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Export Competitiveness of Textile and Clothes of Western Balkan Countries

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Abstract

The research orientation in this paper focuses on the analysis of changes in the competitiveness of the Western Balkan countries' textile industry in the European Union market. The export orientation of these countries' manufacturing industries and their long-term linkage to the production and trade flows of European integration processes are part of a broader effort to establish sustainable growth models for these transition economies. For the purpose of complex analysis and measurement of the export competitiveness of one industry of these national economies, methodology based on data on international trade – the Trade Performance Index (TPI) as well as the Revealed Comparative Advantage index (RCA) indicators, using the formula Balas, was used. The results of measuring the export competitiveness of textiles and clothing from the Western Balkan countries to the EU-28 market indicate the continued growth of the market share and the existence of its identified comparative advantages. This leads to the conclusion that there are positive dynamics of change and growing competitiveness of this industry. However, the relatively high level of specialisation of the region for the export of these products and its dominant share in the total exports of individual countries indicates the absence or slowness of structural changes necessary for faster economic growth.

Key words: *competitiveness, textiles, clothing, Western Balkans, EU-28, TPI index, RCA index.*

Introduction

The syntagm Western Balkan countries is primarily a political category that has emerged as a label for Southeastern European countries which are not members of the European Union. In this research, it is a synonym for a territorially connected economic space which, due to the signed bilateral stabilisation and association agreements, has liberal trade relations with the European Union and whose key economic and foreign-political priority is the accession to and full membership of this great economic and political integration.

In all Western Balkan countries, despite differences in the economic structure and officially proclaimed long-term development priorities, there is a similar pattern of macroeconomic problems that have arisen as the result of late and long transition processes, unsuccessful privatisations, and an inherited and newly emerging structural imbalance. Years of accumulation of macroeconomic deficits have led to the configuration of developmental processes that, quite simply, can be classified as unsustainable growth paths.

In the academic community of all Western Balkan countries, there is a broad consensus that the necessary directions of development flows in the coming years should be largely determined by the need to eliminate the resulting constraints and negative effects of the current trends in the transition process. It is obvious that the abandonment of the "spontaneous" growth model is a developmental necessity, while the need to define a new, long-term, self-sustaining and autonomous model focuses primarily on the elimination of weaknesses in the fiscal system, the need to change the structure of gross domestic product, public sector reform, strengthening the competitiveness of the export economy, especially the processing industry, and the change in the export structure imposed independently of economic and development policies. In addition, the existing developmental dilemmas and the evident structural problems have dynamised the orientation of these countries towards European integration processes, which is a real economic necessity, as their foreign trade is primarily related to the European Union.

The production of textile and clothing in the Western Balkan region still has a modest share in global structural changes. To a large extent, this is due to its marginalisation in the structure of national economies, which occurred during the transition processes. However, this subsector retained recognisable export potential [5], measured by the share of its exports in the total exports of most countries, despite all the uneconomic production indicators during the transition period. There is a positive trend in the growth of its exports, which for the most part of the last decade has been more dynamic than the trends in international trade and the growth in the volume of textile imports into the European Union market (EU-28).

The aim of this research was to determine the level of competitiveness of textile and clothing exports of both countries and sub-regions of the Western Balkans to the European Union market, using a methodology widely used in contemporary economic literature. At the same time, the analysis should indicate the trend and dynamics of changes in their competitiveness, especially the sectoral structure of the competitiveness of the most significant product groups. Based on the results obtained, the analysis should lead to the conclusion as to what extent this industry can be a stable support for the sustainable growth of individual countries and subregions, as well as for production and trade integration with the European Union.

Methodology of research

In selecting the methodology for the needs of this research, primarily for the measurement of national, sectoral and sub-sectoral competitiveness, we consulted appropriate theoretical literature. In addition, the concepts with one-dimensional indicators were analysed using theoretical contributions: [3] –

a discovered comparative advantage [21] – a change in market share, and others. Among two-dimensional concepts, the following contribution was taken into account: [16] – real effective exchange rate, while among the multivariable concepts. the unavoidable contribution of [38] – price and product performance of the product was considered. As for the works dealing with this and similar topics in Serbian literature, we first consulted [19, 20], as well as [24, 34, 42], and others. In international and regional literature, we need to highlight the analysis of this matter by the Organisation for Economic Co-operation and Development (OECD) [11, 26, 27], etc.

Given the defined objective of the research, i.e. the need to explicitly determine the level of competitiveness of exports of textiles and clothing to the EU market, both in individual countries and in sub-regions of the Western Balkans as a whole, in this research we used some analytical instruments of the methodology developed by the International Trade Center – (ITC), based in Geneva; another reason for using this methodology is that with the modest statistical resources and limited space for presenting our research, it gives the desired results [7].

The determination to investigate the export competitiveness of textile and clothing of the Western Balkan countries on the EU-28 market has led to the use of dynamic analytical instruments of market share analysis, (Trade Performance Index – TPI), such as the absolute change in the EU-28 market share [18]. Using these indicators, the absolute and relative changes in the share of the export value of the textile industry of the countries and sub-region examined as a whole were analysed as part of the total world import of textile products, especially the import of these goods into the EU-28, which is by far the most important for the subsector of these economies.

Moreover, we used the revealed comparative advantage index (RCA) according to the Balassa formula [3], which compares the share of the global export value of the sub-sector examined in the national export and the share of the export of this subsector to the EU-28 market, compared to the total world export in that market.

From the available instruments of ITC methodology in the research, a simplified national export profile (NEP) [18]

Table 1. *Position of T & C production in the economic structure of the world, developing countries and Western Balkans countries.* **Source:** *(1)-(3) [39]; (4) i (5) Calculations performed by the author based on data provided by the International Trade Centre: Trade statistics, available at www.intracen.org (accessed: 28. January 2019.) and [1, 17, 35-36].*

World, region, country	% of the share of manufacturing industry in GDP 2015	% of T & C share in manufacturing industry 2000	% of T & C share in manufacturing industry 2015	% of exports of T & C in total exports 2015	% of T & C share in GDP 2015
	(1)	(2)	(3)	(4)	(5)
The world	16.13	5.14	4.02	3.49	0.64
Developing countries	20.41	9.71	7.13	4.38	1.44
Albania	6.05	27.22	30.04	19.44	1.79
Bosnia and Herzegovina	10.90	11.35	12.11	5.98	1.31
Montenegro	4.32	–	–	0.53	–
North Macedonia	12.44	12.47	18.08	16.26	2.22
Serbia	14.18	6.08	7.02	5.38	1.03

was used to determine the trend of export growth of the most important textile and clothing products of the Western Balkan countries. Using the instruments of ITC methodology mentioned and other research, statistical data for the period from 2007 to 2018 were analysed.

The time period analysed is short (the focus of the analysis is on the period after the economic crisis), but in such a sspan there are enough data to monitor competitiveness in the period before, during and after the economic crisis. It should also be noted that Serbia and Montenegro regained their state independence in 2006, and that from that year on, relevant statistics were recorded from international sources, in accordance with the Standard International Trade Classification (SITC), Revision 3.

Position of the production of textile and clothing in the economic structure of the Western Balkan countries

The current flows of the transition processes have had a negative impact on the position of textile and clothing production in the economic structure of the Western Balkan countries. This is partly a consequence of the general application of the growth model, which continually led to the deformation of the structure of the gross domestic product of these countries, by reducing the relative share of the industrial sector in its creation. However, in contrast to slow growth in most industrial branches, the textile industry, belonging to the group of labour-intensive industries, for most of the period observed, recorded a decline in production, which led to its marginalisation in the structure of national economies. Some factors contributed to this which had a particularly negative impact on the development of this industrial branch.

Inadequate privatisation models, inflexibilty and mistakes in their application resulted in the decomposition of the fairly homogeneous vertical structure of the textile industry, especially in Serbia and North Macedonia, which, at the end of this process, lost its own raw material basis and and saw a reduction of processing capacities in clothes production. In the same process, parts of the accompanying industrial branches that supported its development disappeared [6]. Thus, some of the key determinants of the competitiveness of these subsectors of production have been lost.

The unnecessarily rapid liberalisation of the foreign trade regime in all Western Balkan countries and the policy of appreciation of the exchange rate of the national currencies, in turn, accelerated the growth of imports, which led to the choking of production in the clothing production sector, as well as to the expansion of existing and the creation of new structural imbalances, which have posed a serious obstacle for the further development of this industrial branch.

Regarding participation in the creation of GDP, the production of textile and clothing is on average at the level of other developing countries. The most favorable position in this sector is held by North Macedonia with 2.22% and Albania with 1.79% (**Table 1**). The largest marginalisation of this production is in the economic

Table 2. *Export of T & C countries in the Western Balkans to the EU-28 market in milion eur.* **Source:** *International Trade Centre: Trade statistics, available at www.intracen.org (accessed: 13. January 2020).*

Country	2007	2008	2009	2010	2011	2012	2013	2014	2016	2018
Albania	215.5	245.8	215.6	219.8	241.6	235.2	255.3	306.0	398.6	492.1
Bosnia and Herzegovina	150.0	170.9	166.7	166.8	186.6	179.0	199.9	224.2	272.0	325.8
Montenegro	0.438	0.566	0.777	0.861	0.632	0.565	0.570	0.937	0.633	0.635
North Macedonia	487.2	–	441.2	455.1	504.0	510.4	526.8	581.6	616.2	519.8
Serbia	325.0	327.6	291.2	311.6	362.4	378.6	385.9	451.7	537.7	621.6
Region	1178.5	744.9	1115.4	1154.4	1295.8	1303.7	1368.9	1565.2	1.825.8	1959.3

Table 3. *Market share of exports of T & C countries in the Western Balkans to the EU-28 market in %.* **Source:** *Calculations performed by the author based on data provided by the International Trade Centre: trade statistics, available at www.intracen.org (accessed: 13. January 2020).*

Country	2007	2008	2009	2010	2011	2012	2013	2014	2016	2018
Albania	0.115	0.132	0.126	0.116	0.116	0.119	0.127	0.141	0.167	0.223
Bosnia and Herzegovina	0.008	0.091	0.097	0.088	0.089	0,091	0.099	0.103	0.113	0.148
Montenegro	–	–	–	–	–	–	–	–	–	
North Macedonia	0.261	–	0.259	0.249	0.242	0.260	0.262	0.268	0.258	0.236
Serbia	0.174	0.176	0.171	0.166	0.174	0.192	0.192	0.208	0.225	0.282
Region	0.632	0.651	0.655	0.616	0.624	0.664	0.682	0.724	0.766	0.899

structure of Serbia with 1.03% of participation in the creation of national GDP, similar to more developed countries. However, in the structure of the processing industry, in Albania, Macedonia and Bosnia and Herzegovina, this subsector has a dominant share, well above the average of other developing countries. This is a clear indication of the underdevelopment of the industrial structure of these countries, which in the last fifteen years has not undergone any visible positive changes.

This kind of production structure is in line with the structure of exports of the Western Balkan countries. Textile and clothing production plays a dominant role in the export structure of Albania and North Macedonia, while in other countries of the region it is at the average level of other developing countries.

The scope and structure of textile and clothing foreign trade of the Western Balkan countries

The analysis of relevant data on the volume and structure of textile and clothing exports in the Western Balkan countries (**Table 2**) provides the basis for the conclusion that this subsector is long-term export oriented and on the path of greater integration into European production and trade flows. The share of exports of this subsector to the EU-28 market in exports to all markets ranges from 99%, 94% and 92% in Albania and Bosnia and Herzegovina and North Macedonia, 73% in the case of Serbia [Calculations performed

by the author based on data provided by the International Trade Centre: Trade statistics, available at www.intracen.org, accessed: 13. January 2020]. The smaller relative share of exports to the EU-28 market in the case of Serbia is the result of the export of its own products to companies from other countries in the region. At the same time, it is a clear indicator that the dynamic growth of export in this market, especially in the post-crisis period, is mainly the result of goods finishing activities. In this way, a high level of competitiveness of the textile and clothing production sector in the Western Balkan region is demonstrated in, primarily, CM goods finishing activities. In addition, we are not only talking about the low costs of labour, [40] but also about the satisfactory level of quality of production and following non-pricing factors, such as the ability to track the time of delivery, the flexibility of a product to specific customer requirements, and the scope and continuity of delivery.

In the last four years observed, the region of the Western Balkans achieved an average growth rate of exports of textiles and clothes (T & C) on the EU-28 market of 8.9%,, with continued growth in exports to almost all countries. The exception is Montenegro, with marginal production since 2009., which is the same for The Republic of North Macedonia in 2018. The export of clothing is more dominant, as a result of the undermining of production in the raw material sector in all countries observed.

Indicators of export competitiveness of textile and clothing of the Western Balkan countries on the EU-28 market

The production of textile and clothing in the Western Balkan region during the transition process has lost some of the key determinants of competitiveness. During the collapse of the common state, this part of the industry of the independent Yugoslav republics lost the quality of vertical integration of production as well as the raw material sector, concentrated in Serbia and North Macedonia. In the same processes, the accompanying industries disappeared; technologically linked to the processing capacities, they formed the basis for competitiveness in the domain of non-fiscal factors.

By dividing the large domestic market into local emerging markets, and with their consequent long-lasting isolation and closure in the 1990s, this has adversely affected producers' preparation for harsher international competition. The neo-liberal concept of transitional processes in the Western Balkan countries, with the aim of allegedly boosting competitiveness in free market conditions, has brought to all the countries a hasty liberalisation of foreign trade regimes. Under heavy foreign competition, due to systemic benefits for imports, local brands in garment production have lost a significant part of the domestic market. However, some indicators point to that fact that in the last decade some positive changes have occured in the level of competitiveness of this part of the industry.

Trends in the market share of exports of T & C in the Western Balkan region on the EU-28 market

The instruments of ITC methodology selected for determining the level and changes in the competitiveness of exports of the Western Balkan countries are based primarily on the analysis of the movement of the market share of national exports in the total world textile and clothing imports, as well as in the import inyo the E-28 market, which is the most important international partner of this sector of economy for all countries of the region.

In the period from 2007 to 2018, the volume of global demand for T & C increased by 50.7%, from 481.6 to 725.8 billion. [calculations performed by the author based on data provided by the International Trade Center: trade statistics, available at www.intracen.org, accessed: 13. January 2020]. At the same time, the volume of demand for T & C in the EU-28 market increased by 38.8%, from 185.3 to 257.3 bln. while the exports of the Western Balkan region to the EU-28 market increased by 66.6% in the same period, from 1.2 to 2.0 billion euro.

This dynamics of the T & C market change is a clear indicator of the growth of the export competitiveness of these products in the Western Balkan region, which illustrates the growth of market share indicators, from 0.632 in 2007. to 0.899 in 2018. The size of the market share of this region, which is below 1%, shows its marginal impact on the trends in the T & C market in the EU-28. However, the very fact of absolute and relative growth in the market share shows positive trends in the entire period observed.

The market share indicator for the export of T & C of national economies to the EU-28 market provides partially different results (*Table 3*). As with the region, all countries recorded a relative and absolute decline in exports in 2009 and 2010, due to the effects of the global economic crisis. After that period, from 2011 to 2018 Albania recorded a continuous increase in market share, as well as Bosnia and Herzegovina. In both countries, the relative share of growth in the market share of clothing production is considerably higher (in the case of Albania about 95%, and Bosnia and Herzegovina 75%).

The only country in the region which recorded a decline in the market share

*Table 4. Absolute and relative growth in the market share of the export of textile products of the Western Balkan countries to the EU-28 market. **Source:** Calculations performed by the author based on data provided by the International Trade Centre: trade statistics, available at www.intracen.org (accessed: 13. January 2020).*

Country	Absolute growth of market share	Relative growth of market share in%
Albania 2007/2016	0.108	93.9
Bosnia and Herzegovina 2007/2016	0.140	175
Montenegro 2007/2016	–	–
North Macedonia 2007/2016	– 0.025	– 9.51
Serbia 2007/2016	0.108	62.0
Region 2007/2016	0.267	42.2

of T & C exports to the EU-28 is North Macedonia, which also has by far the largest export in the region. In absolute terms, the exports of this country, except for 2009, recorded a continuous growth. However, the growth dynamic is at the level of T & C market growth in the EU-28. As with other countries in the region, the relative share of the market share is higher in clothing production; but the share of textile production rose from 7.3% in 2007 to 22.7% in 2018., due to the dynamic growth of exports of quail, pearl and pillows.

The market share of Serbia's T & C exports to the EU-28 market, as in the case of Albania and Bosnia and Herzegovina, after the fall in the years of the crisis, continuouslyt increased until 2018. As in the case of North Macedonia, the contribution to the growth of the market share is increasing with the export of textiles, the revival of production, and the export of felt and bedding.

Absolute and relative growth in the market share of the T & C export of Western Balkan countries to the EU-28 market

If we observe the absolute change indicator of the EU-28 market share, which points to the absolute growth of the market share of exports of the Western Balkan T & C region to the EU-28 market, this growth is very modest, ranking among the top 40 of the 229 countries [observed by the author based on data provided by the International Trade Center: trade statistics, available at www.intracen.org, accessed: January 12, 2020]. The absolute growth of 0.267 percentage points is extremely modest and is in line with the marginal market share of this region. However, compared to the same indicator, according to the global demand for T & C products with a stagnant tendency, this one is significantly more favorable, reflecting the dominant orientation of ex-

port towards the European Union. However, in the national context, this sector ranks No. 1 in Albania, and No. 2 in Serbia and Bosnia and Herzegovina, after food and beverage production, which is a clear indicator of the national export competitiveness of T & C production. This sector of industrial production is, by the absolute values of export achieved, among the top five within all national economies.

Observed within national frameworks, the indicator of absolute change of the EU-28 market shows almost identical results in Albania and Serbia, while the results of Bosnia and Herzegovina are almost fifty-percent more unfavourable. North Macedonia records an absolute decline in market share, due to the slower export than import growth of T & C to the EU-28 (*Table 4*).

Far more favorable results are given by the change indicator in the EU-28 share, which shows a relative increase in the market share of T & C export to the EU-28 market. The growth in the market share of 42.2% at the regional level throughout the period observed, places this subsector of the Western Balkan economy at the very top of regional competitiveness. Observed within the national framework, Albania's and Bosnia-Herzegovina's largest relative growth in T & C export is 93.2% and 150%, respectively, while Serbia has recorded a somewhat modest growth of 62%. Given the structure and regional orientation of export, it is obvious that the general result of the change in the EU-28 market share in the case of T&C export of the region of the Western Balkans region arises, first of all, from adjusting this sector to the conditions the European Union market (adoption), as well as from the initial geographic specilasation, or the advantages that the geographical position gives to this sector in trade flows with certain partners [19]. However, from the point of view of pos-

Table 5. *RCA index of textile industries in the Western Balkans on the EU-28 market in %;* **Source**: *Calculations performed by the author based on data provided by the International Trade Centre: trade statistics, available at www.intracen.org (accessed: 12. January 2020).*

Country	2007	2008	2009	2010	2011	2012	2013	2014	2016	2018
Albania	7.107	7.602	6.389	5.636	5.045	4.627	4.157	4.469	5.602	6.350
Bosnia and Herzegovina	1.412	1.602	1.623	1.393	1.344	1.397	1.391	1.445	1.538	1.765
Montenegro	0.029	0.049	0.106	0.096	0.049	0.068	0.081	0.162	0.105	0.076
Northern Macedonia	6.137	–	7.247	5.782	5.250	5.704	4.913	4.192	3.462	2.638
Serbia	1.825	1.743	1.674	1.468	1.479	1.608	1.226	1.290	1.177	1.362
Region	2.881	2.204	2.947	2.516	2.397	2.546	2.158	2.179	2.053	2.110

Table 6. *Trends in the export of the most important product groups of T & C in the Western Balkan countries to the EU-28 market in mil eur.* **Source:** *International Trade Centre: trade statistics, available at www.intracen.org (accessed: 12. January 2020).*

Country	Tariff number	Product group	2007	2010	2013	2016	2018	Rang
Albania	6203	Men's suits and trousers	62.2	49.7	67.6	103.2	99.1	27
Bosnia and Herzegovina	6203	Men's suits and trousers	32.8	28.7	39.2	56.9	77.7	35
North Macedonia	6204	Women's suits, ensembles, skirts and dresses	117.6	105.7	117.2	95.5	89.4	26
Serbia	6115	Women's hosiery	110.7	140.6	107.3	114.5	125.5	8

itive structural changes in the export of these countries towards increasing the share of technologically more complex products, this indicator gives a significantly unfavorable picture.

RCA index

The concept of comparative advantage has a basis in conventional trade theory and is widely used in contemporary economic literature to evaluate the patterns of trade and specialisation of countries in products that have a competitive advantage. One of the methods most commonly used is the concept of "revealed comparative advantage", developed by Balassa [3].

The revealed comparative advantage index – RCA is a very complex indicator which points to the comparative advantages of specialising in the export of certain products, subsectors, sectors, national economies or the entire region. Statistically speaking, this is a relative relation between two relative sizes: the relative share of exports of the product, sub-sector or sector observed in the total national exports and the relative share of export of that sector in the market analyzed in relation to the total export to that market. Values of more than 1 present indicators of greater importance to the sector observed in the national context than its position in global trade or in the market analysed, and show the competitiveness of that sector [23].

The popularity of the RCA index lies in its relative simplicity, its ability to use comparable datasets, such as SMTK-

based trading data, and its reliability as an indicator of real changes in comparative advantage.

This methodology of measuring competitiveness in international literature takes the form of comparative analyses of the national competitiveness of individual countries: Japan and the USA [4], Southeast Asian countries [30], Turkey, Bulgaria, the Czech Republic, Hungary, Poland, Romania [43], and others. In the analysis of the national competitiveness of certain countries, one can highlight the use of the RCA index in the case of South Africa [2], Turkey [40] etc. In analysing the subsectorial competitiveness of textile and clothing export, a competitiveness analysis of China [45], and a comparative analysis of India, Pakistan and Bangladesh [32], and of Bangladesh, China, Germany and Turkey [44] deserve attention.

Although the pro and contra Balassin index is still discussed in the literature, it is considered the most widely used index of comparative advantages. In the literature, several attempts have been made to overcome the empirical weakness of the pure Balassian index. One of them is the Lafai index, which combines trade and production variables [22]. The Lafai index, in particular, takes into account both export and import flows, which is a rather important fact due to the increasing role of intra-industrial trade around the world. This index enables analysis of the position of each specific product in the structure of the foreign trade of each individual country or group of countries analysed.

In the case of the Western Balkan region, the RCA index shows values greater than 2 throughout the period observed, which is an indicator of the region's relatively high specialisation for the export of T & C products. However, since this is a sector with a low technological level of such products, along with other indicators, it can be an indication of the inadequate industrial structure of the region.

On the other hand, the downward trend in the RCA index shows the process of diversification of production for export in the region as a source of economic activity growth, as well as the declining competitiveness of the region on a global scale. Finally, it shows an upward trend in the value of this index in the countries for T & C product export to China, India, Pakistan, Bangladesh, and Turkey [32].

The movement of this indicator, which gives the global dimension of regional competitiveness and the direction of its industrial structure's specialisation, is, to a great extent, different from the changes in the market share of T & C products of the Western Balkan region on the EU-28 market. The differences are obvious for the period of crisis and afterwards. The RCA index shows a decline in competitiveness during the crisis period from 2008 to 2009, but also in the post-crisis period (RCA declined) (*Table 5*).

By applying the methodology of absolute market share change during the crisis itself and immediately after it, there were no significant changes in the market share of this subsector of the region's economy on the EU-28 market. These differences

can be partly explained by the high relative orientation of the region's exports to the EU-28 market, and by the slower recovery of this market compared to global flows in the post-crisis period.

If the movement of the LFI index is taken as a corrective factor for the RCA index of the region and individual countries, the picture of competitiveness changes significantly. The coefficient of coverage of imports by exports of T & C products in the Western Balkan region, except in the case of North Macedonia, is below 1. This fact exacerbates the general picture of the region's competitiveness on the global market.

The extremely high value RCA index is evident in the case of Albania and North Macedonia, which is an indicator of the high specialisation of these national economies in terms of the production and export of T & C. The high national competitiveness of this sector, at the same time, indicates an inadequate structure of the processing industry, subjected to high risks in economic growth. Therefore, there is no doubt that a higher value of the RCA index is an indication of greater competitiveness. However, we believe that caution should be exercised when assessing the high values of the RCA index. and attention should be paid to any weaknesses resulting from the excessive concentration of exports on several products or market destinations [10]. The high but falling RCA index of these national economies also points to positive tendencies of structural change. The opposite can be found in Bosnia and Herzegovina, which continually relies on this sector for economic growth, with a slight tendency of RCA index growth. A positive but declining level of this index is recorded by Serbia (trend is positive in the last two years). However, in the last years of the period observed, the competitiveness of this sector approaches the lower limit of competitiveness.

Volume of exports of the most important product groups of T & C in the Western Balkan countries on the EU-28 market

From the instruments of ITC methodology available, there is also the simplified national export profile – NEP, which refers to the establishment of the trend of growth of the most important groups of export products of textile and clothing among the Western Balkan countries (*Table 6*). As a *star* product, that is, one with the best export performance for T&C in Serbia, women's hula hop socks are highlighted, tariff number 6115. The absolute volume of exports of this product and its dynamics dominate not only the exports of this subsector, but it is also one of the five most important products in the total export of Serbia. In 2007, this product had a relative share in Serbian export of textile and clothing of 33.8%; however, in 2018. it had decreased to 21.8%.

The export of tights has a significant market share in world imports of this product, especially in the EU-28 import. The EU-28 market share in 2007 was 0.92% and 0.52% in 2018. On the European Union market, for suppliers outside the Union, Serbia is ranked fourth, (top 3 countries being China, Turkey and Russia.) It is the best-ranked export product of textile and clothing production in the Western Balkan region, ranked 8th in the EU-28 market. However, from the point of view of positive structural changes in the export of these countries towards increasing the share of technologically more complex products, this indicator gives a significantly unfavorable picture. Second among the products of the Western Balkan countries with the best export perfomances are women's ensembles, skirts and dresses, tariff number 6204, produced in North Macedonia. With the rank of 26 in the EU-28 market in 2007 this product type had a relative share in the textile and clothing export of this country of 27.7%, while in 2018 it had decreased to 20.9%.

The *star* product of textile and clothes export of Albania and Bosnia and Herzegovina is the production of men's suits and trousers, tariff number 6203, with a ranking of 27 and 35, respectively. In the T&C export of these countries to the EU-28 market in 2018, this product type comprised 17, 1%, and 18.8%, respectively.

Conclusions

In the process of promoting economic growth and development, export plays a very important role for all Western Balkan countries, in which the production of textile and clothing has a significant place as well, continueing to contribute to economic prosperity in these countries. The current flows of the transition processes have largely adversely affected the position and location of textile and cloth-ing production in the economic structure of the Western Balkan countries. This is, to a large extent, a consequence of the deviant development flows of this region, during which the share of manufacturing industry in the production of GDP has been marginalised. In addition, by decommissioning the rather homogeneous vertical structure, especially in the Republic of Serbia and North Macedonia, the production of textile and clothing at the end of this process remained without its raw material basis and with reduced processing capacities in the production of clothing. The key determinants of the competitiveness of this subsector have been lost, resulting in its reduction in price factors. However, some indicators lead to the conclusion that in the last decade there have been some positive changes in the level of competitiveness of this part of the region's industry.

The dynamic growth of T&C export of the Western Balkan countries, especially to the EU-28 market in the last decade, has resulted in an absolute and relative increase in the market share, both in the region and of the leading producers. This is a key indicator of the growth of competitiveness of the sector observed in this part of Europe, and it also provides the basis for the conclusion that this subsector is export-oriented in the long run and on the path of greater integration into European production and trade flows.

In the case of this region, the RCA index shows values greater than 2 throughout the period observed, which is an indicator of the region's relatively high specialisation in the export of T & C products and, in this sense, high competitiveness. However, since it is a sector with a low technological level of products, along with other indicators, it can also be an indicator of the inadequate industrial structure of the region. On the other hand, the downward trend in the RCA index shows the process of diversification of production for export in the region, as a source of economic activity growth, but also the declining competitiveness of the region on a global scale. If the movement of the LFI index is taken as a corrective factor for the RCA index of the region and individual countries, the picture of competitiveness changes significantly. This fact exacerbates the general picture of the competitiveness of the region. At the same time, this is a clear indicator that the dynamic growth of exports to this market, especially in the post-tax period,

is the result of an increase in the volume of out-going jobs and low labour costs, as the main factors of competitiveness.

The region also possesses *star* products, or ones with the best T&C export performance, in some cases within European frameworks. But despite evident signs of growth in competitiveness, there is a deficit in international trade in the textile and clothing sector in most countries in the region. This fact points to structural problems and the lack of investments to overcome them. This is a clear signal to industrial policy makers to create and implement stimulating measures of a permissible profile in international trade, to alleviate perceived problems.

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