Economic, Social, and Policy Determinants of EU-5 and American Apparel Imports: A Gravity Model Analysis

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ABSTRACT

Both EU and USA are dominant apparel importers in the world. In 2006, the value of world’s apparel exports to them amounted to US$ 212 billion, which represented 80% of the world’s total apparel exports. Specifically, the apparel imports of the top five members of EU: namely, Germany, United Kingdom, France, Italy, and Spain, amounted to US$ 91 billion, accounting for 71% of the region’s total apparel imports. Using data from 1990 to 2006, this article investigates the country-specific factors that have impact on the apparel imports of EU-5 as well as USA, and their top five apparel suppliers. Panel data estimation approach is utilized with an exploration at the aggregate level. The results indicate strong support for the model with determinants including GDP, population growth rates, female employment, value added factors, and common membership. All these have positive effects. In contrast, distance, real exchange rates, and wages have negative influence on the expenditure patterns of EU-5 and USA consumers.

Keywords: apparel import; EU-5; gravity trading model; panel data estimation; USA

INTRODUCTION

The EU and the USA are two significant global apparel consumers on account of their sheer size in terms of per capita income, population, high purchasing powers, and strong demands for high quality fashion at a reasonable price. In 2006, the value of the world’s apparel imports to the EU and American markets amounted to approximately US$129 billion and US$83 billion respectively, which combined together, represented about 80% of the world’s total apparel imports. Specifically, the apparel import values of the top five member countries of the EU, including Germany, the United Kingdom, France, Italy, and Spain amounted to US$ 91 billion, accounting for 71% of the region’s total apparel imports.
Scenario of the EU-25 Apparel Imports during 1990-2006

The EU-25 was the largest apparel consumer region in 2006 with apparel imports to this territory that amounted to a value of approximately US$129 billion, representing 48% of the total shares in global apparel imports. Apparel imports from the world to the EU-25 were observed to increase continuously from 1990 to 2006, except for slight declines in 1992-1993 and 2000-2001 (Figure 1). Outgrowth in apparel imports resumed and was strongly marked in 2003, when imports expanded considerably from US$90 billion to US$115 billion between 2003 and 2004. This remarkable surge of apparel into the EU-25 took place due to the overwhelmingly emerging superiority of Asian suppliers, especially China with lower labor costs and improved manufacturing capabilities after the elimination of quotas on certain apparel products in the third stage of the Agreement on Textiles & Clothing (ATC) since 2002.

Scenario of EU-5 Apparel Imports during 1990-2006

In 2006, EU-5 apparel imports amounted to US$91 billion. As shown in Figure 1, EU-5 apparel imports increased markedly in value after the late 1990s and continued to grow since 1995 after the ATC regime with the gradual phasing out of quotas. Although in line with overall figures, imports fell slightly in 1992-1993 and 2000-2001. During 2001 to 2002, there was some recovery with a growth rate of 7%, from US$55 billion to US$59 billion. There was a perceptible increase in imports during 2002-2003 and 2003-2004, rising by 18% and 14% respectively because of the influx from Asian countries after the third stage of liberalization on the broader clothing category. Aside from Asian suppliers, Poland, Portugal, and Romania are the most pronounced apparel producers in the European regions. In value terms, apparel imports continue to move up over the years. In 2006, the import value increased

Figure 1. World apparel imports by the EU-5 and the USA, 1990-2006 (value in US$ billion)

Source: Compiled by the authors from International Trade Statistics Yearbook, United Nations, various issues
Production Planning Models using Max-Plus Algebra
www.igi-global.com/chapter/production-planning-models-using-max/60000?camid=4v1a