strategies at a European level, and not country by country as they usually do now.

In any case, the most important expected effects of the completion of the internal market come from the estimated net increase in competitiveness among European producers. We are talking about net effects because most of the changes that we would expect to occur in the next years will be mainly a reaction to forces that are in motion now and will affect the industry structure and performance for many years to come. According to the interviews' results the complete barriers-free European Community will affect these trends only marginally, not more than 10 % of the expected unit cost reductions.

The expected increase in competition in the European markets will have some effects on the mark-up of the firm. It is very difficult to work out a single estimate of the expected reduction, because of the strong differences between the competitive systems of the various sub-sectors of the industry. Furthermore, the pressure on prices due to the competitiveness of low wage producers has already been forcing firms to adapt their strategies to a price competitive environment.

The mark-up reduction depends also very much on the distributive structure of the countries and on the marketing and distribution policies of the firms. The more the distributive structure of T-C goods is concentrated on independent large units (department stores, mail order houses etc.) the more price competition is expected to reduce the mark-ups of the firms. In this case, however, nothing guarantees that reductions in the mark-ups will be passed on consumer prices: the expected mark-up reduction might simply mean more profits for the distributive sector. On the other hand, the more fragmented is the distribution structure, or the more important is the market power of single brands and labels, in other word, the more oligopolistic are the T-C sub-sectors, the less strong will be the effect on prices not only of increased competition but also of the estimated cost reduction.

Countries like Great Britain and Germany, where the distribution of T-C goods is relatively more concentrated and the distributive sector is price-competitive, might experience the strongest prive reductions. France, and above all Italy, on the other hand, where the distribution of T-C goods is very fragmented, are expected to experience a comparatively smaller price reduction[1]. Firms which sell to the branded segments of the market, however, irrespective of the country, are going to develop strategies aimed at strengthening their market power. Franchising in the clothing industry is an example of such a policy. In this case, the pressure towards price reductions is comparably lower.

---

1) A la longue in Italy and France there will be a restructuring in the distribution sectors, consequently price reductions also will be very strong.

A fall in production costs due to economies of scale has been indicated as another plausible deferred direct effect. We have seen that static economies of scale play a limited role for most sub-sectors of the T-C industry. Increasing demand for variety and strong demand segmentation put more emphasis on the flexibility of the production systems rather than on volumes of production as such. Whenever economies of scale are important, these seem to be almost fully exploited. One scenario might be a tendency towards a homogenization of tastes and demand across Europe, which could change the balance between static efficiency and product variety in favour of the former. In the United States demand is more homogeneous and plants are usually larger than in Europe. Volumes are relatively more important than variety. It seems very unlikely, however, that demand in Europe will follow the US pattern. Then flexibility will remain the main route to efficiency for the European firms. In any case, even assuming that most of the TC industry is currently working at 2/3 of the optimal size of the plants, the cost reduction due to the full exploitation of static economies of scale would not exceed, on average, 1,5 - 2,5 % of unit cost of production. The internal market effect, at best, might account for only 10 % of this reduction.

Marketing economies of scale, on the other hand, mainly due to advertising, brand image and distribution factors, have still to be fully exploited for many sub-sectors of the T-C industry. A complete European market can help firms to reach a European dimension. It is very difficult to work out a single estimate of the impact that the full exploitation of multi-plant economies of scale can have on the cost structure of the industry. Even the quantification of the cost disadvantage of being at a sub-optimal scale is

not easy. Scherer et al. (1975) estimated that the disadvantage of operating with only one optimal plant was moderate for the textile industry. We interpret "moderate" to mean roughly 5 %. It is reasonable to estimate that the figure would be higher in the case of the clothing industry (10 per cent, for example), due to the more important role played by advertising, brand, and marketing factors in the clothing sector. We know that multi-plant operation in the T-C industry does not necessarily mean "owning" many plants. We also know that the most important European firms have already exploited such economies. Assuming that there is still on average a potential gain of 2,5 % in the textile and 5 % of the unit cost in the clothing industry, and allowing the internal market to account at best for 10 % of the expected changes, the best scenario for the internal market effect is an estimated cost reduction of not more than 0,20 - 0,30 % of unit cost due to multi-plant marketing economies of scale. These figures, added to the static economies of scale effect, give us an idea of the expected cost reduction due to the completion of the internal market in the more favourable hypothesis: 0,3 - 0,6 % of the total unit cost of production and marketing. The highest cost savings can be expected in France and Great Britain, currently the less efficient T-C industries.

The "branded" goods clothing sectors are usually characterized by large firms with strong brand image ("griffe"), a substantial export activity, and a tendency to control the distribution sector. These firms have a substantial market power, and the structure of the market can be highly concentrated (the jeans industry is a good example).

The production of classic goods is characterized by a strong recourse to OTP practices and international subcontracting in order to cut costs. The medium term strategies of the firms in order to cope with the new competitive environment and, to some extent, to the expected increase in competition as a result of the internal market, are twofold. On the production side, although with some regional differences discussed below, they expect to increase the recourse to OTP with low wage producers, and to delocate production with direct investment in low wage (especially Mediterranean) countries. These firms are also trying to develop automated production systems which could save on costs and allow more flexibility. On the marketing side, more investments are expected in commercial network, brand policies, and services to customers. The result to these structural changes can be a further increase in concentration and in the internationalization of production.

Fashion goods, on the other hand, require a lot of flexibility. OPT, in this case, is not the optimal strategy, because of quality requirement problems and excessive delays between orders and deliveries. A system of domestic subcontracting is a much more efficient and flexible production system for this kind of goods. The expected increase in competition may urge European firms who work in this sector to develop similar flexible systems or to exit from the market. The forecast is an increase in concentration at the

commercial level - some firms are going to develop franchising networks of a Benetton-type - and the extension of flexible organizations of production in other European countries by some firms who want to internationalize their production system.

The branded clothing sector is also the one which can cope more successfully with the competition of developing countries, and the completion of the internal market can, to some extent, favour this.

The sector of non-branded goods presents different structure and problems. In particular, the production of classic items usually with firms of medium to large size, seems to be very weak towards extra-EC competition. The recourse to OPT and international sub-contracting can help these firms but this may not be enough. The forecast is a progressive exit from the industry of these clothing firms, unless they will undertake strategies aimed at increasing their product quality and brand image. Specialization strategies, on the other hand, may have some success.

One of the most important structural changes we would expect in the future is a larger use of international sub-contracting, de-centralization of production, and outward processing practices with producers of low wage countries, particularly in the clothing industry.

So far West Germany has been the country more involved in such internationalization of production. In 1978, roughly 12-15 % of clothing imports into West Germany benefitted from special value-added duty provisions (De la Torre, 1986). De la Torre estimates that West German producers, through their foreign assembly, sub-contracting and direct

investment activity are responsible for 40 % of all West German clothing imports. About 60 % of these imports came from East European countries and 30 % from Mediterranean countries.

In the case of France, 7 % of the imports of clothing in 1979 came from North Africa, Mauritius, East Europe with outward processing agreements and as a result of direct investment of French manufacturerers in these countries. The rate of growth of these imports was roughly 1 % per year, but this figure has been increasing. By 1987, the share of these imports can be estimated around 15-20 % of total clothing imports. Although for different reasons, Great Britain and Italy are very little involved in this practice.

The cost saving due to the de-centralization of the assembly operation in low wage countries can be estimated around 15-25 % of the total unit cost of production.

The increased competition effect of the internal market can force firms to increase their recourse to outward processing and direct investments in low wage countries. The more optimistic scenario is that, in the second half of the 1990s, the share of imports of clothing from low-wage countries will be 2-5 % points higher of the estimated trend as a result of the internal market. The additional saving on unit labour cost can be estimated around -1 % for France, the country which is expected to experience the largest increase in outward processing and direct investment in the next years, and roughly -0,2 - 0,5 % for Germany, while for Italy and Great Britain the cost savings will be even less pronounced.

V. Conclusions

1. The internal market effect will be marginal in the T-C sector, because of the advanced state of integration achieved. This statement can be reinforced by observing that:

1.1 Plant and technical economies of scale have already been exploited to a large extent.

1.2 Commercial economies of scale have still to be exploited and their effect will be a further homogeneity of tastes and prices, with scanty relevance for the level of prices.

1.3 The proportion of disposable income devoted to T-C is not going to increase, so the income effects of the internal market on consumption are rather low.

2. The reduction of production prices due to direct and indirect effects should range between 0,5 and 1,5 %. How much of this reduction is going to be passed on to consumers depends on the commercial structure which will prevail after 1992. Great Britain and Germany might experience the strongest price reductions, but in all countries the effect on consumption will be insignificant.

3. What is going to reshape dramatically the T-C sector in the EC in the years to come is not the internal market integration, but the fiercer competition from third countries. Compared to the shocks produced by low wage countries import, the internal market effect looks like a grain of sand.

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Annex A

Results from the Interviews

a) Guideline for the Interviews

Number of the interview .....
Name and status of the person interviewed
.....

A. CHARACTERISTICS OF COMPANY

- Name .....

- Address.....

- Date of birth .....

- Subsector of activity in the textile industry:
  (1) Spinning (2) Weaving (3) Textile processing
  (4) Clothing (5) Knitwear ....
....

- Other activities .....

- Does the firm belong to a group ?

- If yes, please specify .....

- Production plants (only textile sector):

	Location	N. Employees	Main activity
1	.....	.....	.....
2	.....	.....	.....
3	.....	.....	.....
4	.....	.....	.....

B. DATA ON TRADE WITHIN AND OUTSIDE THE EEC

	1970	1975	1980	1986
1. Total turnover:	....	....	....	....
2. export turnover / tot turnover: (%)	....	....	....	....
3. EEC exp. turn. / export turn. : (%)	....	....	....	....
4. import / tot : (%)	....	....	....	....
5. EEC imp. / import : (%)	....	....	....	....

6. Destination of exports (main countries):

EEC:	% of total export
1.	.....
2.	.....
3.	.....
4.	.....
OUTSIDE EEC:	
1.	.....
2.	.....
3.	.....
4.	.....

7. Imports from (main countries):

EEC:	% of total import
1.	.....
2.	.....
3.	.....
4.	.....
OUTSIDE EEC:	
1.	.....
2.	.....
3.	.....
4.	.....

C. NATURE OF BARRIERS

1. Which problems did you encounter in your export activity in the EE during the last years ?

.....
.....
.....

2. In particular, state, if possible, the relative importance of the following problems ?
(1 very important, 2 important, 3 not so important, 4 satisfied with present situation)

a. Differences in national standards and regulations (labels, composition of fibre, size, etc.) .....
.....

b. Restrictions on open competition for government procurement .....
.....

c. Administrative barriers (excessive customs formalities, Art. 115) .....
.....

d. Physical frontier delays and costs .....
.....

e. Problems of information (e.g. on markets, customers, export formalities, etc.)
....

f. Other barriers .....

D. COST EFFECTS OF BARRIERS

1. Did (Will) you experience (expect) in the past (future) any cost reductions due to the establishment of an enlarged European market ?

.....
.....
.....
.....

2. If possible, state more precisely the areas of change and their relative importance
(1 very important, 2 important, 3 little or of no importance)

	past	future
a. Production process (increase in productivity, e.g. thanks to the effects of economy of scale and thanks to better access to technical information, more efficient R&D, etc.)	.....	.....
b. Transport costs	.....	.....
c. Marketing and distribution costs	.....	.....
d. Lower costs and greater availability of imported material	.....	.....
e. Other areas (please specify)	.....	.....

E. SALES EFFECTS OF INTERNAL MARKET

1. Consider the situation that would arise if a true internal market were established in the EEC and all trade barriers were removed or substantially reduced. Do you think that your company would in these circumstances be likely to experience (after a period of adjustment) change in its sales volume?
(1 increase, 2 unchanged, 3 decrease)

a. in the home sales	.....
b. in the exports to EEC countries	.....
c. in the exports to non-EEC countries	.....
d. in the total sales to all markets	.....

.....
.....
.....
.....

2. What are the main reasons for this expected change in sales volume (if possible please tick the single most important reason only):

- In the case of an expected positive effect on sales volume:

a. reduction of product price in existing markets .....
b. withdrawal of competitors .....
c. improvement in non-price competitiveness (e.g. changes in the product range, delivery times, after sales service, marketing) .....
d. Opportunity to enter new (regional) markets .....
e. Generally faster growing product market thanks to the completion of the internal market .....
d. Other reasons (please specify) ....

- In case of an expected negative effect on sales volume:

a. increased price competition from existing competitors .....
b. entry of new competitors .....
c. withdrawal from the market .....
d. other reasons (please specify) ....

3. How much of the changes you expect in the future will be due to the removal of internal trade barriers or to increased competition from non-EEC countries?

a. internal EEC trade barriers are more important .....
b. competition from non-EEC producers is more important .....
c. both reasons are equally important .....

.....
.....
.....

F. STRATEGIES FOR THE BARRIERS-FREE EEC MARKET

1. Which strategies will you undertake in order to cope with the new competitive environment characterized by a completely open common market in the European Community ? Do they differ, and in what sense from the strategies followed during the last years ?

.....
.....
.....
.....

2. In particular, please specify the relative importance for your firm of the following strategies in the past and in the expected future:
(1 very important, 2 important, 3 little or no important, 4 don't know)

	past	future
a. Cooperation through subcontracting	.....	.....
a.1 Subcontracting at home	.....	.....
a.2 " in the EEC	.....	.....
a.3 " outside EEC	.....	.....
b. Direct investiment in other EUR member countries	.....	.....
c. Specialization within your product range	.....	.....
c.1 More product variety	.....	.....
d. Improvements in product quality	.....	.....
e. Use of flexible technologies	.....	.....
f. More productivity through increases in capacity (economies of scale)	.....	.....
g. More productivity through rationalization of the production process	.....	.....
h. Change in vertical integration	.....	.....
i. Investments in R&D	.....	.....
k. Investments in design and styling	.....	.....
l. marketing policies (advertising, sales promotion, brand image)	.....	.....
m. distributive network	.....	.....

G. SUBSIDIES

1. Do you get social security subsidies ?
(1 yes, 2 no) .....

2. If yes, what is their percentage on labour costs ? .....

3. Do you get subsidized credit ?
(1 yes, 2 no) .....

4. Do you get export credit subsidies ? .....

H. STABILITY OF EXCHANGE RATES

1. Does exchange rate variability affect your export strategy ? In which way ?
.....
.....
.....
.....

2. Do you think that the existence of an European currency would be stimulus to trade ?
.....
.....
.....
.....

I. PRICE DISCRIMINATION

1. Does your firm set the same net price for the same good across all European countries ?
.....
.....

2. If not, what is the maximun and the minimum price set in Europe as a percentage of the domestic price ?
.....
.....

3. Is per capita income of a country a source of price discrimination policies across countries ?
.....
.....

4. Do you think that price competition is more important than quality competition ?
.....
.....

K. EUROPEAN ATTITUDE

1. If your firm has already a substantial Euro-attitude, how do yo decide about your market strategy:

.....
.....
.....
.....

In particular:

a. decide a market strategy for each country seperately ?
.....
b. give priority to domestic markets and treat other EEC markets as residuals ?
.....
c. Treat the lowest per capita income market as a residual ?
.....
d. look for specialised niches of high or low price segments the market ?
.....

L. SALES ORGANIZATION

1. Do you have your own distributive network in the EEC countries ? If yes, which are the main characteristics of it ?
.....
.....
.....
.....

2. Do you plan to change your distribution policies in the future in particular as a consequence of the removal of all the trade barriers in the EEC ?
.....
.....
.....
.....

3. What about franchising ?
.....
.....

4. How quick is yuor response to changes in consumer tastes and demand?
.....
.....

M. FINANCE

1. Do you use national resources ?
2. Do you use EEC resources ?

b) Main Results from the Interviews Conducted in the Federal Republic of Germany

1. Characteristics of the inquiry

Fifteen companies participated in the inquiry. Classifying the companies according to their major activity yields the following distribution by branch of industry:

Branch	Number of companies
Spinning and weaving	3
Knitwear	2
Textile processing	4
Clothing	6

Thus a total of nine textile and six clothing companies were surveyed.

As the following table shows, one small-size, four medium-size, and ten large companies were included in the survey[1]. Thus tey clearly focused on the larger companies. This distribution is not undesirable considering the objective of the inquiry. As the larger companies were shown to be much more involved in the export business than the smaller companies, they are in a much better position to give information on existing trade barriers and the consequences of their abolition.

It appears important to point out that the interviews were almost exclusively conducted with executive officers or the owners of the companies.

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1) For the definition of the size-classes see Table A1.

Table A1

Distribution of the surveyed companies by size-class

Size-class[1]	Total	of which	
		Textiles	Clothing
Small	1	1	-
Medium	4	3	1
Large	10	5	5
Total	15	9	6

[1]Small: 1-199 employees.- Medium: 200-299 employees.- Large: 1000 and more employees.

2. Overview of the major results

Before presenting the results of the inquiry in detail, the major findings will be summarized below:

- According to the surveyed firms, the past realization of the Common Market had positive effects throughout. Without exports to the EC countries these companies could no longer survive. Although exports are not so profitable as domestic sales, they do permit achieving economies of scale and thus higher productivity. This is not only true of the larger companies, but also of the small and medium-sized firms. The latter are frequently forced to specialize in the manufacture of particular products for the absorption of which

the domestic market is too small. For the future the companies expect the - positive - effects of the completion of the internal market to be smaller than to date.

- In the past the companies frequently followed the strategy of "improving product quality" and "raising productivity". To be sure, these goals will remain important in the future, as there will always be companies producing large runs of high-quality products at reasonable prices. But the emphasis will shift to specialization (in part in combination with greater product variety) and flexibility, due to increasing individualism and more rapidly changing consumer demand. In this context an even greater weight will be placed on product development; creativity will become one of the most important factors in a company's success.

- Although merchandise trade among the member countries of the Community is still impaired by barriers (e.g. administrative hurdles, delays at the borders, different VAT rates, lack of a uniform European currency, etc.), these impediments are far less serious than three or four years ago. The majority of the firms does not see exports impaired in principle. "He who wants to export can do so" was a frequently heard opinion. The companies nonetheless complain about the additional costs caused by the still existing barriers.

- In coming years the companies will differentiate less and less between domestic sales and exports. Exports are becoming an integrated part of the companies' activities. These firms' goal is to supply all effective markets at home and abroad. This implies that the companies have already adapted fully to the completion of the Common Market.

3. Details of the replies

Question A: Characteristics of the company

The vast majority of the surveyed companies is exclusively active in textile or clothing production, respectively. Only two companies reported "extra-textile" activities, in one case this was wholesaling and in the other it concerned granting licenses for the manufacture of consumer goods in other firms.

Eight of the surveyed firms are parent companies of a larger group.

Question B: Trade

The average export share of the companies participating in the inquiry is relatively high, lying between 30 and 50 % in eight firms and amounting to as much as 70 % in the case of one firm. Four companies export between 20 and 30 % of their output, and only in the case of two firms are exports still rather insignificant. The majority of exports (betweeen 50 and 80 %) are sold in EC countries.

Five companies, belonging primarily to the clothing and knitwear sectors, have imports which amount to up to 40 % of total turnover. The reasons for such imports (be they merchandise, stemming from wage-contracting or from the companies' own foreign plants) are reported to be the lower costs of production. The remaining firms import finished merchandise only now and then.

Question C: Nature of barriers

In principle the companies do not see any serious barriers to exports to other EC contries. Especially in recent years has the handling of intra-Community merchandise trade improved considerably. There are, nevertheless, still a number of impediments which will be described in the following, using the classification from the EC whitebook on the completion of the internal market.

a) Physical barriers

Physical barriers include tariffs, import licenses, country-of-origin certificates, and other border formalities. According to the firms, tariffs and import licenses still play a role for exports to Spain, Portugal, and Greece. Country-of origin certificates and the related application of Art. 115, EEC Treaty have hindered exports of third-country merchandise to France and Italy in particular[1]. This measure has concerned those firms in the clothing and knitwear industries which import merchandise from third countries and try to sell it in other Community countries. Blocked in part by the application of Art. 115, EEC Treaty were also intra-Community exports of the textile processing industry. In principle the application of Art. 115, EEC Treaty is covered by existing law. It is the different interpretation of the rules in the various member countries which constitutes a high business risk for the German textile and clothing firms. Experience with discriminatory application of the rules in particular member countries often discourages planned export activities from the start.

---

1) On the problems related to Art. 115, EEC Treaty, see also chapter IV.1.

Additional physical trade barriers mentioned by the firms were: Filling in voluminous forms, presenting notarized price lists and other lists (Greece), high adiministrative costs of exporting outward processed goods and exhibition display items (France), detailed inspection of shipments. An annoyance for most firms are the dragging customs formalities (Italy and France), which may often only be avoided by "good connections". The drag-out customs handling means that merchandise may be held up at the border for up to one week. While this is exceptional, one to three days' delay are quite "normal" when exporting to Italy and France.

b) Technical barriers

Among the major technical trade barriers are the restrictions on the flow of payments and capital. About half of the surveyed firms complained about the complicated and slow financial processing of foreign trade, especially with Italy, France, and Greece. Thus banks in Italy and France take a relatively long time for processing payment transfers, with the result that the completion of export transactions takes around one third longer than that of domestic business. If the foreign customer wants to pay by draft, the German firm must open an account abroad because of remaining capital controls. A barrier especially in trade with Greece is the cash-deposit requirement for imports. In connection with the restrictions on capital movements mention must also be made of the restrictive posture of France in granting permits for direct investment. Then too, there is the lack of a common European currency, which a large portion of the surveyed firms consider a barrier to intra-EC merchandise trade[1].

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1) Cf. also Question G: Exchange rates.

Another technical trade barrier, mentioned by four firms, is the way public contracts are let. These firms said that they no longer bid for public contracts in other member states, as the preference for domestic companies is so obvious. In addition, bidding deadlines are frequently so short that they cannot be met.

Different national standards (e.g. widths, colours, etc.) and other regulations (e.g. regarding product composition, labels, etc.) impair exports to other member countries only marginally. They must not be ignored, however, as they often require additional collections, thus giving rise to additional costs.

One trade barrier which in the firms' opinion played a very important role in the past were government subsidies. Especially in Belgium, France, the Netherlands, and Italy specific (sectoral) as well as regional and general subsidies were granted to the textile and clothing industries, whereas in the Federal Republic of Germany the textile and clothing industries mainly have been assited by regional and general aids - with few exceptions. According to the surveyed German firms this led to a distortion of competition within the EC. In 1985 the EC Commission outlawed textile-specific subsidies in principle, whereby this trade barrier was largely eliminated. Yet, some member countries are said to be trying again and again to subsidize textile and clothing firms.

c) Fiscal barriers

The different rates of value added tax in the various member countries still pose problems for the exporting companies. Several firms pointed out that on exports to France and Italy value added tax is charged when the border is crossed. This implies that the foreign customer must immediately pay at least part of the price of imports from Germany, whereas for the purchase of domestic goods he is generally granted longer payment periods for the entire sum (e.g. 90 days in Italy). In view of these distortions, German firms frequently feel obliged to prefinance the corresponding VAT liability.

Question D: Cost effects

The remaining barriers to intra-Community trade cause additional costs for the firms. These costs are on average quoted at 2 to 3 % of export revenue, in the extreme case at up to 5 %. If the mentioned barriers were eliminated, the firms in the textile as well as the clothing sector expect a reduction of total unit costs by around 1 1/2 %. This estimate resulted from the personal interviews as well as from the written survey conducted by the Ifo Institute for the EC Commission. According to the companies, savings will be realized primarily in marketing and distribution costs, in procurement costs and transportation costs. Unit-cost reductions in the production process are considered all but insignificant.

Question E: Sales effect

a) Change in sales volume

Given that all trade barriers within the EC were abolished, the companies, almost without exception, expect an increase in exports to the other EC countries. Some firms also foresee

greater sales chances on non-EC markets. In contrast to this, there is no clear tendency in the responses regarding the future sales volume in the domestic market: there are expected marked decreases as well as increases. Overall, the majority of the surveyed companies hope for a positive sales effect of the completion of the internal market.

b) Causes of the change in sales

The majority of firms consider higher price competitiveness the most important reason for the expected increase in sales. Other factors are the improvement in other competitive conditions (e.g faster flow of merchandise), the ability to enter new markets (the firms are also thinking of Spain and Portugal), as well as general growth impulses generated by the completion of the internal market. The most important reason given for a decline in sales was increasing price competition.

Question F: Strategies for the barrier-free EC market

It was mentioned by way of introduction that, following the completion of the internal market, company strategies may in part change drastically. Nevertheless, four firms reported that they see no reason to diverge from their present strategy. This posture may be explained by the fact that these firms already pursued a most successful export strategy in the past. In detail the strategic measures will change as follows:

- Specialization within the existing product range will continue to increase in years to come. This applies in particular to small firms which will step up the search for market niches. Behind this development is the need for

rising individualism, which can be met especially by fashionable clothing. In some firms increasing specialization will also mean a greater variety of products.

- Improvement in product quality will receive as much emphasis in the future as in the past, as the trend of demand towards high-quality products will continue.

- Several companies indicated that it is increasingly becoming more important to improve on service, e.g. the ability to supply fast by maintaining large, well sorted inventories. The growing input of flexible technologies aims at the ability to be a fast and reliable supplier. This strategy is based on the fact that fashion and order rhythms are becoming ever shorter. Accordingly, the majority of the surveyed firms wants to increase the emphasis on "acting flexibly", in order to be able to react immediately to the latest demand trends.

- Having an up-to-date production programme will require increased investment in design and styling in some firms. Investment in research and development will primarily gain significance for textile manufacturers.

- Most of the surveyed companies intend to give even greater attention to marketing strategies. This implies primarily more advertising. Creating trade marks is not being considered by those firms which have not yet used this marketing instrument.

- While raising productivity by capital widening (economies of scale) or by rationalization will continue to be accorded high priority within the strategic arsenal of the firms,

this priority will not rise further. According to some firms, economies of scale, in particular, will fail to be achieved because of stagnating demand for textiles in coming years.

- In order to keep costs down five of the surveyed firms (manufacturers of clothing and knitwear) have used domestic and foreign sub-contractors, also in EC countries. Two of these firms are presently considering an expansion of the cooperation with foreign firms. This includes consideration of intensified cooperation with Communist-block firms. In contrast, direct investment in other EC countries still plays a subordinate role for the firms participating in the inquiry; this applies in particular to the clothing producers. There are plans, however, to invest in Greece and Ireland. One company mentioned lack of manpower as an impediment to direct investment abroad.

- The strategic considerations of the surveyed firms generally do not include changes regarding the vertical structure of the firm or the distribution network. Only two clothing producers intend to restructure their distribution network in the next few years.

Question G: Subsidies

Four companies are receiving subsidies which are in the form of subsidies to labour costs, higher depreciation allowances (border-region depreciation) and subsidies to investment loans (at home). There was not one firm among the surveyed companies which received subsidised export loans.

Question H: Exchange rates

The companies participating in the inquiry considered almost unanimously (with only one exception) the flexibility of exchange rates within the Community one of the most serious barriers to intra-Community trade. Regrets were voiced primarily about Great Britain's failure to join the European Currency System. The flexibility of exchange rates was said to have especially negative effects on the textile and clothing sector, as sales agreements are often reached nine to twelve months before the merchandise is shipped.

The existence of a uniform European currency unit would have positive effects on foreign trade, according to all of the surveyed companies. This does not apply to exports to the Benelux countries, however, as they are generally invoiced in DM.

Question I: Pricing

In setting the prices in the individual export markets the firms basically start from the same base (costs of production) to which the country-specific costs (primarily the distribution costs) are added. Thus there is price differentiation according to costs and not according to the level of income in the countries of destination. The percentage deviations from the domestic price are generally quite high (maximum of 10 to 20 %).

Only few firms considered the importance of price competition to be greater than that of quality competition. One company pointed to one - in its view even more important - competitive factor, namely service (prompt shipment, the keeping of promises and agreements, etc.).

Question K: European attitude

The majority of surveyed companies has developed a uniform global or European strategy. In order to meet the different requirements of individual regional markets with respect to the structure of distribution and demand, most of the companies questioned adapt their production programme to the particularities of the countries and/or develop specific distribution logistics for each (important) country. It was revealed that those companies which offer internationally known brands or are suppliers in the highest price/quality segment are less often required to adjust their production programme to the particularities of individual markets. But it is all but imperative to gear distribution to the country-specific requirements. According to several firms, this task can best be fulfilled by the companies' own autonomous distribution firms in each country. These statements alone already indicate that many firms rank their export markets as high as the domestic market, i.e. nowadays exports are generally no longer considered a mere supplement to the domestic market.

Question L: Sales organisation

The sales organisations of the surveyed companies are multifaceted. In the major markets the companies most frequently prefer running their own distribution firms or sales offices, in some cases they have independent representatives, foreign partner firms or their own retail stores (franchise basis). The firms concerned see the advantage of their own distribution channels in the complete control the company retains over physical distribution. Furthermore, company-owned distribution firms can rapidly supply information about international market trends, capacity and prices and can also intensify customer-supplier relationships.

Question M: Finance

The surveyed firms basically do their financing in the national markets. Only three companies now and then utilize the financial markets of other EC countries; they primarily take advantage of the Euro-markets.

c) Main results from the Interviews Conducted in the United Kingdom

(by G.F. Ray, National Institute of Economic and Social Research, London)

THE INQUIRY

This inquiry has been conducted on behalf of the Commission of the European Communities, subcontracted to us by the Ifo-Institut für Wirtschaftsforschung, Munich.

The aim of the inquiry was to contact 15 'dynamic' companies in the textile and clothing industries (that is, British companies that have already built up considerable export markets in other EEC countries) in order to find out their views and experiences concerning their EEC export activity as well as their expectations regarding the integration of the EEC market as planned for 1992. Particular attention has been paid to difficulties encountered and obstacles to the development of trade.

The information has been collected by means of interviews, for which a uniform questionnaire was provided. The collection of information took place in the three months June to August 1987.

Selection of the companies to be approached was the first step. Apart from the basic condition of selecting progressive companies with experience in EEC markets, an additional objective was to include companies of all sizes, from the very large to the smaller firms. Eventually some 60 firms were approached but for a number of reasons many of them were either unwilling or unable to give us the possibility of an interview.*

We wish to express here our thanks to the British Textile Confederation and the British Clothing Industry Association for their help in the initial phases of this inquiry.

*There were three main reasons for refusing to participate in this inquiry: first, the timing of the survey coincided with the holiday period; secondly, apparently many people knew that the Confederation of British Industry was planning to launch an inquiry on the same or a similar subject; and thirdly, some of those approached considered the subject of little interest to them.

There was no attempt to base the inquiry on a statistically representative sample. Nevertheless, so many of the same points have emerged that we believe the views and opinions collected would be shared by the majority of companies in the industries concerned.

The table below indicates the main activities of the companies interviewed. Some companies are involved in more than one sector of the textiles/clothing industry and therefore the total of this table exceeds 15.

Sectors:	Number of companies	
1. Spinning	3	Textiles: 7
2. Weaving	2	
3. Textile processing	2	
4. Clothing	11	Clothing: 15
5. Knitwear	4	

Producers of man-made fibres were not included in view of their special production system and marketing situation (multi-fibre agreement, and so on).

The following table shows the distribution of the 15 firms interviewed by size. For the purpose of classification we used the number of employees, as follows:

	Employment:
Large companies	2,000 and over
Medium-sized companies	500 to 1,999
Small companies	1 to 499

The classification by industrial sector is based on the main activity of the companies (hence the total here is 15).

Size[(a)]	Total	of which: Textiles[(b)]	Clothing[(c)]
Large	6	3	3
Medium	3	-	3
Small	6	1	5
TOTAL	15	4	11

(a) By employment.
(b) Spinning, weaving and textile processing, sectors 1-3.
(c) Clothing and knitwear, sectors 4-5.

There are only a few medium-sized firms represented in the sample. This size distribution probably serves the purpose of the inquiry in a satisfactory manner because the large companies account for the bulk of the textile/clothing exports of the British industry to the EEC countries outside the UK, and the small companies can be supposed to face greater difficulties - arising from their size alone - than the bigger ones, both in nature and degree.

Seven of the 15 companies interviewed are based in Greater London and the remaining eight outside London, in different parts of England, Wales and Scotland.

Thus the information collected originates from a fair distribution of companies in the textiles/clothing sector from the points of view of activity, size and regional location.

SUMMARY OF THE RESULTS

Some main points

Before going into the details, which are presented in later sections of this report following the questions raised at the interviews, it seems convenient to concentrate on the main impressions received from the respondents.

Although the answers to many questions received from the 15 companies varied a great deal, they also had much in common. Perhaps the best illustration is to extract briefly some of the replies given to the first question of the inquiry, concerning the nature of barriers, that is, what problems had been encountered in connection with exporting to the EEC. One large firm took the following view:

> "We carefully consider before we go in a big way into any of the export markets - EEC or other. We know there will be problems because exporting is never easy. But once we decide to go in - we go in! We accept the local customs, regulations, etc., solve any problem arising at the outset - and later on we have no problem. We adapt to the national requirements. Hence our answer is: no problem."

Not all large companies shared this view; some of them complained about formalities, currency restrictions in some countries, labelling requirements, and so forth.

Perhaps more surprising was the fact that quite a few of the small companies also said: no particular problem. Others complained, some of them bitterly, about cumbersome VAT (or the local equivalent: TVA in France, Mehrwertsteuer in Germany, etc.) regulations, the interpretational difficulties of the 'country of origin' and similar matters, which other, similarly small or even smaller, companies did not consider as serious hurdles, not even when their attention was specifically drawn to them.

One general experience has been that whilst our aim was to talk to a member of the top management (managing director, export director, chief executive) who was supposed to be the most relevant concerning business policy and certain macroeconomic aspects, such as exchange rates, when it came to details the subaltern executive, actually dealing directly with exports, was often called in. Even if according to the top man the company did not encounter any specific problem in EEC exports, the export-operator added some remarks concerning barriers - for example, delays at the frontier or bureaucratic formalities. This may perhaps be natural: the minor problems do not always reach the top management, particularly in larger companies; top management therefore thinks that there is no problem at all. But the actual

operator, being much nearer to the transaction and its details, sees it differently: to him there are problems, whereas to the top management there are 'no problems'.

In this particular sense, some comment was made (often relatively unimportant) in the case of each company, even if not mentioned by the top management. 'Problem' may not be the fitting diagnosis: simplication of formalities, for example, if not necessarily a 'problem encountered' would be welcomed by everybody - and this is (among other things) what many expect from the planned 1992 integration of the European market.

Apart from this, quite a few companies, mainly the larger ones, took the view that - having already established their position within other EEC countries - the planned integration is almost a 'non-event' as far as they are concerned. Most of them added that they speak for their own company and not for the rest of the industry, admitting that other companies, particularly the smaller ones, may take an entirely different view.

Few companies expect a reduction in their production costs from the planned integration alone, on the grounds that they did not experience any such effect when the UK joined the EEC, but most of them added that really efficient total integration may bring savings in transportation costs, in the simplification of export formalities, in simpler VAT regulations, and so on - in other words, in all the administrative costs that are allied to exporting.

The majority of companies expect some increase in their volume of sales as the result of integration, although it is clear to them that competition would become keener. Yet only some of them are planning any great change in their marketing strategy, which is extremely varied, as is their distributive network within the EEC.

The answer to the question concerning the stimulatory effect of a 'European currency' was an overwhelming 'yes', but most of them added that if the question concerns the UK joining the European Monetary System, their view is a qualified 'yes' - insofar as the EMS would stabilise the parity of the pound sterling, provided it is at the right level for the £.

Details of the replies

It is impossible to repeat in this summary report the replies given by each of the 15 companies as detailed in the completed questionnaires; nevertheless, brief summaries can be given.

Question A: Characteristics of the company

The activities shown and listed in the first table above are the main activities of all companies: some of them are engaged in other sectors of the textile/clothing industry as well. Only two companies reported major activities outside this area: retailing and wallpaper manufacturing.

Four of the 15 companies belong to a coup, and a few of them actually are the group.

Among the 15 companies, there are four who have established major (mostly manufacturing) facilities in other EEC countries which required significant investment outside the UK. Several others have invested on a smaller scale, into warehouses, representations for customs clearance somewhere, etc.

Question B: Trade

The export turnover shows great variations:

Per cent share of exports in total sales, 1986:

Under 5%	. . .	1 company*
5-20%	. . .	5 companies
21-50%	. . .	2 companies
51-75%	. . .	6 companies
76+%	. . .	1 company

*the low percentage is due to the very high total turnover, exceeding £4,500 million.

Somewhat less varied is the proportion of EEC exports in total exports:

Under 5%	. . .	-
5-20%	. . .	1 company
21-50%	. . .	5 companies
51-75%	. . .	7 companies
76+%	. . .	2 companies

Almost every EEC country is mentioned by someone as a main market, with the exception of the recently joined countries (Spain, Portugal, Greece). Some of the interviewees reported, however, big sales outside the EEC, particularly in North America, but also in non-EEC Europe (for example, Switzerland), Japan and other Far Eastern countries.

Question C: Nature of barriers

1) It was to be expected that a great mixture of answers would be received in reply to the question, 'which problems did you encounter in your export activity in the EEC?'. The wide array of 'problems' included:

- export formalities, large number of forms to fill in
- VAT regulations mentioned by many; advance payment much more of a problem than post-accounting; some said they would prefer to be able to fill in all VAT forms in their UK office; others objected to the compulsory payment of VAT which they, the exporters, are now paying in advance; many expressed the view that imports ought to be free of VAT, which could be levied later, etc.

- exchange rate fluctuations
- labelling requirements (mentioned by one or two)
- the interpretation of the 'country of origin' rule, causing difficult procedures for producing evidence and leading to great delays at frontiers in some cases
- the fragmented nature of retail trade in some countries (one mention)
- great burden of paperwork causing extra costs
- difficulties at border-crossings
- currency restrictions in some countries
- special permits (in Spain) for importing cotton goods (one mention)
- the high cost of travel in Europe (one or two mentions)
- and even language barrier (but only in one case).

Four companies, however, reported 'no problem worth mention'.

2) a-f These questions asked for the relative importance of certain problems. (Note: some of the companies which reported 'no problem' did not reply to the sub-questions.)

a) Differences in national standards and regulations:

very important	3 companies
important	-
not so important	8 companies
satisfied with present	2 companies

b) Restrictions on open competition for government procurement:

important	1 company
not important	6 companies
irrelevant	the rest

c) Administrative barriers:

very important	4 companies
important	2 companies
not so important	6 companies

d) Physical frontier delays and costs:

very important	2 companies
important	4 companies
not so important	5 companies
satisfied	1 company

e) Problems of information:

important	3 companies
no so important	6 companies
satisfied	1 company

f) Other problems: few companies listed any, but those few were either

somewhat esoteric or did not directly concern the inquiry. Each of the following was mentioned by one company:

(i) currency problems (for example, restrictions in France)
(ii) high air fares in Europe
(iii) high UK interest rates
(iv) exportation through UK ports too costly
(v) different VAT rates

Question D: Cost effects

Most companies took the view that the enlarged European market as such, disregarding other factors, did not lead to any reduction of production costs. Only one company said a definite 'yes', another one thought the effect might have been marginal, and a further two believed that cost reduction was due to economies of scale and although the enlargement of the European market might have been one factor in helping to achieve this, it was neither the only nor the main factor.

The sub-questions asked for the more precise area of change and its relative importance. Of course, if the company believed that the EEC enlargement of the market had no cost effect, these sub-questions were not answerable. Altogether no more than 6 companies gave some answer; according to them the reason why costs were favourably affected was due to the

a) production process: 4 companies considered this important

b) transport costs: 3 companies said 'important' and 1 added 'may be very important in the future'

c) marketing and distribution costs: 3 companies found this important in the past; 2 believed it would become very important in the future (and one very large company added: smaller firms will need much better selling organisation in the future and this may reduce their costs)

d) lower cost and greater availability of imported material: unimportant, except for 1 fairly large clothing company who expects this to become very important in the future (for importing fabrics made in the EEC)

e) others: two points were mentioned (by 1 company each): simplifying and unifying VAT regulations in the future; and the hoped-for reduction of administrative costs connected with exporting, after the planned integration.

Question E: Sales effects

1) With the exception of two of them, the respondents do not expect that the volume of home sales will increase after the removal of trade barriers; exports to the EEC might grow - so thought 10 of the 15 firms, whilst 5 expect no change. Exports to non-EEC countries are not expected to be influenced in the view of the vast majority (13 out of 15), although 2 thought that some growth might result; and in total, sales to all markets might grow - so hope 11 companies, with 4 expecting no change.

One comment: the export director of one large company added: 'stop illegal "Made in EEC" labelling'.

2) These questions asked the main reason for the expected change if it was positive. Some companies' view was that a combination of all the points listed in the questionnaire would have the expected positive result on their future sales; some, however, were more specific: they thought that the positive turn would be chiefly the outcome of

a)	reduction of product price	1 company
b)	withdrawal of competitors	-
c)	improvement in non-price competitiveness	3 companies
d)	opportunity to enter new regional markets and	8 companies
e)	generally faster growing market	

3) 7 companies took the view that the removal of the internal EEC trade barriers is more important (from the point of view of the expected increase in sales) than competition from non-EEC producers. 2 firms took the opposite view, whilst 1 thought that both are equally important. (5 companies did not answer this question.)

Question F: Strategies for the barrier-free EEC market

1) 9 out of the 15 companies would probably not change their strategy after the integration, though some might 'reconsider' it. The others have taken a variety of possible views concerning this change:

(i) acquire companies abroad
(ii) more cooperation with EEC-based foreign companies
(iii) serve continental Europe from a base at the other side of the Channel, for example, the Netherlands
(iv) look at new markets
(v) overhaul and extend distribution network.

2) These questions asked for the relative importance of the listed strategies in the past and their role in the future.

a) Sub-contracting:

very important,	both in the past and the future	2 companies
important		5 companies
unimportant (meaning little or no importance)		7 companies

Similar were the answers to the regional breakdown of this question. Sub-contracting within the UK seems to be slightly more important than doing the same abroad, where there was no noteworthy difference between EEC and non-EEC sub-contracting. A couple of companies expected that sub-contracting in non-EEC countries might become more important in the future.

b) Direct investment in other EEC:

very important	in the past	2 companies
	in the future	4 companies
	with possibly	2 further companies
important	in the past	5 companies
	in the future	4 companies
unimportant		all other companies

There appears a tendency for 'upgrading' - direct investment could be more important in the future than in the past.

c) Specialisation:

very important	2 companies	in past and future
important	8 companies	in past and future
unimportant	the rest	

c.1) more product variety:

very important	4 companies	past and future
important	8 companies	
unimportant	3 companies	

d) Improvements in product quality:

very important	4 companies
important	9 companies
unimportant	2 companies

e) Use of flexible technologies:

very important	5 companies	in past
important	7 companies	
unimportant	2 companies	
no reply	1 company	

In future almost the same, with the exception of 1 company upgrading this factor from 'important' to 'very important'.

f) More productivity through increases in capacity:

very important	1 company	in past
important	8 companies	
unimportant	5 companies	

with one or two 'upgradings' in the future.

g) More productivity through rationalisation of the production:

very important	3 companies	in past
important	10 companies	
unimportant	2 companies	

with one company 'upgrading' this factor for the future, and 2 of them 'downgrading' (on the grounds of recently executed rationalisation).

h) Investment in R & D:

Here the nature of the industry becomes important: clothing companies invest little in industrial R & D proper (as distinct from design and styling), whilst 2 very large, chiefly textile companies invested in R & D in an 'important' way. For the rest:

important	4 companies
unimportant	9 companies

in the past, with not much change for the future.

i) Investment in design and styling: this has been, and will remain

very important	12 companies
important	3 companies

One company emphasised that 'prestige' is most important in design, styling and otherwise.

k) Vertical integration (added to the original questionnaire) was very important for 1 company in the past (not mentioned for the future).

l) Marketing policies:

very important	8 companies	past and future
important	6 companies	
unimportant	1 company	

m) Distributive network:

very important	9 companies	past and future
important	5 companies	
not applicable	1 company	

Question G: Subsidies

Here the answers were absolutely uniform: none of the 15 companies receives any subsidy in any of the forms specifically mentioned (social security subsidy, subsidised credit or export credit subsidies).

Question H: Exchange rates

1) Does exchange rate variability affect your export strategy?

9 companies answered a simple and definite 'yes'; 2 said 'no'; in the other cases the answers were:

- it makes life difficult (1)
- probably, but difficult to say exactly (1)
- yes, but in a minor way only (2)

2) The question was: 'Do you think that the existence of a European currency would be stimulus to trade?' (Note that the question asked for a 'European currency' and not for 'EMS')

1 company said 'no'; 3 said 'possibly' and the rest (11) said 'yes'. Many added however: 'yes' to a uniform European currency; but if the question concerns the pound sterling joining the European Monetary System (EMS), then the answer was a qualified 'yes' - insofar as it would stabilise the parity of the pound sterling at the right level vis-à-vis the other European currencies.

Question I: Pricing

1) Only 4 companies answered a straight 'yes' to the question whether the firm sets the same net price for the same good across the EEC; 9 said 'no'. 1 said 'yes, but flexibly' (which probably means 'no'), and 1 said 'it depends on the retail margin'.

2) What is the maximum and minimum price set in Europe as a percentage of the domestic price?
The answers defy exact classification; many companies did not give a straightforward answer, saying 'it varies', 'depends on the product', 'depends on transport costs' or 'don't know'. The others also varied a great deal. The following answers were each given by one company:

Minimum	Maximum
-0	+5
-5	+20
-15	+15
0	+50
0	+15
0	+10

3) The per capita income is a source of price discrimination for 5 companies, and is definitely not for another 6. The remaining 4 did not (or could not) answer this question.

4) Is price competition more important than quality competition?
Only 1 company thought it was, 7 companies definitely said that 'quality' competition is more important; 5 said that both are of equal importance. One or two added to this question however: if the choice is between price and non-price competition, the latter has definitely gained in importance in recent years. However, it should be noted that the question concerned 'quality' competition - this is only a part of the non-price factors that play a role in competition, possibly not even a very large part.

Question K: European attitude

1) How do you decide about your market strategy?

A number of companies (understandably) have considered this question impossible to answer. Those who did gave a mixture of replies, such as:

- our strategy is 'central coordination'
- we tend to manufacture within the EEC in order to know the market better
- we need a strong home base
- we serve the continent from one point (Netherlands)
- we consider each EEC country as our domestic market and 'do as they do' - including the language
- several said 'flexibly'
- and one needs a broader market than just the UK.

The sub-questions are more revealing:

a) Most companies (all except 2) decide a market strategy for each country separately;

b) 12 companies do not treat the EEC market as a residual and do not give priority to domestic sales; only 1 said 'yes' and another said 'sometimes'.

c) Most companies do not treat the lowest per capita income market as a residual (only 1 said 'yes') but there are some who do not offer high-priced products (or do not push the sale of such products) in poorer countries.

d) Do you look for specialised niches of high/low price segments of the market?

Yes:	7 companies
No:	3 companies
Possibly	1 company
No reply	4 companies

Question L: Sales organisation

1) The description of sales organisations would require a separate long report. Very briefly, however, the following may serve as a guide.

Almost every one of the 15 companies works in a different way; here are the answers received, in abbreviated form:

- own warehousing
- own distributive network
- same again
- direct sales, licensed brand names
- agents
- warehousing in Holland, outside distribution company to retailers
- direct, as in domestic market
- agency network
- partly agents, partly direct sales
- own distribution outlets in France and Germany, sales network elsewhere
- own outlets in France, Belgium and Ireland, direct sales elsewhere
- direct plus agents
- all export through licensees only
- agents.

2) Will present arrangements change after the removal of trade barriers?

No:	11 companies
'Update arrangements' / 'Re-examine' / 'Extend distribution network' (more direct sales, bypass agents)	all others

3) Franchising: the overwhelming answer was negative. Exceptions:

experimenting	1 company
tried, did not work	1 company
yes, but not in EEC	1 company

Only 1 firm said: 'we do franchise increasingly'.

4) How quick is your response to changes in consumer tastes and demand?

Most companies answered that they are quickly following changing trends; only 1 said 'reasonably quickly' and another admitted 'we are improving'. Some, however, added that they are not trend-setters - they are followers.

Question M: Finance

1) All companies use national resources.

2) Do you use EEC resources?

This was an ambiguous question. Only 1 company said it received a (small) loan from the Brussels Commission as regional support. Another said 'yes, we use EEC banks', 3 more answered a simple 'yes' and 1 'might take advantage of EEC resources', whilst 9 gave a negative answer. The impression is that

only 1 company has actually received financial support from the EEC Commission, whilst the 4 others had in mind the banks in other EEC countries as a possible source of finance.

d) Main Results from the Interviews Conducted in Italy

I. The Sample

1. Sector of activity

Five firms out of the 15 interviewed belong to the textile sector. In particular, 3 of them belong to the cotton industry and 2 to the wool industry.

Four firms are highly vertically integrated. Their activity ranges from spinning or weaving to the production of clothing goods in three cases and linen goods in one case.

Three firms of the remainder belong to the knitwear industry; two companies are clothing manufacturers, and the last one produces nylon stockings.

2. Size

Three firms are larg-sized, with a 1986 total turnover of more than 400 billions lire, and 1800 and over employees.

Six firms are medium-sized, with a total employment in the 500-1000 units range, and a turnover ranging from 75 to 266 billions lire.

The remainder 5 are relatively small firms, with less than 500 employees, and a turnover not less than 52 billions lire.

Almost all of the interviewed companies are multi-plant firms, often vertically integrated. In most of the cases, however, size in terms of employees underestimates the real importance of the firm. This is because many companies decentralize part of production to small independent units, with sub-contracting agreements. Some firms are clearly part of

more general industrial districts - regional agglomerates of firms which share substantial external economies.

3. Export activity

Most of the firms interviewed are involved in substantial export activity. For ten of them, more than 30 % of their production is sold abroad (three for more than 50 %). The remainder export not less than 10 % of their production. The export activity is not correlated to the size.

The EC market is by far the most important export area for 10 firms, and West Germany is usually the most important regional market.

II. Attitudes towards the 1992

1. Europe is already integrated

All of the firms feel that the European market is almost completely integrated from a trade point of view. They do not see any important obstacle to their trade activity.

Demand segmentation and strong national characteristics of tastes, however, prevent most of the firms to think of the European market as a truly single one. Very few firms adopt a unique export strategy for all EC markets; they usually must take into account national differences and adapt accordingly their strategies. EC markets are still foreign markets.

2. The present competitive environment

Firms are usually more concerned with problems of intra-EC competition, particularly with West German producers, which have nothing to do with barriers as such. They are also concerned about extra-EC competition from low cost countries, which is recognized to be the most important factor of instability for the European T-C industry. Italy, however, is the most competitive European clothing producer, and is also very strong in textiles. As a consequence, the Italian firms seem to be less worried about extra-EC competition compared to other European producers.

Portugal, Spain and the other Mediterranean countries are recognized to represent a serious threat to the competitiveness of the Italian production, but the high quality of the production and the flexibility of the Italian production systems can still protect the Italian leadership from outside competition.

Many firms want to increase their export activity in not-EC countries like the United States.

3. The existing barriers

All firms agree that the existing barriers to intra-EC trade are marginal. All of them complain about excessive administrative formalities, which have some, although negligible, cost. Some firms have had some problems with labelling requirements in France, but only for a limited period. More important are the complaints about unjustified administrative requirements for the export activity in Greece and Spain, which still cause some troubles.

The VAT regulations are recognized by many as a more serious problem, particularly if exports are directed to countries where they do not have a commercial branch.

The most widespread complaints, however, have nothing to do with barriers as such. Firms complain about the differences in tastes and demand; about the distortion of competition due to OPT practices by some countries (usually Germany); about information problems; about the lack of a true European attitude; about the fact that the distribution system of the foreign countries favours domestic producers. Furthermore, most of the barriers, as many executives have said, are "psychological".

4. The impact of the completion of the internal market

According to the interviewed firms, only negligible cost reductions can be expected from the completion of the internal market. The competitive environment is considered very tight in the present situation and is expected to be even harder in the next years. Many firms think that the boom of the "made in Italy" cannot last for long. However, no significant increase in competition is expected to come from the completion of the internal market. The effect of this can be, at most, psychological. To some extent, firms can be incentivated to think more in terms of Europe.

III. Strategies for the Barriers-Free EC Market

1. Production processes, products

The Italian clothing industry is the more competitive in Europe, and the textile industry, especially in some subsectors, is also very competitive. Much of this strength is due to the flexible organization of the industry, and, in particular, to local sub-contracting. Most of the interviewed firms believe that this organization will continue to play a substantial role in the future. Some clothing firms are planning to increase the decentralization of production to small, flexible, independent units in Italy.

Only few firms are considering the possibility of decentralizing part of production to low-cost producers in the Mediterranean area or in the Far East. This is because most of the firms interviewed tend to place their products in the high-priced segments of the international markets where qualitiy is the strategic variable. As an executive has said, low cost producers cannot guarantee such levels of quality. Furthermore, low cost producers are unsuitable for fashion goods, which change very rapidly and which need a very short period between order and supply.

Some clothing firms are planning to invest in extra-EC countries, particularly in the United States, in order to protect themselves from protectionistic measures or strong exchange rate varations. Direct investment in developed countries, therefore, is considered valuable only for commercial rather than production reasons.

Almost all the firms placed great emphasis on the importance of improving the quality of the products in order to maintain their competitive positions. Greater investments in styling

and design are to be expected. One executive argued that although the unified market is a 300 million people market it is not a homogeneous market at all. It is necessary, therefore, to adapt products to such a variegated environment. Another executive emphasized that the quantity of the single items in a collection had to be cut by 70 % to get the right production mix for a diversified market. The cost of developing a collection is very high, but he recognized that the unified market can allow an increase in the production of the single items with some cost savings.

All firms agreed to the fact that production economies of scale will not play any relevant role in the future. Flexibility is much more important, and some companies are considering the possibility to invest into flexible production systems or CAD systems in the future. One firm, however, who has been testing highly automatized systems since the beginning of the 1980ss, is fairly sceptical about their unsefulness.

2. Marketing and distribution

Marketing and distribution networks are considered the most important area of investments in the future by the majority of the firms.

Some clothing firms believe that investments in advertising and brand image will be crucial in the future for the strengthening of their competitive position. One executive maintained that Italy has always been strong in production rather than in marketing, and the latter area has to be developed more in the next years. This opinion is shared also by other top managers.

One aspect which characterizes the Italian TC industry is the strong role played by the stylists. The image and prestige of Italian TC products abroad is to a large extent due to the prestige of some well known stylists. Firms, however, are worried about the proliferation of stylists and brand labels in Italy, in many cases without a true quality or design content. They also worry about the nature of the licensing agreements with the most famous stylists. In order to overcome these problems, some firms are trying to put more emphasis on quality rather than to image as such, or even to involve stylists in the management of the firm in order to share with them the responsability and the risk of the business.

One large clothing firm is planning to extend its franchising network all over Europe, in order to increase its market power and develop a "real time" link between production mix and consumer demand. The development of franchising systems is also taken into account by some other clothing firms.

The top managers of two campanies emphasized that the improvement of the quality and service to customers will be a crucial strategic variable for the future. This opinion is shared by all the textile producers interviewed.

Textile producers are usually very worried about the increasing competitiveness from low-wage producers. Some of them believe that the structure of the European textile industry will be completely re-shaped in the next future by this fact. The only strategy for survival is to increase the quality of products and to invest more in new technology.

e) Main Results from the Interviews Conducted in France

I. The Sample

1. Sector of activity

Nine out of the 15 firms interviewed belong to the textile sector, six to the clothing industry. Three textile companies are spinning firms, three weaving firms, and the remaining three ones produce knitwear. Two clothing companies produce ready-made clothing, one produces ladies' clothes, one work clothes, and the remaining one produces sportswear.

2. Size

The interviewed firms are of different sizes. The largest one has a turnover of 6,2 billions francs, the smallest has a turnover of 140 millions francs. In terms of employment, two firms have more than 12,000 units, seven firms are in the range of 1,3000 - 6,000 employees, six firms are in the 200 - 800 employees range.

3. Export activity

The large firms export not less than one third of their production. Some smaller firms are very export-oriented. One firm has not export activity at all, and it has been nonetheless included in the sample in order to compare his answer to those of the other firms.

II. Attitudes towards the 1992

The planned completion of the internal market force only marginally the firms to change their attitudes towards the market, although something has to be changed particularly at a marketing level.

Most of the interviewed firms consider the European market as already almost completely integrated. The existing troubles caused by custom formalities are viewed as a minor problem compared to other main problems which are:

- foreign competition, notably from low wage countries;
- domestic high wage costs;
- an insufficient recourse to re-location of production plants in low-wage countries by French firms;
- the problem of identifying consumer tastes;
- the volatility of exchange rates.

The planned measures for the completion of the EC market are expected to reduce transport costs and to solve some problems due to different regulations of labelling requirements, size measures etc.

The French textile industry has been experiencing relevant structural changes. Very few enterprises, however, ascribe these changes to 1992. Almost all the firms, nonetheless, think that the 1992 deadline can have a strong psychological effect on firms' behaviour. Firms may feel more European and may be induced to think more in terms of Europe as regard as their marketing and production strategies.

III. Strategies for the Barriers-Free EC Market

1. Production processes, products

The French firms consider the Italian and German TC companies as the strongest competitors among European producers. The planned strategies for the future tend to regain competitivity vis à vis these countries. This can be obtained by following two main routes.

The first and most important one is the practice of international sub-contracting together with direct investments in production facilities in low-cost countries. 11 out of 15 firms have clearly indicated the "delocalisation" of production plants in low wage countries, particularly in the Maghreb area, as a key strategy for survival.

The second strategy is the search for more flexibility in production processes. Some firms emphasize the importance of the speed of reaction to changes in consumer tastes.

According to some executives, further economies of scale can be gained by the completion of the EC market, because some segments of demand which are too small at a domestic level can become substantially larger at a European level.

2. Marketing and distribution

All the interviewed firms agree with the fact that quality and differentiation of products are relatively more important than price as such. They stress the coexistence of two different trends in demand for TC goods: first, demand characteristics tend to be more homogeneous across European markets,

and second, demand tends to be more segmented. Firms clearly recognized that consumers want more variety of products, and that quality and variety represent the competitive advantage of European firms vis à vis low-wage producers.

Some firms consider the strategy of specialization in some particular type of products as the best reaction to the fragmentation of demand. Many executives, however, emphasize that the most important strategic move in the future will be to increase investments in design, advertising, and brand image.

The need to improve the quality of services to customers (delivery times, choice and availability of products, etc.) is also emphasized by most companies.

Annex B

Effects of Integration According to Branch Data

a) Data base

The effects with respect to intra-community trade and output are analyzed with the help of data made available by the Comité International de la Rayonne et des Fibres Synthétiques (CIRFS).

Data exist for the period from 1978 to 1985 for the following EC member countries:

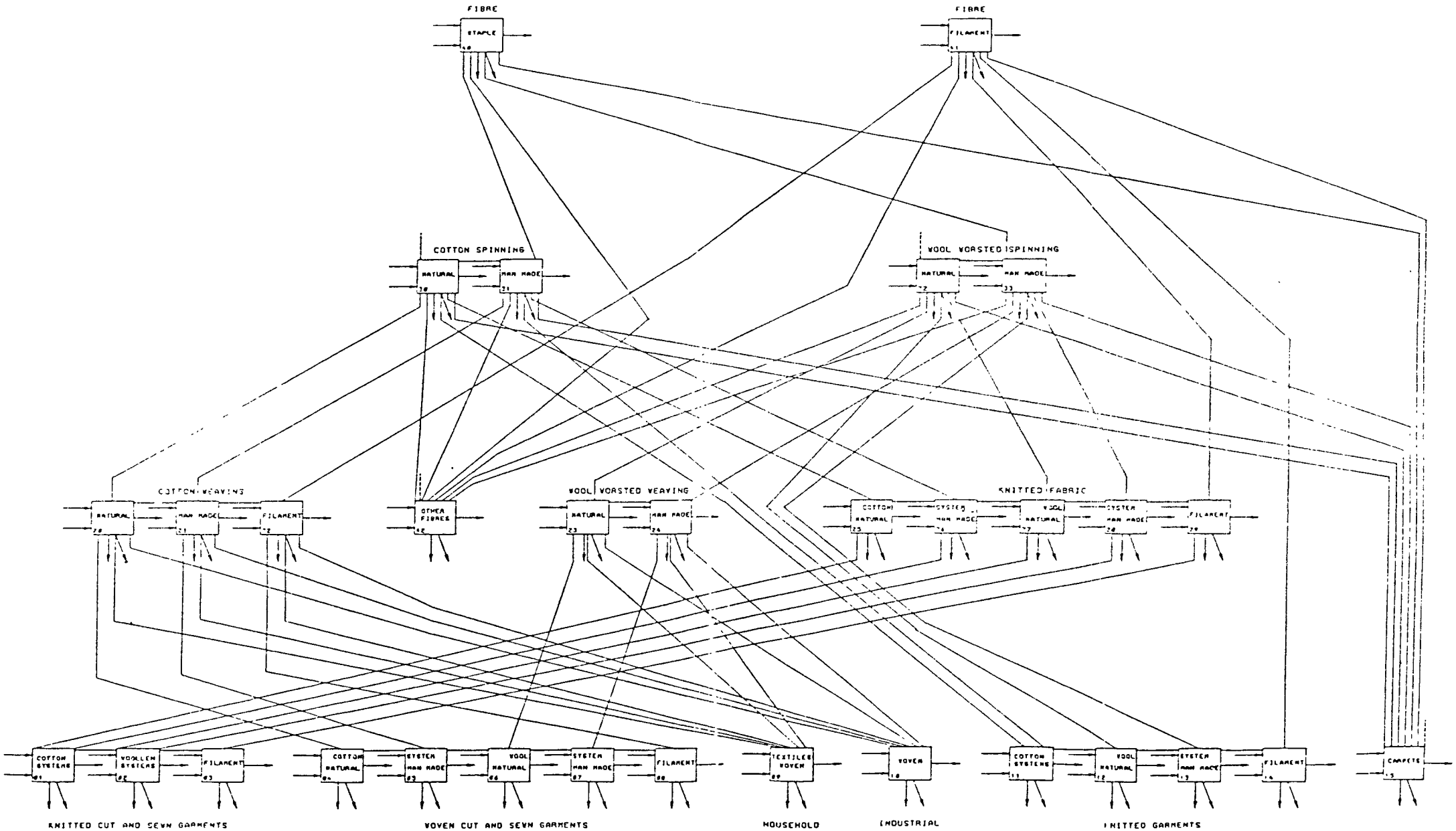
- B.L.E.U.
- Denmark
- Eire
- France
- Germany
- Greece (from 1981)
- Italy
- Netherlands
- United Kingdom

For each of these member countries data are available on output, imports and exports (subdivided by intra-EC and extra-EC trade), and domestic availability (largely corresponding to consumption including the change in inventories). The following identity holds:

Production ./. Exports + Imports = Consumption

FIGURE B1

TEXTILE INDUSTRY MODEL



These data are available for 32 branches of industry, which may be assigned to the four major stages of textile production:

- production of man-made fibres
- spinning
- weaving and production of knitted fabrics
- production of final textile products

The overview presented (Fig. B1) will show which branches are to be assigned to each of the production stages. The extensive subdivision of the data allows to investigate whether the member countries increasingly specialize in producing and exporting certain products. Specialization may at the same time mean that other areas of production must be given up and that instead the corresponding imports rise relatively strongly. This is not, however, a necessary condition for increasing specialization.

The data assembled by CIRFS are in the form of physical units (tons). In contrast to value data this has the advantage that they are not distorted by fluctuating exchange rates and changing prices. On the other hand, quantitative data cannot take account of quality changes. This weakness must be kept in mind in interpreting the data.

b) Methodology

The methodological procedure must be geared to the available data. Primarily, however, it must be orientated to the aim of the investigation. This aim, i.e. the presentation

of the integration effects with respect to intra-EC trade and production, will be explained in greater detail below. First it is necessary to consider briefly some theoretical relationships of integration.

The establishment of an economic community, in particular a customs union, produces integration as well as protection effects. The integration effects originate within the economic community. A tariff reduction leads to corresponding price reductions of intra-community exports and imports with the consequence of generally lowering the prices to consumers. Consumption will therefore rise in all member countries of the community. Intra-community trade will increase even more than consumption, because the competitiveness of imports and exports rises as a result of the tariff reduction[1].

The possible increase in intra-community trade relative to consumption, the so-called trade creation, may be measured with the help of the change over time in two shares. The time index will not be shown here for the sake of clarity.

The share of intra-community exports (X_n) of a country (i) of a product group (k) in the corresponding consumption of the economic community (C_E) minus the consumption of country (i):

$$(1)\quad TC1 = \frac{X_{n,i,k}}{C_{E,k} - C_{i,k}}$$

The share of intra-community imports (M_n) of a country (i)

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1) An increase in intra-community trade may also result from a regional redistribution of production due to the tariff reduction. This point will be discussed later.

of a product group (k) in the corresponding consumption of country (i):

$$(2)\quad TC2 = \frac{M_{n,i,k}}{C_{i,k}}$$

This indicator represents a specific import share.

The protection effect following the establishment of an economic community manifests itself in a decline in a member country's imports from third countries, if the supply price plus tariff of the third countries is lower than that of the partner countries before the customs union is created, but is higher after the customs union is established[1]. This effect results because no (or a low) tariff is added to the supply price of the partner countries following the creation of a customs union.

The shift of trade flows in favour of the partner countries and the simultaneous protectionistic effect vis-à-vis third countries, the so-called trade diversion, may be measured with the help of three indicators:

Share of intra-community trade of a country (i) in a product group (k) in the corresponding total trade (X_t+M_t) of country (i):

$$(3)\quad TD1 = \frac{X_{n,i,k} + M_{n,i,k}}{X_{t,i,k} + M_{t,i,k}}$$

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1) CF. H.H. Glismann, E.-J. Horn, S. Nehring, R. Vaubel, Weltwirtschaftslehre, vol. 1. Außenhandels- und Währungspolitik, 3rd, extended ed., Göttingen 1986, p. 106.

Share of intra-community exports of a country (i) of a product group (k) in the corresponding total exports of country (i):

$$(4)\quad TD2 = \frac{X_{n,i,k}}{X_{t,i,k}}$$

Share of intra-community imports of a country (i) of a product group (k) in the corresponding total imports of country (i):

$$(5)\quad TD3 = \frac{M_{n,i,k}}{M_{t,i,k}}$$

A tariff reduction may lead to a regional redistribution of production within the economic community. Since tariffs generelly distort the locational conditions, in a free-trade area producers will move from the less competitive to the more competitive locations (i.e. to those with lower costs)[1]. Positive integration effects are to be expected after greater division of labour and specialization have been achieved within the community. Then economies of scale and in the next round also lower prices are likely. This redistribution of production may be represented by four indicators:

Share of production (P) of a country (i) of a product group (k) in the corresponding output of the economic community (P_E):

$$(6)\quad RP1 = \frac{P_{i,k}}{P_{E,k}}$$

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1) This shift in favour of the lower-cost locations in turn stimulates intra-community trade.

Share of production (P) of a country (i) of a product group (k) in the corresponding consumption of country (i):

$$(7)\quad RP2 = \frac{P_{i,k}}{C_{i,k}}$$

This indicator represents the proportion of consumption met by domestic production.

Using the identity introduced in section 2.2.1, indictor (6) may also be written in the following form:

$$\frac{P_{i,k}}{P_{E,k}} = \frac{C_{i,k} - (M_{n,i,k} + M_{e,i,k}) + (X_{n,i,k} + X_{e,i,k})}{P_{E,k}}$$

where M_e = imports from third countries (extra-EC imports) and X_e = exports to third countries (extra-EC exports).

By either disregarding intra-EC trade (M_n, X_n) or extra-EC trade (M_e, X_e), the following indicators are obtained:

$$(8)\quad RP3 = \frac{C_{i,k}}{P_{E,k}} - \frac{M_{n,i,k}}{P_{E,k}} + \frac{X_{n,i,k}}{P_{E,k}}$$

$$(9)\quad RP4 = \frac{C_{i,k}}{P_{E,k}} - \frac{M_{e,i,k}}{P_{E,k}} + \frac{X_{e,i,k}}{P_{E,k}}$$

These indicators express the following:

- Indicator (8) represents the production share of country (i) in EC production, given that there is only intra-community trade.

- Indicator (9) shows the production share of country (i) in EC production, given that there is only trade with third countries.

It follows from these conditions that the value of the indictors (8) and (9) is greater (smaller) than the value of indicator (6), if there is an import surplus (export surplus). A comparison of indicators (8) and (9) with each other shows that indicator (8) will be greater (smaller) than indicator (9), if the balance of exports minus imports in intra-trade is greater (smaller) than in extra-trade. Regarding the change over time in both indicators, the indicators rise with an increasing export surplus or a declining import surplus, and fall with a declining export surplus or an increasing import surplus.

Combining export and production shares yields an <u>export specialization index</u> which is defined as follows:

$$(12)\quad ESI = \frac{\frac{X_{n,i,k}}{X_{n,E,k}}}{\frac{P_{i,k}}{P_{E,k}}}$$

Thus the share of country (i) in the intra-community exports of a product group (k) is related to the corresponding share of production in the EC. An indicator value of 100 means that a country's export share equals its production share. The more the indicator exceeds (falls short of) 100, the more (less) the country's production depends on exports to the other member countries of the EC.

c) Tables

Table B1

Indicators[a] concerning the effects of integration
Sector: 52 (Textiles)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	4,1	4,8	4,6	5,6	0,7	1,0	42,8	43,3	46,6	48,2	0,5	1,6	75,7	73,8	74,6	73,7	-1,9	-0,9	81,0	78,5	77,5	77,5	-2,5	0,0	69,3	67,8	70,8	67,6	-1,5	-3,2
Denmark	0,3	0,3	0,3	0,4	0,0	0,1	39,1	33,0	39,6	38,5	-6,1	-1,1	49,1	42,6	57,1	56,6	-6,5	-0,5	48,8	37,2	55,0	61,6	-11,6	6,6	49,2	45,0	58,1	54,4	-4,2	-3,7
Eire	0,7	0,9	0,9	0,7	0,2	-0,2	54,7	38,2	40,9	34,3	-16,5	-6,6	80,4	81,7	81,3	79,8	1,3	-1,5	88,7	92,1	86,7	89,7	3,4	3,0	71,8	68,4	74,3	70,4	-3,4	-3,9
France	4,1	3,6	3,4	3,5	-0,5	0,1	21,0	22,2	24,8	26,8	1,2	2,0	71,1	66,6	70,9	69,7	-4,5	-1,2	75,3	68,7	69,5	69,4	-6,6	-0,1	67,6	65,3	71,8	69,9	-2,3	-1,9
Germany	5,8	6,8	6,4	7,5	1,0	1,1	20,5	20,9	22,8	29,1	0,4	6,3	55,5	44,2	57,9	56,8	-11,3	-1,1	60,2	58,5	60,1	62,5	-1,7	2,4	52,1	51,0	56,0	51,3	-1,1	-4,7
Greece	.	.	1,3	1,5	.	0,2	.	.	9,4	15,5	.	6,1	.	.	83,0	87,8	.	4,8	.	.	84,1	90,6	.	6,5	.	.	79,3	81,8	.	2,5
Italy	4,7	5,6	5,3	6,5	0,9	1,2	5,0	5,5	6,5	9,4	0,5	2,9	50,9	49,8	55,1	55,4	-1,1	0,3	60,1	64,1	63,5	62,8	4,0	-0,7	34,3	31,3	41,0	45,9	-3,0	4,9
Netherlands	2,4	2,3	2,2	2,5	-0,1	0,3	73,2	73,2	77,1	88,0	0,0	10,9	78,9	75,1	77,1	75,3	-3,8	-1,8	80,1	77,5	76,4	76,0	-2,6	-0,4	77,9	73,2	77,6	74,7	-4,7	-2,9
United Kingdom	2,1	1,8	1,7	1,7	-0,3	0,0	12,2	15,4	19,9	25,3	3,2	5,4	45,8	48,6	52,6	56,0	2,8	3,4	48,5	54,2	54,1	50,5	5,7	-3,6	44,3	45,6	52,1	57,7	1,3	5,6

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib. of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	7,6	8,6	8,1	8,6	1,0	0,5	114,0	116,4	119,8	140,4	2,4	20,6	7,9	8,6	8,1	8,5	0,7	0,4	6,4	7,1	6,8	6,3	0,7	-0,5	253,4	243,3	242,0	242,6	-10,1	0,6
Denmark	0,9	1,2	1,1	1,2	0,3	0,1	57,6	46,8	62,9	60,4	-10,8	-2,5	1,2	1,5	1,4	1,7	0,3	0,3	1,2	1,6	1,5	1,6	0,4	0,1	147,5	119,3	118,7	125,3	-28,2	6,6
Eire	1,1	1,8	1,7	1,6	0,7	-0,1	102,5	115,0	117,0	98,1	12,5	-18,9	1,2	1,8	1,7	1,7	0,6	0,0	0,9	1,4	1,4	1,5	0,5	0,1	320,7	235,1	233,8	168,5	-85,6	-65,3
France	16,2	17,4	16,5	15,0	1,2	-1,5	87,8	87,7	88,0	85,3	-0,1	-2,7	18,1	18,0	17,0	15,8	-0,1	-1,2	17,8	19,2	18,2	16,8	1,4	-1,4	102,9	78,1	77,7	76,0	-24,8	-1,7
Germany	23,8	24,0	22,7	22,4	0,2	-0,3	89,0	89,2	94,4	125,0	0,2	30,6	25,8	25,0	23,7	18,9	-0,8	-4,8	24,7	24,5	23,2	16,7	-0,2	-6,5	90,6	98,4	97,8	108,6	7,8	10,8
Greece	.	.	5,3	4,8	.	-0,5	.	.	125,5	121,6	.	-3,9	.	.	5,2	4,8	.	-0,4	.	.	4,4	4,0	.	-0,4	.	.	109,3	119,0	.	9,7
Italy	27,0	29,3	27,7	30,2	2,3	2,5	112,0	105,2	110,4	106,1	-6,8	-4,3	26,8	29,2	27,7	30,5	2,4	2,8	24,4	26,6	25,2	28,1	2,2	2,9	67,0	66,5	66,1	61,6	-0,5	-4,5
Netherlands	3,3	3,0	2,9	2,6	-0,3	-0,3	81,3	79,5	83,6	74,8	-1,8	-8,8	3,5	3,1	3,0	2,8	-0,4	-0,2	3,8	3,5	3,4	3,2	-0,3	-0,2	349,1	332,9	331,1	368,6	-16,2	37,5
United Kingdom	20,1	14,7	13,9	13,6	-5,4	-0,3	87,9	84,7	76,8	70,0	-3,2	-6,8	21,8	16,9	16,0	15,8	-4,9	-0,2	21,2	17,0	16,1	17,1	-3,2	1,0	40,1	46,1	45,8	39,1	6,0	-6,7

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B2

Indicators[a] concerning the effects of integration
Sector: 46 (Spinnung)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	2,0	2,6	2,5	3,3	0,6	0,8	28,7	31,6	34,6	33,4	2,9	-1,2	65,9	66,6	67,6	66,2	0,7	-1,4	86,2	85,4	85,6	87,6	-0,8	2,0	55,0	55,8	57,7	52,8	0,8	-4,9
Denmark	0,0	0,1	0,1	0,3	0,1	0,2	27,8	28,4	41,6	39,0	0,6	-2,6	37,7	40,2	57,8	54,6	2,5	-3,2	54,5	65,7	65,1	78,0	1,2	12,9	36,9	36,9	56,5	49,0	0,0	-7,5
Eire	0,6	0,5	0,5	0,6	-0,1	0,1	43,1	22,2	25,4	22,3	-20,9	-3,1	79,1	77,5	80,4	80,7	-1,6	0,3	86,9	93,8	86,6	93,5	7,1	6,9	69,0	58,6	74,6	68,5	-10,4	-6,1
France	2,2	2,5	2,4	3,0	0,3	0,6	9,0	11,4	14,7	17,0	2,4	2,3	66,8	64,3	70,6	69,0	-2,5	-1,6	72,0	72,7	72,3	77,6	0,7	5,3	61,3	57,1	69,2	62,6	-4,2	-6,6
Germany	2,7	3,7	3,4	5,2	1,0	1,8	12,0	13,7	16,7	33,7	1,7	17,0	43,8	45,1	52,9	55,7	1,3	2,8	62,6	65,9	66,1	75,1	3,3	9,0	35,9	36,7	46,3	43,3	0,8	-3,0
Greece	.	.	2,5	2,9	.	0,4	.	.	3,6	11,4	.	7,8	.	.	85,8	89,7	.	3,9	.	.	87,3	92,9	.	5,6	.	.	69,8	76,6	.	6,8
Italy	3,4	4,4	4,1	6,0	1,0	1,9	0,5	0,9	2,3	5,7	0,4	3,4	40,4	43,2	48,3	55,1	2,8	-3,2	55,9	63,2	62,1	67,7	7,3	5,6	6,7	10,6	24,3	40,9	3,9	16,6
Netherlands	0,9	0,9	0,9	0,9	0,0	0,0	48,6	56,4	58,8	75,9	7,8	17,1	80,5	80,3	84,5	84,1	-0,2	-0,4	94,1	95,3	91,9	89,6	1,2	-2,3	75,3	74,6	81,5	82,2	-0,7	0,7
United Kingdom	1,0	0,8	0,8	0,9	-0,2	0,1	6,7	8,6	14,7	20,3	1,9	5,6	44,5	48,5	55,8	57,6	4,0	1,8	51,0	56,0	56,8	55,0	6,0	-1,8	40,7	43,5	55,5	58,3	2,8	2,8

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib. of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	6,5	6,9	6,3	6,6	0,4	0,3	75,9	75,9	73,1	76,3	0,0	3,2	8,1	8,8	8,1	8,7	0,7	0,6	6,8	7,5	6,9	6,5	0,7	-0,4	274,3	278,5	251,1	238,9	4,2	-12,2
Denmark	0,4	0,7	0,7	0,8	0,3	0,1	28,1	33,0	38,5	39,7	4,9	1,2	1,1	1,3	1,2	1,5	0,2	0,3	0,8	1,4	1,3	1,3	0,6	0,0	58,8	147,9	133,4	199,7	89,1	66,3
Eire	1,0	1,8	1,7	1,8	0,8	0,1	117,7	106,1	98,3	98,5	-11,6	0,2	1,1	1,9	1,8	2,0	0,8	0,2	0,8	1,8	1,6	1,7	1,0	0,1	510,0	204,9	184,8	155,7	-305,1	-29,1
France	15,5	17,9	16,5	14,8	2,4	-1,7	84,9	97,3	96,0	92,6	12,9	-3,4	18,6	18,2	16,8	15,7	-0,4	-1,1	18,0	18,3	16,9	15,1	0,3	-1,8	113,5	93,2	84,0	88,2	-20,3	4,2
Germany	20,9	21,5	19,8	20,1	0,6	0,3	80,6	77,8	81,9	164,2	-2,8	82,3	25,1	25,0	23,0	12,7	-0,1	-10,3	21,7	22,8	21,0	8,4	1,1	-12,6	94,3	103,9	93,7	119,3	9,6	25,6
Greece	.	.	7,8	7,1	.	-0,7	.	.	153,7	145,0	.	-8,7	.	.	7,5	7,1	.	-0,4	.	.	5,4	5,0	.	-0,4	.	.	216,3	202,3	.	-14,0
Italy	34,9	36,2	33,4	36,5	1,3	3,1	108,1	105,3	106,9	101,7	-2,8	-5,2	34,8	36,5	33,7	37,7	1,7	.	32,3	33,6	31,0	34,8	1,3	3,8	67,2	67,5	60,9	54,6	0,3	-6,3
Netherlands	2,4	2,1	1,9	1,2	-0,3	-0,7	60,2	53,0	57,1	40,4	-7,2	-16,7	2,9	2,5	2,3	1,6	-0,4	-0,7	3,4	3,2	3,0	2,6	-0,2	-0,4	332,9	338,6	305,3	381,9	5,7	76,6
United Kingdom	18,5	12,9	11,9	11,1	-5,6	-0,8	92,9	93,6	82,3	74,3	0,7	-8,0	19,5	14,2	13,1	12,6	-5,3	-0,5	18,9	14,4	13,3	13,4	-4,5	0,1	44,3	43,4	39,2	35,3	-0,9	-3,9

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B3

Indicators[a] concerning the effects of integration
Sector: 47 (Cotton weaving)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern.. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	5,1	6,2	5,9	5,8	1,1	-0,1	53,8	55,7	65,4	66,4	1,9	1,0	78,4	77,0	79,7	79,1	-1,4	-0,6	80,6	80,5	78,9	78,7	-0,1	-0,2	75,7	72,8	80,7	79,7	-2,9	-1,0
Denmark	0,3	0,3	0,3	0,4	0,0	0,1	45,5	47,6	51,4	52,7	2,1	1,3	50,2	48,0	51,9	54,2	-2,2	2,3	59,4	60,0	52,0	64,0	0,6	12,0	47,7	43,3	51,9	50,6	-4,4	-1,3
Eire	1,0	2,2	2,1	1,3	1,2	-0,8	61,6	60,0	67,9	42,8	-1,6	-25,1	74,8	80,6	79,6	76,3	5,8	-3,3	91,5	92,3	88,0	91,4	0,8	3,4	58,3	58,8	61,6	57,2	0,5	-4,4
France	9,0	6,9	6,6	5,7	-2,1	-0,9	29,6	28,0	30,7	33,5	-1,6	2,8	70,7	63,6	67,8	66,7	-7,1	-1,1	83,8	73,4	73,3	69,9	-10,4	-3,4	58,9	57,7	64,0	64,5	-1,2	0,5
Germany	10,3	11,9	11,3	12,4	1,6	1,1	24,0	25,2	28,0	25,4	1,2	-2,6	56,5	56,6	59,8	56,5	0,1	-3,3	64,0	60,4	61,8	62,0	-3,6	0,2	49,4	52,4	57,7	48,1	3,0	-9,6
Greece	.	.	0,5	0,8	.	0,3	.	.	15,4	21,1	.	5,7	.	.	71,8	81,8	.	10,0	.	.	68,6	84,6	.	-2,0	.	.	74,8	79,0	.	4,2
Italy	4,4	5,1	4,8	6,2	0,7	1,4	13,2	13,4	15,7	19,4	0,2	3,7	49,8	45,7	55,3	55,6	-4,1	0,3	63,5	68,4	69,1	68,5	4,9	-0,6	38,5	34,2	45,7	47,0	-4,3	1,3
Netherlands	3,6	3,4	3,3	3,4	-0,2	0,1	85,2	85,0	100,2	99,8	-0,2	-0,4	73,7	68,3	71,0	68,2	-5,4	-1,8	79,1	73,8	72,0	73,8	-5,3	1,8	68,9	63,4	70,0	63,9	-5,5	-6,1
United Kingdom	2,3	2,7	2,6	2,3	0,4	-0,3	19,8	25,6	29,1	33,2	5,8	4,1	38,8	43,9	45,5	49,0	5,1	3,5	48,1	55,9	55,8	56,1	7,8	0,3	35,9	39,3	42,5	47,4	3,4	4,9

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib. of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	8,9	9,4	9,0	8,9	0,5	-0,1	115,9	115,4	131,0	146,5	-0,5	15,5	9,0	8,8	8,4	8,3	-0,2	-0,1	7,7	7,7	7,4	6,8	0,0	-0,6	179,4	189,9	195,1	190,2	10,5	-4,9
Denmark	0,6	0,7	0,6	0,7	0,1	0,1	29,8	32,9	36,3	34,5	3,1	-1,8	1,4	1,2	1,2	1,4	-0,2	0,2	1,2	1,2	1,2	1,2	0,0	0,0	148,3	142,6	146,6	196,1	-5,7	49,5
Eire	1,2	2,6	2,5	1,9	1,4	-0,6	98,1	186,9	227,0	119,4	88,8	-107,6	1,6	2,8	2,7	2,3	1,2	-0,4	0,8	1,0	1,0	1,2	0,2	0,2	287,1	259,0	266,2	196,5	-28,1	-69,7
France	20,6	20,7	19,8	17,9	0,1	-1,9	95,3	80,9	85,4	82,2	-14,4	-3,2	23,5	22,7	21,8	19,7	-0,8	-2,1	18,8	22,2	21,3	20,0	3,4	-1,3	118,9	80,7	83,0	79,1	-38,2	-3,9
Germany	28,5	28,9	27,7	28,9	0,4	1,2	97,4	104,6	118,5	129,1	7,2	10,6	30,9	27,8	26,6	28,0	-3,1	1,4	26,9	25,6	24,5	23,2	-1,3	-1,3	89,8	99,2	101,9	107,2	9,4	5,3
Greece	.	.	4,3	4,0	.	-0,3	.	.	98,3	101,1	.	2,8	.	.	4,3	4,0	.	-0,3	.	.	4,4	3,9	.	-0,5	.	.	38,2	63,4	.	25,2
Italy	20,9	23,1	22,1	24,2	2,2	2,1	94,1	80,8	89,6	86,2	-13,3	-3,4	23,2	26,0	24,9	27,9	2,8	3,0	19,8	22,9	21,9	24,4	3,1	2,5	56,8	51,8	53,3	59,6	-5,0	6,3
Netherlands	3,9	3,4	3,3	2,7	-0,5	-0,6	88,5	85,4	92,7	63,1	-3,1	-29,6	4,5	3,6	3,5	3,7	-0,9	0,2	3,7	3,5	3,4	3,2	-0,2	-0,2	297,2	297,5	305,8	375,2	0,3	69,4
United Kingdom	15,4	11,1	10,6	10,8	-4,3	0,2	62,3	59,7	51,6	45,9	-2,6	-5,7	21,9	17,7	16,9	17,8	-4,2	0,9	18,2	15,0	14,3	16,5	-3,2	2,2	39,9	61,0	62,2	53,0	21,1	-9,2

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B4

Indicators[a] concerning the effects of integration
Sector: 48 (Wool worsted weaving)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	0,7	1,0	0,9	1,0	0,3	0,1	67,9	95,7	94,1	88,7	27,8	-5,4	70,1	68,1	72,6	71,8	-2,0	-0,8	39,3	41,7	49,1	47,3	2,4	-1,9	91,4	89,3	90,1	91,3	-2,1	0,3
Denmark	0,1	0,2	0,2	0,3	0,1	0,1	28,8	27,6	34,6	40,8	-1,2	6,2	51,5	55,9	63,9	69,2	4,4	5,3	22,2	27,3	45,5	58,3	5,1	12,8	62,5	69,6	72,0	74,1	7,1	2,1
Eire	0,3	0,3	0,2	0,3	0,0	0,1	39,6	37,3	47,8	54,2	-2,3	6,4	80,6	83,9	80,6	81,0	3,3	0,4	72,7	77,8	63,6	72,7	5,1	9,1	84,0	86,4	88,0	83,9	2,4	-4,1
France	2,4	2,4	2,3	2,4	0,0	0,1	26,1	27,0	27,7	32,6	0,9	4,9	65,9	59,9	64,8	66,2	4,0	1,4	44,7	34,9	41,2	43,8	-10,2	2,6	82,4	81,1	84,2	82,6	-1,3	-1,6
Germany	3,5	3,8	3,6	4,1	0,3	0,5	41,2	38,6	40,6	49,6	-2,6	9,0	61,6	58,4	59,5	56,0	3,2	-3,5	35,2	27,3	33,3	30,8	-7,9	-2,5	78,0	78,0	77,2	76,2	0,0	-1,0
Greece	.	.	0,1	0,1	.	.	.	.	20,7	23,9	.	3,2	.	.	88,9	97,3	.	8,4	.	.	60,0	100,0	.	40,0	.	.	93,5	97,1	.	3,6
Italy	23,5	29,6	27,5	33,5	6,1	6,0	4,2	2,9	3,4	5,5	-1,3	2,1	56,6	57,2	57,5	51,8	0,6	-5,7	57,6	59,4	58,1	52,1	1,8	-6,0	45,1	36,2	49,2	48,1	-8,9	-1,1
Netherlands	1,7	1,3	1,2	1,6	-0,4	0,4	108,8	141,6	138,1	115,4	32,8	-22,7	71,4	72,3	70,5	69,8	0,9	-0,7	47,7	50,0	46,1	52,5	2,3	6,4	90,5	90,8	89,7	82,6	0,3	-7,1
United Kingdom	2,0	2,4	2,3	2,5	0,4	0,2	25,5	26,9	37,2	44,8	1,4	7,6	53,1	56,3	62,0	59,5	-2,5	-2,5	28,5	39,6	36,5	34,5	11,1	-2,0	70,9	69,6	80,5	75,6	-1,3	-4,9

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	2,2	1,5	1,4	1,6	-0,7	0,2	77,1	92,9	73,5	80,3	15,8	6,8	1,5	0,9	0,8	1,0	-0,6	0,2	3,6	2,6	2,5	2,7	-1,0	0,2	117,8	215,9	222,3	177,5	98,1	-44,8
Denmark	1,0	1,1	1,1	1,0	0,1	-0,1	71,2	79,3	73,1	69,4	8,1	-3,7	1,0	1,1	1,1	1,0	0,1	-0,1	1,3	1,5	1,4	1,3	0,2	-0,1	24,3	54,6	56,2	80,1	30,3	23,9
Eire	1,0	0,9	0,9	0,8	-0,1	-0,1	73,6	74,5	69,6	58,3	0,9	-11,3	1,1	0,9	0,9	0,8	-0,2	-0,1	1,4	1,4	1,3	1,3	0,0	0,0	92,3	90,8	93,5	111,2	-1,5	17,7
France	14,1	13,8	13,4	11,4	-0,3	-2,0	92,9	94,8	94,2	89,4	2,1	-4,8	12,9	12,2	11,8	10,2	-0,7	-1,6	16,4	16,2	15,7	14,0	-0,2	-1,7	53,1	49,3	50,7	55,0	-3,8	4,3
Germany	16,2	16,6	16,1	13,9	0,4	-2,2	79,9	81,5	82,9	87,4	1,6	4,5	14,2	14,3	13,8	10,6	0,1	-3,2	22,2	22,4	21,6	19,2	0,2	-2,4	64,8	59,3	61,1	72,0	-5,5	10,9
Greece	.	.	3,2	3,0	.	-0,2	.	.	81,4	77,5	.	-3,9	.	.	3,2	3,1	.	-0,1	.	.	4,0	3,9	.	-0,1	.	.	11,2	10,9	.	-0,3
Italy	46,8	53,0	51,3	57,0	6,2	5,7	198,8	169,9	197,6	214,0	-28,9	16,4	37,2	42,2	40,8	42,6	5,0	1,8	33,1	37,6	36,4	41,1	4,5	4,7	140,8	127,5	131,3	118,9	-13,3	-12,4
Netherlands	2,3	1,2	1,2	1,4	-1,1	0,2	77,2	74,0	66,7	62,8	-3,2	-3,9	1,1	0,3	0,3	0,8	-0,8	0,5	4,2	2,8	2,7	2,7	-1,4	0,0	271,0	346,0	356,2	333,6	75,0	-22,6
United Kingdom	16,4	11,9	11,5	9,8	-4,5	-1,7	90,1	92,0	87,3	78,7	1,9	-8,6	14,9	10,2	9,9	8,5	-4,7	-1,4	19,7	15,3	14,8	13,8	-4,4	-1,0	37,1	58,3	60,0	64,9	21,2	4,9

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B5

Indicators[a] concerning the effects of integration
Sector: 49 (Knitted fabrics)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	1,6	2,0	1,9	2,0	0,4	0,1	95,6	105,5	94,1	105,3	9,9	11,2	92,7	92,8	92,1	93,0	0,1	0,9	95,2	93,0	94,1	94,9	-2,2	0,8	91,6	92,7	91,1	91,7	1,1	0,6
Denmark	0,1	0,2	0,2	0,2	0,1	0,0	17,7	22,7	23,3	22,2	5,0	-1,1	43,3	45,5	59,5	60,5	2,2	1,0	15,4	15,0	42,1	37,5	-0,4	-4,6	64,7	70,8	73,9	74,1	6,1	0,2
Eire	0,3	0,1	0,1	0,1	-0,2	0,0	28,9	27,2	32,4	25,0	-1,7	-7,4	97,0	96,7	96,3	95,2	-0,3	-1,1	100,0	100,0	100,0	100,0	0,0	0,0	95,7	95,7	95,7	94,4	0,0	-1,3
France	2,0	2,7	2,6	2,4	0,7	-0,2	33,7	40,2	40,1	38,4	6,5	-1,7	76,4	77,5	79,2	75,7	1,1	-3,5	62,5	63,3	66,1	62,8	0,8	-3,3	83,3	83,8	84,7	81,4	0,5	-3,3
Germany	8,4	10,2	9,7	7,7	1,8	-2,0	16,4	18,4	21,2	18,8	2,0	-2,4	57,9	55,3	60,5	55,2	-2,6	-5,3	55,5	52,5	57,0	52,3	-3,0	-4,7	62,4	60,2	67,1	61,2	-2,2	-5,9
Greece	.	.	0,2	0,1	.	-0,1	.	.	19,0	18,1	.	-0,9	.	.	91,4	100,0	.	-8,6	.	.	72,7	100,0	.	27,3	.	.	100,0	100,0	.	.
Italy	4,7	7,4	7,0	6,4	2,7	-0,6	4,7	4,8	3,6	2,6	0,1	-1,0	73,9	71,2	72,7	74,0	-2,7	1,3	76,4	76,0	75,2	76,3	-0,4	1,1	66,7	56,2	60,8	64,7	-10,5	3,9
Netherlands	3,1	2,8	2,7	2,0	-0,3	-0,7	130,9	130,2	112,9	112,0	-0,7	-0,9	88,0	81,4	80,3	78,0	-6,6	-2,3	84,4	80,5	82,7	77,1	-3,9	-5,6	91,4	82,2	78,4	78,8	-9,2	0,4
United Kingdom	2,5	3,3	3,1	2,8	0,8	-0,3	3,1	5,3	7,7	8,7	2,2	1,0	49,5	50,6	56,4	61,9	1,1	5,5	49,6	60,7	65,1	61,6	11,1	-3,5	49,3	36,2	47,1	62,4	-13,1	15,3

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	1,4	1,9	1,8	1,6	0,5	-0,2	40,9	52,3	53,8	67,4	11,4	13,6	1,7	2,1	2,0	1,8	0,4	-0,2	3,3	3,2	3,1	2,3	-0,1	-0,8	598,0	452,4	462,3	633,6	-145,6	171,3
Denmark	1,5	2,0	1,9	2,0	0,5	0,1	93,5	94,7	94,5	86,7	1,2	-7,8	1,3	1,9	1,8	2,0	0,6	0,2	1,7	2,3	2,2	2,4	0,5	0,2	19,6	52,4	53,6	42,2	32,8	-11,4
Eire	1,6	1,4	1,4	1,4	-0,2	0,0	82,9	80,2	72,1	77,9	-2,7	5,8	1,6	1,5	1,4	1,4	-0,1	0,0	1,9	1,9	1,9	1,7	0,0	-0,2	90,1	36,9	37,7	31,0	-53,2	-6,7
France	10,5	11,9	11,5	11,0	1,4	-0,5	79,6	73,7	72,4	73,6	-5,9	1,2	10,4	12,0	11,6	11,1	1,6	-0,5	13,3	16,3	15,8	14,8	3,0	-1,0	89,3	81,6	83,4	97,5	-7,5	14,1
Germany	27,9	28,5	27,6	24,1	0,6	-3,5	121,5	123,5	126,6	131,2	2,0	4,6	25,3	25,2	24,4	20,9	-0,1	-3,5	25,6	25,8	25,0	21,6	0,2	-3,4	123,9	118,6	121,2	135,1	-5,3	13,9
Greece	.	.	3,2	2,5	.	-0,7	.	.	89,7	83,6	.	-6,1	.	.	3,1	2,5	.	-0,6	.	.	3,6	3,0	.	-0,6	.	.	32,7	11,3	.	-21,4
Italy	24,8	30,6	29,6	36,3	5,8	6,7	113,8	118,1	121,5	112,4	4,3	-9,1	24,2	29,5	28,5	35,5	5,3	7,0	22,3	26,3	25,5	33,1	4,0	7,6	79,3	76,8	78,4	61,3	-2,5	-17,1
Netherlands	2,4	2,0	1,9	1,5	-0,4	-0,4	95,9	75,0	74,2	68,7	-20,9	-5,5	2,1	2,3	2,2	1,6	0,2	-0,6	2,7	2,4	2,3	2,1	-0,3	-0,2	695,8	596,6	609,7	711,4	-99,2	101,7
United Kingdom	30,0	21,7	21,0	19,6	-8,3	-1,4	105,8	106,2	101,1	105,1	0,4	4,0	29,1	22,2	21,5	19,2	6,9	-2,3	29,1	20,9	20,2	19,0	-8,2	-1,2	32,3	50,9	52,0	61,3	18,6	9,3

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B6

Indicators[a] concerning the effects of integration
Sector: 53 (Clothing)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	1,7	1,9	1,8	1,6	0,2	-0,2	32,9	38,4	43,7	46,0	5,5	2,3	81,3	80,6	81,3	81,3	-0,7	0,0	92,9	91,7	90,9	87,8	-1,2	-3,1	71,8	71,4	73,3	75,9	-0,4	2,6
Denmark	0,1	0,1	0,1	0,2	0,0	0,1	10,5	10,3	11,3	17,7	-0,2	6,4	25,5	22,2	25,3	30,6	-3,3	5,3	19,5	23,1	25,6	25,7	3,6	0,1	28,1	21,7	25,1	33,7	-6,4	8,6
Eire	0,4	0,4	0,4	0,3	0,0	-0,1	31,3	35,5	39,1	32,9	4,2	-6,2	90,1	86,2	85,1	84,9	-3,9	-0,2	96,2	92,8	90,5	84,3	-3,4	-6,2	84,7	81,3	81,1	85,3	-3,4	-4,2
France	1,1	1,4	1,4	1,2	0,3	-0,2	10,2	11,5	13,4	13,6	1,3	0,2	56,0	50,7	52,4	48,0	-5,3	-4,4	65,8	67,8	67,1	58,7	2,0	-8,4	51,6	44,7	47,7	44,7	-6,9	-3,0
Germany	1,9	2,6	2,5	2,5	0,7	0,0	10,9	10,8	14,8	15,9	-0,1	1,1	33,9	30,5	36,6	34,3	-3,4	-2,3	58,3	58,0	59,7	54,1	-0,3	-5,6	28,8	24,8	31,4	29,4	-4,0	-2,0
Greece	.	.	1,2	1,2	.	.	.	.	3,9	4,9	.	1,0	.	.	88,2	86,4	.	-1,8	.	.	90,8	87,1	.	-3,7	.	.	67,5	78,9	.	11,4
Italy	5,4	5,6	5,4	5,8	0,2	0,4	1,1	1,6	1,9	1,6	0,5	0,3	69,5	62,3	62,3	63,6	-7,2	1,3	74,9	71,4	69,8	71,2	-3,5	1,4	27,9	23,1	27,8	27,6	-4,8	-0,2
Netherlands	0,9	1,2	1,2	1,4	0,3	0,2	39,4	41,4	43,6	42,2	2,0	1,4	63,2	61,4	62,9	63,2	-1,8	0,3	83,3	85,5	87,1	89,8	2,2	2,7	57,7	54,1	55,3	53,5	-3,6	-1,8
United Kingdom	1,3	1,3	1,2	1,3	0,0	0,1	3,9	5,2	6,2	6,6	1,3	0,4	28,1	27,5	28,4	31,0	-0,6	2,6	52,4	56,9	53,5	53,7	4,5	0,2	18,1	16,8	20,3	22,9	-1,3	2,6

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib. of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	4,8	4,4	4,2	3,7	-0,4	-0,5	92,1	90,7	89,8	90,1	-1,4	0,3	5,3	4,9	4,7	4,0	-0,4	-0,7	4,7	4,3	4,1	3,8	-0,4	-0,3	317,6	346,7	331,1	326,7	29,1	-4,4
Denmark	1,7	1,9	1,8	1,8	0,2	0,0	78,5	77,1	83,9	78,3	-1,4	-5,6	2,0	2,1	2,0	2,1	0,1	0,1	1,9	1,9	1,9	2,1	0,0	0,2	33,0	61,2	58,5	72,3	28,2	13,8
Eire	1,3	1,4	1,3	1,6	0,1	0,3	95,6	89,2	87,0	88,9	-6,4	1,9	1,4	1,5	1,4	1,5	0,1	0,1	1,3	1,5	1,4	1,7	0,2	0,3	270,9	253,7	242,3	151,7	-17,2	-90,6
France	16,4	18,4	17,6	16,2	2,0	-1,4	89,9	83,3	81,2	79,1	-6,6	-2,1	17,6	21,0	20,1	18,8	2,4	-1,3	17,2	20,0	19,1	17,8	2,8	-1,3	54,4	51,7	49,3	46,1	-2,7	-3,2
Germany	23,6	21,9	20,9	18,7	-1,7	-2,2	70,1	65,5	63,3	60,9	-4,6	-2,4	31,6	31,6	30,2	27,9	0,0	-2,3	25,7	24,8	23,7	20,8	-0,9	-2,9	54,3	69,4	66,3	77,0	15,1	10,7
Greece	.	.	4,5	4,0	.	-0,5	.	.	139,7	156,9	.	17,2	.	.	4,4	3,8	.	-0,6	.	.	3,3	2,7	.	-0,6	.	.	195,6	231,7	.	36,1
Italy	27,5	30,2	28,8	32,7	2,7	3,9	126,6	122,4	125,3	121,5	-4,2	-3,8	26,5	29,0	27,7	31,7	2,5	4,0	22,8	25,2	24,0	27,9	2,4	3,9	149,7	123,8	118,2	105,4	-25,9	-12,8
Netherlands	3,2	2,9	2,8	3,0	-0,3	0,2	50,6	47,0	46,0	50,2	-3,6	4,2	4,9	4,9	4,7	5,1	0,0	0,4	4,8	4,3	4,1	4,0	-0,5	-0,1	259,4	326,6	311,9	341,7	67,2	29,8
United Kingdom	21,5	19,0	18,1	18,3	-2,5	0,2	87,4	80,4	79,3	81,4	-7,0	2,1	24,8	23,7	22,6	22,3	-1,1	-0,3	21,3	19,2	18,3	18,6	-2,1	0,3	43,9	45,4	43,4	45,2	1,5	1,8

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B7

Indicators[a] concerning the effects of integration
Sector: 51 (Cut and sewn garments)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	2,1	2,3	2,2	1,8	0,2	-0,4	42,3	51,2	55,1	55,2	8,9	-0,1	82,2	81,7	81,8	82,2	-0,5	0,4	93,2	92,1	91,5	90,5	-1,1	-1,0	72,3	72,7	73,6	75,8	0,4	2,2
Denmark	0,0	0,1	0,1	0,2	0,1	0,1	10,2	9,8	11,5	18,2	-0,4	6,7	24,0	21,6	25,6	29,7	-2,4	4,1	10,8	21,4	25,4	22,8	10,6	-2,6	28,3	21,7	25,6	33,9	-6,6	8,3
Eire	0,4	0,3	0,3	0,3	-0,1	0,0	21,3	25,3	28,0	22,5	4,0	-5,5	95,5	90,3	87,6	86,0	-5,2	-1,6	98,1	91,7	89,1	86,8	-3,6	-2,3	93,0	89,5	86,7	85,5	-3,5	-1,2
France	1,3	1,6	1,6	1,3	0,3	-0,3	7,0	8,7	9,8	9,9	1,7	0,1	50,9	47,2	47,7	40,4	-3,7	-7,3	67,5	70,6	70,8	60,5	3,1	-10,3	40,4	36,3	38,0	32,9	-4,1	-5,1
Germany	2,2	2,9	2,8	2,9	0,7	0,1	9,0	9,0	12,5	13,6	0,0	1,1	29,0	26,9	32,0	30,5	-2,1	-1,5	62,6	61,8	63,0	58,4	-0,8	-4,6	22,0	19,5	24,9	23,7	-2,5	-1,2
Greece	.	.	1,0	1,2	.	0,2	.	.	3,8	5,0	.	1,2	.	.	93,9	86,8	.	-7,1	.	.	95,2	86,7	.	-8,5	.	.	82,4	88,9	.	6,5
Italy	3,6	3,4	3,3	3,4	-0,2	0,1	1,4	1,7	2,1	1,6	0,3	-0,5	65,2	55,9	56,0	53,8	-9,3	-2,2	73,4	67,0	65,3	63,3	-6,4	-2,0	28,8	24,9	29,9	26,9	-3,9	-3,0
Netherlands	1,2	1,5	1,4	1,6	0,3	0,2	40,4	45,8	47,2	44,2	5,4	-3,0	59,9	60,8	61,8	61,9	0,9	0,1	83,0	83,7	85,7	88,9	0,7	3,2	52,8	52,8	53,4	51,3	0,0	-2,1
United Kingdom	1,3	1,3	1,3	1,4	0,0	0,1	3,5	5,3	5,9	6,5	1,8	0,6	26,7	27,8	28,1	30,9	1,1	2,8	50,0	55,2	50,7	53,5	5,2	2,8	17,2	17,3	20,0	22,4	0,1	2,4

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	4,6	4,2	4,0	3,4	-0,4	-0,6	94,0	90,2	88,7	84,1	-3,8	-4,6	5,2	4,8	4,6	3,9	-0,4	-0,7	4,2	4,0	3,8	3,5	-0,2	-0,3	444,3	474,7	454,6	425,0	30,4	-29,6
Denmark	1,8	1,9	1,8	1,8	0,1	0,0	75,3	73,2	79,2	74,7	-2,1	-4,5	2,2	2,2	2,1	2,2	0,0	0,1	2,0	2,0	1,9	2,2	0,0	0,3	14,7	56,2	53,8	69,3	41,5	15,5
Eire	1,9	2,0	1,9	2,2	0,1	0,3	98,4	89,6	85,6	90,5	-8,8	4,9	1,9	2,0	1,9	2,3	0,1	0,4	1,9	2,3	2,2	2,4	0,4	0,2	181,1	134,9	129,2	111,5	-46,2	-17,7
France	15,9	18,4	17,6	16,1	2,5	-1,5	93,6	87,2	85,1	81,1	-6,4	-4,0	17,1	21,2	20,3	19,2	4,1	-1,1	15,8	18,9	18,1	16,7	3,0	-1,4	67,5	65,1	62,3	58,3	-2,4	-4,0
Germany	23,2	21,6	20,7	18,2	-1,6	-2,5	67,6	63,5	61,3	57,4	4,1	-3,9	33,1	33,4	31,9	30,1	0,4	-0,8	24,5	23,4	22,4	19,7	-1,1	-2,7	67,4	85,8	82,1	99,1	18,4	17,0
Greece	.	.	4,3	4,0	.	-0,3	.	.	135,1	160,4	.	25,3	.	.	4,3	3,8	.	-0,5	.	.	3,2	2,7	.	-0,5	.	.	194,1	247,5	.	53,4
Italy	25,4	29,2	28,0	31,9	3,8	3,9	116,2	112,5	112,6	111,3	-4,3	-1,3	24,9	28,7	27,5	31,4	3,8	3,9	22,3	26,5	25,3	29,2	4,2	3,9	113,2	82,3	78,8	68,6	-30,9	-10,2
Netherlands	3,1	2,8	2,7	3,0	-0,3	0,3	46,9	43,4	42,7	48,0	-3,5	5,3	5,3	5,2	4,9	5,4	-0,1	0,5	4,6	4,1	3,9	3,9	-0,5	0,0	354,1	449,8	430,7	434,5	95,7	3,8
United Kingdom	24,1	20,0	19,1	19,3	-4,1	0,2	87,9	81,3	81,1	81,9	-6,6	0,8	27,6	24,5	23,4	23,4	-3,1	0,0	23,9	20,1	19,2	19,5	-3,8	0,3	40,7	47,3	45,3	49,5	6,6	4,2

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Table B8

Indicators[a] concerning the effects of integration
Sector: 43 (Man-made fibres)

Country	1. Trade creation (export intra EEC)						2. Trade creation (import intra EEC)						3. Trade diversion (exp. + imp.)						4. Trade diversion concern. export						5. Trade diversion concern. import					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1987/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85
B.L.E.U.	4,0	4,8	4,7	3,9	0,8	-0,8	100,4	94,3	102,5	73,1	- 6,1	-29,4	75,9	75,8	79,6	78,8	-0,1	0,8	68,0	81,4	82,4	82,7	13,4	0,3	81,7	72,5	78,1	76,9	-9,2	-1,2
Denmark	0,3	0,3	0,3	0,7	0,0	0,4	102,5	91,6	100,0	106,3	-10,9	6,3	68,5	64,9	66,1	77,8	-3,6	11,7	47,0	47,4	43,4	69,0	0,4	25,6	77,5	73,3	77,5	83,6	-4,2	6,1
Eire	1,7	2,4	2,4	2,6	0,7	0,2	156,1	98,9	132,7	161,6	-57,2	28,9	88,8	85,7	84,6	82,8	-3,1	-1,8	92,5	93,3	89,2	91,6	0,8	2,4	85,5	75,7	78,6	68,6	-9,8	-10,0
France	7,8	7,4	7,2	5,7	-0,4	-1,5	53,9	61,8	64,2	66,3	7,9	2,1	77,3	74,8	77,3	74,9	-2,5	-2,4	70,0	66,2	69,8	68,3	-3,8	-1,5	85,2	82,2	83,7	79,2	-3,0	-4,5
Germany	20,6	25,2	24,3	24,2	4,6	-0,1	35,6	32,4	34,5	33,3	-3,2	-1,2	60,6	55,8	58,6	58,1	-4,8	0,7	57,5	52,1	55,4	58,6	-5,4	3,2	66,9	63,9	66,7	57,0	-3,0	-9,7
Greece	.	.	0,4	0,5	.	0,1	.	.	57,3	64,1	.	6,8	.	.	75,4	75,6	.	0,2	.	.	75,5	62,4	.	4,9	.	.	81,7	83,0	.	1,3
Italy	7,2	9,5	9,1	10,4	2,3	1,3	32,0	32,6	32,1	33,8	0,6	1,7	61,1	57,3	57,1	52,7	-3,8	-4,4	50,8	47,0	45,3	44,0	-3,8	-1,3	70,2	65,8	71,7	62,2	-4,4	-9,5
Netherlands	5,3	5,9	5,8	4,5	0,6	-1,3	118,8	123,6	125,5	87,0	4,8	-38,5	72,5	73,1	75,7	70,6	0,6	-5,1	73,0	73,3	75,7	74,6	0,3	-1,1	71,9	72,8	75,6	65,4	0,9	-10,1
United Kingdom	6,9	6,3	6,1	12,1	-0,6	6,0	26,4	30,9	36,9	46,4	4,5	9,5	48,0	47,9	50,2	85,6	-0,1	35,4	36,4	41,0	37,1	100,0	4,6	62,9	65,5	60,1	67,4	72,4	-4,4	5,0

Country	6. Redistrib. of prod. w.r. to prod. EEC						7. Redistrib. of prod. w.r. to consum.						8. Redistrib. of prod./Intra trade EEC						9. Redistrib. of prod./Extra trade EEC						12. Export specialisation index					
	Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change		Shares in %				Change	
	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1980[b]	1981[c]	1985	1978/80	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85	1978	1981[b]	1981[c]	1985	1978/81	1981/85
B.L.E.U.	3,6	2,5	2,5	4,3	-1,1	1,8	68,4	45,8	40,9	53,3	-22,6	12,4	3,2	3,5	3,5	5,4	0,3	1,9	5,5	5,2	5,1	7,0	-0,3	1,9	243,1	354,8	356,2	158,6	111,7	-197,6
Denmark	0,2	0,3	0,3	0,6	0,1	0,3	23,1	34,4	35,9	56,1	11,3	20,2	0,2	0,3	0,3	0,6	0,1	0,3	0,9	1,0	1,0	1,1	0,1	0,1	301,5	191,7	192,5	216,3	-109,8	23,8
Eire	0,8	1,5	1,5	1,6	0,7	0,1	79,2	141,1	149,2	242,9	61,9	93,7	0,9	1,6	1,6	1,9	0,7	0,3	0,8	0,9	0,9	0,4	0,1	-0,5	506,5	318,8	320,1	301,4	-187,7	-16,7
France	12,6	10,1	10,0	8,4	-2,5	-1,6	104,8	89,5	88,9	72,0	-15,3	-16,9	11,2	9,3	9,2	8,4	-1,9	-0,8	13,3	12,2	12,1	11,7	-1,1	-0,4	121,7	125,9	126,4	111,5	4,2	-14,9
Germany	33,0	37,8	37,3	37,4	4,8	0,1	154,8	161,4	180,4	168,1	6,6	-12,3	26,9	29,0	28,7	31,3	2,1	2,6	27,3	29,7	29,3	28,3	2,4	-1,0	107,5	99,2	99,6	93,0	-8,3	-6,6
Greece	.	.	1,1	1,1	.	.	.	.	54,7	65,7	.	11,0	.	.	1,2	1,0	.	-0,2	.	.	2,0	1,7	.	-0,3	.	.	64,1	85,9	.	21,8
Italy	21,1	24,9	24,6	27,9	3,8	3,3	94,7	91,3	108,3	104,9	-3,4	-3,4	19,7	21,2	20,9	24,5	1,5	3,6	23,7	26,7	26,4	29,9	3,0	3,5	57,8	54,6	54,8	52,4	-3,2	-2,4
Netherlands	4,3	4,4	4,4	4,2	0,1	-0,2	164,7	131,7	162,8	136,3	-33,0	-26,5	3,9	4,0	4,0	4,3	0,1	0,3	3,0	3,1	3,1	3,0	0,1	-0,1	272,8	259,9	261,0	195,7	-12,9	-65,3
United Kingdom	24,5	18,4	18,2	14,6	-6,1	-3,6	120,8	139,6	117,4	94,9	18,8	-22,5	19,4	14,1	13,9	17,3	-5,3	3,4	25,3	20,0	19,7	12,6	-5,3	-7,1	49,3	55,7	56,0	131,3	6,4	75,3

a) Shares calculated on the basis of quantities (tons). - b) Excl. Greece. - c) Incl. Greece.

Source: CIRFS (Comité International de la Rayonne et des Fibres Synthétiques); calculations by the Ifo-Institute.

Annex C

Market structure

a) Available data

Data by size of enterprise of the textile and clothing industry are available from EUROSTAT, "Structure and activity of industry" for the years 1975, 1979, 1981. More aggregate information on the structure of the industry are available from the same source from 1975 to 1983.

A general warning must be made with respect to the set of data by size of enterprise on textile industry (NACE 43 and sub-sectors) provided for the year 1975 by EUROSTAT (EUROSTAT, 1978, vol. XV). These data are quite unreliable, as explicitely recognized in the volume containing the 1979 data ("... the results of the inquiry covering 1975 was not very satisfactory. (They) contain many gaps and shortcomings which make it very tricky to use them", p. 13).

Nonetheless, we were forced to use these set of data in many parts of our analysis. As a result, the 1975 data by size of enterprise for the textile industry underestimate the amount of employment, turnover, and the number of firms.

The clothing industry data are basically immune from these problems.

Other data used in the report come from "Structural adjustment in industry: study of the textile industry", OECD (1987).

b) Concentration analysis

In order to evaluate more carefully the pattern of concentration in the textile-clothing industry, we have worked out the GINI-index for all the sub-sectors of the industry and for the main EC countries. Two different formulas have been used. The first, usually applied to size class distribution, is the following:

$$Gl = 1 - \sum_{i=1}^{m} (p_i - p_{i-1})(q_i + q_{i-1})$$

where

$$p_i = \frac{\sum_{h=1}^{i} n_h}{\sum_{h=1}^{m} n_h}, \quad q_i = \frac{\sum_{h=1}^{i} v_h}{\sum_{h=1}^{m} v_h}$$

with

n_h : number of firms in each size class;

v_h : number of employees in each size class.

The second formula, applied to aggregate data, is the following:

$$G2 = \frac{\sum_{i=1}^{m-1} (h_i - k_i)}{\sum_{i=1}^{m-1} h_i}$$

where

h_i = relative accumulated frequency, which indicates the countries whose total of the variable intensity is between level 1 and level i;

k_i = relative accumulated intensity of the variables: number of firms, number of employees, turnover, gross value added.

c) Tables

Table C1

TEXTILE INDUSTRY (NACE 43)

	D			F			I			N			B			UK			IRL			DEN			TOT		
	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A
1975	4.1	3.0	3.1	5.4	3.4	3.9	8.3	4.9	5.7	4.4	2.9	3.3	7.7	3.5	4.2	4.8	3.3	3.3	8.1	4.6	4.2	3.2	2.6	2.4	5.3	3.5	3.7
1976	3.9	2.9	2.9	5.2	3.3	3.7	8.1	5.4	6.3	3.7	2.7	3.2	7.3	4.9	5.0	4.8	3.4	3.3	:	:	:	3.3	2.7	2.7	5.1	3.5	3.6
1977	3.6	2.7	2.7	5.0	3.3	3.5	7.9	5.4	6.1	3.9	2.7	3.0	6.9	4.5	4.5	4.9	3.4	3.2	8.3	4.6	6.2	3.0	2.3	2.3	5.0	3.3	3.4
1978	3.5	2.6	2.6	5.0	3.1	3.5	7.8	5.3	5.8	3.5	2.3	2.5	6.7	4.3	4.4	4.7	3.2	3.1	:	:	:	3.1	2.2	2.3	4.8	3.2	3.3
1979	3.4	2.4	2.5	4.9	3.0	3.5	7.7	5.6	6.2	3.1	2.1	2.3	6.4	3.8	4.3	4.5	2.8	2.7	7.8	4.0	4.5	2.7	2.2	2.3	4.6	3.1	3.2
1980	3.3	2.3	2.4	4.7	2.8	3.3	7.5	5.0	5.9	:	:	:	:	:	:	4.0	2.4	2.2	:	:	:	2.7	2.3	2.4	4.4	2.8	3.0
1981	3.8	2.6	2.8	5.9	3.1	4.1	8.5	5.9	7.0	3.2	2.0	2.5	8.0	5.0	5.8	4.9	2.9	3.1	7.7	4.1	0.0	3.2	2.6	2.9	5.5	3.3	3.9
1982	3.7	2.5	2.7	6.0	3.2	4.2	8.1	5.7	6.7	3.0	2.0	2.4	:	:	:	4.8	2.8	3.0	:	:	:	3.3	2.6	3.0	5.1	3.2	3.6
1983	3.6	2.5	2.7	5.7	3.2	4.3	:	:	:	2.9	1.9	2.2	:	:	:	4.9	2.8	3.1	:	:	:	3.5	2.6	3.1	4.5	2.7	3.1

1A: share of each national sector on the total employment of manufacturing industry %

2A: share of each national sector on the total turnover of manufacturing industry %

3A: share of each national sector on the total gross value added of manufacturing industry %

source: EUROSTAT

Table C2

MANUFACTURE OF READY-MADE CLOTHING AND ACCESSORIES (NACE 453)

	D			F			I			N			B			UK			IRL			DEN			TOT		
	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A	1A	2A	3A
1975	2.9	1.7	1.7	3.5	1.5	1.9	4.7	2.0	2.4	2.4	1.4	1.3	4.7	2.0	2.5	3.3	1.4	1.6	7.1	2.3	3.3	2.7	1.2	1.5	3.5	1.6	1.8
1976	2.8	1.5	1.6	3.4	1.4	1.9	4.6	2.0	2.5	1.9	1.2	1.1	4.5	1.8	2.2	3.3	1.3	1.5	:	:	:	2.9	1.4	1.8	3.3	1.5	1.7
1977	2.6	1.5	1.5	3.4	1.5	1.9	4.4	2.1	2.4	2.0	1.1	1.1	4.2	1.7	2.0	3.3	1.3	1.5	5.8	1.8	2.9	2.6	1.2	1.6	3.2	1.5	1.7
1978	2.6	1.5	1.5	3.3	1.5	1.9	4.2	1.9	2.2	1.9	1.0	1.0	4.1	1.6	1.9	3.3	1.3	1.5	:	:	:	2.9	1.2	1.5	3.2	1.5	1.6
1979	2.5	1.4	1.3	3.3	1.4	1.9	4.1	2.1	2.4	1.7	0.9	1.0	3.9	1.3	1.8	3.3	1.4	1.6	5.9	1.8	2.1	2.4	1.2	1.6	3.1	1.4	1.6
1980	2.5	1.3	1.3	3.2	1.3	1.8	4.0	2.1	2.5	:	:	:	:	:	:	3.1	1.2	1.4	:	:	:	2.3	1.2	1.5	3.0	1.4	1.6
1981	2.8	1.5	1.6	3.8	1.4	2.1	4.6	2.3	3.0	:	:	:	4.5	1.6	2.2	3.8	1.5	1.9	6.2	1.7	3.0	2.4	1.1	1.6	3.5	1.5	1.9
1982	2.7	1.4	1.5	3.8	1.4	2.2	4.4	2.5	2.9	:	:	:	:	:	:	3.9	1.5	1.9	:	:	:	2.5	1.2	1.7	3.4	1.5	1.9
1983	2.6	1.4	1.5	3.9	1.5	2.4	:	:	:	:	:	:	:	:	:	4.0	1.4	1.8	:	:	:	2.7	1.2	1.7	3.2	1.3	1.7

1A: share of each national sector on the total employment of manufacturing industry %

2A: share of each national sector on the total turnover of manufacturing industry %

3A: share of each national sector on the total gross value added of manufacturing industry %

source: EUROSTAT

Table C3

NUMBER OF EMPLOYEES - TEXTILE INDUSTRY (NACE 43)

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	352335	328090	352448	48786	83904	-	438882	16100	12478	1633023
76	340000	320682	336928	44922	78796	-	421453	:	13528	1556309
77	324642	301262	321680	40500	70747	-	410462	17342	12145	1498780
78	317829	294488	309349	35230	64745	-	390243	:	10789	1422673
79	308656	284319	302960	31658	60996	-	356354	:	10961	1355904
80	:	:	:	:	:	-	:	:	:	:
81	280106	255621	276223	25202	55330	-	252597	14824	10207	1230232
82	256947	247432	248564	22317	53307	-	234334	12787	10470	1086158
83	241857	238875	:	20614	:	-	220646	:	10945	732937

SOURCE: EUROSTAT

Table C4

GROSS VALUE ADDED* / NUMBER OF EMPLOIES - TEXTILE INDUSTRY (NACE 43)

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	0.009844	0.009102	0.006414	0.009902	0.008451	-	0.005493	0.005826	0.009833	0.007676
76	0.011589	0.009556	0.008194	0.012764	0.010807	-	0.006243	:	0.012211	0.008987
77	0.012416	0.010769	0.009022	0.013170	0.012088	-	0.006511	0.007202	0.012507	0.009685
78	0.013913	0.011218	0.009240	0.013820	0.013707	-	0.007264	:	0.014236	0.010506
79	0.014934	0.013093	0.011555	0.015440	0.014820	-	0.008379	:	0.017899	0.012081
80	0.015313	0.014565	0.013208	:	:	-	0.009621	:	0.015819	0.013164
81	0.015914	0.015833	0.014473	0.017847	0.017341	-	0.012168	:	0 0.018702	0.014317
82	0.017687	0.017366	0.016623	0.021252	0.017973	-	0.013149	:	0 0.020525	0.016298
83	0.019876	0.018410	:	0.022921	:	-	0.014489	::	0.022503	0.017901

SOURCE: EUROSTAT
* MIO ECU

Table C5

NUMBER OF EMPLOYEES - NACE 453
MANUFACTURE OF READY-MADE CLOTHING AND ACCESSORIES

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	249901	210423	199308	26357	51609	:	303593	14048	10633	1065872
76	242819	208334	190303	22893	48018	:	291248	:	11723	1015336
77	235534	203560	178004	20753	42800	:	278066	12101	10771	981589
78	236859	196319	165102	18905	39659	:	267538	:	10070	934452
79	231721	194501	163158	:	37341	:	261500	:	9934	898155
80	225183	186257	155437	:	:	807	237465	:	9037	814186
81	204620	165214	147908	:	31167	502	196337	11897	7856	793314
82	186317	166831	139805	:	29929	442	186378	11760	7997	729459
83	174141	164354	:	:	:		177425	:	8446	524366

SOURCE - EUROSTAT

Table C6

NUMBER OF EMPLOYEES - TEXTILE INDUSTRY NACE 43

EEC-100

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	21.58	20.09	21.58	2.99	5.14	-	26.88	0.99	0.76	100
76	21.85	20.64	21.65	2.89	5.06	-	27.08	:	0.87	100
77	21.66	20.10	21.46	2.70	4.72	-	27.39	1.16	0.81	100
78	22.34	20.70	21.74	2.48	4.55	-	27.43	:	0.76	100
79	22.76	20.97	22.34	2.33	4.50	-	26.28	:	0.81	100
80	:	:	:	:	:	-		:	:	:
81	22.77	20.78	22.45	2.05	4.50	-	20.53	1.20	0.83	100
82	23.66	22.78	22.88	2.05	4.91	-	21.57	1.18	0.96	100
83	33.00	32.59	:	2.81	:	-	30.10	:	1.49	100

SOURCE: EUROSTAT

Table C7

NUMBER OF FIRMS - TEXTILE INDUSTRY NACE 43

EEC-100

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	17.39	18.94	30.66	2.68	6.22	-	21.34	1.12	1.64	100
76	17.36	19.09	31.52	2.79	6.07	-	21.42	:	1.74	100
77	17.16	18.98	31.20	2.72	5.93	-	21.06	1.21	1.73	100
78	17.41	19.71	32.14	2.32	5.86	-	20.92	:	1.66	100
79	17.59	20.12	32.67	2.14	5.70	-	20.10	:	1.69	100
80	:	:	:	:	:	-				0
81	16.48	19.91	30.96	1.84	5.22	-	16.72	1.27	1.56	100
82	18.51	23.42	34.56	2.19	:	-	19.39	:	1.93	100
83	28.54	36.23	:	3.48	: :	-	28.80	:	2.95	100

SOURCE: EUROSTAT

Table C8

T.8.M / TEXTILE INDUSTRY (NACE 43): NUMBER OF EMPLOYEES.

		Size class: No. employees									
		20 - 99	average size	100 - 499	average size	>= 500	average size	Total (1)	average size	Total (2)	Corrected average size
GERMANY	1975	35272	47	66186	209	62868	938	164326	144	352335	188
	1979							308656	184		
	1981	44537	49	122967	225	112603	1062	280106	180		
	var % 81-75	26		86		79		70			
FRANCE	1975	53454	45	94703	215	101464	1127	249621	145	328090	161
	1979							284319	148		
	1981	59048	44	91257	200	105316	1404	255621	136		
	var % 81-75	10		-4		4		2			
ITALY	1975	95535	42	101788	191	62432	1249	259755	91	352448	107
	1979							302960	97		
	1981	90049	40	115461	193	70713	1010	276223	94		
	var % 81-75	-6		13		13		6			
GR.BRITAI	1975	29541	49	149970	207	146595	1145	326106	224	438882	191
	1979	52740	50	152876	208	150738	1178	356354	186		
	1981	46225	49	109880	202	96492	1038	252597	160		
	var % 81-75	56		-27		-34		-23			
NETHERLAN	1975	17373	52	20710	220	41645	408	79728	151	48786	169
	1979	5508	47	15227	200	10922	910	31658	155		
	1981	39914	44	55023	202	30974	911	125911	103		
	var % 81-75	130		166		-26		58			
BELGIUM	1975	18826	45	34347	220	10107	919	63280	109	83904	125
	1979							60996	112		
	1981	16654	45	23183	209	15492	1033	55330	112		
	var % 81-75	-12		-33		53		-13			
DENMARK	1975	4809	35	2585	89	0		7394	44	12478	70
	1979							10961	68		
	1981	6216		3991	166	0		10207	69		
	var % 81-75							38			
EUR - 7	1975	254810	45	430933	188	425111	949	1110854	131	1616923	152
	1979							1355904	142		
	1981	302643	44	521762	204	431590	1095	1255995	128		
	var % 81-75	19		21		2		13			

Note: (1) Total according to EUROSTAT 1978-XV (2) Total according to EUROSTAT 1979
Source : PROMETEIA calculations on EUROSTAT data.

Table C9

T.9.P. / NUMBER OF EMPLOYEES - NACE 453
MANUFACTURE OF READY-MADE CLOTHING AND ACCESSORIES
EEC = 100

	GERMANY	FRANCE	ITALY	NEDERL	BELGIE	LUX	U.K.	IRL	DENMARK	EUR 9
1975	23,4	19,7	18,7	2,5	4,8		28,5	1,3	1,0	100,0
76	23,9	20,5	18,7	2,3	4,7		28,7		1,2	100,0
77	24,0	20,7	18,1	2,1	4,4		28,3	1,2	1,1	100,0
78	25,3	21,0	17,7	2,0	4,2		28,6		1,1	100,0
79	25,8	21,7	18,2		4,2	0,1	29,1	1,4	1,1	100,0
80	27,7	22,9	19,1			0,1	29,2		1,1	100,0
81	25,8	20,8	18,6		3,9	0,1	24,7	1,5	1,0	100,0
82	25,5	22,9	19,2		4,1	0,1	25,6	1,6	1,1	100,0
83	33,2	31,3					33,8		1,6	100,0

SOURCE = EUROSTAT

Table C10

T.10.M / CLOTHING INDUSTRY (NACE 453): NUMBER OF EMPLOYEES.

Size class: No. employees

		20 - 99	average size	100 - 499	average size	>= 500	average size	Total	average size
GERMANY	1975	74211	47	117681	201	58008	892	249900	113
	1979	70907		106128		54696		231721	108
	1981	69162	47	88396	191	47063	905	204620	103
	var % 81-75	-7		-25		-19		-18	
FRANCE	1975	63393	44	98180	231	55237	921	216810	113
	1979							194501	96
	1981	60986	42	73418	199	33601	862	168005	91
	var % 81-75	-4		-25		-39		-23	
ITALY	1975	56183	43	76381	196	60023	1177	192587	110
	1979	49274		64611		49274		163158	106
	1981	46295	42	63896	195	37717	1078	147908	100
	var % 81-75	-18		-16		-37		-23	
GR.BRITAI	1975	84338	42	120440	206	102053	1074	306831	114
	1979	68252	43	106692	211	86557	902	261500	120
	1981	52422	43	81284	207	62632	846	196337	117
	var % 81-75	-38		-33		-39		-36	
NETHERLAN	1975	10236	35	10409	149	5712	714	26357	72
	1979								
	1981	0		0		0		0	
	var % 81-75								
BELGIUM	1975	0		0		0		0	
	1979								
	1981	15054	41	10971	169	5143	857	31167	71
	var % 81-75								
DENMARK	1975	6531	39	4102	158	0		10633	55
	1979	6378		3556		0		9934	54
	1981	5452		0	0	0		7856	55
	var % 81-75							-26	
EUR - 7	1975	294892	43	410835	198	281033	1007	986760	108
	1979								
	1981	249371	43	317965	195	186156	899	753492	99
	var % 81-75	-15		-23		-34		-24	

Source : PROMETEIA calculations on EUROSTAT data.

Table C11

T.11.M / CHANGES IN THE PATTERN OF EMPLOYMENT BY SIZE OF FIRM

Firms with: (as % of total)	Italy Textile & clothing industries			Belgium Textiles		Clothing	
	1961	1971	1984	1973	1983	1973	1984
1 to 19 employees	24.9	23.3	36.7	5.8	8.4	16.9	20.6
20 to 499	52.6	60.3	55.5	74.8	76.3	79.6	76.7
500 and over	22.5	16.4	7.8	19.4	15.3	3.5	2.7

SOURCE: OECD.

Table C12

T.12.M / TEXTILE INDUSTRY (NACE 43): NUMBER OF FIRMS.

(%)

		Size class: No. employees			Total	Total	Size class: No. employees			
		20 - 99	100 - 499	>= 500	(1)	(2)	20 - 99	100 - 499	>= 500	Total
GERMANY	1975	756	317	67	1140	1872	66.3	27.8	5.9	100.0
	1979				1676		0.0	0.0	0.0	0.0
	1981	907	546	106	1559		58.2	35.0	6.8	100.0
	var % 81-75	20	72	58	37		-8.1	7.2	0.9	
FRANCE	1975	1188	441	90	1719	2039	69.1	25.7	5.2	100.0
	1979				1917		69.6	25.8	4.6	100.0
	1981	1354	456	75	1885		71.8	24.2	4.0	100.0
	var % 81-75	14	3	-17	10		2.7	-1.5	-1.3	
ITALY	1975	2283	532	50	2865	3301	79.7	18.6	1.7	100.0
	1979				3113		77.0	20.3	2.7	100.0
	1981	2260	597	70	2928		77.2	20.4	2.4	100.0
	var % 81-75	-1	12	40	2		-2.5	1.8	0.6	
GR.BRITAI	1975	603	723	128	1454	2298	41.5	49.7	8.8	100.0
	1979	1051	735	128	1915		54.9	38.4	6.7	100.0
	1981	942	545	93	1581		59.6	34.5	5.9	100.0
	var % 81-75	56	-25	-27	9		18.1	-15.3	-2.9	
NETHERLAN	1975	331	94	102	527	289	62.8	17.8	19.4	100.0
	1979	116	76	12	204		56.9	37.3	5.9	100.0
	1981	916	273	34	1223		74.9	22.3	2.8	100.0
	var % 81-75	177	190	-67	132		12.1	4.5	-16.6	
BELGIUM	1975	416	156	11	583	670	71.4	26.8	1.9	100.0
	1979				543		0.0	0.0	0.0	0.0
	1981	368	111	15	494		74.5	22.5	3.0	100.0
	var % 81-75	-12	-29	36	-15		3.1	-4.3	1.1	
DENMARK	1975	138	29	0	167	177	82.6	17.4	0.0	100.0
	1979				161		82.6	16.8	0.6	100.0
	1981	123	24	1	148		83.1	16.2	0.7	100.0
	var % 81-75	-11	-17		-11		0.5	-1.1	0.7	
EUR - 7	1975	5715	2292	448	8455	10646	67.6	27.1	5.3	100.0
	1979				9529					
	1981	6870	2552	394	9816		70.0	26.0	4.0	100.0
	var % 81-75	20	11	-12	16		2.4	-1.1	-1.3	

Note: (1) Total according to EUROSTAT 1978-XV (2) Total according to EUROSTAT 1979
Source : PROMETEIA calculations on EUROSTAT data.

Table C13

T.13.M / TEXTILE IND.: No. employees (%)
according to size class.

Size class: No. employees

		20 - 99	100 - 499	)= 500	Total
GERMANY	1975	21.5	40.3	38.3	100.0
	1979	0.0	0.0	0.0	0.0
	1981	15.9	43.9	40.2	100.0
	var.	-5.6	3.6	1.9	
FRANCE	1975	21.4	37.9	40.6	100.0
	1979	0.0	0.0	0.0	0.0
	1981	23.1	35.7	41.2	100.0
	var.	1.7	-2.2	0.6	
ITALY	1975	36.8	39.2	24.0	100.0
	1979	0.0	0.0	0.0	0.0
	1981	32.6	41.8	25.6	100.0
	var.	-4.2	2.6	1.6	
GR.BRIT.	1975	9.1	46.0	45.0	100.0
	1979	14.8	42.9	42.3	100.0
	1981	18.3	43.5	38.2	100.0
	var.	9.2	-2.5	-6.8	
NETHERL.	1975	21.8	26.0	52.2	100.0
	1979	17.4	48.1	34.5	100.0
	1981	31.7	43.7	24.6	100.0
	var.	9.9	17.7	-27.6	
BELGIUM	1975	29.8	54.3	16.0	100.0
	1979	0.0	0.0	0.0	0.0
	1981	30.1	41.9	28.0	100.0
	var.	0.3	-12.4	12.0	
DENMARK	1975	65.0	35.0	0.0	100.0
	1979	0.0	0.0	0.0	0.0
	1981	60.9	39.1	0.0	100.0
	var.	-4.1	4.1	0.0	
EUR - 7	1975	22.9	38.8	38.3	100.0
	1979				
	1981	24.1	41.5	34.4	100.0
	var.	1.2	2.7	-3.9	

Source: PROMETEIA calculations
on EUROSTAT data.

Table C14

T.14.M / CLOTHING INDUSTRY (NACE 453): NUMBER OF FIRMS.

(%)

		Size class: No. employees				Size class: No. employees			
		20 - 99	100 - 499	>= 500	Total	20 - 99	100 - 499	>= 500	Total
GERMANY	1975	1566	585	65	2216	70.7	26.4	2.9	100.0
	1979	1534	549	60	2143	71.6	25.6	2.8	100.0
	1981	1470	462	52	1984	74.1	23.3	2.6	100.0
	var % 81-75	-6	-21	-20	-10	3.4	-3.1	-0.3	
FRANCE	1975	1433	425	60	1918	74.7	22.2	3.1	100.0
	1979				2019	0.0	0.0	0.0	0.0
	1981	1447	369	39	1855	78.0	19.9	2.1	100.0
	var % 81-75	1	-13	-35	-3	3.3	-2.3	-1.0	
ITALY	1975	1308	389	51	1748	74.8	22.3	2.9	100.0
	1979	1175	326	43	1544	76.1	21.1	2.8	100.0
	1981	1111	327	35	1473	75.4	22.2	2.4	100.0
	var % 81-75	-15	-16	-31	-16	0.6	-0.1	-0.5	
GR.BRITAI	1975	2019	585	95	2699	74.8	21.7	3.5	100.0
	1979	1578	506	96	2179	72.4	23.2	4.4	100.0
	1981	1215	392	74	1681	72.3	23.3	4.4	100.0
	var % 81-75	-40	-33	-22	-38	-2.5	1.6	0.9	
NETHERLAN	1975	290	70	8	368	78.8	19.0	2.2	100.0
	1979								
	1981								
	var % 81-75								
BELGIUM	1975								
	1979								
	1981	368	65	6	439	83.8	14.8	1.4	100.0
	var % 81-75								
DENMARK	1975	168	26	0	194	86.6	13.4	0.0	100.0
	1979	164	21	0	185	88.6	11.4	0.0	100.0
	1981	130	12	1	143	90.9	8.4	0.7	100.0
	var % 81-75	-23	-54		-26	4.3	-5.0	0.7	
EUR - 7	1975	6784	2080	279	9143	74.2	22.7	3.1	100.0
	1979				8070	0.0	0.0	0.0	0.0
	1981	5741	1627	207	7575	75.8	21.5	2.7	100.0
	var % 81-75	-15	-22	-26	-17	1.6	-1.3	-0.3	

Source : PROMETEIA calculations on EUROSTAT data.

Table C15

T.15.M / CLOTHING IND.: No. employees (%) according to class.

		Size class: No. employees			
		20 - 99	100 - 499	>= 500	Total
GERMANY	1975	29.7	47.1	23.2	100.0
	1979	30.6	45.8	23.6	100.0
	1981	33.8	43.2	23.0	100.0
	var.	4.1	-3.9	-0.2	
FRANCE	1975	29.2	45.3	25.5	100.0
	1979	0.0	0.0	0.0	0.0
	1981	36.3	43.7	20.0	100.0
	var.	7.1	-1.6	-5.5	
ITALY	1975	29.2	39.7	31.2	100.0
	1979	30.2	39.6	30.2	100.0
	1981	31.3	43.2	25.5	100.0
	var.	2.1	3.5	-5.7	
GR.BRIT.	1975	27.5	39.3	33.3	100.0
	1979	26.1	40.8	33.1	100.0
	1981	26.7	41.4	31.9	100.0
	var.	-0.8	2.1	-1.4	
NETHERL.	1975	38.8	39.5	21.7	100.0
	1979				
	1981				
	var.				
BELGIUM	1975				
	1979				
	1981	48.3	35.2	16.5	100.0
	var.				
DENMARK	1975	61.4	38.6	0.0	100.0
	1979	64.2	35.8	0.0	100.0
	1981	69.4	0.0	0.0	69.4
	var.	8.0	0.0	0.0	
EUR - 7	1975	29.9	41.6	28.5	100.0
	1979				
	1981	33.1	42.2	24.7	100.0
	var.	3.2	0.6	-3.8	

Source: PROMETEIA calculations on EUROSTAT data.

Table C16

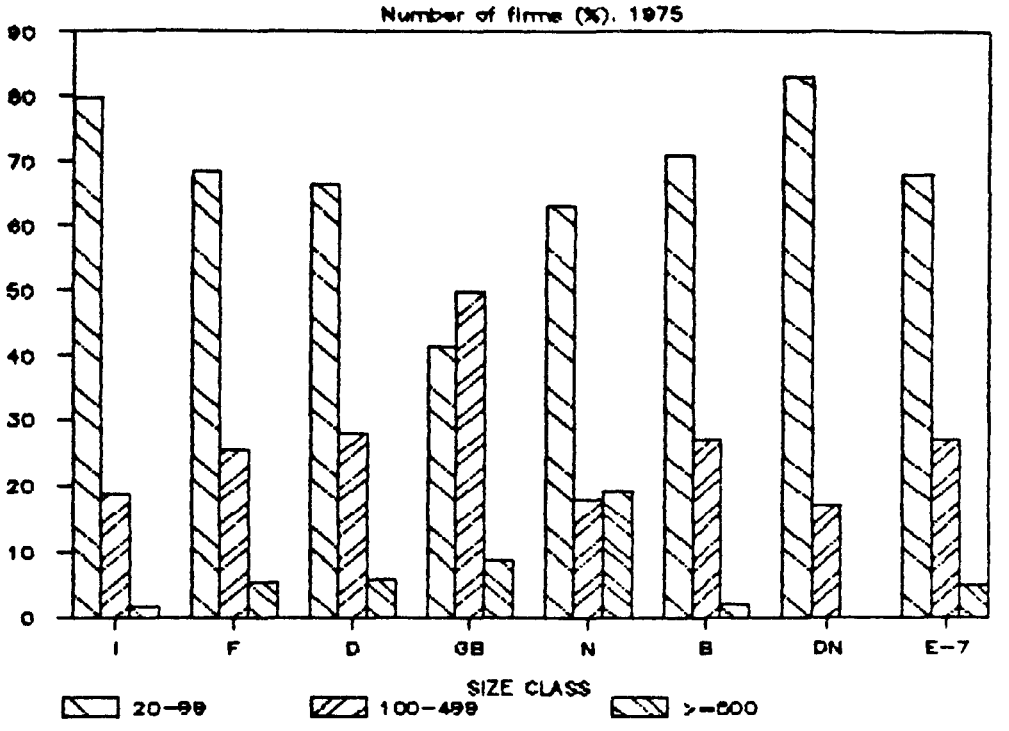
T.16.M / VALUES OF THE GINI INDEX IN THE TEXTILE-CLOTHING INDUSTRY

		GERMANY	FRANCE	ITALY	GREAT BR.	NETHER.	BELGIUM	DENMARK	(1) EUR-7
TEXTILE	1975	0.53	0.56	0.47	0.51	0.45	0.45	0.18	0.48
NACE 43	1981	0.53	0.57	0.49	0.52	0.48	0.49		0.37
CLOTHING	1975	0.46	0.67	0.51	0.53	0.43		0.25	0.67
NACE 453	1981	0.44	0.45	0.49	0.51		0.37		0.50
COTTON	1975	0.56	0.59	0.63	0.56	0.55	0.63	0.31	0.45
NACE 432	1981	0.51	0.64	0.56	0.53		0.64		0.45
KNITTING	1975	0.52	0.54	0.41	0.59	0.34	0.29	0.20	0.49
NACE 436	1981		0.55		0.59			0.15	0.29
WOOL	1975	0.46	0.62	0.56	0.48	0.27	0.42		0.53
NACE 431	1981		0.63	0.52	0.41				0.41
T.FINISH.	1975		0.51		0.39	0.41		0.23	0.54
NACE 437	1981		0.40	0.36	0.39		0.33	0.23	0.41
SILK	1975		0.58	0.46			0.53		0.53
NACE 433	1981		0.47	0.47					0.45
FLAX,HEMP	1975		0.71	0.57	0.18		0.34		0.30
NACE 434	1981		0.70	0.58			0.28		0.39
HOUSE.TEX	1975				0.43				0.79
NACE 455	1981				0.47		0.17	0.26	0.63

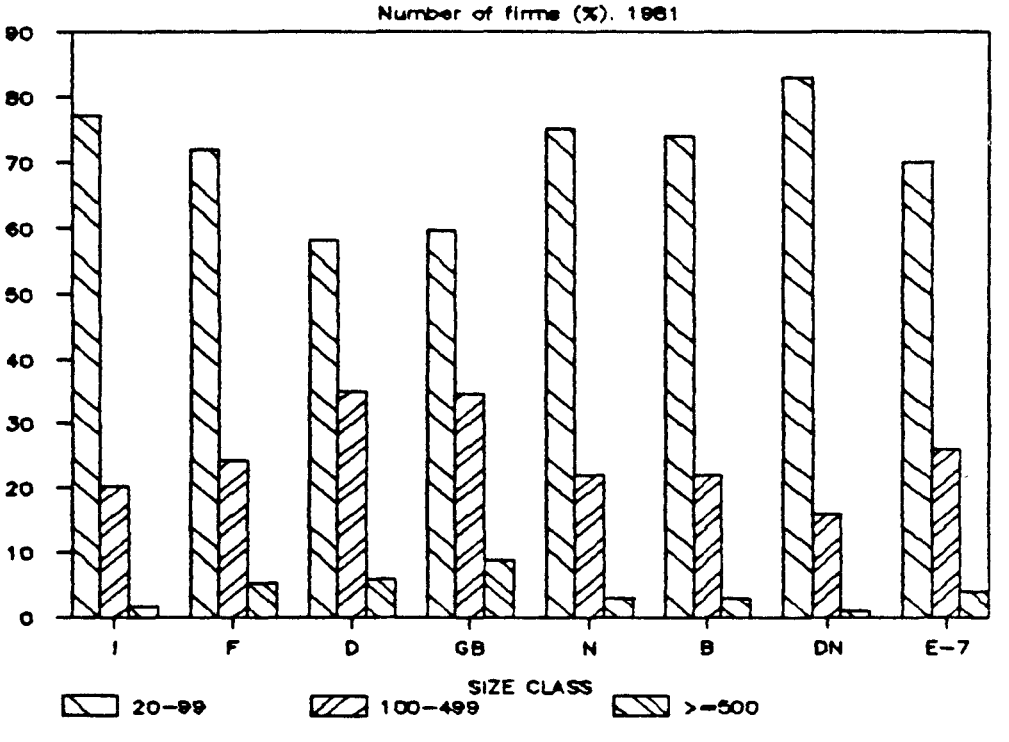
Notes: (1) EUR-7 estimates are based on the 62 GINI index;
all other estimates are based on the 61 GINI index.
Source: PROMETEIA estimates on EUROSTAT DATA.

d) Graphs

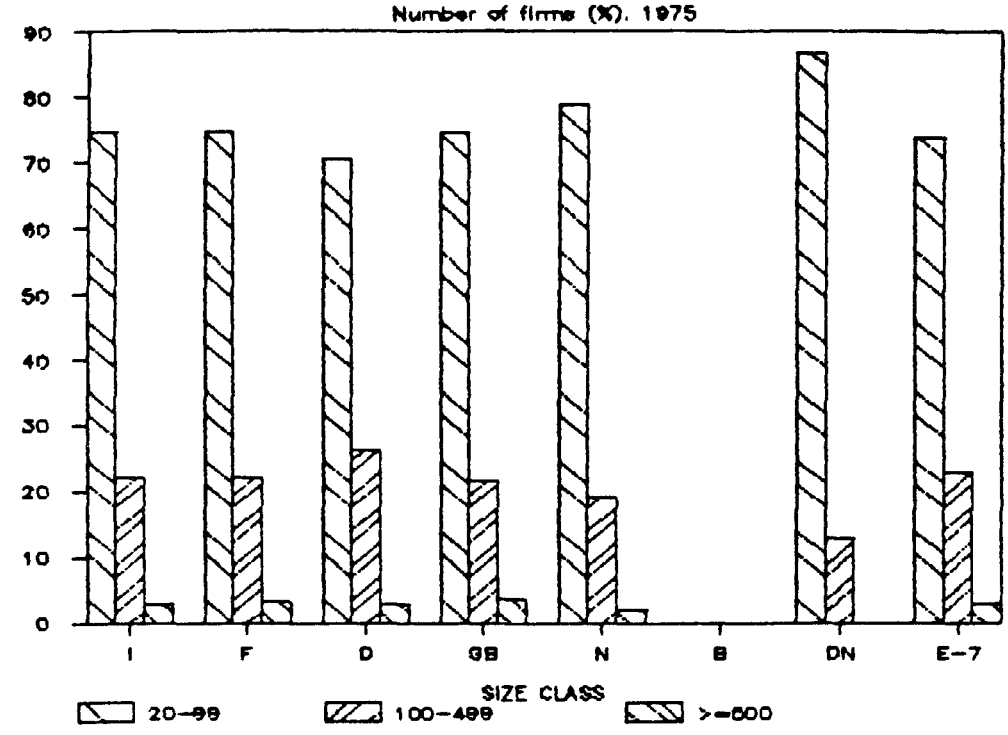
GRAPH C1 / TEXTILE INDUSTRY



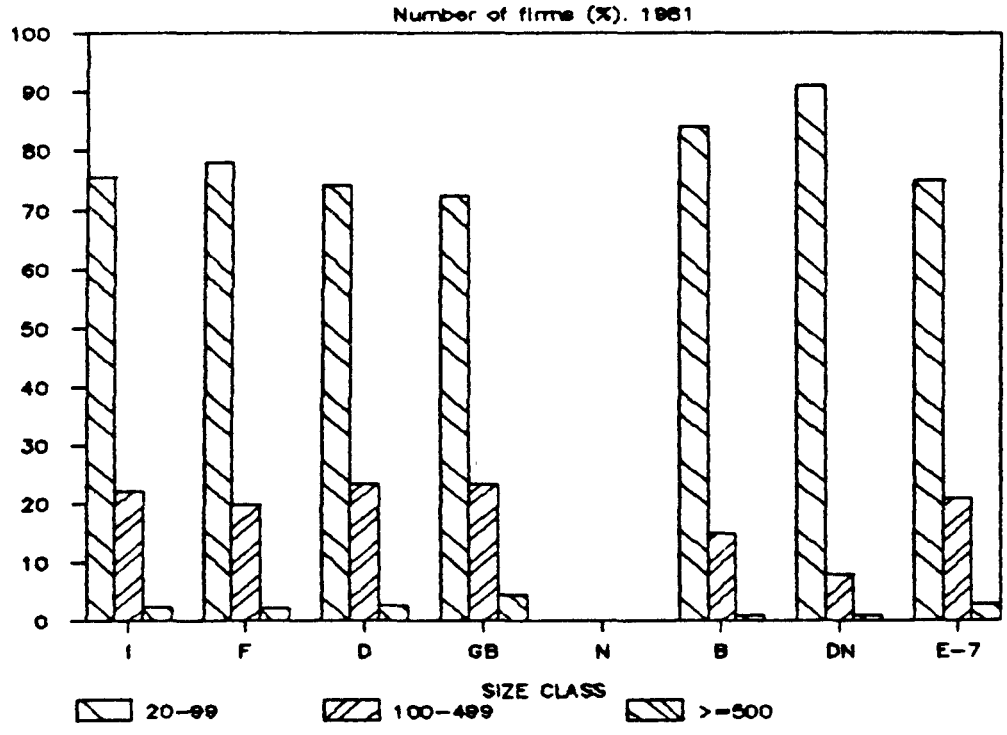
GRAPH C2 / TEXTILE INDUSTRY



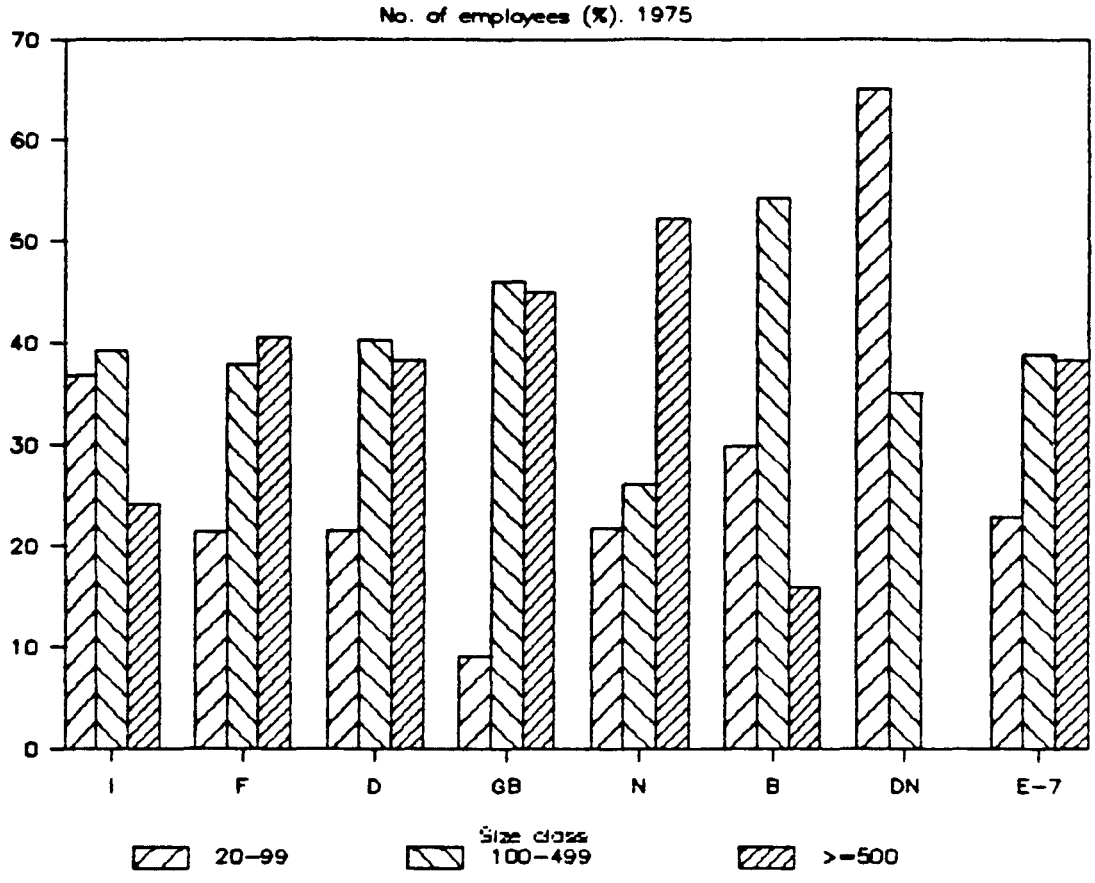
GRAPH C3 / CLOTHING INDUSTRY



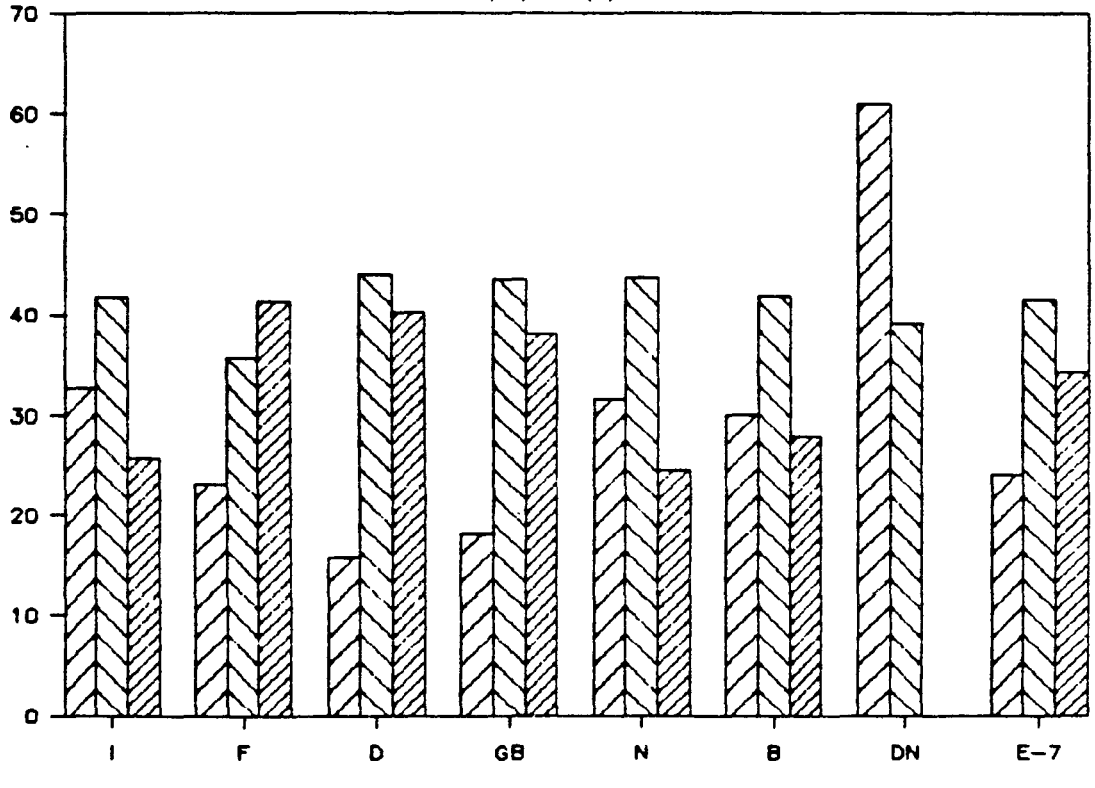
GRAPH C4 / CLOTHING INDUSTRY



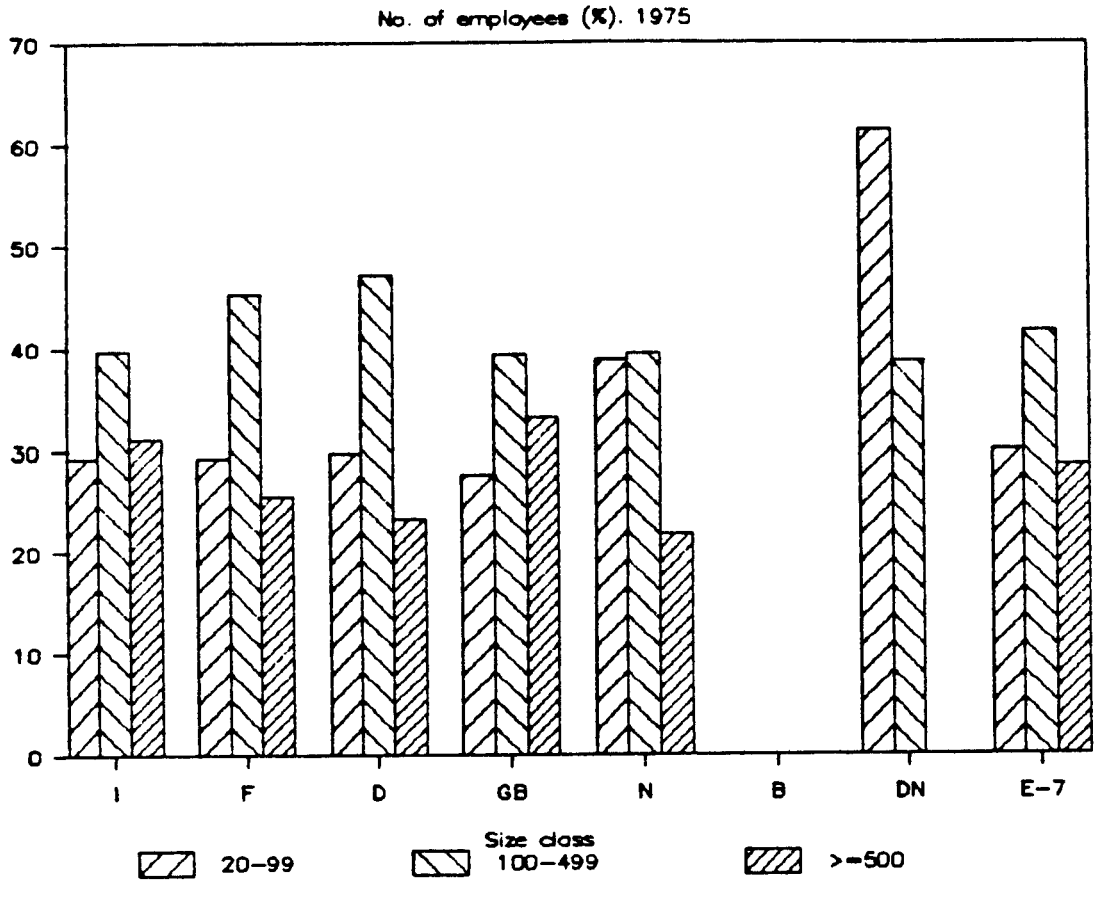
GRAPH C5 / TEXTILE INDUSTRY



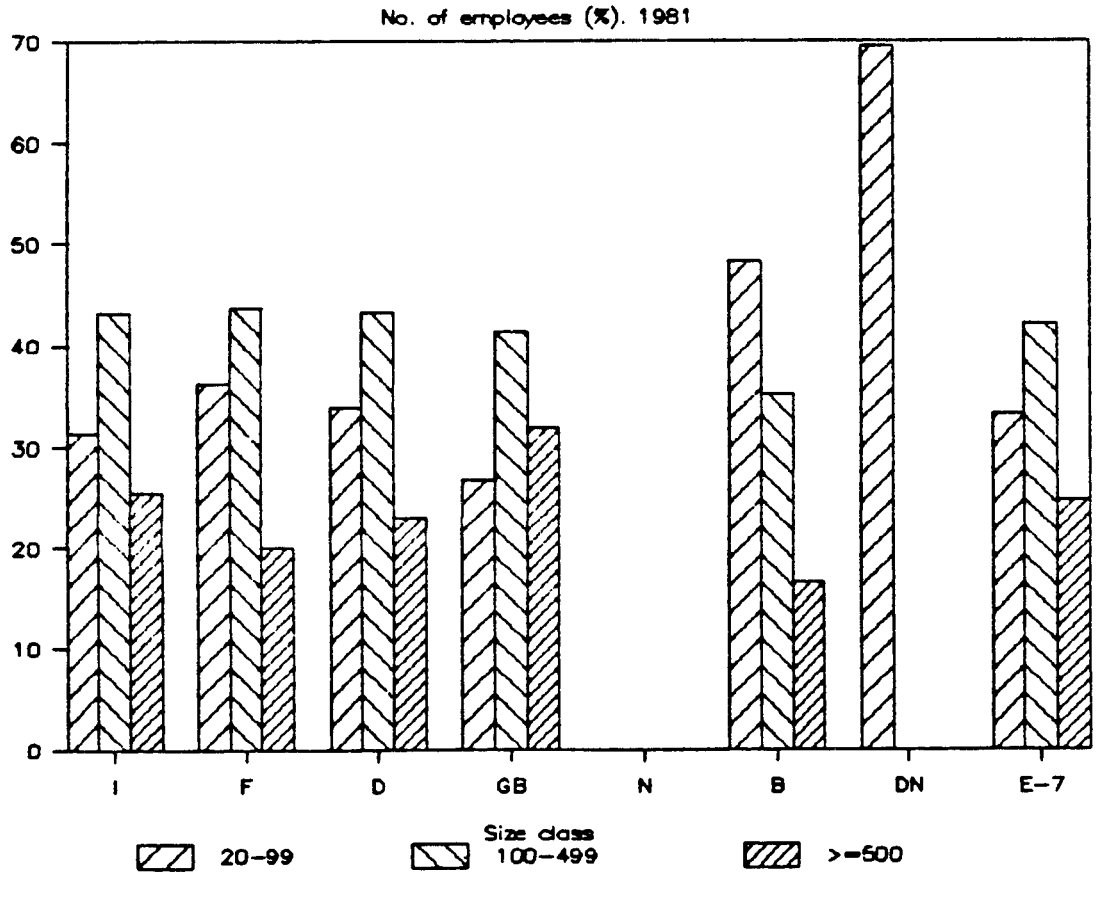
GRAPH C6 / TEXTILE INDUSTRY



GRAPH C7 / CLOTHING INDUSTRY



GRAPH C8 / CLOTHING INDUSTRY



Annex D

Gross value added per employee

Table D1

1975 : Comparison of Gross Value Added per Employee
(Number of countries)

	PER CENT ------>	131 over	121 130	111 120	101 110	SUB TOTAL 1	91 100	81 90	>= 80	SUB TOTAL 2	TOTAL NUMBER OF COUNTRIES
NACE 43	large vs small				4	* 4	1		1	2	6
	medium vs small	2			3	* 5	1		1	2	7
	large vs medium				4	* 4	1		1	2	6
NACE 431	large vs small				2	2	2		2	* 4	6
	medium vs small				2	2	4			* 4	6
	large vs medium			1	2	* 3	1	1		2	5
NACE 432	large vs small	1		1	1	= 3	1	1	1	= 3	6
	medium vs small				3	= 3	1	1	1	= 3	6
	large vs medium	2			1	= 3	3			= 3	6
NACE 433	large vs small		1		1	* 2			1	1	3
	medium vs small	1		1		* 2			1	1	3
	large vs medium			2		* 2			1	1	3
NACE 434	large vs small	1				= 1			1	= 1	2
	medium vs small	1	1			= 2	1		1	= 2	4
	large vs medium		1		1	* 2				0	2
NACE 436	large vs small			1	2	* 3		1	1	2	5
	medium vs small		1	1		2	3		1	* 4	6
	large vs medium			1	1	= 2	2			= 2	4
NACE 437	large vs small				1	1		1	1	* 2	3
	medium vs small					0	1		1	* 2	2
	large vs medium					0	1	1		* 2	2
NACE 439	large vs small	1	1			* 2			1	1	3
	medium vs small			1	2	* 3			1	1	4
	large vs medium	1		1		* 2		1		1	3
NACE 453	large vs small		1	1	1	* 3	1		1	2	5
	medium vs small			2	2	* 4	1		1	2	6
	large vs medium			1	3	* 4	1			1	5
NACE 455	large vs small	1				* 1				0	1
	medium vs small			1		* 1				0	1
	large vs medium		1			* 1				0	1
	TOTAL1	11	7	15	36	* 69 SUB TOTAL 1	26	7	20	53 SUB TOTAL 2	122 TOTAL

Source : PROMETEIA calculations on EUROSTAT data.

Table D2

1981 : Comparison of Gross Value Added per Employee
(Number of countries)

	PER CENT ------>	131 over	121 130	111 120	101 110	SUB TOTAL 1	91 100	81 90	>= 80	SUB TOTAL 2	TOTAL NUMBER OF COUNTRIES
NACE 43	large vs small			1	2	= 3	3			= 3	6
	medium vs small			2	2	* 4	1	1		2	6
	large vs medium				2	2	3	1		* 4	6
NACE 431	large vs small					0	1	2		* 3	3
	medium vs small				1	1	1		1	* 2	3
	large vs medium			1		1		2		* 2	3
NACE 432	large vs small					0	4		1	* 5	5
	medium vs small				2	2	2		1	* 3	5
	large vs medium	1				1	2	1	1	* 5	5
NACE 433	large vs small				1	= 1			1	= 1	2
	medium vs small					0	1	1		* 2	2
	large vs medium				1	= 1	1			= 1	2
NACE 434	large vs small	1			1	* 2				0	2
	medium vs small		1			1		1	1	* 2	3
	large vs medium	2				* 2				0	2
NACE 436	large vs small			2	1	* 3				0	3
	medium vs small		1		3	* 4				0	4
	large vs medium			1	1	* 2		1		1	3
NACE 437	large vs small	1				= 1	1			= 1	2
	medium vs small				2	= 2	2			= 2	4
	large vs medium	1			1	* 2				0	2
NACE 439	large vs small										
	medium vs small			1		1	1	1		* 2	3
	large vs medium										
NACE 453	large vs small	1	1	2	1	* 5				0	5
	medium vs small		1	2	1	* 4	1			1	5
	large vs medium	1		1	3	* 5				0	5
NACE 455	large vs small										
	medium vs small			2	1	* 3				0	3
	large vs medium										
	TOTAL1					* 53 SUB TOTAL 1				41 SUB TOTAL 2	94 TOTAL

Source : PROMETEIA calculations on EUROSTAT data.

Annex E

Prices

Table E1

GROSS PRICES OF CLOTHING IN DM IN 1975

	D	F	I	N	B	L	U.K	IRL	DK	EUR-9	ST.DEV.	S.T./MEAN
1	288.13	451.30	319.56	305.45	360.49	325.61	248.40	283.95	348.67	325.73	54.86	0.06
2	140.00	207.32	174.60	136.19	187.43	171.07	106.77	101.20	155.51	153.34	33.68	0.08
5	71.32	85.19	62.38	71.56	84.29	90.59	62.54	73.44	93.19	77.17	10.87	0.05
7	192.00	216.03	206.66	180.24	231.96	215.65	197.83	180.52	288.77	212.19	31.54	0.05
10	307.29	331.17	274.31	312.63	298.05	321.14	194.04	206.39	365.53	290.06	53.43	0.07
11	107.43	193.04	167.41	133.27	140.27	156.47	114.30	103.30	166.27	142.42	29.03	0.07
12	114.29	142.36	56.48	136.96	140.13	133.78	101.40	116.53	208.92	127.87	38.24	0.11
13	74.88	87.68	64.01	86.72	71.22	83.48	79.00	78.71	87.14	79.20	7.62	0.03
14	71.41	72.68	59.11	80.63	81.02	75.64	86.56	70.23	90.04	76.37	8.85	0.04
16	52.00	65.36	51.20	48.15	53.18	53.18	42.93	39.76	56.27	51.34	7.02	0.05
17	32.16	34.49	33.19	30.24	30.08	32.51	28.42	26.35	34.81	31.36	2.66	0.03
19	12.94	10.69	12.42	11.41	11.71	10.37	13.77	11.88	13.40	12.07	1.10	0.03
24	66.30	64.98	41.23	64.16	57.02	55.80	36.75	36.82	51.28	52.71	11.23	0.08
25	51.20	64.70	43.25	46.18	49.03	51.62	35.39	41.48	56.98	48.87	8.19	0.06
27	3.93	4.63	4.58	5.64	5.00	4.24	4.01	2.43	4.06	4.28	0.83	0.07
35	61.98	76.38	34.64	65.90	61.47	66.05	30.73	32.86	42.00	52.45	16.31	0.11
38	24.10	22.23	10.45	18.73	23.04	16.50	16.55	19.47	21.84	19.21	4.03	0.07
39	66.86	84.65	67.21	67.01	66.39	73.38	59.40	66.15	60.73	67.97	7.01	0.04

SOURCE: DATA FROM EUROSTAT CALCULATIONS BY PROMETEIA

1 wool coat for man
2 raincoat for man
5 trousers for man
7 wool blazer
10 wool coat for woman
11 raincoat for woman
12 dress for woman in jersey
13 woman skirt
14 trousers for woman
16 blue jeans
17 shirt for man
19 slip for man
24 pullover for man
25 chemise for woman
27 slip for woman
35 wool pullover for woman
38 children's pullover
39 sporting outfit

TABLE E2

GROSS PRICES OF CLOTHING IN ECU
1980 EEC

	D	F	I	N	B	L	U.K	IRL	DK	GR	E	P	EUR-12	ST.DEV.	S.D./MEAN
307	124.12	155.90	128.40	151.82	153.05	154.51	:	108.08	198.05	128.53	149.84	110.24	130.21	45.75	0.11
309	73.81	82.07	85.71	87.89	83.86	89.72	57.78	44.94	102.08	72.45	91.05	66.71	78.17	15.20	0.06
312	29.68	35.32	23.14	32.21	34.91	40.31	32.94	25.76	44.00	21.82	33.02	21.44	31.21	6.86	0.07
313	26.08	27.73	18.18	26.29	24.28	28.62	25.02	18.76	29.33	23.01	25.08	26.59	24.91	3.35	0.04
315	80.23	105.27	82.94	89.14	102.26	103.91	87.08	73.22	132.35	73.39	107.68	69.65	92.26	17.67	0.06
317	12.15	15.83	15.00	12.86	12.81	18.56	13.68	10.92	20.49	14.15	20.38	15.28	15.18	3.01	0.06
320	12.96	20.19	17.45	13.14	17.00	22.69	16.81	14.00	28.06	19.42	23.55	14.29	18.30	4.48	0.07
321	5.88	6.29	5.37	5.79	6.26	6.86	5.58	3.08	6.56	2.40	6.28	5.89	5.52	1.31	0.07
322	4.85	4.93	3.17	3.18	5.04	5.48	3.24	3.36	5.35	3.53	3.75	4.09	4.16	0.87	0.06
326	126.85	140.73	100.60	136.61	127.70	150.33	:	90.72	184.00	127.51	133.44	99.12	118.13	42.91	0.11
330	43.96	54.08	30.21	51.25	38.99	51.37	42.66	33.88	52.44	25.62	45.78	28.98	41.60	9.56	0.07
333	26.31	26.28	17.15	25.68	27.02	29.45	18.43	21.00	26.13	21.69	27.24	25.45	24.32	3.65	0.05
336	13.00	:	16.82	10.43	16.07	16.30	15.84	14.00	18.15	11.53	18.30	13.21	13.64	4.76	0.11
337	12.42	18.73	15.41	12.21	11.13	12.65	12.60	10.22	22.71	14.21	23.58	13.57	14.95	4.22	0.09
339	1.12	2.59	1.56	1.43	1.15	1.73	1.53	1.26	1.15	1.19	3.03	1.08	1.57	0.60	0.11
340	1.90	2.29	1.28	1.54	1.95	2.45	:	:	1.96	2.60	2.87	2.67	1.79	0.92	0.17
344	15.35	18.98	13.49	15.18	20.48	25.60	14.40	11.34	17.59	16.29	19.52	16.41	17.05	3.59	0.06
346	10.58	12.15	11.37	11.00	9.68	10.02	9.54	10.36	9.33	8.67	:	9.48	9.35	2.97	0.10
348	17.08	17.48	9.53	13.54	11.64	14.55	:	:	:	9.80	:	:	7.80	6.98	0.37

source: EUROSTAT

307 wool coat for man
309 raincoat for man
312 classic trouser for man
313 jeans for man
315 wool tweed jacket for man
317 classic shirt
320 wool pullover for man
321 t'shirt for man
322 slip for man
326 wool coat for women
330 wool skirt
333 velveteen trousers for woman
336 classic shift for woman
337 wool pullover for woman
339 slip for woman
340 collant nylon for woman
344 velveteen children's trousers
346 cotton jacket for child
348 mix of fibre salopette for bebe'

Table E3

AVERAGE GROSS PRICES OF CLOTHING IN ECU IN 1985

	D	F	I	N	B	L	U.K.	IRL	DK	GR	EUR-10	P
516	172.00	151.00	153.00	140.80	172.50	209.40	186.00	:	226.00	:	171.10	:
517	183.00	176.00	183.00	185.30	231.00	180.40	161.00	192.90	203.00	198.00	190.40	120.70
519	102.00	109.00	137.00	86.10	115.10	110.40	79.00	73.40	110.00	117.00	139.30	85.80
524	34.00	32.00	28.00	32.30	38.10	34.40	22.00	26.60	41.00	29.00	30.60	34.80
522	43.00	46.00	45.00	44.90	79.20	50.50	45.00	44.90	60.00	50.00	:	30.20
527	115.00	106.00	152.00	100.50	172.70	148.10	86.00	102.30	156.00	110.00	167.70	95.60
531	35.00	61.00	46.00	60.90	67.00	64.20	45.00	38.00	49.00	35.00	71.00	70.00
535	16.00	23.00	24.00	18.90	21.30	22.20	15.00	15.40	18.00	25.00	26.70	21.90
537	18.00	30.00	27.00	20.80	35.80	25.20	19.00	21.00	22.00	27.00	:	23.10
543	21.50	:	26.20	29.80	46.30	38.20	26.00	24.50	32.00	36.00	31.80	33.90
545	5.40	5.30	5.40	5.70	6.40	11.20	5.00	5.40	8.40	3.90	4.70	9.60
547	3.60	3.60	3.00	3.20	:	:	3.80	5.90	5.30	4.30	4.40	13.30
553	185.00	176.00	221.00	126.00	149.50	214.10	85.00	182.40	202.00	171.00	187.10	111.10
559	65.00	73.00	49.00	41.00	60.70	61.50	41.00	65.60	90.00	38.00	64.10	44.00
560	49.00	41.00	41.00	33.30	41.40	65.10	26.00	43.30	32.00	:	36.50	26.20
566	24.50	23.15	:	21.46	37.93	25.52	20.44	24.24	14.37	:	30.59	21.95
567	31.00	26.00	28.00	29.60	38.60	26.30	29.00	33.20	36.00	33.00	:	36.60
568	4.80	5.90	3.60	4.60	:	:	3.40	:	4.40	4.00	:	:
572	2.20	1.20	2.00	1.70	2.00	2.70	:	1.90	2.30	3.30	2.40	2.70
578	24.60	20.60	20.80	17.20	42.90	24.00	16.20	16.00	23.70	27.30	24.10	44.10
580	14.10	13.30	20.90	11.70	30.50	18.40	14.30	13.70	9.90	15.20	:	18.10
586	20.30	26.40	23.60	17.50	36.60	37.00	12.90	12.00	:	25.80	:	23.90

Source: Data from EUROSTAT

516 wool loden for man
517 wool tweed coat for man
519 raincoat for man
524 jeans for man
522 classics trousers for man
527 wool tweed jacket for man
531 sporting outfit for man
535 classics shirt
537 cotton sport shirt
543 wool pullover for man
545 t'shirt for man
547 slip for man
553 wool coat for woman
559 wool skirt
560 trousers for woman mix of fibre
566 chemise for woman
567 wool pullover for woman
568 slip for woman
572 collant nylon
578 velveteen children's trousers
580 cotton children's shirt
586 cotton salopette for bebe'

Table E4

AVERAGE NET PRICES OF CLOTHING IN ECU IN 1980

	D	F	I	N	B	L	U.K	IRL	DK	EUR-9	ST.DEV.	S.T./MEAN
307	107.98	128.46	109.14	124.49	127.03	146.78	:	91.87	154.48	110.03	42.95	0.06
309	64.21	67.63	72.85	72.07	69.60	85.23	49.11	38.20	79.62	66.50	13.80	0.07
312	25.82	29.10	19.67	26.41	28.98	38.29	28.00	21.90	34.32	28.05	5.40	0.07
313	22.69	22.85	15.45	21.56	20.15	27.19	21.27	15.95	22.88	21.11	3.42	0.06
315	69.80	86.74	70.50	71.47	84.88	98.71	74.02	62.24	103.23	80.18	13.24	0.06
317	10.57	13.04	12.75	10.55	10.63	17.63	11.63	9.28	15.98	12.45	2.60	0.07
320	11.28	16.64	14.83	10.77	14.11	21.56	14.29	11.90	21.89	15.25	3.88	0.09
321	5.12	5.18	4.56	4.75	5.20	6.52	4.74	2.62	5.12	4.87	0.96	0.07
322	4.22	4.06	2.69	2.61	4.18	5.21	2.75	2.86	4.17	3.64	0.88	0.09
326	110.36	115.96	85.51	112.02	105.99	142.81	:	77.11	143.52	99.25	40.82	0.07
330	38.25	44.56	25.68	42.03	32.36	48.80	36.26	28.80	40.90	37.52	7.10	0.07
333	22.89	21.65	14.58	21.06	22.43	27.98	15.67	17.85	20.38	20.50	3.84	0.07
336	11.31	:	14.30	8.55	13.34	15.49	13.46	11.90	14.16	11.39	4.46	0.06
337	10.81	15.43	13.10	10.01	9.24	12.02	10.71	8.69	17.71	11.97	2.81	0.08
339	0.97	2.13	1.33	1.17	0.95	1.64	1.30	1.07	0.90	1.27	0.37	0.10
340	1.65	1.89	1.09	1.26	1.62	2.33	:	:	1.53	1.26	0.75	0.09
344	13.35	15.64	11.47	12.45	17.00	24.32	12.24	9.64	13.72	14.43	4.06	0.10
346	9.20	10.01	9.66	9.02	8.03	9.52	9.54	8.81	7.28	9.01	0.82	0.03
348	14.86	14.40	8.10	11.10	9.66	13.82	:	:	:	7.99	6.02	0.09

Source: Data from EUROSTAT calculations by PROMETEIA

307 wool coat for man
309 raincoat for man
312 classic trouser for man
313 jeans for man
315 wool tweed jacket for man
317 classic shirt
320 wool pullover for man
321 t'shirt for man
322 slip for man
326 wool coat for women
330 wool skirt
333 velveteen trousers for woman
336 classic shift for woman
337 wool pullover for woman
339 slip for woman
340 collant nylon for woman
344 velveteen children's trousers
346 cotton jacket for child
348 mix of fibre salopette for bebe'

Table E5

AVERAGE NET PRICES OF CLOTHING IN ECU IN 1985

	D	F	I	N	B	L	U.K.	IRL	DK	GR	EUR-10	ST.DEV.	S.D./MEAN
516	147.92	122.91	125.46	114.05	139.73	196.84	158.10	:	176.28	:	118.13	63.663	0.07
517	157.38	143.26	150.06	150.09	187.11	169.58	136.85	173.61	158.34	178.20	160.45	15.374	0.03
519	87.72	88.73	112.34	69.74	93.23	103.78	67.15	66.06	85.80	105.30	87.98	15.566	0.06
524	29.24	26.05	22.96	26.16	30.86	32.34	18.70	23.98	31.98	26.10	26.84	4.119	0.05
522	36.98	37.44	36.90	36.37	64.15	47.47	38.25	40.41	46.80	45.00	42.98	8.145	0.06
527	98.90	86.28	124.64	81.41	139.89	139.21	73.10	92.07	121.68	99.00	105.62	22.832	0.07
531	30.10	49.65	37.72	49.33	54.27	60.35	38.25	34.20	38.22	31.50	42.36	9.786	0.08
535	13.76	18.72	19.68	15.31	17.25	20.87	12.75	13.86	14.04	22.50	16.87	3.245	0.06
537	15.48	24.42	22.14	16.85	29.00	23.69	16.15	18.90	17.16	24.30	20.81	4.302	0.07
543	18.92	:	21.32	24.30	37.50	35.91	22.10	22.05	24.96	32.40	23.95	10.060	0.09
545	4.64	4.31	4.43	4.62	5.18	10.53	4.25	4.86	6.55	3.51	5.29	1.898	0.12
547	3.10	2.93	2.46	2.59	:	:	3.23	5.31	4.13	3.87	2.76	1.592	0.10
553	159.10	143.26	181.22	102.06	121.10	201.25	72.25	164.16	157.56	153.90	145.59	36.037	0.08
559	55.90	59.42	40.18	33.21	49.17	57.81	34.85	59.04	70.20	34.20	49.40	12.365	0.08
560	42.14	33.37	33.62	26.97	33.53	61.19	22.10	38.97	24.96	:	31.69	14.854	0.11
566	21.07	18.84	:	17.38	30.72	23.99	17.37	21.82	11.21	:	16.24	9.415	0.10
567	26.66	21.16	22.96	23.98	31.27	24.72	24.65	29.88	28.08	29.70	26.31	3.170	0.04
568	4.13	4.80	2.95	3.73	:	:	2.89	:	3.43	3.60	2.55	1.750	0.07
572	1.89	0.98	1.64	1.38	1.62	2.54	:	1.71	1.79	2.97	1.65	0.766	0.11
578	21.16	16.77	17.06	13.93	34.75	22.56	16.20	14.40	18.49	24.57	19.99	5.919	0.10
580	12.13	10.83	17.14	9.48	24.71	17.30	14.30	12.33	7.72	13.68	13.96	4.601	0.11
586	17.46	21.49	19.35	14.18	29.65	34.78	12.90	10.80	:	23.22	18.38	9.348	0.13

Source: Data from EUROSTAT; calculation by PROMETEIA

516 wool loden for man
517 wool tweed coat for man
519 raincoat for man
524 jeans for man
522 classics trousers for man
527 wool tweed jacket for man
531 sporting outfit for man
535 classics shirt
537 cotton sport shirt
543 wool pullover for man
545 t'shirt for man
547 slip for man
553 wool coat for woman
559 wool skirt
560 trousers for woman mix of fibre
566 chemise for woman
567 wool pullover for woman
568 slip for woman
572 collant nylon
578 velveteen children's trousers
580 cotton children's shirt
586 cotton salopette for bebe'

Table E6

NET PRICE / GNP PER CAPITA (CLOTHING) IN 1980

	D	F	I	N	B	L	U.K	IRL	DK	EUR-9	ST.DEV.	S.D./MEAN
307	1.13	1.47	1.88	1.44	1.47	1.63	:	2.26	1.66	1.44	0.59	0.41
309	0.67	0.77	1.25	0.84	0.81	0.95	0.72	0.94	0.85	0.87	0.16	0.19
312	0.27	0.33	0.34	0.31	0.34	0.43	0.41	0.54	0.37	0.37	0.07	0.20
313	0.24	0.26	0.27	0.25	0.23	0.30	0.31	0.39	0.25	0.28	0.05	0.17
315	0.73	0.99	1.21	0.83	0.98	1.10	1.09	1.53	1.11	1.06	0.22	0.20
317	0.11	0.15	0.22	0.12	0.12	0.20	0.17	0.23	0.17	0.17	0.04	0.24
320	0.12	0.19	0.25	0.12	0.16	0.24	0.21	0.29	0.23	0.20	0.06	0.27
321	0.05	0.06	0.08	0.06	0.06	0.07	0.07	0.06	0.05	0.06	0.01	0.13
322	0.04	0.05	0.05	0.03	0.05	0.06	0.04	0.07	0.04	0.05	0.01	0.22
326	1.16	1.32	1.47	1.30	1.23	1.59	:	1.89	1.54	:	:	:
330	0.40	0.51	0.44	0.49	0.38	0.54	0.53	0.71	0.44	0.49	0.09	0.19
333	0.24	0.25	0.25	0.24	0.26	0.31	0.23	0.44	0.22	0.27	0.06	0.24
336	0.12	:	0.25	0.10	0.15	0.17	0.20	0.29	0.15	:	:	:
337	0.11	0.18	0.23	0.12	0.11	0.13	0.16	0.21	0.19	0.16	0.04	0.26
339	0.01	0.02	0.02	0.01	0.01	0.02	0.02	0.03	0.01	0.02	0.01	0.35
340	0.02	0.02	0.02	0.01	0.02	0.03	:	:	0.02	:	:	:
344	0.14	0.18	0.20	0.14	0.20	0.27	0.18	0.24	0.15	0.19	0.04	0.22
346	0.10	0.11	0.17	0.10	0.09	0.11	0.14	0.22	0.08	0.12	0.04	0.33
348	0.16	0.16	0.14	0.13	0.11	0.15	:	:	:	:	:	:

Source: EUROSTAT

307 wool coat for man
309 raincoat for man
312 classic trouser for man
313 jeans for man
315 wool tweed jacket for man
317 classic shirt
320 wool pullover for man
321 t'shirt for man
322 slip for man
326 wool coat for women
330 wool skirt
333 velveteen trousers for woman
336 classic shift for woman
337 wool pullover for woman
339 slip for woman
340 collant nylon for woman
344 velveteen children's trousers
346 cotton jacket for child
348 mix of fibre salopette for bebe'

Table E7

NET PRICE / GNP per capita (CLOTHING) IN 1985

	D	F	I	N	B	L	U.K.	IRL	DK	GR	EUR-10	ST.DEV.	S.D./MEA
516	1.09	1.00	1.29	1.00	1.32	1.53	1.50	:	1.18	:	0.99	0.53	0.53
517	1.16	1.17	1.54	1.32	1.76	1.32	1.30	2.55	1.06	4.16	1.73	0.91	0.52
519	0.65	0.73	1.15	0.61	0.88	0.81	0.64	0.97	0.57	2.46	0.95	0.53	0.56
524	0.22	0.21	0.24	0.23	0.29	0.25	0.18	0.35	0.21	0.61	0.28	0.12	0.43
522	0.27	0.31	0.38	0.32	0.60	0.37	0.36	0.59	0.31	1.05	0.46	0.23	0.49
527	0.73	0.71	1.28	0.71	1.32	1.08	0.70	1.35	0.81	2.31	1.10	0.48	0.44
531	0.22	0.41	0.39	0.43	0.51	0.47	0.36	0.50	0.26	0.73	0.43	0.14	0.32
535	0.10	0.15	0.20	0.13	0.16	0.16	0.12	0.20	0.09	0.52	0.19	0.12	0.64
537	0.11	0.20	0.23	0.15	0.27	0.18	0.15	0.28	0.11	0.57	0.23	0.13	0.56
543	0.14	:	0.22	0.21	0.35	0.28	0.21	0.32	0.17	0.76	0.27	0.19	0.71
545	0.03	0.04	0.05	0.04	0.05	0.08	0.04	0.07	0.04	0.08	0.05	0.02	0.34
547	0.02	0.02	0.03	0.02	:	:	0.03	0.08	0.03	0.09	0.03	0.03	0.87
553	1.17	1.17	1.86	0.89	1.14	1.56	0.69	2.41	1.05	3.59	1.55	0.83	0.53
559	0.41	0.49	0.41	0.29	0.46	0.45	0.33	0.87	0.47	0.80	0.50	0.18	0.36
560	0.31	0.27	0.35	0.24	0.32	0.47	0.21	0.57	0.17	:	: 0.29	0.15	0.52
566	0.16	0.15	:	0.15	0.29	0.19	0.17	0.32	0.07	:	: 0.15	0.10	0.67
567	0.20	0.17	0.24	0.21	0.29	0.19	0.23	0.44	0.19	0.69	0.29	0.15	0.54
568	0.03	0.04	0.03	0.03	:	:	0.03	:	0.02	0.08	0.03	0.02	0.89
572	0.01	0.01	0.02	0.01	0.02	0.02	:	0.03	0.01	0.07	0.02	0.02	0.93
578	0.16	0.14	0.18	0.12	0.33	0.18	0.15	0.21	0.12	0.57	0.22	0.13	0.61
580	0.09	0.09	0.18	0.08	0.23	0.13	0.14	0.18	0.05	0.32	0.15	0.08	0.52
586	0.13	0.18	0.20	0.12	0.28	0.27	0.12	0.16	:	0.54	0.20	0.14	0.68

Source: Data from EUROSTAT calculations by PROMETEIA

516 wool loden for man
517 wool tweed coat for man
519 raincoat for man
524 jeans for man
522 classics trousers for man
527 wool tweed jacket for man
531 sporting outfit for man
535 classics shirt
537 cotton sport shirt
543 wool pullover for man
545 t'shirt for man
547 slip for man
553 wool coat for woman
559 wool skirt
560 trousers for woman mix of fibre
566 chemise for woman
567 wool pullover for woman
568 slip for woman
572 collant nylon
578 velveteen children's trousers
580 cotton children's shirt
586 cotton salopette for bebe'

Table E8

PRICE INDEX OF CLOTHING AND FOOTWEAR, GENERAL PRICE INDEX AND RELATIVE PRICE

ITALY

Years	pa	pt	pa/pt
1973	31.3	32.4	0.97
1974	38.1	39.1	0.98
1975	45.2	46.0	0.98
1976	52.6	54.3	0.97
1977	64.4	64.2	1.00
1978	74.0	72.5	1.02
1979	83.9	83.3	1.01
1980	100.0	100.0	1.00
1981	117.4	117.7	1.00
1982	137.0	136.8	1.00
1983	155.9	157.2	0.99
1984	173.7	175.1	0.99
1985	191.9	191.4	1.00

Source: Data from OCDE; calculation by PROMETEIA

pa = price index of clothing and footwear
pt = general price index

Table E9

PRICE INDEX OF CLOTHING AND FOOTWEAR, GENERAL PRICE INDEX AND RELATIVE PRICE

UNITED KINGDOM

Years	pa	pt	pa/pt
1973	46.3	36.1	1.28
1974	54.6	42.2	1.29
1975	62.3	52.2	1.19
1976	68.9	60.4	1.14
1977	77.8	69.4	1.12
1978	83.9	75.8	1.11
1979	91.2	86	1.06
1980	100.0	100.0	1.00
1981	103.8	111.4	0.93
1982	107.7	121.1	0.89
1983	107.2	127.2	0.84
1984	115.3	133.2	0.87
1985	121.1	140.2	0.86

Source: Data from OCDE; calculation by PROMETEIA
millions of pounds

pa = price index of clothing and footwear
pt = general price index

Table E10

PRICE INDEX FOR CLOTHING AND FOOTWEAR, GENERAL PRICE INDEX AND RELATIVE PRICE

GERMANY

Years	pa	pt	pa/pt
1973	72.1	72.1	1.00
1974	76.8	77.2	1.00
1975	80.6	82.0	0.98
1976	83.5	85.4	0.98
1977	87.5	88.5	0.99
1978	91.3	90.9	1.00
1979	94.8	94.5	1.00
1980	100.2	100.0	1.00
1981	105.3	106.2	0.99
1982	109.9	111.2	0.99
1983	113.1	114.8	0.99
1984	115.8	117.7	0.98
1985	121.7	120.2	1.01

Source: Data from Institut für Weltwirtschaft; calculation by PROMETEIA

pa = price index of clothing and footwear
pt = general price index

Table E11

PRICE INDEX FOR CLOTHING AND FOOTWEAR, GENERAL PRICE INDEX AND RELATIVE PRICE

FRANCE

Years	pa	pt	pa/pt
1973	48.52	48.70	1.00
1974	54.91	55.12	1.00
1975	62.31	61.41	1.01
1976	67.78	67.45	1.00
1977	73.48	73.52	1.00
1978	80.42	80.01	1.01
1979	89.89	88.36	1.02
1980	100.00	100.00	1.00
1981	108.90	112.80	0.97
1982	120.71	125.45	0.96
1983	131.65	137.43	0.96
1984	145.08	147.31	0.98
1985	157.37	155.39	1.01

Source: Data from OCDE; calculation by PROMETEIA

pa = price index of clothing and footwear
pt = general price index

Table E12

V.A.T. rates in Textil-Clothing in EC countries 1981 and 1985

Countries	1981	1985
Germany	13	14
France	17.6	18.6
Italy[a)]	15	18
Netherlands	18	19
Belgium	17	19
Lux.	5	6
U.K.	15 and 0 for young children	
Ireland	15	10
Denmark	22	22
Greece	.	10

a) Knitwear legal vat rate is 9 %.

Source: Data from EEC.

Annex F

Consumption

Table F1

SHARE AND VALUES OF PRIVATE CONSUMPTION EXPENDITURE FOR CLOTHING AND FOOTWEAR

ITALY

Years	va	va DM	qa	qa DM	qa/qt %	va/vt %
1973	5491	24.993	17549	79.879	10.05	9.70
1974	6825	27.094	17892	71.032	9.97	9.72
1975	7502	28.245	16593	62.475	9.37	9.21
1976	8995	27.175	17085	51.619	9.32	9.04
1977	11302	29.719	17557	46.168	9.37	9.39
1978	13166	31.125	17781	42.036	9.21	9.41
1979	16072	35.440	19163	42.257	9.42	9.49
1980	27843	59.102	27843	59.102	11.41	11.41
1981	32059	63.774	27297	54.301	11.02	10.99
1982	35261	63.294	25741	46.205	10.28	10.30
1983	38930	65.484	24974	42.008	9.94	9.85
1984	43258	70.076	24900	40.337	9.69	9.62
1985	47355	72.831	24675	37.950	9.36	9.38

Source: Data from OCDE; calculation by PROMETEIA:
va = values at current prices (clothing and footwear) in bill. of Lire
qa = values at constant prices of 1980 (clothing and footwear) in bill. of Lire
vt = values at current prices (total expenditure) in bill. of Lire
qt = values at constant prices of 1980 (total expenditure) in bill. of Lire
va DM = values at current prices in bill. of DM (clothing and footwear)
qa DM = values at constant prices of 1980 in bill. of DM (clothing and footwear)

Table F2

SHARE AND VALUES OF
PRIVATE CONSUMPTION EXPENDITURE FOR
CLOTHING AND FOOTWEAR

UNITED KINGDOM

Years	va	va DM	qa	qa DM	va/vt %	qa/qt %
1973	3.86	25.10	8.34	54.21	8.4	6.5
1974	4.50	27.16	8.23	49.73	8.5	6.5
1975	5.21	28.37	8.35	45.51	8.0	6.7
1976	5.80	26.25	8.41	38.07	7.6	6.7
1977	6.63	26.52	8.53	34.10	7.6	6.8
1978	7.83	30.12	9.33	35.87	7.8	7.1
1979	9.12	35.06	9.99	38.42	7.7	7.3
1980	9.87	41.14	9.87	41.14	7.19	7.19
1981	10.16	46.18	9.79	44.49	6.66	7.16
1982	10.92	45.52	10.15	42.27	6.53	7.34
1983	11.67	44.90	10.89	41.89	6.38	7.57
1984	13.33	51.25	11.56	44.47	6.81	7.87
1985	14.99	57.63	12.38	47.61	7.03	8.14

Source: Data from OCDE; calculation by PROMETEIA.
va = values at current prices (clothing and footwear) in bill. of £
qa = values at constant prices of 1980 (clothing and footwear) in bill. of £
vt = values at current prices (total expenditure) in bill. of Lire
qt = values at constant prices of 1980 (total expenditure) in bill. of £
va DM = values at current prices in bill. of DM (clothing and footwear)
qa DM = values at constant prices of 1980 in bill. of DM (clothing and footwear)

Table F3

SHARE AND VALUES OF
PRIVATE CONSUMPTION EXPENDITURE FOR
CLOTHING AND FOOTWEAR

GERMANY

Years	va	qa	qa/pt %	va/vt %
1973	48.4	67.1	9.77	9.77
1974	52.0	67.7	9.79	9.74
1975	56.4	69.9	9.80	9.63
1976	59.5	71.3	9.63	9.41
1977	64.2	73.4	9.52	9.40
1978	68.6	75.1	9.38	9.41
1979	73.0	77.0	9.27	9.30
1980	79.2	79.0	9.40	9.42
1981	81.9	77.8	9.30	9.22
1982	81.7	74.3	9.01	8.90
1983	84.2	74.4	8.87	8.73
1984	86.6	74.8	8.78	8.64
1985	90.1	74.0	8.77	8.65

Source: Data from Institut für WELTWIRTSCHAFT; calculation by PROMETEIA.

va = values at current prices (clothing and footwear) in bill. of DM

qa = values at constant prices of 1980 (clothing and footwear) in bill. of DM

vt = values at current prices (total expenditure) in bill. of DM

qt = values at constant prices of 1980 (total expenditure) in bill. of DM

Table F4

SHARE AND VALUES OF
PRIVATE CONSUMPTION EXPENDITURE FOR
CLOTHING AND FOOTWEAR

FRANCE

Years	va	va DM	qa	qa DM	qa/qt %	va/vt %
1973	54.1	30.296	111.51	62.450	8.15	8.12
1974	61.5	33.082	112.00	60.246	7.93	7.90
1975	70.7	40.567	113.46	65.103	7.79	7.90
1976	77.9	40.973	114.92	60.444	7.51	7.51
1977	84.8	40.381	115.41	54.957	7.28	7.27
1978	93.8	42.636	116.63	53.014	7.02	7.06
1979	104.4	45.391	116.14	50.496	6.76	6.88
1980	115.9	50.391	115.90	50.391	6.65	6.65
1981	131.0	54.583	120.29	50.121	6.76	6.53
1982	150.8	55.852	124.93	46.270	6.80	6.54
1983	161.9	53.967	122.98	40.993	6.62	6.35
1984	173.1	55.839	119.32	38.490	6.36	6.26
1985	187.0	62.333	118.83	39.610	6.18	6.26

Source: Data from OCDE; calculation by PROMETEIA.

va = values at current prices (clothing and footwear) in bill. of ffrs
qa = values at constant prices of 1980 (clothing and footwear) in bill. of ffrs
vt = values at current prices (total expenditure) in bill. of ffrs
qt = values at constant prices of 1980 (total expenditure) in bill. of ffrs
va DM = values at current prices in bill. of DM (clothing and footwear)
qa DM = values at constant prices of 1980 in bill. of DM (clothing and footwear)

Table F5

AVERAGE ANNUAL EXPENDITURE OF HOUSEHOLDS
ACCORDING TO INCOME CATEGORIES IN 1979[a)]

	overall average				income lower than 1st quartile				income between the 1st quartile and median			
code	GERMANY	FRANCE	ITALY	U.K.	GERMANY	FRANCE	ITALY	U.K.	GERMANY	FRANCE	ITALY	U.K.
20000	810	840	1 045	796	766	713	594	589	733		869	735
21000	657	681	851	626	628	578	452	436	608	624	686	569
21010	668	676	846	626	618	575	448	436	601	619	682	569
21011	216	236		182	109	175		109	180	193		154
21012	375	296		282	421	308		228	348	283		253

	income between the median and the 3rd quartile				income higher than 3rd quartile			
code	GERMANY	FRANCE	ITALY	U.K.	GERMANY	FRANCE	ITALY	U.K.
20000	734	847	1 060	814	747	898	1 173	850
21000	609	685	845	633	628	783	979	683
21010	604	682	841	633	623	732	973	683
21011	207	237		180	224	276		210
21012	325	285		253	334	308		324

a) With total expenditure of households = 10 000.

Source: EUROSTAT
code 20000 = clothing and footwear
code 21000 = clothing other than footwear, including repairs
code 21010 = clothing other than footwear
code 21011 = men's garments
code 21012 = ladies' garments

Table F6

PRIVATE CONSUMPTION EXPENDITURE FOR CLOTHING AND FOOTWEAR FOR EEC 4 (GERMANY; ITALY; FRANCE; U.K.)

Year	va DM	qa DM
1973	128.802	366.218
1974	139.320	322.968
1975	153.575	296.359
1976	153.926	260.468
1977	160.860	237.124
1978	172.487	226.438
1979	188.859	221.410
1980	229.781	229.641
1981	246.414	213.844
1982	246.362	188.354
1983	248.560	173.332
1984	263.759	167.844
1985	282.899	166.006

Source: Calculation by PROMETEIA.
va DM = values at current prices in bill. of DM (clothing and footwear)
qa DM = values at constant prices of 1980 in bill. of DM (clothing and footwear)

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