



**DEPARTMENT OF TRADE
AND INDUSTRY**



**DEPARTMENT OF TRADE AND INDUSTRY
POLICY SUPPORT PROGRAMME**

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STUDY OF THE EXPANSION OF THE EUROPEAN UNION

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1 EVALUATING THREATS TO RSA'S CLOTHING INDUSTRIES EMANATING FROM AN ENLARGED EUROPEAN UNION

Background

- 1.1. The EU-RSA Trade, Development and Co-operation Agreement (TDCA) came into operation on 1 January 2000. The agreement, among other issues, covers the trade between 15 members of the EU and the RSA.
- 1.2. During the course of the negotiations little (or no) consideration was given to the consequences of what the impacts could be for the RSA (and regional SACU) economy should the EU be enlarged via the further accession of new states.
- 1.3. Thirteen states have now applied to join the EU, these are: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey.
- 1.4. The EU decided (March 1998) that it would commence accession negotiations and processes with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. A separate process was initiated with Turkey. Thus far many of the aforementioned candidate states have made significant progress in taking steps to ensure that they are in compliance with accession criteria.
- 1.5. It is expected that in June 2001 that the EU will assess the progress made and provide further guidance for the successful completion of the process of enlargement. The objective is to include the new member states in late 2002.
- 1.6. It is uncertain how the existing TDCA that was concluded between the parties will deal with the extension of the agreement to the new EU states. It is assumed however that the RSA's trade concessions will be automatically extended to these new EU members.
- 1.7. In order to prepare the RSA's clothing stakeholders for these consequences it is important that research now be done on what the likely consequences would be when these new states join, and begin to trade in terms of the TDCA.
- 1.8. At this stage it is not anticipated that this research shall constitute a full-blown impact analysis – rather it will attempt to obtain a range of vital empirical information which will allow parties at a later stage to consider, and in much in greater detail, what the likely impacts would be.

2 THE NEW EU MEMBER STATES WHOSE CLOTHING OUTPUT COULD NEGATIVELY AFFECT RSA INDUSTRIES

2.1 The labour stakeholders of the clothing industry are extremely concerned about the impacts which exports from these new EU member states may have upon the RSA's domestic sectoral manufacturing operations – the employment consequences in particular.

2.2 Organised labour would propose that an impact analysis be confined to those Eastern European states whose accession to the EU is on the being fast track, i.e. Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia, as well as Turkey.

2.3 It is proposed that the research could be done in two phases:

2.3.1 Preliminary Research: Country Selection

It is likely that the abovementioned (see 2.2.) list of countries could be reduced as not all the candidate countries could be considered to be a threat. (Some preliminary analysis is attached in Annexure "A", and Annexure "B" (although not on the clothing sector)). For each of the above specified countries information and for each clothing sector, the following information should be obtained :

- average number of people employed
- machinist wage rates per hour
- number of clothing machines installed
- raw material consumption (units/kgs & values)
- output (units/kgs & values)
- imports (units/kgs & values)
- exports (units/kgs & values)

It is proposed that "off-the-shelf" clothing reports should be obtained from organisation such as Kurt Salmon Associates.

2.3.2 In-depth Research: Country Capacities

Once the above-mentioned research is finalised it is proposed that stakeholders should meet to decide which countries require in-depth research. In this phase of the research it is proposed that the following matters should be addressed:

Clothing Production

If clothing is produced in the selected applicant countries, detail

- what types of clothing products are produced in the selected applicant countries?
- what quantities (volume and value) of clothing is currently produced?
- if there is, is there any spare manufacturing capacity to produce additional volumes of clothing? If there is, how much? Why is that capacity currently not being utilised?

- where are the inputs for the clothing mainly sourced from – from the domestic textile industry or from imports (if imports, specify from which main countries, and how much)?
- what happens to the clothing that is produced, i.e. is it exported (if so, to where and how much), or is it sold in their domestic economy?
- provide some details on the local manufacturing industry (e.g. number of manufacturers; ownership (local; foreign; multi-national), employment; etc).

3 PRELIMINARY ANALYSIS

On the basis of the research produced in section 2.3. the consultant should develop some preliminary observations – on a country-by-country basis – as to the threats presented to the RSA's clothing manufacturing establishments

Notes:

- If trade figures are given they should be mainly at HS Chapter 4-digit level. However if there are significant peaks at HS Chapter 8-digit level then these should be pinpointed.
- The most recent production and trade figures must be given – but historical production, import & export figures must also be given for the past 3 – 5 years.

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**ANNEXURE “A”: THE EXTENSION OF THE EU-RSA TRADE, DEVELOPMENT & CO-OPERATION AGREEMENT TO
NEW EU STATES SOUTH AFRICAN TARIFF INDICATORS**

CLOTHING TARIFF INDICATORS

The relevant South African external clothing tariff arrangements would be:

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
WTO																
- clothes				100	100	100	100	94	87	80	73	66	59	52	45	45
RSA																
- clothes		100	90	84	78	72	66	60	54	48	40	40	40	40	40	40
EU-RSA																
- clothes									40	37	34	31	29	26	23	20

ANNEXURE “B”: THE EXTENSION OF THE EU-RSA TRADE, DEVELOPMENT & CO-OPERATION AGREEMENT TO NEW EU STATES

Statistical Manufacturing Indicators of some potential new EU members

Textile Labour cost comparisons 1998

	US\$ / operator hour
Czech Rep	2.05
Estonia	1.58
Hungry	2.98
Malta	6.76
Poland	3.15
Slovakia	1.48
Turkey	2.48
South Africa	2.05

Source: *Werner International (Spring 1998)*

Other Textile Information 1999:

1999	Czech Rep	Hungry	Turkey	RSA
Installed capacities:				
Ring spindles	417334	139668	5465000	524000
Rotors	94442	20543	414900	25000
shuttleless looms	7367	749	16200	2930
shuttle looms	596	511	n/a	400
Ave no employment	17996	43270	487860	54400
Fibre consumption (tons)	66757	13925	n/a	170800
Production (tons):				
Spun yarns	58903	15142	913000	91502
Filament yarns	N/a	n/a	n/a	55000
Woven fabrics	45535	8422	420000	69175

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Other Textile Information 1999: (Continued...)

1999	Czech Rep	Hungry	Turkey	RSA
Knitted fabrics	11456	4204	n/a	27460
Imports (US \$ mill):				
Yarns	48	67	633.9	85
Fabrics	78	346	1184	295
Apparel	377	461	200	170
Exports (US \$ mill):				
Yarns	24	31	701	85
Fabrics	108	41	1497	51
Apparel	N/a	1253	6999	168

Source: *ITMF "COUNTRY STATEMENTS 2000"*