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Textile and sewing enterprises of Ukraine: prospects of integration towards the EU

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**STUDIA I PRACE WYDZIAŁU NAUK EKONOMICZNYCH
I ZARZĄDZANIA NR 4**

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**TEXTILE AND SEWING ENTERPRISES OF UKRAINE:
PROSPECTS OF INTEGRATION TOWARDS THE EU**

The role of globalization as leading tendency of economic life of modern world continues to grow. Today any economic entity, both on macro- and micro-level actually can make its choice only within two alternatives: to ignore changes, which take place, risking to become their passive hostage, or to form actively its position in the new world on the grounds of impartial assessment of possibilities and threats.

Ukraine has defined its long-term priorities in the Strategy of economic and social development of Ukraine for 2004–2015 «By means of European integration» [1], having proclaimed entrance to the European Union as the main geopolitical task of the state. Aspiration for European integration is stipulated not only by considerations of prestige: member-states obtain real advantages and profits in the number of different areas. However the public opinion concerning entrance to the EU remains to be dissimilar, at that opinions of representatives of different political forces, social groups, sectors of economy not rarely appear to be diametrically opposite.

The aim of the present research is to analyze attitude to entrance to the EU and other international organizations of representatives of one of the most problematic area of economic activity of Ukraine, which is represented by textile goods and clothes sewing sectors.

Lots of published works are dedicated recently to the prospects of textile and sewing industries of Ukraine after entrance of the state to the EU and the

WTO. Integration supporters (mainly representatives of ministries and other powerful institutions, [2, 3]) expect chiefly positive results.

According to their opinion, national producers even now do not have any privileges, which would have suffered from membership in the EU; vice versa, bringing of legislation to compliance with the European standards would permit to restrain the flow of illegal import and goods production. In their turn, producers of textile goods and ready-made clothes notice first of all dangers of entrance to the EU and the WTO.

They suppose that integration on any conditions without definition of national competitive advantages and relevant branch policy, without state system of export support is too much risky [4]. Systematization of the main possibilities and dangers for textile and sewing industries of Ukraine while entering the EU and the WTO, drawn up on the basis of summing up of published materials [2, 3, 4, 5, etc.], is presented in the Table 1.

Together with analysis of public expressions of experts in mass media, in the framework of USAID|BIZPRO project we carried out survey by questionnaires among leaders and managers of enterprises of textile goods and clothes sewing areas. Among other questions was as well clarified attitude of respondents to the entrance of Ukraine to such international organizations such as the European Union (EU), the World Trade Organization (WTO) and Single Economic Area (SEA). The survey covered 100 enterprises of textile goods area and 122 enterprises of clothes sewing area; it was as well provided representativeness of sample concerning dimensions of enterprises, their geographical location, etc.

Composition of questions in the questionnaire for the mentioned areas was different a little; at first it is provided analyses of answers of leaders and managers of textile enterprises.

Answers of textile employees on the questions «Do you personally support entrance of Ukraine to the EU / the WTO / the SEA?» are summed up in the Fig. 1.

Table 1

Possibilities and dangers, related to entrance of Ukraine to the EU and the WTO

Possibilities	Dangers
<ul style="list-style-type: none"> – Integration towards the world economy, increase of authority of Ukraine – Enlargement of export possibilities on the markets of the EU and the WTO member-states – Wide choice of resources – for producers, goods and services – for customers – Improvement of national legislation, establishment of transparent and foreseen business environment – Bringing of the system of standardization and certification into compliance with the European requirements – Creation of favorable climate for foreign investments – Liberalization of markets of financial and banking services – Acceleration of restructuring and modernization of national production – Provision of effective protection of intellectual property – Simplification of customs procedures, providing of their control, decrease of entrance duty – Provision of effective protection from dishonest import – Access to international mechanisms of resolving trade controversies – Resolution of problem of application of antidumping measures both to Ukrainian goods and to imported ones 	<ul style="list-style-type: none"> – Obsolete material and technical base of sufficient part of enterprises of textile and sewing industry – System of taxation, which doesn't contribute to investments into development of areas – Absence of national raw materials base for textile and sewing industry – Limited possibilities for sales of goods on the internal market in result of import expansion – Limited possibilities of national goods export in result of low competitiveness – Prospects of decline of noncompetitive areas of economy – Transformation of Ukraine into the country with narrow specialization of raw materials supply and execution of not complicated working up, which will lead to increase of dependence from import – Use of Ukraine by developed countries as the sales market for their production – Discrimination of national goods producers – Decrease of gold and exchange reserves, related to increase of import volumes

Source: own compilation.

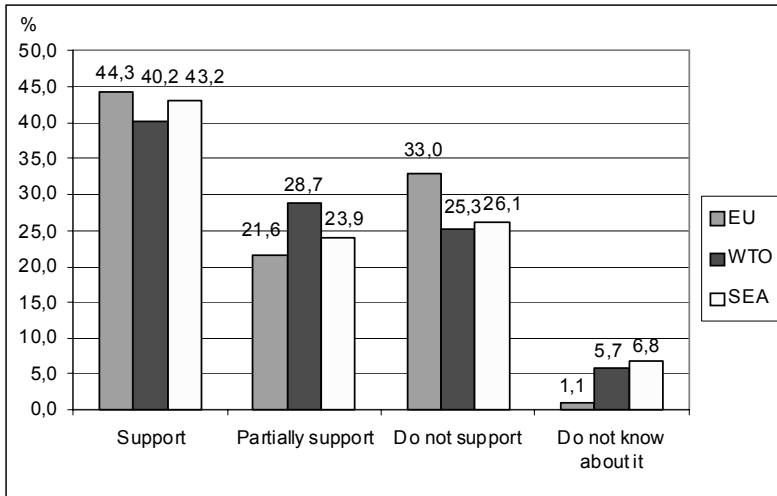


Fig. 1. Level of entrance of Ukraine to the EU / the WTO / SEA support by representatives of textile enterprises

Prevailing majority of respondents considers positively the prospects of entrance of the EU to any of the mentioned international organizations, at that the level of support is almost equal: fully or partially support entrance to the EU 65,9% of respondents, to the WTO – 68,9%, to the SEA – 67,1%. The biggest part of those who do not know about existence of relevant international organization was found out as regards to the SEA (6,8%).

We should pay attention to the fact that answers on the second question – «How do you estimate results of entrance as regards to your enterprise? Situation will improve / Situation will not change / Situation will become worse» were distributed almost equally. For the EU the proportion of percentage of answers in the mentioned order of their succession appeared to be the following: 29,9 / 33,8 / 36,4, that is textile employees expect situation to become worse as the most probable result.

As regards to the WTO and the SEA the situation appears to be more optimistic – accordingly 32,9 / 39,5 / 27,6 ra 34,7 / 41,7 / 23,6; thus, the

majority of respondents supposes that situation will not change, but the probability of improvement was defined more likely than change to the worse.

By the way, equable distribution of answers – in this case almost the third part for each of the three variants – generally testifies the fact that respondents are not very familiar with the situation and do not have persuasive arguments for choice of one or another variant of answer. The present hypothesis is confirmed later while analysis of answers of the fourth question.

On the Fig. 2 there are presented answers on the third question of the questionnaire: «How will entrance influence on the volume of export of your enterprise? Export will increase / Export will not change / Export will decrease». It can be clearly noticed that prospects of export increase are connected by the textile employees first of all with entrance to the SEA and the WTO; while entrance to the EU preservation of existing volumes of export is considered the most probable; the biggest disturbance concerning possible decrease of export is connected with the entrance to the WTO. Generally again positive moods prevail – change of situation to the worse is expected by not more than one fourth of respondents.

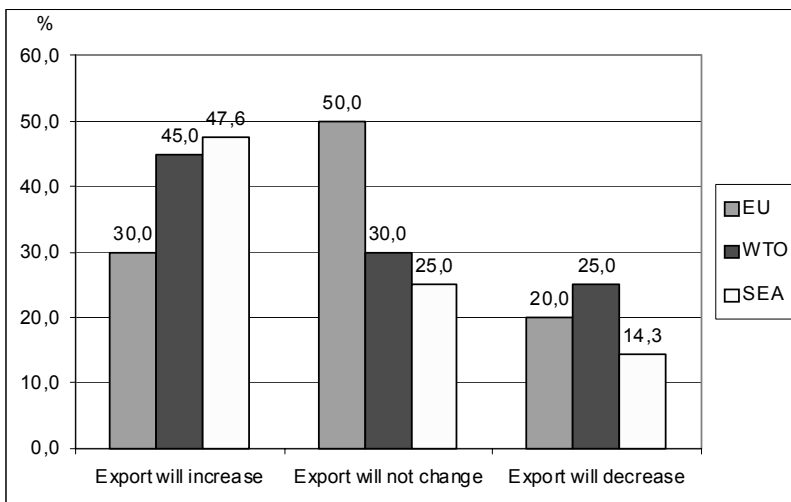


Fig. 2. Prospects of change of textile export volumes after entrance to the EU / the WTO / the SEA

Answers on the fourth question appeared to be very demonstrative – the question was the last in the set of assessment by the respondents of results of entrance of Ukraine to international organizations: «Please estimate the level of your knowledge concerning possible results of entrance of Ukraine to the WTO: Very well informed / Well informed / No enough informed / Not informed at all». Almost two thirds of respondents defined themselves as «not enough informed» or «not informed at all» (in detail – on Fig. 3).

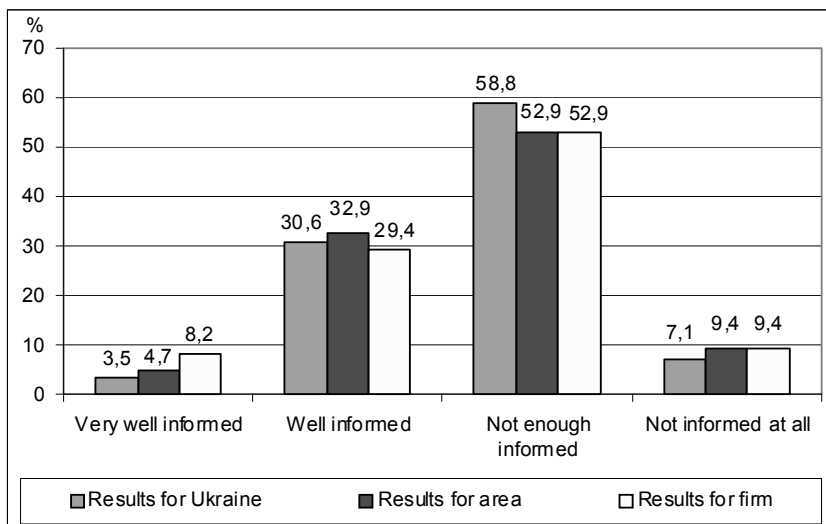


Fig. 3. Assessment by the respondents of their own knowledge concerning the results of entrance to the WTO

The level of knowledge concerning possible results of entrance to the WTO is equally low for the state as a whole, for the area and separate enterprise. We can surely confirm that knowledge of results of entrance to the EU and the SEA are almost the same. According to our opinion, the presented data will permit to prove very important factor of contribution to the activation of processes, namely increase of society's knowledge and especially goods producers knowledge concerning possible results of entrance to the international organizations.

Actually it is difficult to expect that leaders of enterprises will support participation in the activities, the results of which are not familiar to them and even not rarely are assessed as dangerous and not desirable. That is why elucidative work of national governmental and scientific institutions, which according to the nature of their activities are more familiar with the situation, can become useful, as well as enlargement of contacts and information exchange with representatives of related areas of the WTO and the EU member-states.

Let's pass to the analyses of results of survey of leaders and managers of enterprises of clothes sewing sector. The relevant questionnaire contained only one question: «How do you assess the possible results of entrance for your enterprise? Situation will improve / Situation will not change / Situation will become worse». The comparison of employees of sewing industry answers with answers of textile employees is represented in the Fig. 4.

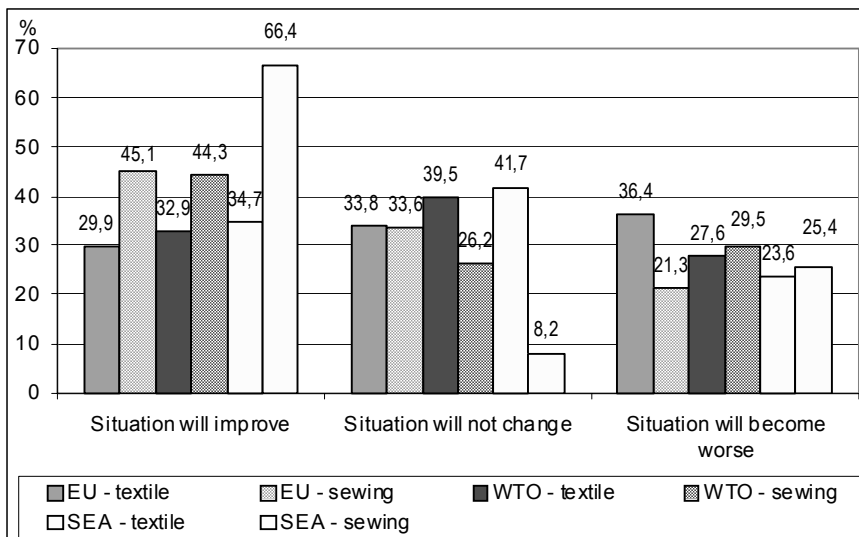


Fig. 4. Comparison of assessments by employees of textile and sewing areas of possible results of entrance of Ukraine to the EU / the WTO / the SEA

Employees of sewing industry assess results of entrance of Ukraine to the international organizations in a more positive way than textile ones. Comparison of percentage of votes for the variant “situation will improve” confirms this fact in the best way. The most optimistic appeared to be the attitude to the SEA: percentage of representatives of sewing area, which consider that this will lead to improvement of situation, is almost two times more than in textile area.

It is not ruled out that such discrepancies in attitude to international organizations are explained by the fact, that employees of sewing area already today have greater experience of international cooperation.

To check up the present hypothesis was carried out comparative analysis of assessments of results of entrance of Ukraine to international organizations according to two groups: sewing enterprises, which at the moment of survey executed export of their production (hereinafter referred to as exporters), and other sewing enterprises (hereinafter referred to as non-exporters).

Results of analysis for the EU, the WTO and the SEA are presented in the Table 2. Assessment by exporters of prospects of entrance to all without exclusion international organizations is more optimistic. This fact confirms the suggested hypothesis that availability of positive experience of international cooperation increases interest of economic entities in activation of integration processes.

Table 2

Comparison of assessments by enterprises exporters and non-exporters of clothes of possible results of entrance of Ukraine to the EU / the WTO / the SEA

Variants of answers	EU		WTO		SEA	
	Ex-porters	Non-ex-porters	Ex-porters	Non-ex-porters	Ex-porters	Non-ex-porters
Situation will improve	48,6	27,6	57,2	33,3	66,7	66,7
Situation will not change	28,6	50,0	19,0	33,3	19,0	29,6
Situation will become worse	22,9	22,4	23,8	33,3	14,3	3,7

Source: own compilation.

To the conclusion let's consider differentiation of assessments of results of entrance to the international organizations dependently on the size of enterprise. In the Table 3 are presented groups of assessments, provided by representatives of big, medium and small sewing enterprises. Such analysis is reasonable to be made namely according to the data of clothes sewing sector: here more equal representation of all size groups is provided, when in the textile goods sector in result of peculiarities of technology, small enterprises are comparatively less widespread.

Table 3

Comparison of assessments, made by big, medium and small sewing enterprises of possible results of entrance of Ukraine to the EU / the WTO / the SEA

Variants of answers	EU			WTO			SEA		
	Big	Medium	Small	Big	Medium	Small	Big	Medium	Small
Situation will improve	75,0	23,8	50,0	60,0	40,5	41,7	70,0	61,9	68,4
Situation will not change	0,0	47,6	35,0	0,0	31,0	31,7	20,0	19,0	31,6
Situation will become worse	25,0	28,6	15,0	40,0	28,5	26,6	10,0	19,0	0,0

Source: own compilation.

It is clearly seen that the part of those which expect from the entrance to the international organizations improvement of situation on their enterprise is the biggest for big and small sewing enterprises.

On the contrary, among medium enterprises it is observed rather high percentage of those, who are afraid of worsening of situation. It is rather probable that big sewing enterprises consider in enlargement of international cooperation new possibilities for obtaining of orders for manufacturing of production from raw materials supplied by customer; as regards to small enterprises, they rely first of all on simplification of access to necessary material resources and to mastering of more attractive new markets.

Relatively passive position of medium enterprises, according to our opinion, is explained by their whole less vitality – it is enough to remember famous

curve of M. Porter, which demonstrates dependence of investments profitability on the share of market of enterprise; according to the mentioned curve, enterprises of medium size are less successful in financial aspect.

The carried out analysis of attitude of representatives of textile and sewing enterprises to the membership of Ukraine in international organizations permits to make the following conclusions.

Conclusion

As a whole attitude of representatives of textile goods area and clothes sewing area to the prospects of European integration of Ukraine can be considered positive: the entrepreneurs support entrance of Ukraine to international organizations; they expect from such entrance more improvement of situation on their enterprises, than its worsening; rely on increase of export volumes.

The part of those who positively considered integration processes could have been bigger at the condition of adequate knowledge of leaders concerning possible results of integration – both for Ukraine as a whole, and for separate types of economic activities and even for separate enterprises.

Important factor, which stipulates positive attitude to the EU and the WTO, is availability of positive international cooperation. Enterprises, which have such experience, are able to assess their possibilities, which are opened with integration, in a more objective way.

However, the threats, related to the possible entrance of Ukraine to the EU and the WTO, really exist in textile and sewing industries. Analysis of processes, which take place during the recent years, confirms the fact of excessive export orientation of the mentioned areas (in particular, in the clothes sewing area 80% of production were intended for the export, at that mainly according to schemes of no prestige with raw materials supplied by customer).

Unfavorable changes in the goods structure of production and export take place – instead of ready made goods of customer destination the preference is given to the export of raw materials (flaxen fibers, leather raw materials, etc.), technical types of production (fibers, tarpaulin, sacks, molded fabrics), as well as technically not difficult types of clothes.

The mentioned processes are stipulated first of all by the fact that national entrepreneurs try to optimize ratio of expenses, risk and profits from their

activities according to those legislative, technological, competitive and other limitations, which actually exist on the market.

According to such conditions, insufficiently prepared integration can really lead to degeneration of textile goods and clothes sewing areas and to transformation of their enterprises on primitive technical operators, which fully depend on policy, conducted by foreign customers.

Thus elaboration of state program of support and socially effective orientation of entrepreneurial initiative in the national textile and sewing industries should become necessary component of preparation to the European integration of Ukraine.

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TEXTILE AND SEWING ENTERPRISES OF UKRAINE: PROSPECTS OF INTEGRATION TOWARDS THE EU

Summary

In the article analys processes in textile and sewing industries, related to the possible entrance of Ukraine to the EU and the WTO, which confirms the fact of excessive export orientation of the mentioned areas.