

Analysis of competitiveness on the textile/garment and leather/shoes industries from an international perspective

1. GENERAL OVERVIEW

The textile/garment and leather/shoes industries were two of the main industries of the Albanian economy during the 1960-1990 period. These industries were state-owned enterprises and they operated in the context of a socialist economy. Production included a wide range of products of the value-added chain such as fiber and leather and even final products. Domestic products supplied the consumption demand. Exports were managed by a single governmental agency.

After 1990, these enterprises went through a privatization process. A significant part of them didn't change their destination. Activities concentrated on production under outward processing regime of clothes and footwear uppers, which comprise the majority of the country's exports. Imports satisfy the consumption needs for textiles and garments. The leather industry, supported by the increasing number of bovines, has experienced a growing level of exports of semi-final products. National trademarks are missing and relations with suppliers and marketing channels are poor, except for re-exported products, which are marketed by investors and foreign dealers.

These industries play an important role in the country's economy. As shown in Table 1, the textile/garment industry production has been increasing progressively, as a result of the Albanian labor market, which is especially convenient in production processes that intensively employ labor, producing goods intended for export in EU markets. In 2001 a drop in the employment rate was recorded, as a result of a reduction of the number of operating businesses, caused by power shortages. This has brought about lower investment rates in this industry. Nevertheless, increasing production in the conditions of a lower employment rate is a proof of efficiency improvement. Efficiency improvement relies heavily on business management and organization. The textile industry comes next to the food, timber and furniture, metal extraction and processing industries sorted by number of operative firms. On the other hand, textile industry stands on top of the light industries list of employment figures, being an industry that intensively employs labor. The position concerning investment rates has fluctuated. In 1999 it was second in the processing industry list (next to the leather/shoes industry), while in 2001 it came next to many other industries, as a result of the important allocation of resources in the food and beverage industries and the metal processing industry in 2001, which have been experiencing a dramatic investment boost receiving 60 % of total investments in the processing industry.

Table 1: General data

| The textile/garments industry | | | | | | | | | | |
|--------------------------------------|------------------------------|--------------------------------------|----------------------------|-------|------------------------------|-------------------------------------|----------------------------|------------------------------|--------------------------------------|----------------------------|
| General data | 1999 (in millions of lek) | Contribution during 1999 | | | 2000 (in millions of lek) | Contribution during 2000 | | 2001 (in millions of lek) | Contribution during 2001 | |
| | | In the economy, agriculture excluded | In the processing industry | | | In the economy, agriculture exclude | In the processing industry | | In the economy, agriculture excluded | In the processing industry |
| Production | 3,235 | 2% | 8% | 4,245 | 2% | 10% | 4,935 | 2% | 9% | |
| No. of employees | 8,626 | 6% | 24% | 9,129 | 6% | 25% | 8,865 | 4% | 27% | |

| | | | | | | | | | |
|-----------------------------------|--------------------|--------|-----|--------|--------|------|--------|------|-----|
| Average pay rate | 10,734 | -11.4% | | 11,708 | -12.3% | | 14,056 | -5% | |
| No. of firms | 327 | 0.9% | 9% | 347 | 1% | 10% | 298 | 0.8% | 8% |
| Investment rate | 690 million of lek | 2% | 19% | 616 | 2.6% | 7.6% | 477 | 0.8% | 4% |
| The leather/shoes industry | | | | | | | | | |
| Production | 3,683 | 2% | 9% | 4,498 | 3% | 11% | 5,530 | 3% | 10% |
| No. of employees | 4,431 | 3% | 13% | 4,560 | 3% | 12% | 5,158 | 4% | 14% |
| Average pay rate | 10,734 | -11.4% | | 11,708 | -12.3% | | 14,056 | -5% | |
| No. of firms | 68 | 0.2% | 2% | 62 | 0.2% | 2% | 76 | 0.2% | 2% |
| Investment rates | 1,133 | 4% | 31% | 165 | 0.7% | 2% | 925 | 2% | 8% |

Source: INSTAT. Results from Survey on the Structure of Enterprises 1999, 2000, 2001

Foreign trade directly reflects the structure of domestic production which meets OPT (Outward Processing Trade) policy demands of the EU in Eastern and Central Europe, Asia and the Mediterranean. Exports and imports are interconnected as a result of re-exportation. Imports mainly consist of semi-final products, which are re-exported after one or two assembly operations.

Textile/garment export and import levels have experienced a general rising trend, as shown in Table 2. Recently, re-export volume has oscillated between 73% and 81% of this industry's total exports. Lately, the trade balance this industry has been positive.

Table 2: Exports and imports of the textile/garment industry during the years, in thousands of Euros

| Trade indicators | 1999 | 2000 | 2001 | 2002 |
|------------------|-----------|-----------|-----------|-----------|
| Trade export | 150,179.9 | 176,587.8 | 214,874.3 | 224,576.4 |
| Trade import | 218,444.5 | 164,030.6 | 197,179.8 | 221,092.1 |

Source: ACIT General Directorate of Customs, WTO Agreement

The following products make up the majority of Albanian textile exports: “*Surfaces and their components except for struts of other materials*” occupying 20.3% of 2002 total textile exports, “*Other trousers and cotton shorts*” occupying 12.4%, “*Men’s or boy’s cotton shirts*” occupying 7.5% followed by women’s shirts (5.4%) and underwear (5.3%). It’s obvious that Albania’s textile exports portfolio is modestly diverse. Nine types of products comprise about 62% of the textile exports portfolio. Despite the fact that these nine products belong to the high stage of the textile production chain, they do not bring about a high added value as a result of the application of one or two operations on semi-final imported products that intensively employ labor during assembly. The production structure (technology, labor, processes, etc) is generally dedicated to the production of these classes of clothes and underwear. Moreover, profits do not remain in Albania in the case of foreign company investments.

The production of leather/shoes industry has increased during the 1999-2001 period (see Table 1). Its portion in the processing industry stands at 10% and along with the employment contribution (14%) it comprises one of the most economically and socially important sectors. Investments and the number of firms in this industry have been experiencing an increasing trend despite fluctuations. Their volume in

the economy and processing industry has changed, especially in relation to investments, as a result of the increasing volume of investments in other industries such as metallurgy, metal processing and food processing. High quality production of footwear uppers destined for re-export in European high quality markets dominates this industry. The trade balance of this industry is positive as a result of the high re-export value. In the recent years the volume of re-exports in this industry's total exports has averaged 83%.

Table 3: Exports and imports in the leather/shoes industry during the years, in thousands of Euros

| Trade indicators | 1999 | 2000 | 2001 | 2002 |
|------------------|--------|--------|--------|--------|
| Export | 68,355 | 54,968 | 59,672 | 82,324 |
| Import | 49,386 | 40,391 | 58,791 | 77,486 |

Source: ACIT, General Directorate of Customs, WTO Agreement

Leather surfaces, also known as shoe uppers, make up the dominant part of total leather/shoes industry exports (55%). These semi-final re-exported products intensively employ handiwork. Their destination is almost exclusively Italy (99% of exports). Raw hides (class 41) also occupy a significant part (14.5%) of this industry's total exports. Their destination is usually Italy, Turkey or Greece. Processed hides of bovine (especially bull hides) are the most important ones among hides' exports as raw material. This is possible because of low processing costs in Albania, as a result of violations of environmental legislation. They consist of domestic processed hides or imported processed hides under outward processing regime.

The foreign market is limited in a few EU countries (Italy, Greece, Germany), which are the main destinations. The list of foreign markets also includes regional countries such as Croatia, Macedonia, and Yugoslavia, though the value of exports in these countries is insignificant. More than 80% of the three main textile classes are exported in Italy. The re-export nature of the production of these commodities carried out by Italian or Greek companies, justifies the concentration of specific exports in specific markets where Italian and Greek enterprises have already established their markets and control production decisions. Poor market intelligence has also inflicted further restrictions on the portfolio by obstructing the allocation of resources (design, technology, financial resources, etc) in the production of other textile commodities which can be marketed in foreign markets. The presence of exports of a number of products and the presence of specific markets (see Annex 3), even though scanty, represents a chance that is worth analyzing more thoroughly, in spite of the sporadic incidence. Such signals can be spotted regarding exports of natural fibers (wool, silk) in Austria, Germany, etc, regarding handmade threads, carpets and rugs, embroidery or knitwear exported in EU countries. Imported products related to these industries (see Annex 6 and 7) signal another business opportunity to supply domestic demand by replacing imports with domestic products.

1. **FACTORS CONDITIONS**
2. **a. The human factor**

The employment rate The number of employees in the textile/garment industry is approximately 9,000 annually (see Table 1). This industry employed 4% of the active population (not including employment in agriculture) in 2001, and 27% in the processing industry, thus being socially important as a sector that intensively employs labor. In a global scale, the textile/garments sector employs 14 % of active workforce, while in the EU it provides work for 7.6% of employees in the processing industry (just about 2 million people). In essence, this is a socially and economically important sector in a global scale. The leather/shoes industry is also an important sector concerning employment. An average of

5,000 employees in Albania is recruited annually by this sector (see Table 1) occupying 14% of those employed in the processing industry.

Workforce qualification A long lasting experience of several decades in the textile/garments and footwear industry has created and continues to generate a qualified workforce in specific operational processes (sewing, cutting, ironing, etc). Development of the private sector in the production of confections and shoe uppers has emphasized further qualification of this class of employees. Yet, this doesn't hold true for professions that require higher qualification, such as engineers, designers, managers, market researchers, marketing specialists, chemists etc. At present, the number of institutions that prepare qualified workforce is insufficient (a Faculty of Textile Engineering, an Academy of Arts – designer degree, tailoring schools/courses, on work trainings, trainings by NGO-s, the Faculty of Economics – management and marketing, which are mainly located in the Tirana district). Low wages in these industries, as well, repel qualified workforce. Young designers, who have already opened their own fashion houses, reveal the importance and potential success of design combined with an effective marketing. Managers, designers, marketing specialists, engineers and chemists are the foundation for improvement and development of this industry in terms of workforce.

A similar situation is present in developing countries as well, and especially in East Europe, where the level of qualification is one of the factors explaining deficiencies in production processes along the value-added chain.

The average income level in these sectors reported by INSTAT was 14,056 lek/month in 2001, i.e 5% lower than the average level for the overall economy (excluding income levels in agriculture). Wages, reported by ACIT after contacts with companies, from the outward processing regime sector, averaged 1\$/hour, which is one of the lowest levels in the region and developing countries. Organization and management in departments demonstrates an improved efficiency of specialized work.

The average hourly pay rate in some developing countries is as follows: 1.77\$ in Tunisia, 1.89\$ in Morocco, 1.01\$ in Bulgaria, 2.9\$ in Poland, 2.13\$ in Turkey, while lower levels can be found in Asian countries (Indonesia 0.7\$, China 0.6\$, Vietnam 0.6\$, Thailand 0.5\$, India 0.2 \$, Pakistan 0.2\$). Albania is competitive among East European countries, and this brings about better opportunities to access EU markets.

Management The managing staff of Albanian enterprises consists of engineers, production managers, financiers, and sales managers who focus on production and investment rather than on demand and market analysis as a result of the characteristics of the production process.

On the other hand, European industries are characterized by innovation and research & development based on the expertise and rich professional qualification.

b. Inputs

Industrial assets Industrial assets in the confection and footwear sectors consist mainly of investments on new machinery (Western technology) suitable for goods produced under outward processing regime marketed in European markets. This equipment covers a variety of processes such as: cutting, sewing, and pressing. Packaging is usually performed manually. Fixed assets in the textile industry are almost totally exhausted (dating before World War II; spare parts cannot be provided by manufacturers any more, so they are produced domestically, but their quality and duration are poor). Machines needed to perform specific technological processes are missing as well. The privatization process of state-owned enterprises did not include the condition of compulsory investments in technology. As a result, several

enterprises changed their destination. On the other hand, a significant part of them was destroyed during the 1996-97 period. Actually, the existing industry intensively employs labor, but this is not the case regarding capital. The wool fibers industry is only equipped with washing and pressing machines, as well as spanning mills and looms capable of processing a great number of filaments, but serious investments for further processing are missing. A modest level of filature and weaving is available in the cotton industry, used to supply the military and police. Existing equipment is also obsolete, and thus restricts the range of quality products. Leather processing employs an expensive technology (intensively employing capital).

Domestic investment rates in the textile/garment and leather/shoes industries are shown in Table 1. Investments in industrial assets involved in the ----- (finisazh) stage of leather production in addition to expertise, market research and cooperation between stakeholders would help this industry become more competitive and move up to a higher level of added value.

Raw materials used in the textile/garment and leather/shoes industry. Albania has been producing textile fibers and leather for forty years. The current fiber production averages 3,000 tons of wool (closely related to the quantity of livestock) and almost no cotton at all. The former Tirana factory absorbs a tiny portion of domestic raw material. This natural resource is still unexploited, while import levels of this fiber indicate an opportunity to supply domestic demand with domestic products. Another factory in Berat utilizes imported cotton as raw material. The organization network between raw material suppliers and their customers (domestic or foreign) is casual and fragile.

Whereas raw materials used by the textile industry to produce garments (which actually are semi-fabrics) are imported in order to be re-exported after being assembled in Albania. The network, quality and their costs are totally under the foreign investors' control. The same situation applies to the value-added chain of shoe production, which undergoes a minimal transformation (assembling) before being re-exported.

Leather processing is performed in two main forms: production under outward processing regime (Italian raw hides, which undergo physico-chemical transformations in Albania before being re-exported) and domestic raw material processing (domestic raw hides – mainly bovine hides). The latter is characterized by a factual organization of individual and large-scale dealers from all over the country. Raw material availability is closely related to consumption and the perspective of meat industry development and its products. In this context the butchery activity is contingent on the import of meat, which outmatches domestic products by quality and safety standards. On the other hand, the currently applied butchery techniques affect significantly the quality and competitiveness of raw materials. So, bovine hides, as a result of specific characteristics of Albanian bovines, comprise a highly appreciated category in the international market. These hides are thoroughly processed in the country.

Raw materials in the world market are concentrated in developing countries. The world fiber production was 56.1 million tons in 2002, consisting of 22.4 million tons of natural fibers and 33.6 million tons of artificial fibers. Cotton dominates the natural fibers category with 21 million tons followed by wool (1.3 million tons) and silk (90.000) tons. Artificial fiber production consists of 2.7 million tons of cellulose and 30.9 million tons of synthetic fibers. Textile fiber consumption was 9 kg per capita in 2002, reaching the highest level ever recorded along with the global production level. Fiber consumption per capita is expected to grow as a result of population growth. Artificial fibers are more promising, as well as textile products originating from mixed wool threads. Artificial fibers account for 72% of the industrial consumption in the EU. On the other hand, cotton is the most utilizable among artificial fibers (22%). Whereas wool, considering the nature of final products manufactured in the EU (trousers, pullovers, etc. made of mixed threads of wool and other fibers) is used less frequently than in Asia (where carpets and rugs add to the list of wool products). The wool fiber takes up only 7% of industrial

consumption in the EU.

As for the leather industry, Latin America leads the world production of raw materials (20.6%). Leather processing massively utilizes bovine hides, used to produce shoe uppers and other final leather products. China is the main supplier of heavy processed bovine hides (36%) followed by the former Soviet Union area (17% of world production), Europe (16%), Latin America (14%) and North America (8%). China is also a leader in the production of light processed bovine hides, followed by Europe and Latin America. Over 70% of this raw material is located in developing countries, which have imposed restrictions on raw material exports in order to protect and stimulate domestic leather industries. For more information on export restrictions see Annex 9.

c. Other supportive factors

Energy Given that the energy sector is still publicly owned, the price of electricity is (which is actually lower compared to international prices), can be considered a form of subvention for these industries. However, the increase of electricity costs last year has placed this industry in a tough position vis-à-vis international competition. Other energy alternatives are too expensive for this sector's activity. Actually, the energy crisis has been one of the key reasons that brought several enterprises to bankruptcy (see Table 1).

Climate The Mediterranean climate featuring a cold winter (especially in mountainous areas) and a hot summer brings about a diversified domestic demand for textile products, clothes and footwear. Imported products currently supply this demand.

Geographic position The geographic position close to EU markets (countries that rely heavily on imports such as Italy and Greece) facilitates trade transactions with these markets, fast penetration of fashion trends and satisfies one of the essential requirements of European customers: fast delivery. A lot of developing countries compete by looking for ways to respond to this time restriction imposed by the EU market. East European countries (Poland, Romania, Croatia, etc) as well as Mediterranean countries (Tunisia, Morocco, Turkey), which operate fast and efficiently with their distribution networks, are involved in intensive competition.

Infrastructure The poor quality of rural infrastructure makes it difficult to reach interior areas, resulting in higher costs of domestic raw materials (natural fibers, leather), and thus emphasizing even more the convenience of imports (see Annex 6 and 7). Though, ongoing improvement of the infrastructure network is going to facilitate access to interior areas and neighboring countries by reducing transaction costs. Investments are still required in the four Albanian seaports in order to improve efficiency. The lack of adequate appliances that process technological wastes does not encourage long term competitiveness, even though current production costs might be lower. Communication lines are sufficiently present in urban areas (yet, mobile communication costs are still high), while the quality of telecommunication is still poor in rural areas. The Internet can be accessed from almost any major Albanian city.

Capital markets The Albanian banking system has undergone substantial transformations during the last ten years. Though banking services have evolved (in spite of the high tariffs), the level of credit extension is still limited by safety margins. Credit **guarantee** is required in the form of real estate worth 100-150% of the credit value. Existing companies finance their activities through their own capitals. In most cases, sales are carried out inconveniently (subsequent payments up to 4 months later).

Accessories, for the most part, come from import as well as raw materials.

3. DEMAND

Two types of demand can be distinguished, concerning consumption of the products mentioned above, and customers' location:

Table 4: Type of demand in the textile/garment and leather/shoes industry

| Demand type | Consumption demand | Industrial demand |
|---------------------------|---|--|
| Domestic | <ul style="list-style-type: none"> - Final products (jackets, trousers, skirts, dresses, etc) and leather products (shoes, bags, etc) - Home textiles (covers, carpets, sheets, curtains, etc) | <ul style="list-style-type: none"> - Semi –final products (filament, fiber, leather, fabrics, etc) - Textile and leather products for the furniture and construction industries |
| Foreign (mainly European) | <ul style="list-style-type: none"> - Final products (jackets, trousers, skirts, dresses, etc) and leather products (shoes, bags, etc) - Home textiles (covers, carpets, sheets, curtains, etc) - Technical textile materials | <ul style="list-style-type: none"> - Textile fibers, raw and processed hides - Semi-final products such as fabrics, filament, surfaces, etc - Technical textile materials |

Source: ACIT

Domestic demand for products of these industries recently has been growing constantly. Demand for clothes and footwear has been supplied mainly by imports, consisting of second-hand clothes that fit consumption needs with affordable prices for the average consumer portfolio (see Annex 6 and 7). *Shuttle trade* is also widespread, especially in the case of boutiques, which are supplied with fashion clothes purchased in Italy and Greece. Statistical data (chapter 63 in Annex 6) show that imported second-hand clothes occupy 6% of the overall trade volume. While goods produced under outward processing regime in Albania include sportswear (jeans, shirts, etc), as well as work apparels or underwear, which are facing an increasing demand in EU markets, domestic consumption has an opposite trend. Albanian fashion houses, which have already started to design and market their own trademark products, are satisfying to some extent domestic preferences for sophisticated fashion clothes. Industrial demand for textile/garment products (cotton, wool, filaments, fabrics, etc) has been low, because further processing in factories is hampered by poor capacities.

Regional and European economic integration have strongly affected the industry, consumption and industrial demand. Thus, the asymmetric agreement between Albania and the EU (see Annex 8) has significantly stimulated production under outward processing regime, which is widespread in Eastern and Central Europe. On the other hand, domestic demand has not contributed in this industry's development, and still doesn't. Manufacturers do not seem to be interested about the domestic demand for textile and garments. Distribution networks (suppliers, wholesalers, retailers, agents, etc) that could get advantage of the presence of domestic demand are also missing.

What is the foreign demand status vis-à-vis these industries?

- **Textile/garments demand:**

The total EU garments **consumption** reached 196 billion USD in 2000, of which 163 billion were spent for outer garments. Outer garments for women comprise the most successful sector occupying 48% of the market of outer garments. Germany is the main consumer of outer garments, followed by a thinning margin by Great Britain and Italy. These three countries along with France and Spain take up 80% of EU garment consumption.

Germany is the leading consumer as a result of its large population and purchasing power. The average German customer spends a significant portion of his portfolio for garments. The German market is dominated by imported garments as a result of a drop in domestic production caused by lower prices offered by non-EU producers. Over 20% of outer garments for women sold in Germany are trousers and jeans, 13.3% shirts, 7.3% dresses and 6.1% skirts. On the other hand, 31% of outer garments for men are trousers and jeans, and 20% are shirts.

Great Britain is the second largest consumer in the EU. Outer garments for women also dominate the market occupying over half of it. Shirt, dress, skirt, suit and jacket sales have dropped, but casual trousers and t-shirts sales have increased standing at respectively 45 million and 49 million in 2000. Knitwear sales, including tricots, cardigans, and pullovers have also increased. Average prices of outer garments for women fell by 2% as a result of intensive competition between retailers. The volume of sportswear sales for women also increased. Forecasts on the future of the market of outer sport garments for women in Great Britain are very optimistic emphasizing quantity over value.

Table 5: Outer garments sales value in %, 2000

| Type of outer garment | EU(15 countries) | Germany | Netherlands | France | Italy | Great Britain |
|-----------------------|------------------|---------|-------------|--------|-------|---------------|
| For women | 48.1 | 53.6 | 47.2 | 40.8 | 45.6 | 51.8 |
| For men | 30.4 | 31.2 | 32.4 | 28.7 | 33.4 | 27.2 |
| For children | 11.4 | 8.9 | 9.3 | 15.8 | 11.8 | 10.6 |
| Clothing accessories | 3.7 | 2.1 | 4.2 | 6.3 | 2.4 | 3.7 |
| Sportswear | 6.4 | 4.2 | 6.9 | 8.4 | 6.8 | 6.7 |
| TOTAL | 100 | 100 | 100 | 100 | 100 | 100 |

Source: Center for European promotion of imports from developing countries

Demand for formal clothes in a significant number of EU countries is dropping, while demand for casual and basic active clothes is increasing. Sport garments are also extending over the casual and basic active garments segments. Formal wear in official environments is expected to lose ground and “smart casual” outfits are expected to replace it. Demand for t-shirts, polo shirts, sport undershirts, blouses and pullovers has increased in all EU countries. Outer garments for women have recorded the highest sale levels for outer garments, because women are more sensitive to fashion trends and often tend to buy impulsively.

Europe leads the world **import** of textile/garments (40% of total world textile imports and 45% of total world garment imports in 1998). Demand for textile and garment imports in the EU has been increasing. European imports of outer garments dropped by 6.4% during the 1998-2000 period (standing at 58.3 billion USD), while imports calculated in Euro increased by 14% (standing at 63.3 billion USD). Imports coming from outside the EU increased by 10%, while trade between EU members dropped by roughly 30%. Germany still remains the main importer (27% of overall value) followed by Great Britain (17%), France (15%), Italy (8%), Netherlands (7%), Belgium (6.5%), Spain (5%) and Austria (4%).

Table 6: European outer garment imports, 2000, in thousands of USD

| Description | Unit | Total EU imports | | Albanian exports in the EU | | Albania's volume in EU imports (in %) |
|----------------|------|------------------|-------|----------------------------|-------|---------------------------------------|
| | | quantity | value | Quantity | Value | |
| Knitted | | | | | | |

| | | | | | | |
|--|-----------|----------------|-------------------|--------------------|----------------|-------------|
| Overcoats, jackets, pelerines, mantelets, windbreakers | Nr | 39.1 | 456,000 | 74,870 | 354 | 0.078 |
| <i>For men</i> | <i>Nr</i> | | | 16,107 | 172 | |
| <i>For women</i> | <i>Nr</i> | | | 58,763 | 182 | |
| Suits | | 156.3 | 404,000 | 31,451 | 104 | 0.026 |
| <i>For men</i> | <i>Nr</i> | | | 6,040 | 50 | |
| <i>For women</i> | <i>Nr</i> | | | 25,411 | 54 | |
| Light indoor jackets | Nr | 22.5 | 279,000 | 4,055 | 38 | 0.014 |
| <i>For men</i> | <i>Nr</i> | | | 1,508 | 20 | |
| <i>For women</i> | <i>Nr</i> | | | 2,547 | 19 | |
| Long and short trousers and coveralls | Nr | 398.5 | 1,720,000 | 369,030 | 1,235 | 0.072 |
| <i>For men</i> | <i>Nr</i> | | | 91,656 | 387 | |
| <i>For women</i> | <i>Nr</i> | | | 277,374 | 848 | |
| Dresses and skirts | Nr | 117.4 | 744,000 | 9,268 | 42 | 0.006 |
| Blouses and shirts | Nr | 483 | 2,091,000 | 1,386,350 | 2,848 | 0.136 |
| <i>For men</i> | <i>Nr</i> | | | 55,653 | 178 | |
| <i>For women</i> | <i>Nr</i> | | | 1,330,697 | 2,670 | |
| Pullovers, tricots, knitted shirts | Nr | 1,293.5 | 9,766,000 | 450,935 | 887 | 0.009 |
| t-shirts | Nr | 1,979.1 | 6,175,000 | 2,753,866 | 4,005 | 0.065 |
| Sportswear | Nr | 47.3 | 934,000 | 1,439,136 | 3,531 | 0.378 |
| Garment accessories (gloves) | Nr | 390.6 | 454,000 | | | 0.000 |
| Others | Kg | - | 1,392,000 | 315,849 | 5,567 | 0.400 |
| Total of knitwear | | 4,927.3 | 24,415,000 | 8,700,566 | 23,194 | 1.18 |
| Woven | | | | | | |
| Overcoats, jackets, pelerines, mantelets, windbreakers | Nr | 246.1 | 4,844,000 | 13,069,738 | 1,190 | 0.025 |
| <i>For men</i> | <i>Nr</i> | | | 6,462,776 | 308 | |
| <i>For women</i> | <i>Nr</i> | | | 6,606,962 | 881 | |
| Suits | Nr | 98.6 | 1,942,000 | 180,441 | 850 | 0.044 |
| <i>For men</i> | <i>Nr</i> | | | 73,736 | 412 | |
| <i>For women</i> | <i>Nr</i> | | | 106,705 | 439 | |
| Light indoor jackets | Nr | 132.1 | 2,697,000 | 104,668 | 622 | 0.023 |
| <i>For men</i> | <i>Nr</i> | | | 80,948 | 433 | |
| <i>For women</i> | <i>Nr</i> | | | 23,720 | 189 | |
| Long and short trousers and coveralls | Nr | 1,302.7 | 11,628,000 | 6,889,166 | 23,112 | 0.199 |
| <i>For men</i> | <i>Nr</i> | | | 6,590,616 | 21,795 | |
| <i>For women</i> | <i>Nr</i> | | | 298,550 | 1,318 | |
| Dresses and skirts | Nr | 339.1 | 2,919,000 | 9,268 | 42 | 0.001 |
| Blouses and shirts | Nr | 898 | 5,526,000 | 29,860,073 | 30,340 | 0.549 |
| <i>For men</i> | <i>Nr</i> | | | 14,024,796 | 21,627 | |
| <i>For women</i> | <i>Nr</i> | | | 15,835,277 | 8,712 | |
| Sportswear | Kg | 40.1 | 1,289,000 | 16,967,434 | 1,484 | 0.115 |
| Garment accessories (gloves) | | 294.3 | 1,193,000 | 0 | 0 | 0.000 |
| Others | Kg | 7.5 | 1,865,000 | 50,465,277 | 2,208 | 0.118 |
| Total of woven garments | | 3,358.5 | 33,903,000 | 16,765,0151 | 115,962 | 1.07 |

Source: ACIT, European Center for Import Promotion

Imports of knitted outer garments increased in quantity (by 18%) during the 1998-2000 period, but their value dropped (-3.8%) illustrating a drop in the average import price. Two subcategories occupy 65% of European imports of knitted outer garments: wool pullovers and tricots and t-shirts. 47% of imports of knitted outer garments came from developing countries.

Imports of woven garments have also increased in quantity (14.4%) and dropped in value (8.2%) during the 1998-2000 period. Developing countries have played a dominant role in this sector, because EU members have supplied only 38% of woven outer garments. Turkey, China, Bangladesh, India, Indonesia and Morocco are leaders concerning knitted outer garments, while China, Turkey, Morocco, Tunisia etc. are the largest exporters of woven outer garments.

Tricots, pullovers, polo shirts and t-shirts occupied 65% of European knitwear imports in 2000 (see Table 6). On the other hand, Albania has allocated its resources in the exportation of t-shirts, sport garments and blouses/shirts. Given the fact that t-shirts and tricots/pullovers have recorded increasing consumption and imports, there is an opportunity for Albania to increase t-shirt exports and extend exports in the tricot/pullover segment. At present these products are not a priority of Albanian knitwear exports. Their current volume is insignificant (0.009% for knitted pullovers, 0.065% for t-shirts). Table 7 shows the opportunity to access the German, French, and British tricot/pullover markets.

Table7: The current and potential market of tricots/pullovers

| EU imports (2000) | Netherlands | Germany | France | England | Italy |
|-------------------|-------------|---------|--------|---------|-------|
| For men | 236.2 | 451.4 | 317.3 | 413.1 | 348.7 |
| For women | 429.9 | 2224.8 | 1116.9 | 1025 | 398.9 |
| Unisex + children | 36.8 | 124.2 | 100.7 | 93 | 52.6 |
| TOTAL million \$ | 702.9 | 2800.4 | 1534.9 | 1531.1 | 800.2 |

| Albanian exports thousands of dollars | Germany | Greece | Italy | Macedonia | Total |
|---------------------------------------|---------|--------|--------|-----------|--------|
| 1999 | 905.9 | 939.49 | 399.6 | - | 2245 |
| 2000 | - | 494.33 | 392.6 | - | 886.9 |
| 2001 | - | 323.9 | 839.9 | 3 | 1167 |
| 2002 | - | 152.3 | 2177.4 | - | 2329.7 |

Source: ACIT, General Directorate of Customs

Most Albanian exports of this product go to Italy, which is the fourth largest importer of this product in the EU. The German market, which leads the list of EU importers of this product, is a potential market for Albanian products.

Trousers/shorts and shirts/blouses have dominated the import of woven products in the EU. These are the primary products of Albanian exports of outer garments in the EU (see Table 6).

Germany is the largest importer of outer garments in the EU with roughly 17 billion Euros, of which 48% are purchased from developing countries through re-import or direct import (see Annex 10). Imports of tricots/pullovers, etc for women along with woven trousers for men and women have increased significantly. On the other hand, imports of pullovers and blouses for men, woven shirts and blouses for men and women as well as woven shawls have dropped in 2000. Turkey is the main supplier of the German market of outer garments occupying 14% of Germany's total imports, followed by Italy, China, Poland (mainly re-imports), Romania (mainly re-imports), Netherlands, Greece, Bangladesh, etc.

Great Britain is the second largest European importer. British producers use OPT to cover 78% of imported knitted garments and 73% of imported woven garments. British imports have recorded growth

vis-à-vis several products: tricots, pullovers for men and women, t-shirts, woven garments such as trousers, skirts, sport suits, and shawls. On the other hand, woven suit and gloves imports have dropped. China, Turkey and Hong Kong are the main exporters of garments in the British market. France is also a large importer in the EU. Developing countries supply 46% of its imports. Italy, Morocco, Tunisia, etc. are the main exporters in the French market.

Italy has also imported large amounts of outer garments in 2000. They accounted for 5.2 Euros, of which 74% were re-imported from non-EU countries. 48% of Italian imports came from developing countries. The import growth rate has been positive recently. Imports of t-shirts, tricots, pullovers, skirts, and woven blouses for women, stand over the average rate, while trousers for women and skirts have been the dominant woven garments. Imports of men's shirts have dropped. China is the leading exporter in the Italian market, followed by Tunisia, Romania, France, Belgium, Bangladesh, Croatia and Turkey.

- **Demand in the leather/shoes industry:**

Asia leads the world footwear consumption with 42% (of which 21% belong to China), followed by America and Europe. USA is the leader in terms of consumption per capita (6.2 pairs/capita/year) followed by 6 European countries (Denmark 5.8 pairs/year, France 5.6 pairs/year, England 5.1 pairs/year, Switzerland 5.1 pairs/year, etc). Formal global trade volume in this sector (43 billion dollars) along with the informal trade volume (which is estimated to be equivalent to the formal trade volume) is roughly 3 times higher than the world trade value of meat and more than 3 times higher than the sugar world trade value. The USA (1,462 million pairs in 1997), Hong Kong (1,298 million pairs), Japan (384 million pairs), Germany (345 million pairs), England (247 million pairs), France (245 million), Italy (158 million), etc are the largest customers.

According to statistics from the European Center for Import Promotion, footwear consumption in Europe has been increasing progressively over the recent years. Cheap products of massive consumption have been typical for this market, but high quality and individual products have been dominating the market recently. Germany is the largest footwear consumer in Europe (379 million pairs), followed by Italy (329 million pairs), England, France, Spain and Netherlands. These countries occupy 81% of the European footwear consumption. While footwear consumption takes up 1.1% of total consumption in the EU. Consumption patterns, however, vary according to culture, tradition, and taste in various EU members. Thus, developments in the footwear market in Germany are the outcome of various factors such as: economic restrictions vis-à-vis consumption, intensive price competition, increasing low-cost imports (direct imports or re-imports of German producers), etc. Women's shoes occupy 54% of the sector in Germany. High quality shoes take up a significant part of the sector, while cheap products consist mainly of shoes with textile uppers from China and other Asian countries. A consumption trend for expensive shoes can be noticed in Italy. Pressure on the footwear price has been high over the recent years as a result of a drop in domestic production and exports (mainly fashion and sports shoes) and increasing imports from Asia and EU members. According to Eurostat, footwear consumption in Italy, in 2000, consisted of footwear with uppers of leather 157 million pairs, footwear with synthetic uppers 58 million pairs, footwear with textile uppers 47.6 million pairs, footwear with uppers of rubber 8.5 million, and slippers 54.6 million pairs. The women's footwear consumption volume in the Italian market is 54%, men's consumption volume is 25% and children's consumption volume 21%. Consumption in this sector in France is 320 million pairs, while in England it stands at 220 million pairs.

Footwear consumption markets in the EU consist of segments classified by:

- The price/quality ratio

1. Low and very low price/quality ratio; fashion degree: for fashion imitators; present in all EU countries;
 2. Low and medium price/quality ratio; fashion degree: fashion approvers; mainly in Germany, England and Netherlands because these consumers are less sensitive to fashion trends;
 3. Medium and high price, brand and classic shoes; fashion degree: comfortable, suitable; mainly in Germany, England and Netherlands because these consumers are less sensitive to fashion;
 4. High fashion not necessarily featuring a high price/quality ratio; fashion degree: tendency creators; mainly found in Italy and France;
 5. High price/quality ratio; fashion degree: fashion approvers; mainly in Italy and France;
- Users
 1. Based on demography; age level and structure defines footwear consumption. Table 3.6 illustrates age structure in the EU;
 2. Based on social and economic factors; expenditure volume in the consumers portfolio has been dropping. Italians dedicate 1.36% of their total expenditures to shoes, the Spanish 1.96%, the French 1.15%, while lower figures can be found in other EU countries;
 3. Based on seasonal features; weather conditions the consumption time; sudden weather changes define purchasing decisions.

Footwear imports reported by Eurostat do not include the value of illegal Chinese imports entering EU through other countries. However, the reported figure in 2000 is 19.4 billion Euros (see Annex 12), of which 22% are imported from Germany, 17% from England, 15% from France, 13% from Italy, etc. Various EU countries have shown different tendencies in import levels recently:

- A very large drop in imports (over 10%) in Portugal, Finland, Germany and Belgium;
- A large drop in imports (5-10%) in England and Austria;
- A moderate drop in imports (less than 5%) in Sweden and Greece;
- A moderate increase in imports (less than 5%) in Italy, France, Netherlands, Denmark and Ireland
- A large increase in imports (over 10%) in Spain.

Import levels vary according to other factors such as: domestic production, re-exportation opportunities and developments concerning domestic demand. Thus, imports in Spain belong mainly to central Belgian, Italian and Dutch leather and sport shoe brands, while cheap products originate from developing countries (mainly Vietnam, China, and Morocco). The Spanish market demands medium and high quality shoes. Table 8 gives evidence of European imports:

Roughly 52% of total EU imports have intra-EU origin (coming from EU members), of which 17% come from Italy (the main EU supplier with 240 million pairs). But the intra-EU import volume has been dropping recently. Developing countries such as East European countries (mainly Romania) and Asian countries (chiefly Taiwan) have taken advantage of this drop. For more information on imports according to suppliers and footwear type, see respectively Annex 11 and Annex 12. Footwear with uppers of leather and footwear with uppers of textile record the highest import rates.

Table 8: European footwear import dynamics, in millions of USD

| Countries | 1997 | 1998 | 1999 | 2000 | Percentage of change |
|-----------|------|------|------|------|----------------------|
| | | | | | |

| | | | | | 1997-2000 |
|--------------------|-------|-------|-------|-------|------------------|
| Germany | 4,776 | 4,580 | 4,503 | 4,002 | -16.2 |
| England | 3,141 | 3,143 | 3,326 | 3,005 | -4.3 |
| France | 2,778 | 2,802 | 2,711 | 2,763 | -0.5 |
| Italy | 2,174 | 2,177 | 2,298 | 2,395 | +10.2 |
| Netherlands | 1,150 | 1,201 | 1,337 | 1,360 | +18.3 |
| Belgium/Luxembourg | 1,296 | 1,117 | 1,266 | 1,139 | -12.1 |
| Austria | 824 | 808 | 824 | 761 | -7.6 |
| Spain | 441 | 615 | 556 | 638 | +44.7 |
| Denmark | 466 | 477 | 431 | 437 | -6.2 |
| Sweden | 415 | 416 | 393 | 385 | -7.2 |
| Portugal | 317 | 341 | 353 | 300 | -5.4 |
| Greece | 291 | 280 | 257 | 253 | -13.1 |
| Ireland | 254 | 259 | 252 | 260 | +2.4 |
| Finland | 196 | 188 | 179 | 157 | -19.9 |

Source: Eurostat, European Center for Import Promotion

3. STRATEGY, STRUCTURE AND RIVALRY

The number of firms in the textile/garment industry has dropped over the two recent years as a result of the energy crisis. Yet, the garment and footwear industry is still a competitive branch where many firms serve many West European customers. Given that prices, terms, quality, product assortment, design, etc are determined by European purchasers who know and have contacts with European garment marketing networks, negotiation power is minimal. The currently produced goods are those demanded by the market, though increasing demand in the EU for many other products signals new opportunities for the production of garments in Albania. The number of firms in the leather industry is smaller. They share local markets within the country supplying them with raw materials and have various foreign partners.

Firms follow medium-term strategies in line with developments in the European market. They focus on achieving quality with low production costs (as a result of labor cost), which is a competitive advantage in the European market. Manufactured goods have a high quality for massive consumption of sportswear, work garments, etc. Managers focus on production rather than on marketing, thus being somewhat unaware of trends and news in the international market (concerning fashion trends, prices, design, etc). Market research is not performed because mother companies in European countries that in most cases have created these shared enterprises perform only one or two operations in Albania, in the context of their main activity, which is carried out abroad. This has brought about a lack of information on small market segments that can be seized. Direct contacts with European purchasers, participations in fairs, sample sending, and thus a marketing strategy is limited in the existing domestic enterprises. The quality of actively searching clients is still insufficiently developed.

Developing countries are direct competitors of Albanian exports in the industries mentioned above. Referring to Annex 11 concerning footwear, the EU market share of these countries is roughly 35%. Thus, China, Belgium, Spain, Vietnam, Romania, Poland, Bulgaria, Tunisia, etc, are direct competitors in the footwear market. On the other hand, Albania faces competition by countries shown in Table 9, which produce according to the OPT system.

Table 9: OPT by trade partners, 2000

| Countries | OPT in 2000 (in millions of USD) | Main trade partners |
|-------------------|---|--|
| EU (15 countries) | 3,367 | Romania (18%), Poland (13%), Bulgaria (8%), Morocco (7%) |
| Germany | 1,548 | Romania (21%), Poland (14%), Ukraine (7%), Croatia |

| | | |
|---------------|-----|---|
| | | (6%) |
| Great Britain | 504 | Romania (19%), Morocco (17%), Sri Lanka (16%), Indonesia (6%) |
| Italy | 306 | Romania (44%), Hungary (12%), Bulgaria (7%), China (7%) |
| France | 226 | Morocco (31%), Tunisia (19%), Romania (12%), Poland (12%) |
| Netherlands | 169 | Poland (17%), Belarus (11%), Croatia (8%), Morocco (8%) |

Source: Eurostat, European Center for Import Promotion

Ordered production has become an efficient method for several companies in the garment and footwear sector in developed countries. These companies take advantage of this kind of production in developing countries for a number of reasons:

- The opportunity of increasing their capacities and flexibility without investing;
- Specialization;
- Lower production costs;
- Faster delivery;
- Possibilities of experimentation of new production lines and supply without undertaking any financial risks;
- The manufacturing company runs the cost of new samples because it's interested in producing them, hoping that production orders will follow.

Purchasing companies often control the chain by dictating product design and specifics, marketing and quality systems. On the other hand, these companies are not willing to allow companies in developing countries to create their own design capacities, promote brand development or establish their own marketing channels, even though they're interested in raising product quality standards according to their orders. The Romanian Association of Leather and Shoe Producers, based on polls with involved actors has reported this conclusion. This is why relations with supportive industries along the production chain, are given great importance in many countries, according to the fourth element of Porter's Diamond.

The production of environmentally safe goods is another strategic element for the development of these industries, especially for the leather processing industry. Environmental concerns are already reflected in the establishment of several rules and laws for waste processing, water and chemical recycling in developed countries. These rules have brought about higher operative costs, which have caused the transfer of these technological processes to developing countries, where rules are not followed strictly.

Environmental safeguarding during leather processing has become a competitiveness factor concerning leather products. Thus, aspirant EU members are adopting environmentally safe technological systems. They produce goods for export in the EU accompanied by certificates and labeled: "environment friendly products". Consequently, Asian countries (China, India, and Indonesia) have also started programs to install shared units for processing technological wastes and use ecological labels ("eco labels") in order to be competitive in the European market.

Footwear production is expected to concentrate in developing countries where environmental and social conditions of production and quota setting are facilitating. On the other hand, agents and outward processing companies that are going to pressure the value-added chain (design,

specifications, production processes, and implementation of quality and information systems) are still going to promote trademark assignment for products.

4. RELATED AND SUPPORTIVE INDUSTRIES

Clustering is not present in these Albanian industries. No private or public institution carries out the coordination of all stakeholders of the branch and businesses in these sectors seem to be reluctant to cooperate.

Box 1 lists current actors operating independently in the industries mentioned above. The lack of connections with local suppliers and customers is the most important restriction that obstructs clustering projects. Thus, deterioration of the supply basis (the collection system) and suspension of many operative textile/garment divisions seriously deteriorated the clustering potential in the textile/garment industry.

Box 1: Current actors in the textile/garment and leather/shoes industries

Key businesses:

- 298 operative firms in the textile/garment industry and 76 in the leather/shoes industry in 2001

Supportive businesses:

- **Machinery suppliers:** Machineries inherited from state owned enterprises and technology invested by foreign firms
- **Component and raw materials suppliers:** mainly imported; domestic unexploited raw materials ; hides are collected and processed domestically (bovine hides)
- **Firms that offer banking services:** 15 commercial banks operating in Tirana; some of them have branches in various districts. Export financing is missing in Albania.
- **Legal services:** Many legal studios offer legal and fiscal consulting, especially in Tirana.
- **Design:** a very limited number of designers in production (a small number of fashion houses and traditional carpet designers).
- **Marketing & PR:** no agencies specialized in textile/garment or leather/shoes marketing have been identified (except for activities in some fashion houses).

Light infrastructure

- **Local schools and Universities:** The Faculties of Textile and Mechanical Engineering, the Academy of Arts, sewing courses, etc.
- **Institutes and laboratories:** the laboratory of physico-mechanic and chemical analysis at the Polytechnic University of Tirana, the Institute of Studies and Design of Light Industry, the General Directorate of Standardization, the Directory of Quality and Standards.
- **Local trade organizations:** associations of Albanian investors and industrialists, Environmental organizations, the Agriculture Organization, the Association of Italian investors, associations of traditional art.
- **Development Agencies:** Governmental Agencies for export, and foreign investment promotion, supporting small and medium enterprises, local Chambers of Trade, regional Agencies of development, USAID (through Chemonics, World Learning, IFDC), etc
- **Media and journalism:** no specialized edition related to these industries exists.
- **Legislation:** Business and trade legislation, The Textile and Garments Agreement with WTO, regional Free Trade Agreements and the Free Trade Agreement with the EU.

Heavy Infrastructure

- **Roads and railroads:** rural infrastructure doesn't facilitate access of raw materials; highways are helping the business environment and reducing transaction costs; railroads are in poor condition;
- **Ports:** ports in Durres, Shengjin, Vlore, Sarande
- **Waste processing:** existing legislation on environmental protection is not respected
- **Communication lines:** phone lines extend over most of the territory; the internet can be accessed only from major cities with affordable costs

Recovering lost markets seems to be as difficult as finding new ones. Resources are allocated in shoes production under outward processing regime, also supported by stimulating policies and value added tax deferral for re-exported products, which motivate companies to market goods exclusively abroad, and not domestically, by totally neglecting domestic demand. This factor and the lack of marketing strategies keep the garment industry in a poor level, leaving abroad the value added of this industry's products, which have no trademark or sign indicating their Albanian origin. Vertical integration or efforts to raise the industry's production level in several stages of the value added chain are missing. Cooperation between actors involved in this industry is still overlooked as a favorable element for increasing competitiveness. Technical education is also another aspect related to clustering that demands attention. There have been positive results in forging a new generation of designers and stylists, but a more intensive cooperation with universities is required.

Greater clustering potentials can be found in the leather/shoes industry. Better connections between key actors starting from raw material origin to leather processing (*wet-blue*) are present in this industry. There are also a great number of experienced companies involved in footwear production. Suspension of the production chain in the assembling stage of leather processing causes a lack of cooperation and loss of opportunities in this industry. Albanian tanned leather has the following characteristics, which affect both positively and negatively its competitive position in the international market:

- increasing number of bovines (+) and unique hide qualities, which means they can be put on the market at the best possible international price (+)
- butchery techniques that artificially reduce natural leather quality (-); equipment and training for techniques that meet butchery standards are required
- an organized national network of leather collection and cooperation between key actors and suppliers (+)
- a lack of shared or individual appliances for processing industrial wastes, causing it to be noncompetitive in the long term (-); application of relevant legislation is required
- a lack of marketing strategy (-); active participation in fairs, product promotions, etc is required
- missing relations between the Ministry of Agriculture, the Ministry of Industry, universities, authorities concerned with quality standards, leather **processors**, collectors, footwear producers, export agents, local government (-); their cooperation is required
- interruption of leather processing in the -----(**finisazh**) stage, which makes possible relations between the footwear (and other leather products) industry and the leather processing industry (-); evaluation of the possibility of applying this stage in Albania and designing a detailed business plan
- continuous market recognition and observation (-); recognizing competitors and agents, consumption trends and fashion, monitoring forces that cause transformations (environmental legislation, materials); introduction of the information technology, promoting alliances along the value added chain are necessary.
- introducing modern management procedures (-); introduction of modern management concepts and employing a farsighted staff are needed

6. CONCLUSIONS

There are different opinions concerning the specialization profile that countries involved in the re-exportation process bound for European markets should choose. There are opinions in favor of increasing productivity of production operations, while others based on the experience of many other developing countries maintain that despite productivity improvement, these countries may still remain poor (the hourly pay rate rarely exceeds 2\$ in these countries). Thus, these countries should work harder to accelerate development of the supply chain and creation of

designs/trademarks providing a high value added accompanied by increasing marketing capabilities. Albania also faces similar problems. In many East and Central European and Mediterranean countries efforts to establish a strategy to increase value added through investments in the value added chain (design, trademarks, organizational and management improvements, faster delivery, etc) have already started.

Consequently, developing as much as possible operations along the added value chain is the only alternative for sustainable development in these sectors. This would bring about (i) the preservation of value added within the Albanian economy, (ii) stronger domestic businesses involved in export activities, (iii) increasing government returns, which are closely related to the private sector and (iv) a higher employment rate.

Casual and sport garments, especially garments for women, as well as knitted tricots and pullovers, reveal an increasing trend in EU markets. By recognizing this tendency of casual and sport garments, and being experienced with standards and quality required by the EU market, responding to demands for fast delivery, running low labor costs, recognizing competition and above all by being energetic and creative in designing and marketing products (with Albanian trademarks), it is possible to get advantage of opportunities offered by the EU market (especially in EU countries featuring high consumption and income such as Germany, England, etc).

Fashion houses that are already running their own trademarks represent the best example of responding to domestic demand. The assembling stage in leather processing is also worth analyzing and a feasibility project could be carried out. Clustering prospects in the leather/shoes industry derive from this industry's features vis-à-vis cooperation between actors, raw materials availability and their unique qualities, as well as currently possessed markets. Albania could also impose restrictions vis-à-vis leather exports, according to economic arguments.

Technical textile products destined for the furniture and construction industries, which are developing quickly in Albania, could be another interesting *niche market*. A comprehensive analytical approach on domestic demand for industrial textile products can bring about interesting projects for the future of this industry.

Given the availability of these raw materials in the country, natural fibers also represent another possibility for replacing imports or direct exports. Improving the quality of natural resources (wool fiber and hides) through technologies that guarantee standards according to international market requirements is important in this context.

Artifacts represent another market, where private businesses are currently operating successfully. This subsection is also worth taking into consideration and requires effective marketing and contemporary design.

As for the production of shoes under outward processing regime, the option of entering new markets apart from Italy is viable. 21% of outward processing in the case of Germany is carried out in Romania and 14% in Poland, while the hourly pay rate in Poland (2.9\$) and Romania is higher than in Albania.

ANNEXES

Annex 1: The Albanian textile/clothing exports' structure (in thousands of €)

| H S* | Description | 1999 | | 2000 | | 2001 | | 2002 | |
|--|---|---------|-------|---------|------|---------|------|---------|------|
| | | Value | % | Value | % | Value | % | Value | % |
| 50 | Silk | | 0.00 | 2.3 | 0.0 | | 0.0 | 0.73 | 0.0 |
| 51 | Wool, fine or coarse animal hair; horsehair yarn and woven fabric | 18.2 | 0.02 | 25.3 | 0.02 | 15.6 | 0.01 | 44.7 | 0.03 |
| 52 | Cotton | 17.8 | 0.02 | 45.98 | 0.03 | 70.39 | 0.04 | 34.43 | 0.02 |
| 54 | Man-made filaments | 71.06 | 0.07 | 22.65 | 0.02 | 105.22 | 0.06 | 42.58 | 0.03 |
| 55 | Man-made staple fibers | 22.35 | 0.02 | 12.49 | 0.01 | 1.01 | 0.00 | 1.97 | 0.00 |
| 56 | Wadding, felt and non-woven; special yarns; twine, cordage, ropes and cables and articles thereof | 75.34 | 0.08 | 6.06 | 0.00 | 2.08 | 0.00 | 218.77 | 0.13 |
| 57 | Carpets and other textile floor coverings | 6.01 | 0.01 | 0.84 | 0.00 | 0 | 0.00 | 3.69 | 0.00 |
| 58 | Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery | 161.38 | 0.17 | 76.31 | 0.06 | 22.09 | 0.01 | 61.12 | 0.04 |
| 59 | Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use | 53.74 | 0.06 | 212.04 | 0.16 | 37.94 | 0.02 | 0 | 0.00 |
| 60 | Knitted or crocheted fabrics | 133.55 | 0.14 | 15.14 | 0.01 | 75.47 | 0.04 | 89.61 | 0.05 |
| 61 | Articles of apparel and clothing accessories, knitted or crocheted | 25,990 | 27.33 | 30,458 | 22.6 | 46631 | 26.3 | 45988 | 27.8 |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 63,596 | 66.89 | 71,819 | 53.2 | 77,082 | 43.5 | 82,764 | 50.0 |
| 63 | Other made-up textile articles; sets; worn clothing and worn textile articles; rags | 2,089.6 | 2.20 | 888.88 | 0.7 | 3,234.8 | 1.8 | 2,422.2 | 1.5 |
| 64 06 10 90 | Footwear, gaiters and the like; parts of such articles | 1828 | 1.92 | 30,099 | 22.3 | 49,294 | 27.8 | 33,646 | 20.3 |
| Textile and clothing products in headings 30-49, 64-96 | | 1,017 | 1.07 | 1,308 | 0.98 | 809.4 | 0.46 | 354.5 | 0.21 |
| TOTAL | | 95,080 | 100 | 134,992 | 100 | 177,381 | 100 | 165,672 | 100 |

Source: ACIT, General Directory of Customs

* Headings and subheadings listed on the WTO Agreement of Textile and Clothing have been included (ATC).

Annex 2: Albanian leather/shoes exports' structure (in thousands of €)

| H S | Description | 1999 | | 2000 | | 2001 | | 2002 | |
|--------|--|---------|------|--------|------|--------|-------|--------|------|
| | | Value | % | Value | % | Value | % | Value | % |
| 41 | Raw hides and skins (other than fur skins) and leather | 5,540.7 | 8.11 | 8,325 | 15.5 | 11,845 | 19.85 | 11,937 | 14.5 |
| 42 | Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut) | 404.33 | 0.6 | 431 | 0.8 | 278.5 | 0.5 | 3536 | 4.3 |
| 43 | Fur skins and artificial fur; manufactures thereof | 648.7 | 0.9 | 290.5 | 0.5 | 70.56 | 0.1 | 63.2 | 0.1 |
| 64 | Footwear, gaiters and the like; parts of such articles (other than headings 64052000 and 64061090 of textile fabric) | 61,762 | 90.4 | 45,921 | 83.5 | 47,478 | 79.6 | 66,788 | 81.1 |
| TOTAL | | 68,355 | 100 | 54,968 | 100 | 59,672 | 100 | 82,324 | 100 |

Source: ACIT, General Directory of Customs

Annex 3: Destination of Albanian exports during 1999-2002

| HS Code | Description | Exports by countries |
|--------------------------------------|---|---|
| The textile/clothing industry | | |
| 50 | Silk | Austria (76%), Greece (24%) |
| 51 | Wool, fine or coarse animal hair; horsehair yarn and woven fabric | Italy (51%), Croatia (28%), Macedonia (7%), Greece, Turkey, Yugoslavia |
| 52 | Cotton | Italy (92%), Greece (4%), Germany (2%), Iceland (1%) |
| 54 | Man-made filaments | Italy (37%), Greece(37%), Austria (14%), Czech Republic(4%), Macedonia (4%), Germany (2%), Russia (1%), Bulgaria (1%) |
| 55 | Man-made staple fibers | Austria (59%), Germany (22%), Italy (14%), Greece (5%) |
| 56 | Wadding, felt and non-wovens; special yarns; twine, cordage, ropes and cables and articles thereof | Greece (88%), Yugoslavia (8%), Italy (3%) |
| 57 | Carpets and other textile floor coverings | Greece (65%), Italy (35%) |
| 58 | Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery | Italy (88%), Greece (8%), Macedonia(4%), Germany, Yugoslavia |
| 59 | Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use | Austria (95%), Italy (4%), Bulgaria, Greece, Yugoslavia |
| 60 | Knitted or crocheted fabrics | Germany (41%), Italy (26%), Greece (21%), Macedonia(10%), Bulgaria (1%) |
| 61 | Articles of apparel and clothing accessories, knitted or crocheted | Italy (53%), Greece (41%), Germany (6%), Belgium , Denmark, Great Britain, France, The Netherlands, Sweden , USA , Macedonia, Yugoslavia |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | Italy (69%), Germany (14%), Greece (12%), Austria, Belgium , Czech Republic , Denmark, France, Great Britain, Russia, Turkey, Macedonia, Yugoslavia |

| | | |
|---|--|--|
| 63 | Other made-up textile articles; sets; worn clothing and worn textile articles; rags | Greece (61%), Italy (26%), Yugoslavia (4%), Germany (2%), Turkey (2%), Croatia (1%), Tajikistan (1%), Austria, Belgium, Canada, Switzerland, Czech Republic, Spain, France, Great Britain, Hungary, Iran, Italy, Libya, The Netherlands, Romania, Russia, Saudi Arabia, Sweden, Tajikistan, Ukraine, Macedonia, Yugoslavia |
| 64061090 | Footwear, gaiters and the like; parts of such articles | Italy (99%), Austria, Germany, France, Greece, Iran, Turkey, Yugoslavia |
| Textiles and clothing products in headings 30-49, 64-96 | | Italy, Yugoslavia, Greece, Great Britain, Iceland, Germany, France, Iran, Turkey, Bulgaria, The Netherlands, Afghanistan |
| The leather/shoes Industry | | |
| 41 | Raw hides and skins (other than foreshins) and leather | Italy (72%), Turkey (24%), Bosnia-Herzegovina, Switzerland, Czech Republic, Germany, Spain, Greece, Poland, Yugoslavia |
| 42 | Articles of leather; saddlers and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut) | Italy (99%), Great Britain, Iceland, USA |
| 43 | Fur skins and artificial fur; manufactures thereof | Yugoslavia (68%), Turkey (27%), Russia, Germany |
| 64 | Footwear, gaiters and the like; parts of such articles (other than headings 64052000 and 64061090 of textile fabric) | Italy (99%), Germany, France, Greece |

Source: ACIT, General Directory of Customs

Annex 4: Geography of main exports in the textile/clothing industry, '02

| HS Code | Product's Description | Destination countries | Measure Unit | Quantity (in thousands) | Value (in thousands of €) |
|----------|--|---|--------------|-------------------------|---------------------------|
| 6203 | Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): | Italy (80%), Greece (16%), Germany (3%), Russia, Turkey, France | Number | 41,210 | 34,392 |
| 64061090 | Surfaces and their components, apart from struts of other materials | Italy (99%), Greece | Kg | 8,751 | 33,646 |
| 6205 | Men's or boys' shirts: | Italy (81%), Greece (15%), Germany (4%) | Number | 47,146 | 19,361 |
| 6206 | Women's or girls' blouses, shirts and shirt-blouses : | Germany (68%), Italy (24%), Greece (6%), Denmark (2%) | Number | 49,897 | 13,732 |
| 6108 | Women's or girls' slips, petticoats, briefs, panties, night-dresses, pajamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted: | Italy (80%), Greece (19%), Panama | Number | 23,280 | 11,054 |

| | | | | | |
|------|---|--|--------|--------|-------|
| 6106 | Women's or girls' blouses and shirts, knitted or crocheted: | Greece (63%), Italy (30%), Germany (7%), France, Macedonia, Panama | Number | 4,419 | 8,627 |
| 6111 | Babies' garments and clothing accessories, knitted or crocheted : | Greece (97%), Italy (3%) | Kg | 27,401 | 6,011 |
| 6107 | Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted: | Italy (92%), Greece (&%), Panama (1%) | Number | 9,119 | 5,378 |
| 6109 | T-shirts, singlet, tank tops and similar garments, knitted or crocheted: | Italy (81%), Greece (15%), Germany (3%), Panama, Yugoslavia | Number | 26,086 | 5,225 |
| 6112 | Track suits, ski-suits and swimwear, knitted or crocheted : | Greece (53%), Italy (43%), Panama (4%), Great Britain | Number | 28,781 | 4,228 |
| 6204 | Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear): | Germany (37%), Italy (36%), Greece (27%) | Number | 41,753 | 3,697 |
| 6211 | Track suits, ski-suits and swimwear; other garments: | Italy (99%), Greece | Number | 51,748 | 3,155 |
| 6110 | Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted: | Italy (94%), Greece (6%) | Number | 26,858 | 2,454 |
| 6212 | Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted: | Italy (99%) | Kg | 52,842 | 1,843 |
| 6209 | Babies' garments and clothing accessories: | Greece (91%), Italy (9%) | Kg | 50,910 | 1,803 |
| 6202 | Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6204: | Italy (64%), Greece (33%), Germany (2%), Russia | Number | 33,180 | 1,610 |
| 6214 | Shawls, scarves, mufflers, mantillas, veils and the like: | Italy (100%) | Number | 52,843 | 1,425 |
| 6217 | Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212: | Italy (90%), Greece (10%) | Kg | 53,083 | 1,425 |
| 6115 | Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins, and footwear without applied soles, knitted ore crocheted: | Italy (76%), Greece (20%), France (4%) | Pairs | 33,002 | 1,017 |
| 6103 | Men's or boys suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear) knitted or crocheted: | Italy (90%), Greece (10%) | Number | 276 | 638 |

| | | | | | |
|------|---|--|--------|---------|-----|
| 6104 | Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: | Italy (78%), Germany (15%), Greece (6%), Panama | Number | 408,901 | 593 |
| 6207 | Men's or boys' singlet and other undershirts, underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles: | Italy (58%), Greece (21%), Germany (21%) | Kg | 50,584 | 572 |
| 6210 | Garments, made up of fabrics of heading 5602, 5603, 5903, 5906 or 5907: | Italy (97%), Greece (3%) | Kg | 51,179 | 480 |
| 6201 | Men's or boys' overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6203; | Italy (87%), Greece (13%) | Number | 33,006 | 464 |
| 6101 | Men's or boys' overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6103: | Italy (100%) | Number | 39,465 | 263 |
| 6208 | Women's or girls' singlet and other undershirts, slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes, dressing gowns and similar articles: | Italy (100%) | Number | 50,823 | 229 |
| 6105 | Men's or boys' shirts, knitted or crocheted : | Italy (63%), Greece (33%), Yugoslavia (3%), The Netherlands (1%) | Number | 472 | 218 |
| 6102 | Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6104: | Germany (53%), Italy (46%), Greece | Number | 54 | 120 |
| 6114 | Other garments, knitted or crocheted: | Germany (75%), Italy (14%), Greece (7%), The Netherlands e (4%) | Kg | 28,795 | 114 |
| 6117 | Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories: | Italy (100%) | Kg | 33,007 | 48 |

Source: ACIT, General Directory of Customs

Annex 5: Geography of main exports in the leather/shoes industry, '02

| HS Code | Product's description | Destination countries | Exported quantity | | Exported Value (in thousands of €) |
|---------|---|------------------------------------|-------------------|-----------|------------------------------------|
| | | | Measure Unit | Quantity | |
| 4101 | Raw hides of bovine (including buffalo) or equine animals (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, | Italy (93%), Turkey (3.6%), Poland | KG | 1,022,237 | 1,834.28 |

| | | | | | |
|------|---|---|--------|-----------|----------|
| | parchment-dressed or further prepared) whether or not dehaired or split | (1.1%), Bosnia and Herzegovina (0.9%), Spain (0.8%) | | | |
| 4102 | Raw skins of sheep or lambs (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared) whether or not with wool on or split | Turkey (82%), Czech Republic (8.6%), Italy (7.3%), Switzerland (1.3%) | PIECES | 1,520,032 | 2,020.54 |
| 4103 | Other raw hides and skins (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared) whether or not dehaired or split | Turkey (59%), Italy (32%), Germany (4%), Greece (4%) | PIECES | 1,746,473 | 651.16 |
| 4104 | Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, except for those of chapter No. 4108 or 4109 | Italy (95%), Turkey (2%), Bosnia and Herzegovina, Czech Republic, Spain, Greece, Yugoslavia | KG | 3,233,537 | 6,410.12 |
| 4105 | Tanned or crust skins of sheep or lambs, without wool on, except for the skin as in chapter No. 4108 or 4109 | Italy (49%), Turkey (49%), Greece (2%) | KG | 3,428,015 | 475.9 |
| 4106 | Tanned or crust skins of goats or kids, without wool or hair on, except for those of chapter No. 4108 or 4109 | Italy (65%), Turkey (35%) | KG | 3,592,959 | 544.79 |
| 6401 | Waterproof footwear with outer soles and uppers of rubber or plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes | Italy (100%) | PAIRS | 77,648 | 186.78 |
| 6402 | Other footwear with outer soles and uppers of rubber or plastics | Italy (99%), France (1%) | PAIRS | 192,203 | 1,059.62 |
| 6403 | Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather | Italy (99%), Yugoslavia (0.3%) | PAIRS | 550,955 | 5,212.47 |
| 6404 | Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials | Italy (100%) | PAIRS | 831,199 | 82.42 |
| 6405 | Other footwear (other than 640520) | Italy (86%), | PAIRS | 191,153 | 1,257.3 |
| 6406 | Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable insoles, | Italy (99%), Greece, Germany, | KG | 5,647,010 | 58,979 |

| | | | | | |
|--|---|------------|--|--|---|
| | heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof (other than 64061090) | Yugoslavia | | | |
| | TOTAL | | | | 78,714 (97% of leather/shoes exports' total) |

Source: ACIT, General Directory of Customs

Annex 6: Volume of the textile products' imports during the years (in thousands of €)

| HS Code | Description | 1999 | | 2000 | | 2001 | | 2002 | |
|---------|---|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| | | Absolute value | % towards total |
| 50 | Silk | 145.8 | 0.07 | 261.1 | 0.17 | 123.8 | 0.07 | 102.4 | 0.05 |
| 51 | Wool, fine or coarse animal hair; horsehair yarn and woven fabric | 677 | 0.35 | 932.9 | 0.62 | 1,006.5 | 0.56 | 798.6 | 0.41 |
| 52 | Cotton | 8,992.4 | 4.61 | 10,600.4 | 7.01 | 16,344.3 | 9.07 | 19,023.9 | 9.82 |
| 53 | Other vegetable textile fibers; paper yarn and woven fabrics of paper yarn | 261.2 | 0.13 | 301.4 | 0.20 | 274.7 | 0.15 | 71.5 | 0.04 |
| 54 | Man-made filaments | 7,207.9 | 3.70 | 9,686.5 | 6.40 | 11,422.9 | 6.34 | 10,535.2 | 5.44 |
| 55 | Man-made staple fibers | 7,520 | 3.86 | 7,005.8 | 4.63 | 5,073.2 | 2.82 | 5,865.1 | 3.03 |
| 56 | Wadding, felt and non-woven; special yarns; twine, cordage, ropes and cables and articles thereof | 3,651.4 | 1.87 | 4,336.5 | 2.87 | 4,565.7 | 2.53 | 5,652.6 | 2.92 |
| 57 | Carpets and other textile floor coverings | 2,555.9 | 1.31 | 2,927.2 | 1.94 | 3,245.1 | 1.80 | 3,697.2 | 1.91 |
| 58 | Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery | 3,840.2 | 1.97 | 5,356.8 | 3.54 | 4,839.9 | 2.69 | 4,732.3 | 2.44 |
| 59 | Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use | 1,425.1 | 0.73 | 834.5 | 0.55 | 1,103.3 | 0.61 | 1,828 | 0.94 |
| 60 | Knitted or crocheted fabrics | 3,588 | 1.84 | 5,911.6 | 3.91 | 6,404.8 | 3.56 | 6,191.7 | 3.20 |
| 61 | Articles of apparel and clothing accessories, knitted or crocheted | 27,027.9 | 13.86 | 31,683.2 | 20.94 | 40,575 | 22.53 | 52,048.7 | 26.86 |

| | | | | | | | | | |
|----|---|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 29,755.5 | 15.26 | 42,332.2 | 27.98 | 48,620 | 26.99 | 50,145 | 25.88 |
| 63 | Other made-up textile articles; sets; worn clothing and worn textile articles; rags | 67,841.4 | 34.78 | 8,055.9 | 5.33 | 10,113 | 5.61 | 11,013.8 | 5.68 |
| | Textile and garment products in headings 30-49-64-96 | 30,559.7 | 15.67 | 21,043.8 | 13.91 | 26,413.9 | 14.66 | 22,043.5 | 11.38 |
| | TOTAL | 195,049 | 100 | 151,270 | 100 | 180,126 | 100 | 193,750 | 100 |

Source: ACIT, General Directory of Customs

Annex 7: Volume of the leather/shoes products' imports during the years (in thousands of €)

| HS | Description | 1999 | | 2000 | | 2001 | | 2002 | |
|----|--|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | | Absolute value | % towards total |
| 41 | Raw hides and skins (other than fur skins) and leather | 19,100.80 | 38.7 | 19,219.40 | 47.6 | 28,714.90 | 48.8 | 36,524.10 | 47.1 |
| 42 | Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut) | 1,237.50 | 2.5 | 1,170.50 | 2.9 | 1,339.80 | 2.3 | 2,122.90 | 2.7 |
| 43 | Fur skins and artificial fur; manufactures thereof | 580.3 | 1.2 | 384 | 1.0 | 780.7 | 1.3 | 311 | 0.4 |
| 64 | Footwear, gaiters and the like; parts of such articles (other than headings 64052000 and 64061090 of textile fabric) | 28,467.75 | 57.6 | 19,616.70 | 48.6 | 27,956.00 | 47.6 | 38,527.80 | 49.7 |
| | TOTAL | 49,386.35 | 100 | 40,390.60 | 100 | 58,791.40 | 100 | 77,485.80 | 100 |

Source: ACIT, General Directory of Customs

Annex 8: Worldwide, European and Regional regulatory framework

Level of quota reduction according to the Textile and Garments Agreement

Four steps in the course of 10 years

The schedule of textile and garments' liberalization from import quotas (and their transformation in accordance with GATT rules), and growth rate of quotas. This example is based on the 6% growth rate of the existing Multifibers Agreement. Current growth rate applied under MFA varies (depending on the product).

| Steps | Percentage of products that will enter under GATT Agreement (quotas removal included) | Growth rate of quotas, presuming that 1994 rate was 6% |
|--|---|--|
| Step 1 January 1 st 1995 until December 31 st 1997 | 16% (minimum, based on imports of 1990) | 6.96% each year |
| Step 2 January 1 st 1998 until December 31 st 2001 | 17% | 8.7% each year |
| Step 3 January 1 st 2002 until December 31 st 2004 | 18% | 11.05% each year |
| Step 4 January 1 st 2005 > Complete Integration with the GATT rules (and final removal of quotas) > End of the Textile and Clothing Agreement | 49% (maximum) | Quotas removed |

The current formula that applies on imports' growth under quotas is:

- 0.16 x growth rate before-1995 in the first step;
- 0.25 x growth rate of step 1 in the second step; and
- 0.27 x growth rate of step 2 in the third step.

Source: World Trade Organization

Current trade regime with EU as regards the textile/garment products

| |
|--|
| European imports from Albania |
| <ul style="list-style-type: none"> - a list of products originated from Western Balkan countries imported with 0 tariff rate and respecting the mutual quotas for these countries - a list of re-imported products (OPT = Outward Processing Products) from Western Balkan countries imported with 0 tariff rate and respecting the mutual quotas - tariffs of the Most Favorite Country apply to products that are not included in annexes 8 and 9 |
| European exports towards Albania |
| <ul style="list-style-type: none"> - 0 tariff regime for re-export textile products - KMF regime for all textile products, further liberalized according to WTO commitments |

Custom regime of textile/garments and leather/shoes in regional trade

| | |
|---------------------------------|----------------------------------|
| Albanian regime towards partner | Partner's regime towards Albania |
|---------------------------------|----------------------------------|

| | | |
|-----------------------|---|---|
| Macedonia | <p>With scaled reduction until January 2008: 4101, 4102, 4103, 6405, 6406</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> | <p>With scaled reduction until January 2008: 5106, 5107, 5108, 5111, 5112, 5113, 5204, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212, 5401, 5402, 5403, 5404, 5405, 5406, 5407, 5408, 5501, 5502, 5503, 5504, 5505, 5506, 5507, 5508, 5509, 5510, 5511, 5512, 5513, 5514, 5515, 5516, 5601, 5602, 5603 (that represent semi-final products such as filaments of different natural and artificial fibers and different fabrics that serve as raw materials for the garments' production industry)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> |
| Croatia | <p>With scaled reduction until January 2008: 4101, 4102, 4103 (raw materials), 6404, 6405, 6406 (footwear and accessories).</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> | <p>With scaled reduction until January 2008: 6103, 6104, 6105, 6106, 6107, 6108, 6109, 6110, 6203, 6204, 6205, 6206, 6404, 6405 (garment and footwear final products)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> |
| Romania | <p>With scaled reduction until January 2007: 41012010, 41012030, 41012050, 41012090, 41015010, 41015030, 41015050, 41015090, 410190, 41021010, 41021090, 410221, 410229, 41031020, 41031050, 41031090, 410320, 410330, 410390 (raw materials) and 64011010, 64011090, 64019110, 64019190, 64019210, 64019290, 64019910, 64019990, 640411, 64041910, 64041990, 64042010, 64042090, 64051010, 64051090, 64052010, 64052091, 64052099, 64059010, 64059090, 64061011, 64061019, 64061090, 64062010, 64062090, 640691, 64069910, 64069930, 64069950, 64069960, 64069980 (footwear)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> | <p>With scaled reduction until January 2007: 41051090, 41062110, 41062190, 41071119, 41071219, 410719140 (raw materials) and 610610, 61069090, 610711, 610821, 61099010, 61099090, 61112010, 61112090, 611211, 611490, 62034231, 62034235, 620520, 620530, 62059090, 620630, 62069090, 620920, 62114210, 62121010, 62121090, 621710, 63051090, 640320, 64035195, 64061011, 64061019, 64061090 (garment and footwear final products)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> |
| Bi H | <p>With scaled reduction until January 2007 for all products of these industries</p> | <p>With scaled reduction until January 2007 for all products of these industries</p> |
| Bulgaria | <p>With scaled reduction until January 2007: 41012010, 41012030, 41012050, 41012090, 41015010, 41015030, 41015050, 41015090, 410190, 41021010, 41021090, 410221, 410229, 41031020, 41031050, 41031090, 410320, 410330, 410390 (leather raw materials) and 64011010, 64011090, 64019110, 64019190, 64019210, 64019290, 64019910, 64019990, 640411, 64041910, 64041990, 64042010, 64042090, 64051010, 64051090, 64052010, 64052091, 64052099, 64059010, 64059090, 64061011, 64061019, 64061090, 64062010, 64062090, 640691, 64069910, 64069930, 64069950, 64069960, 64069980 (garment and footwear final products)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> | <p>With scaled reduction until January 2007: 42021110, 42021190, 42021211, 42021219, 42021250, 42021291, 42021299, 42021910, 42021990, 420221, 42022210, 42022290, 420229, 420231, 42023210, 42023290, 420239, 42029110, 42029180, 42029211, 42029215, 42029219, 42029291, 42029298, 420299, 420310, 420321, 42032910, 42032991, 42032999, 420330, 420340, 4205, 43031090, 430390 (leather raw materials and products) as well as a wide range of products as in headings 52, 56, 57, 58, 61, 62, 63 and 64 (semi-final and final products for garments and footwear products)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> |
| Serbia and Montenegro | <p>With scaled reduction until January 2007: 4101, 4102, 4103 (leather raw material), 64019190, 6405, 6406 (footwear and accessories)</p> <p>With 0 tariff when entering into force of the agreement for all products of these industries not included in headings with scaled reduction</p> | <p>With scaled reduction until January 2007 for all products of these industries</p> |

Source: Regional Free Trade Agreements

Annex 9: Restrictions in the unprocessed leather exports in some countries, 2000

| Bovine leather | Restrictions in export | Skins of pigs and goats | Restrictions in export |
|-----------------------|-------------------------------|--------------------------------|-------------------------------|
| France | None | Nigeria | Crust |
| Germany | None | Ethiopia | Wet-blue |
| Great Britain | None | New Zealand | Wet-blue |
| USA | None | India | Finished crust |
| Russia | Wet-blue | Indonesia | Finished crust |
| Australia | Wet-blue | China | Crust |
| Argentina | Wet-blue | | |
| Brazil | Wet-blue | | |

Source: Vila 2000, Romanian leather and shoes processors' association

NOTE: Export restrictions mainly characterize large producers. Roughly 50% of bovine hides and 22% of goat skins are subject to export restrictions. In addition, a number of non-tariff barriers exist, such as: technical specifications imposed by certain countries on leather product imports, which have affected the trade balance of a significant number of countries supplying these products.

Annex 10: Outer garment imports in several EU countries, quantity in thousands of units, value in millions of Euros.

Note: Figures on the left of the backslash symbol represent quantity; figures on the right represent value.

| Category | Germany | | Italy | | The Netherlands | |
|--------------------------------|---------------------------|-----------------------------|----------------------|-----------------------------|---------------------|-----------------------|
| | Knitted | Woven | Knitted | Woven | Knitted | Woven |
| For boys and men | | | | | | |
| Overcoats, topcoats | 88/2 | 3,334/132 | 199/3 | 7,007/173 | 441/5.3 | 2,868/56.1 |
| Hooded and ski jackets | 1,039/17.4 | 22,506/504.9 | 779/10.6 | 12,056/253.9 | 717/7.5 | 9,655/193.5 |
| Suits | 550/5 | 7,049/303.3 | 10,851/55.3 | 6,055/172.6 | 384/3.7 | 2,745/96.3 |
| Jackets | 678/12.1 | 12,347/382.8 | 162/2.2 | 5,251/113.6 | 139/1.5 | 2,595/68.6 |
| Long/short trousers | 12,607/62.8 | 152,290/1672 | 12,072/40.3 | 79,826/683.3 | 5,516/27.4 | 49,300/513.4 |
| Shirts | 39,996/218.9 | 123,336/845.3 | 28,549/132.7 | 46,694/302.4 | 13,275/85.7 | 9,730/213.5 |
| Tricots, pullovers, etc | 45,124/490.1 | | 50,722/378.6 | | 27,682/256.5 | |
| Other | | 321/184.6 | | 725/47.3 | | 370/60.2 |
| Total | 100,082/ 808.3 | 321,183/ 4,024.5 | 103,334/622.7 | 157,614/ 1,746.1 | 48,154/387.6 | 97,263/1,201.6 |
| Imported from non-EU countries | 69,012/404.3 | 276,752/ 3,224.5 | 91,578/467.7 | 142,519/ 1,407.1 | 41,095/295 | 76.54/822.5 |
| From developing countries | 56,663/314.2 | 187,111/ 1,867.4 | 76,317/339.1 | 99,075/ 832.9 | 34,580/228.8 | 58,602/576.1 |
| For women | | | | | | |
| Overcoats, topcoats | 1,134/20.2 | 11,772/352.7 | 224/3.7 | 5,683/145.8 | 447/7 | 3,095/73.3 |
| Hooded and ski jackets | 3,275/44.5 | 25,238/453.9 | 683/9 | 4,710/98.8 | 1,045/11.7 | 8,404/128.5 |
| Suits | 4,337/43.4 | 10,929/218.1 | 10,447/54.4 | 3,396/67.6 | 2,612/15.1 | 3,200/41.4 |
| Jackets | 5,017/68.2 | 27,655/572 | 773/8.4 | 2,201/55.9 | 725/8.2 | 5,193/92.2 |
| Dresses | 16,960/124.4 | 24,841/297.5 | 3,612/22.5 | 12,610/100.3 | 4,129/26.6 | 6,708/68.8 |
| Skirts | 13,423/100.7 | 47,765/452.4 | 7,078/12.5 | 18,383/96.9 | 3,873/24.5 | 13,475/114.9 |

| | | | | | | |
|--------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|
| Long/short trousers | 104,013/396.6 | 198,551/1,818 | 10,603/56.4 | 35,508/303.8 | 16,851/79.7 | 54,483/444 |
| Blouses, shirts | 45,986/252.6 | 112,065/894.6 | 12,733/48.5 | 19,636/125.1 | 11,868/58.6 | 24,905/189 |
| Tricots, pullovers, etc | 288,216/2416 | | 66,747/433.1 | | 95,221/466.8 | |
| Others | | 1,075/183.2 | | 277/32.6 | | 315/46.4 |
| Total | 482,361/ 3,466.2 | 459,891/ 5,242.4 | 102,900/ 648.5 | 102,404/ 1,026.8 | 136,771/ 698.2 | 119,778/ 1,198.5 |
| Imported from non-EU countries | 376,640/ 2,331.1 | 390,594/ 4,178.5 | 79,677/436.7 | 91,220/ 7,62.3 | 118,203/ 489.4 | 98,051/ 836.3 |
| From developing countries | 298,828/1,683.4 | 244,690/ 2,374.6 | 60,407/280.5 | 64,166/ 430.9 | 101,806/ /365 | 66,083/ 500.4 |
| For both genres | | | | | | |
| Shirts | 483,673/1,888 | | 161,374/432 | | 155,873/531.2 | |
| Tricots, pullovers, etc | 9,313/134.9 | | 12,579/57.1 | | 3,892/40 | |
| Children garments | -210.6 | -/72.1 | -/110.6 | -/70.5 | -/80.5 | -/31.8 |
| Impregnated garments | -/77 | | -/8.8 | | -/8.4 | |
| Total | 492,986/2,310.6 | | 173,953/638.5 | | 159,765/660.1 | |
| Imported from non-EU countries | 361,080/1,577.3 | -/52.2 | 139,946/420.4 | -/56.7 | 132,034/464.2 | -/28.1 |
| From developing countries | 279,529/1,288.3 | -/43.2 | 109,479/329.4 | -/49 | 107,861/372.9 | -/24.9 |
| Sportswear | | | | | | |
| Sportive suits | 7,668/68 | | 9,312/92.4 | | 2,205/24.3 | |
| Skiing suits | -/1.9 | 2,726/39.3 | -/2.3 | 830/19.4 | -/0.1 | 370/5.9 |
| Other sportswear | -/132.9 | | -/36.2 | | -/42.9 | |
| Sportive suits for men | | 1,035/95 | | 1,307/55.8 | | 774/34.7 |
| Sportive suits for women | | 5,082/222.9 | | 773/66.5 | | 1,884/66.4 |
| Total | 7,668/202.8 | 8,843/357.2 | 9,312/130.9 | 2,910/141.7 | 2,205/67.3 | 3,028/107 |
| Imported from non-EU countries | 6,171/121.9 | 7,669/302.7 | 8,389/91.3 | 2,316/84.3 | 1,891/49.8 | 2,877/89.2 |
| From developing countries | 6,302/96.5 | | 6,004/65.1 | 1,971/66.7 | 1,559/40.3 | 1,692/51.6 |
| Garment accessories | | | | | | |
| Baby gloves | 724/1 | | 438/0.4 | | 431/0.5 | |
| Other gloves | 95,930/51.9 | -/45.1 | 32,498/19.8 | -/20.6 | 19,960/12.5 | -/9.9 |
| Shawls | -/34.6 | 43,961/128.8 | -/11.6 | 31,179/70.4 | -/14.8 | 13,155/25.6 |
| Ties | -/0.7 | 14,570/53.3 | -/0.4 | 4,715/17.8 | -/0.7 | 7,713/20.6 |
| Other Accessories | -/21.7 | -/43.6 | -/4.8 | -/17.7 | 3/ | -/8.1 |
| Total | 96,654/109.9 | 58,531/270.8 | 23,936/37 | 35,894/126.5 | 20,391/31.8 | 20,868/64.2 |
| Imported from non-EU countries | 94,080/87.1 | 38,500/173.6 | 30,755/27.9 | 32,541/86 | 19,381/26.8 | 15,037/35.9 |
| From developing countries | 78,624/64 | 30,362/124.9 | 27,610/23.9 | 15,246/58.9 | 17,194/20.4 | 14,067/29.6 |
| TOTAL of imports | 1,179,751/ 6,897.8 | 848,448/ 9,967 | 422,435/ 2,077.6 | 298,822/ 3,111.6 | 367,286/1,845 | 240,937/ 2,603.1 |
| Imported from non-EU countries | 906,983/ 4,521.7 | 713,515/ 7,931.4 | 350,345/ 1,444 | 268,596/ 2,396.4 | 312,604/1,325.2 | 192,318/ 1,812 |
| From developing countries | 718,946/ 3,446.4 | 468,856/ 4,612.3 | 279,817/ 1,038 | 180,548/ 1,438.4 | 263,000/1,027.4 | 140,444/ 1,182.6 |

Source: Eurostat, European Center for Imports'Promotion

Annex 11: EU footwear imports sorted by origin, 2000

| Origin of imports | Quantity in millions of pairs | Value in millions of Euros | Share (in %) |
|--|-------------------------------|----------------------------|--------------|
| From EU countries | | | |
| Italy | 240 | 3,215 | 16.6 |
| Portugal | 76 | 1,336 | 6.9 |
| Spain | 93 | 1,108 | 5.7 |
| The Netherlands | 67 | 939 | 4.8 |
| Belgium | 62 | 1,254 | 6.5 |
| Other EU countries | 122 | 2,302 | 11.9 |
| Total intra-EU | 660 | 10,154 | 52.4 |
| From developing countries | | | |
| Asia | | | |
| China | 324 | 1,802 | 9.3 |
| Vietnam | 190 | 1,637 | 8.5 |
| Indonesia | 63 | 668 | 3.4 |
| India | 30 | 481 | 2.5 |
| Thailand | 34 | 310 | 1.6 |
| Macao | 15 | 144 | 0.7 |
| Cambodia | 11 | 68 | 0.4 |
| Other | 44 | 355 | 1.8 |
| Mediterranean countries | | | |
| Tunisia | 14 | 320 | 1.7 |
| Morocco | 13 | 175 | 0.9 |
| Other | 9 | 59 | 0.3 |
| Eastern and Central Europe | | | |
| Croatia | 7 | 164 | 0.8 |
| Slovenia | 2 | 57 | 0.3 |
| Bosnia and Herzegovina | 4 | 69 | 0.4 |
| Other | 10 | 141 | 0.7 |
| Central and South America | | | |
| Brazil | 13 | 227 | 1.2 |
| Mexico | 0 | 9 | 0.0 |
| Other | 1 | 11 | 0.1 |
| Other | 5 | 35 | 0.2 |
| Total of developing countries | 785 | 6,732 | 34.8 |
| From other countries of the world | | | |
| Switzerland | 3 | 75 | 0.4 |
| Romania | 53 | 862 | 4.5 |
| Hungaria | 15 | 317 | 1.6 |
| Poland | 15 | 156 | 0.8 |
| Slovakia | 13 | 228 | 1.2 |
| USA | 4 | 89 | 0.5 |
| Taiwan | 43 | 221 | 1.1 |
| Hong Kong | 11 | 131 | 0.7 |
| Other | 25 | 402 | 2.1 |
| Total of other countries of the world | 182 | 2,481 | 12.8 |
| TOTAL | 1,627 | 19,367 | 100.0 |

Source: Eurostat, European Center for Imports'Promotion

Annex 12: Footwear imports by categories in EU, 2000 (quantity in thousands of pairs, value in thousands of euros)

| Footwear categories | TOTAL | | England | | France | | Italy | |
|--|------------------|-------------------|----------------|------------------|----------------|------------------|----------------|------------------|
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Waterproof footwear | 27,100 | 154,000 | 2,107 | 13,581 | 4,226 | 23,423 | 3,279 | 11,102 |
| Footwear with outer soles and uppers of rubber or plastics | 371,100 | 2,663,000 | 58515 | 403,232 | 59,170 | 452,161 | 40,910 | 258,838 |
| Footwear with uppers of leather | 729,000 | 11,484,000 | 133,488 | 2,161,561 | 103,444 | 1,752,251 | 76,402 | 1,075,230 |
| Footwear with uppers of textile | 468,600 | 2,895,000 | 76,573 | 462,649 | 107,258 | 523,284 | 69,848 | 429,280 |
| Footwear with uppers of other material | 24,000 | 113,000 | 4,577 | 26,837 | 3,491 | 14,431 | 5,409 | 20,814 |
| Components of footwear | 7,500 | 2,058,000 | 774 | 191,534 | 1,153 | 231,418 | 2,678 | 803,028 |
| TOTAL of imports | 1,627,300 | 19,367,000 | 276,034 | 3,259,394 | 278,742 | 2,996,968 | 198,526 | 2,598,312 |
| From which: | | | | | | | | |
| Imports from outside the EU | 967,100 | 9,213,000 | 174,545 | 1,633,634 | 144,725 | 1,001,012 | 169,282 | 2,008,797 |
| Imports from developing countries | 785,000 | 6,732,000 | 161,951 | 1,486,508 | 130,970 | 842,736 | 111,351 | 1,005,174 |

Source: Eurostat, European Center for Imports' Promotion