

Chapter 9

The Textile Industry

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9.1 Introduction

This chapter assesses the competitiveness of the textile industry in the SEMC and identifies changes that have to take place in order for it to remain competitive in the future. The textile industry is largely representative of the manufacturing sector and is undergoing important transformations. According to Woodard (2011), the global textile industry is at a ‘tipping point’ mainly caused by five factors: rising raw material prices due to shortages, rising labor costs in traditionally low-cost countries, increasing transportation costs as a consequence of rising oil prices linked with political instability, delivery reliability from MENA affected by political instability and concerns related to fair trade and environment.

To evaluate the current situation of the textile industry, we look at SEMC textile trade flows in a global context. This is complemented by a snapshot of FTA and NTM which affect the competitiveness of the region. We then benchmark competitiveness to the WBDB ranking and the LPI, and analyze the strengths and weaknesses of a few selected countries as well as the threats and future opportunities of the entire region. The conclusion outlines potential changes and how they are expected to impact the future success of the SEMC textile industry.

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9.2 Global Competition in Textiles

As the textile market is becoming more global, the competitiveness of a specific country or region needs to be assessed in a world-wide context. Ideally, we could compare the international production statistics of the global textile industry. However, since this type of data is not readily available, we examine global exports.

Table 9.1 presents data on global textile exports disaggregated by HS-code two-digit product groups for the 2008–2012 period, including annual growth rates. In 2012, total global exports of textile products amounted to USD739 bn.

Globally, the most important types of exported textiles in 2012 were articles of apparel and clothing accessories, with knitted and crocheted articles accounting for 29 % of world trade in textile and non-knitted and crocheted articles (26 %). Apart from these two product groups, cotton accounted for 9 % of global textile exports followed by other man-made articles with an 8 % share.

The fluctuations in global textile exports are less intense than in total world exports (except 2012), suggesting that textile trade is more stable than global trade flows in general. For instance, total exports declined by –23 % in 2009 as compared to 2008 whilst textile exports only suffered a –14 % loss. That means textiles have been less affected by the global crisis than other sectors. On the other hand, textile exports do not grow as fast as global exports. In 2012, they even declined while global exports stagnated.

To identify the most resilient textile product groups, we track how textile exports were impacted by the crisis of 2009. In other words, the decline in exports between 2008 and 2009 can be interpreted as the vulnerability of each product group to a downward movement in the business cycle. Interestingly, wool products seem to be the most vulnerable as they experienced an exports decline of 26 % during this period. They were followed by special woven fabrics (–25 %) and silk, which decreased by 21 %. From a global perspective, however, only wool and special woven fabrics fared worse than overall exports, which declined by 23 %. This means the textile industry has been relatively resilient to the downturn in world trade.

To understand situation of the SEMC, the relative positions of countries need to be analyzed. China is the most important textile exporter (more than one third of global textile exports). China is the export leader in all textile product groups apart from wool, wadding and textile floor covering where Italy, Germany and Belgium lead, respectively. Since articles of apparel and clothing accessories accounted for almost two thirds of textile exports in 2012, leaders in these two HS groups also score best at the global level. Apart from Turkey, which is the third most important textile floor-covering exporter (after Belgium and China), no other SEMC is among the top three textile exporters in any product group.

Turkey is the largest textile exporter among the SEMC. It ranks sixth internationally with 4 % share in global textile exports based on its strong position in textile floor coverings, knitted or crocheted articles of apparel and clothing accessories as well as other made-up textile articles. Egypt is second. It ranks 27th in

Table 9.1 Global textile exports by product type, USD mn (From ICT 2014)

Product group	2008	2009	2010	2011	2012
50 Silk	3,539	2,788	3,270	3,401	3,146
Annual growth, %		-21 %	17 %	4 %	-7 %
51 Wool	13,905	10,349	12,696	16,230	14,452
Annual growth, %		-26 %	23 %	28 %	-11 %
52 Cotton	52,337	42,264	58,021	70,521	66,845
Annual growth, %		-19 %	37 %	22 %	-5 %
53 Vegetable	3,317	2,733	3,712	4,314	3,824
Annual growth, %		-18 %	36 %	16 %	-11 %
54 Man-made filaments	42,964	34,209	40,818	48,802	46,079
Annual growth, %		-20 %	19 %	20 %	-6 %
55 Man-made staple fibers	32,760	27,291	33,744	41,884	38,825
Annual growth, %		-17 %	24 %	24 %	-7 %
56 Wadding, felt and nonwovens	19,759	17,232	20,215	23,374	22,366
Annual growth, %		-13 %	17 %	16 %	-4 %
57 Textile floor coverings	14,128	11,789	14,073	15,457	14,550
Annual growth, %		-17 %	19 %	10 %	-6 %
58 Special woven fabrics	14,096	10,536	11,535	12,789	12,563
Annual growth, %		-25 %	9 %	11 %	-2 %
59 Impregnated, coated textile	21,284	18,156	22,479	25,768	24,336
Annual growth, %		-15 %	24 %	15 %	-6 %
60 Knitted or crocheted fabrics	24,955	21,949	26,338	30,692	30,183
Annual growth, %		-12 %	20 %	17 %	-2 %
61 Knitted or crocheted articles	179,570	160,623	180,335	210,800	212,135
Annual growth, %		-11 %	12 %	17 %	1 %
62 Not knitted or crocheted	182,777	157,375	168,762	198,927	193,400
Annual growth, %		-14 %	7 %	18 %	-3 %
63 Other made-up textile articles	45,184	42,626	48,424	55,909	55,922
Annual growth, %		-6 %	14 %	15 %	0 %
Textile exports	650,575	559,917	644,422	758,867	738,627
Annual growth, %		-14 %	15 %	18 %	-3 %
World exports	15,973,654	12,320,927	15,048,352	18,001,381	18,058,027
Annual growth, %		-23 %	22 %	20 %	0 %

global textile exports, with a mere 0.5 % share, mainly due to its substantial exports of textile floor coverings.

To take advantage of larger value added and growth potential in textile exports, the SEMC may need to aim for a larger share in (i) apparel and clothing accessories with knitted or crocheted articles that account for 29 % of total world trade in textiles and (ii) non-knitted and crocheted articles that constitute 26 % of total world textile exports. Strengthening the textile sector is a good strategic decision, bearing in mind that the sector is relatively resilient to fluctuation in global output and would help absorb the growing labor force. The most important global competitor is China; gaining competitiveness versus China will thus be the litmus test of this strategy. Turkey appears best positioned to take on this role in the region due to the fact that it already ranks among the top ten textile exporters.

9.3 Trade Agreements Related to the Textile Industry

All of the SEMC except Libya and Syria have bilateral FTAs with the EU that aim to gradually establish reciprocal duty free access for industrial products to the markets of the signatories (see Chap. 2). Agricultural products are subject to different regulations than industrial products. Turkey went beyond an FTA by establishing a CU with the EU and obtaining EU candidate status. Libya's relationship with the EU takes place outside of a bilateral legal framework. Syria concluded FTA negotiations with the EU but the FTA was never signed due to the internal conflict in Syria. Apart from Algeria and Libya, all of the SEMC have an FTA with EFTA countries.

Regarding the region itself, all of the SEMC apart from Turkey and Israel are part of the PAFTA that achieved full trade liberalization of goods in 2005. Additionally, Egypt, Jordan, Morocco and Tunisia are linked through the Agadir Agreement – currently a FTA. Egypt and Libya are linked with each other through an FTA within the COMESA. Turkey has signed a separate bilateral FTA with Tunisia, Palestine, Syria and Israel.

Three of the SEMC, namely Israel, Jordan and Morocco, have FTAs with the US. Furthermore, products manufactured in Israel, Jordan, Egypt and West Bank/Gaza are allowed to enter the US duty-free if they are produced in QIZ. Israel and Jordan also have FTAs with Canada.

The MFA governed world textile trade from 1974 to 2005 by imposing quotas on the amount of textiles that developing countries were allowed to export to industrialized countries. Its expiration in 2005 had an important impact on the region as the quotas were lifted. The MFA had somewhat protected the textile industry of the SEMC against low-cost producers from China, India and Pakistan. Some of the SEMC try to limit their losses by exploring better trade relations with selected Asian countries. For instance, Syria and China are discussing possible joint ventures in textile (Fibre2fashion 2010).

In conclusion, the SEMC are trying to integrate as much as possible with each other and with two major trading blocks, i.e., the EU and NAFTA.

9.4 Non-tariff Measures

NTM also affect textile exporters in the SEMC and are not fully addressed in the trade agreements mentioned in Sect. 9.3. De Wulf et al. (2009) report on the experience of SEMC exporters in their trade with the EU. The study relies on numerous interviews with entrepreneurs from five SEMC (Egypt, Morocco, Tunisia, Jordan, Israel).

Within TBT, textile exports from the SEMC are negatively affected by standards and conformity assessments in the EU, the lack of harmonization with EU legislation, labeling, marking and packaging (special packaging, parcel weight clauses), technical controls/product testing and product certification (quality norms, cumbersome test requirements to obtain compliance certification, chemical testing) and differences in the implementation of EU regulations.

The lack of expertise of customs agents in the partner countries (who are unaware of existing agreements), the lack of standardization with EU customs regulations (inspection before clearance) and the resources needed for customs clearance (high shipping costs) represent further NTM. ROO also hinder exports to the EU for SEMC textile exporters due to their complexity (restrictiveness, complicated documentation, difficulties in appraisal of product value, certifications, double transformation rule).

Further trade barriers were revealed in unstructured interviews with SEMC exporters. They include: IPR (only products under the EU IPR are considered to be high quality), public procurement (preference for European suppliers) and cultural/social/political barriers (social conformity).

Based on a detailed analysis of NTM in Chap. 2, one finds that there is major potential for enhancing trade among the SEMC themselves and between the SEMC and the EU if (i) logistics are improved, (ii) trade costs are decreased and (iii) NTM are reduced. SEMC textile exporters may benefit from a reduction of the high NTM.

9.5 Competitiveness Benchmarked

In addition to the analysis of trade flows, we explore the WB DB survey (World Bank 2014a) and WB LPI (World Bank 2014b) to evaluate the competitiveness of the manufacturing sector in general, which impacts the textile subsector.

Table 9.2 suggests that Israel is by far the easiest country to do business in, followed by Tunisia and Turkey. Other countries are ranked much lower, making them business-unfriendly places.

Table 9.2 Ease of doing business ranking (From World Bank 2014a)

Country	Israel	Tunisia	Turkey	Morocco	Lebanon	Jordan	Egypt	Algeria	Syria	Libya
Ease of doing business rank	35	51	69	87	111	119	128	153	165	187
Starting a business	35	70	93	39	120	117	50	164	135	171
Dealing with construction permits	140	122	148	83	179	111	149	147	189	189
Getting electricity	103	55	49	97	51	41	105	148	82	68
Registering property	151	72	50	156	112	104	105	176	82	189
Getting credit	13	109	86	109	109	170	86	130	180	186
Protecting investors	6	52	34	115	89	170	147	98	115	187
Paying taxes	93	60	71	78	39	35	148	174	120	116
Trading across borders	10	31	86	37	97	57	83	133	147	143
Enforcing contracts	93	78	38	83	126	133	156	129	179	150
Resolving insolvency	35	39	130	69	93	113	146	60	120	189

The ranking pertaining to trading across borders reflects the importance of NTM. This variable is in line with the overall ranking, with slight variations. Applying the ranking to the textile industry, there seems to be no apparent relationship between the ‘trading across borders’ ranking and the importance of the textile industry. For instance, Turkey is the most successful textile exporter in the region as it is ranked sixth in the global textile trade but only 86th in ‘trading across borders’. One of the possible explanations is insufficient standardization in labeling and packaging requirements (see Chap. 2). This leads to increasing costs of textile exports in Egypt, Israel, Morocco, Jordan, and Tunisia.

The WB LPI (Table 9.3) measures the actual logistical environment faced by traders. This measure summarizes countries’ performance in six areas: customs, infrastructure, international shipments, logistics competence, tracking and tracing as well as timeliness, with the maximum score per indicator of 5.

Amongst the textile intense SEMC, Turkey was ranked best at 27th, followed by Israel at 31st, Tunisia at 41st, and then Morocco, Egypt, Syria and Lebanon ranked 96th or higher. No data was available for Palestine.

Efforts to improve the overall competitiveness of a given sector (which would result in a higher ranking in both surveys) have been addressed in a number of countries. Macroeconomic factors that impact external competitiveness are discussed in Chap. 1. Here we will briefly discuss the potential role of Trade Promotion Agencies. These have been created at significant cost, yet have often underperformed in their attempt to assist exports. The few successful exceptions share seven features. They promote incentives favorable to exports, represent autonomous operations, support a demand-driven strategy, strike a balance between offshore and onshore objectives, ensure quality staffing, provide adequate funding and evaluate results (De Wulf 2001).

Table 9.3 Logistics performance index 2012 (From World Bank 2014b)

Rank	Country	Year	LPI	Customs	Infra-structure	International shipments	Logistics competence	Tracking & tracing	Timeliness
27	Turkey	2012	3.51	3.16	3.62	3.38	3.52	3.54	3.87
31	Israel	2010	3.41	3.12	3.6	3.17	3.5	3.39	3.77
41	Tunisia	2012	3.17	3.12	2.88	2.88	3.12	3.25	3.75
50	Morocco	2012	3.03	2.64	3.14	3.01	2.89	3.01	3.51
57	Egypt	2012	2.98	2.6	3.07	3	2.95	2.86	3.39
92	Syria	2012	2.6	2.33	2.54	2.62	2.48	2.35	3.26
96	Lebanon	2012	2.58	2.21	2.41	2.71	2.38	2.61	3.11
102	Jordan	2012	2.56	2.27	2.48	2.88	2.17	2.55	2.92
125	Algeria	2012	2.41	2.26	2.02	2.68	2.13	2.46	2.85

9.6 Industrial Development: Level on the Value Chain

The level of development of a textile industry can be measured by the proportion of raw and processed materials in total textile exports. In other words, as a rule of thumb, the more developed the industry, the higher its position on the value chain. The value chain can be defined as

[i]nterlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage. (Business Dictionary 2014)

In general, the specialization in more advanced textiles, product diversification, R&D activities, training and other activities are indicators that an industry is moving up the value chain.

Applied to the textile industry, processors of raw textiles such as cotton fibers can be considered as operating at the lower end of the value chain, while producers of finished products like shirts, trousers, carpets, workers outfits have moved up the value chain. Regarding the application of textiles, traditional textiles include fibers like cotton, yarn and wool processed with techniques like spinning, dyeing, embroidering and weaving mostly used for decorative applications like clothing. In contrast, technical textiles represent high performance fabrics to be used in industrial specialized applications and are usually divided into twelve sub-industries (Teonline 2011). Usually, a move up the value chain is related to increased specialization, profits and R&D.

The SEMC textile industry is still focusing on products that are quite low on the value chain. In 2012, the share of textile exports in total exports amounted to 24 % in Tunisia, 22 % in Jordan, 19 % in Syria, 18 % in Turkey, 17 % in Morocco, and 10 % in Egypt. In the other five SEMC, textile exports only accounted for 3 % or less of overall exports.

In six SEMC with significant textile exports, there is variation concerning their position in the textile value chain. A high percentage of raw textile exports (silk, wool, cotton, fiber, wadding) indicate a rather low position and of processed textiles a higher one. Raw textile exports from the traditional cotton producers (Egypt and Syria) account for over 20 % of total textile exports. Meanwhile countries like Jordan, Morocco and Tunisia seem to operate much higher up the value chain with only 1–3 %. With 10 % of its textile exports being raw, Turkey is also in this category. In conclusion, since they are positioned lowest on the value chain, Syria and Egypt would profit from moving up the value chain. Efforts to move up the value chain in Turkey might have the biggest effect on the regional textile exports due to Turkey's share in international textile exports and its trade integration with the EU.

Table 9.4 General challenges and threats (based on author's analysis)

Opportunities	Threats
Lowering NTM with the EU under the AA	Relatively low WBDB ranking
FTA negotiations with Turkey, which would give better access to the EU due to the Turkey-EU CU albeit limited through ROO	Relatively low WB LPI
Strong demand from the US and EU	Competition from Asia due to expiration of MFA
Shift/stronger movement up the value chain (e.g. towards technical textiles)	Vulnerability due to openness to EU imports based on AA
Successful modernization of industry	(Further) escalation of political tensions
	Stagnation in terms of modernization
	Signature of FTA with Turkey delayed
	NTM with EU unchanged

9.7 SWOT Analysis

To gain qualitative insights into the situation of the SEMC textile industry, we have been interviewing local industry experts and the public authorities of six countries where textile exports represent a two-digit share in total exports: Egypt, Jordan, Morocco, Syria, Tunisia and Turkey. We have also reviewed the selected literature, including Limanthour (2008), the ANIMA Investment Network (2010), and De Wulf et al. (2009).

Tables 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, and 9.10 present a summary of the findings in the form of a modified SWOT analysis. Whereas Table 9.4 summarizes future challenges and opportunities for all SEMC, Tables 9.5, 9.6, 9.7, 9.8, 9.9, and 9.10 contain country-specific characteristics.

Table 9.5 Egypt's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
Important role in high quality varieties (long/extra long staples)	Low rank in WB DB, especially in dealing with construction permits and enforcing contracts
90 % of the industry is private	Low LPI mainly due to weakness in customs
Included in the industrial modernization program	Need to increase productivity to remain competitive
Strong domestic market	Political tensions
Efforts for vertical integration of the industry	Reliance on immigrant workers
Attempts to create Egyptian brands	Low safety and health standards
Strengthening local design and pattern-making capabilities	
Capabilities to specialize in bio-cotton	
Technical fibers: packtech, clothtech	
Tax rebate for exports	
Low labor and energy cost	
Relatively high usage of e-commerce	
QIZ with the US	
Investment by UK to introduce cleaner production practices in industry	
Good image of Egyptian cotton	

Table 9.6 Jordan's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
Mostly in hands of private companies	Low rank in WB DB, especially in enforcing contracts and getting credit
Tax exemptions for export income	Low LPI score due to customs and infrastructure
Most open market in the Agadir countries	Reliance on exports because of small size of domestic market
Orientation towards exports	Dependency on China for raw textiles (80 % of imports, threads, fabrics)
Qualified low-cost workforce	Dependency on exports to the US as main clients (88 % of Jordan textile exports went to the US)
Economies of scale – large series	Shortage of skilled workers
Developments of new apparel designs	Limited training possibilities in other textile-related areas than design
Training in design (24 vocational centers)	Need for more marketing activities
Industrial modernization program	Low levels of FDI and vulnerability to external changes
Respect for international work and safety standards	
Emergence of technical textile industry	
Crisis in the past has led to the survival of the fittest, who currently make up the industry	
QIZ with the US	

Table 9.7 Morocco's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
2005 Public recovery plan for the reorganization of manual operations	Low rank in WB DB, especially in protecting investors
Public marketing support	Need of exports for economic growth
Geographical proximity to Europe	Relatively low productivity
Responsiveness, flexibility, lead time	Reliance on imports of raw material: 61 % of imports are textiles from the EU
Outstanding image with trading partners	Relatively high cost of labor and energy
Integration of new technologies	
Qualified and motivated labor force	
Industry highly active in promotion like trade shows and exhibitions	
Proximity to Europe assists just-in-time production	

Table 9.8 Syria's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
Tax advantages for the agricultural sector (related to textile raw materials)	Low rank in WB DB
Investment Promotion Law (foreign ownership rights, etc.)	Low LPI score mainly due to customs and infrastructure
Government support to become the most significant economic-industrial sector (funds towards the development of clothing, cotton, blended and denim fabrics)	Focus on traditional textiles
Relatively low dependence on EU, US and SEMC for exports as 33 % of textile exports go to other regions	Rural–urban balance artificially upheld with public investments
Modernization of textile industry through Industrial Modernization and Upgrading Program	Lowest proportion of processed textiles in SEMC (43 % of textile exports are raw)
	Political situation

Table 9.9 Tunisia's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
Progress in economic reforms	Room for improvement in WB DB ranking, especially in dealing with construction permits and getting credit
FDI inflow to the textile sector, which upgraded its production qualitatively to respond to competition from Asia	Room for improvement in LPI score, mainly in logistics competence and customs
Monastir El Fejja Competitiveness Pole	Almost all exports to the EU
Benefits to 100 % export-oriented firms (tax benefits, etc.)	Missed opportunity to further move up value chain by diversifying product range
Training and research –schools and training centers	Lack of designers
Proximity to Europe helps just in time production	Relatively low motivation of labor (high number of absences)
Good price-quality balance	Relative dependence on textile exports
High textile exports share	Not enough focus on technical textiles
Relatively high usage of e-commerce	
Availability of skilled labor	
Focus on processing of textiles rather than raw textiles	
Movement from subcontracting to co-contracting	
Progress in specialization (e.g. already present in technical textile – autotech, aeronautic)	

Table 9.10 Turkey's strengths and weaknesses (based on author's analysis)

Strengths	Weaknesses
Most modern textile sector in SEMC	Room for improvement in WB DB ranking, especially in dealing with construction and closing a business
Availability of skilled labor	Room for improvement in LPI score, mainly related to customs
Detailed and sophisticated strategic planning at public level	Highest labor costs in the region
Strong technical textile industry	Highest energy costs in the region
CU with the EU	
Strong industrial relationships with the EU	
Flexible textile sector, small lots	
Quick response time	
Proximity to the EU market	
High political stability	

9.8 Future Developments

Below we analyze three potential scenarios of future developments in the textile sector in the SEMC: status-quo, best-case and worst-case scenarios.

9.8.1 *Status-Quo Scenario*

In the status-quo scenario, current trends would continue, implying a lack of empowering policies, a lack of technological and social changes, and no greater integration with the rest of the world and the EU in particular.

In this case, while the textile industry is likely to continue to play an important role in some SEMC (Egypt, Turkey, Syria, Morocco and Tunisia), it would stagnate and continue losing ground to Asian manufacturers due to its inability to modernize and move up the value added chain quickly. Rather, short-term efforts would aim at countering competition from Asia and would cave into protectionist measures. The latter might successfully maintain the trade balance in the short-run but would lead to a decrease in trade with the EU in the long run. Egypt and Syria could remain trapped in the manufacturing of raw textiles, accounting for over 20 % of their textile exports, while other countries would continue to focus on processed textiles. The large regional discrepancies in the WB LPI and DB scores would remain unchanged, with Turkey and Israel performing quite well and other SEMC facing challenges.

As Turkey is the only country that could compete at the international level, it would do rather well, benefiting from the CU and FTA with the EU. It might actually benefit from the relatively slow progress in other SEMC and take over their European and American customers despite its relatively higher labor and energy costs. While most SEMC remain rather low-cost production countries, Turkey might slowly move towards European standards and productivity and would thus build on its recently developed strong position in technical textiles.

9.8.2 *Best-Case Scenario*

The best-case scenario assumes successful EU-SEMC integration, including Turkey's accession to the EU. In the case of SEMC other than Turkey, this would involve a substantial upgrade of their trade and economic relations with the EU beyond the current 'shallow' FTA (see Chap. 2) and perhaps establishing a CU with the EU following the experience of Turkey (see Chap. 3). In turn, this would require major reforms in the SEMC, including a social transition and adopting specific measures such as meeting EU import standards and the creation of local conformity assessment capacities.

Trade with the rest of the world would also benefit from an improvement in the WB DB indicators and LPI. In particular, NTM would create less trade impediments and the FDI would increase.

The relative importance of the textile industry would likely stabilize in percentage terms but would grow in size following the growth of the total market. Since the textile sector is labor intensive, its expansion would absorb the labor force and thereby contain growing unemployment.

This scenario implies a higher interest of European companies in the SEMC as production centers with labor and product quality instead of simply cheap labor. Competition from Asian manufacturers would remain rather marginal. The shift towards technical textiles would move the SEMC out of the low wage sweatshop style of textile production. Due to the availability of additional resources and the greater attraction of FDI, the SEMC would be able to increasingly engage in research and training and invest in technical textile capital and skilled labor, which, in turn, would strengthen their competitive advantage as global players in processed textile production.

9.8.3 Worst-Case Scenario

This scenario would imply backsliding from present achievements, lower integration both regionally and with the Rest of the World (including the EU). This could happen as a result of political instability in the region and it would render any trade agreement inactive and seriously disturb textile production processes. On the other hand, growth stagnation in the EU and the continuation of the Eurozone debt and financial crisis could also further jeopardize trade integration between the EU and the SEMC. This would have disastrous effects on the SEMC textile industry as most of the countries are quite dependent on textile exports for their overall economic standing.

The WB DB and LPI scores would be expected to decline in such a scenario. Increased political risk would make the SEMC less attractive as FDI destinations and hamper international competitiveness. Intra-regional integration would also be unlikely, as SEMC would become inward looking and would compete with each other rather than cooperate, opting for protectionist measures.

9.9 Conclusions

In conclusion, the successful development of the textile industry in the SEMC requires several measures: a movement up the added value chain by focusing on processed textiles and by engaging in activities such as marketing, R&D, specialization or diversification of the product range. Measures that improve the WB DB ranking and LPI will especially assist in rapid development as they are essential for

increasing external competitiveness. A general improvement of the business climate would greatly contribute to the overall progress of the textile sector. NTM should be reduced and the trade integration process with the EU and the US should be fostered.

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