The Framework of Tunisian Textile and Clothing Industry

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Abstract:

In this paper, we will first present the textile and the clothing sector in the Tunisian economy. It is therefore very important to situate this sector in our economy, evaluating its various features and outline its strengths and weaknesses. We also focus on the historical evolution of Tunisian textile and clothing sector. We will establish then a comparison between Tunisia and China as part of the textile and clothing industry.

Keywords: Tunisian economy, the textile and clothing industry, Chinese economy.

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Introduction:

Since the English Industrial Revolution in the early nineteenth century, the rise in the production of textiles and clothing has been the first stage of industrial development. The English example was notably followed a few decades later by other European countries (Germany, France), then by the United States. In the last century, the development of Japan and Asian emerging countries followed the same pattern.

From the fifties, the growth of Asian exports of textiles and clothing has generated a protective response from the industrialized countries, which have imposed limitations on exports. The Agreement (MFA) signed in 1974 established quotas for exports of these products in their markets, thereby excluding textiles and clothing from multilateral trade framework for several decades. This quota system has allowed industrialized countries to save time in the restructuring of this sector. It has also generated profound distortions in the geographical allocation of production and exports of textiles and clothing in the world, exacerbated by the proliferation of regional free trade agreements since that date.

In this context, the elimination of these quotas, from January 2005, will result in a significant reallocation of production to the benefit of the best performing countries (China, which joined the World Trade Organization (WTO) in the first place) and at the expense of other less competitive developing countries and, to a lesser extent, an increase in world trade.

In the case of Tunisia, this fear is in part due to the fact that China rubs its markets, and secondly the fact that this country has a very high production capacity and very attractive comparative advantages such as cheap labor costs labor-intensive, mass production and outsourcing rates relatively low...

In this paper, we will first present the textile and the clothing sector in the Tunisian economy. It is therefore very important to situate this sector in our economy, evaluating its various features and outline its strengths and weaknesses. We also focus on the historical evolution of Tunisian textile and clothing sector. We will establish then a comparison between Tunisia and China as part of the textile and clothing industry.

I. Presentation of the Textile-Clothing sector:

1. Definition, weight and economic development of the sector:

The industrial sector includes a wide variety of activities ranging from the production of fibrous materials to the production of finished articles. The textile and clothing industry is quite complex because the basic materials and transformation processes are varied. As for destinations, finished products are increasingly diversified. Indeed, the textile and clothing industries are very distinct: Firstly, the textile industry transforms raw materials to produce a variety of tissues and thread; secondly, the industry of clothing covers the manufacture of clothing articles. The value chain of the textile and clothing is complex which includes links from raw materials, fibers (natural or synthetic), through fabrics, knits, tailoring and distribution. It is in the making, high-intensity activity of labor, that barriers to entry are lower. In contrast, the textile industry is a capital-type (technical equipment), which has long been the prerogative of industrialized countries, while the distribution requires significant funds (investments in stores, communication and marketing). Among industrial actors garment sector, we can distinguish traditional integrated manufacturers, outsourcers and converters (SSIS, 2001):

- The traditional manufacturers integrated: they cover the whole cycle of production and marketing. They therefore include the production cycle for different product lines.
- Outsourcers: outsourcers buy fabrics, reserve the task of designing and marketing of products, and outsource the manufacturing industry to specialized companies: the converters. They face problems caused by the use of subcontracting (product quality, delivery time etc.). Two types of contractors are on the market: outsourcers who have opted production and that calls "designers" and donors partial order, which, besides, their own means of production, have recourse to subcontracting and / or trading.
- The converters: the shaper does not finance inventory of raw materials or finished products.

According to the United Nations Industrial Development Organization (*UNIDO*)[2], the world production of textiles would be about $ 500 billion, while the clothing would be around $ 350

[2] https://sites.google.com/site/letextileinduhabill/les-chiffres-de-l-industrie-textile-habillement.

billion in 2004. Textiles and clothing will rank third in trade behind automotive and electronics. According to the latest figures from the World Trade Organization (WTO)[3], the global trade in textiles and clothing amounted in 2003 to $ 395 billion, with 57% for clothing. These exchanges represent 5.4% of total world trade and increased 12% compared to 2002. These flows are organized primarily into three broad territorial units: the area of the Americas, the Paneuromed area (Europe of Twenty Five, Turkey, Romania, Bulgaria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia) and the Asian region dominated by China and India. The Paneuromed area represents the largest cluster with about 35% of trade. Many European entrepreneurs have moved in the Mediterranean countries, become very dependent on the EU. In fact, 60% to 95% of textile exports of Tunisia, Morocco and Turkey are destined to the European Union. In 2003, the three countries that made the most important turnovers were Italy (43.2 million Euros), followed by France (25.9 million Euros) and Germany (24.8 million Euros). In the same year 2003, the three largest employers were: Italy with 580,900 employees, followed by Spain (234,700 employees), Portugal (200,500 employees) and the United Kingdom just behind with 200,000 employees. Poland was among the new entrants in the Europe of Twenty Five, who employed the largest number of employees (198,700). Germany and France have each employed about 178,000 employees.

2. Place of the Textile-Clothing sector in the Tunisian economy:

Since the launch of the textile industry in the early 60s, the overwhelming majority of domestic fabricators have worked on behalf of some 700 foreign companies. Tunisia currently has some 2100 textile companies by 80% of total export with wholly owned foreign or local partnership, employing nearly 210,000 employees with 70% women and by 47% of jobs in the manufacturing sector. The increase in the number of companies has fostered a rapid development of exports, which had allowed the country to reach the rank of fifth supplier to the European Union. The sector is, moreover, the second provider of foreign exchange after tourism, with revenues of 4 billion dinars per year on average over the last decade. In addition, the sector production reached 5247 million dinars in 2007, compared to 5,235 million dinars in 2002, with a value of 2 046, 9 million dinars in 2007, with 30% of the production. Investments in the sector raised from 158 million dinars in 2002 to 150 million dinars in 2007. The share of Sector in investments in Manufacturing Industries oscillates between 13% and 16% (The Tunisian Textile Technical Centre (CETTEX, 2007)). The continued development of this sector is due to several factors. Since 1976, the textile products

[3] https://sites.google.com/site/letextileinduhabill/les-chiffres-de-l-industrie-textile-habillement.

in Tunisia have access to the European market free of customs. In addition, the socio-economic environment of the country has encouraged the establishment of local and foreign investors. Furthermore, to maintain certain competitiveness, the Tunisian authorities have introduced a flexible system which is to exempt taxes and tariffs to expedite the delivery of orders. In fact, a country's competitiveness in this area is primarily depending on the respect of delivery times. On the other hand, the textile-clothing sector in Tunisia is still a potential market due to the possible investment opportunities that are likely to improve benefit of this activity. In fact, Tunisia is a production site targeted by several foreign investors in the textile sector as, in addition to the advantages already mentioned, this country is also characterized by the Textile Technical Centre (CETTEX), several other advantages such as the exclusion from duties and taxes on industrial products on the European Union market, the competitiveness of production costs, a competitive and qualified workforce, a profitable financial and tax incentive, a guarantee agreement and protection for foreign investors and free transfer of profits and proceeds from the sale of capital invested in foreign currency.

As for infrastructure, exporting firms are equipped with modern equipment at a good technological level allowing it to offer competitive quality especially in finishing. However, the Tunisian textile and clothing sector is facing several adverse constraints that prevent to expand its activities. In fact, the textile and clothing industry is limited by:

- The lack of training and supervision, the ratios of supervision in the sector are very low (only 1% according to CETTEX);
- Insufficient knowledge of export markets and the lack of marketing strategy. Indeed, at the managerial level, the majority of companies do not adopt organizational system insofar as the coordination between tasks (inventory management, orders, production, supply ...) is not developed;
- Production costs remain relatively high, for example, shipping is expensive;
- Tunisia is not only a country that does not have raw materials but it is also unable to provide inputs to the conditions of price and quality of competitor countries;
- Most textile exports pass through subcontractors who are working under the orders received from European manufacturers. Subcontracting activity is vulnerable, precarious nature and very limited added value. Generally, subcontractors import semi-finished of principals, who are responsible for the marketing and distribution of the final products, thus, they are benefiting margins from marketing and distribution.

Links of textile and clothing activity are minimal, which means that the value of its exports that returns to Tunisia is actually relatively low.

II. The historical development of the Tunisian Textile and Clothing sector:

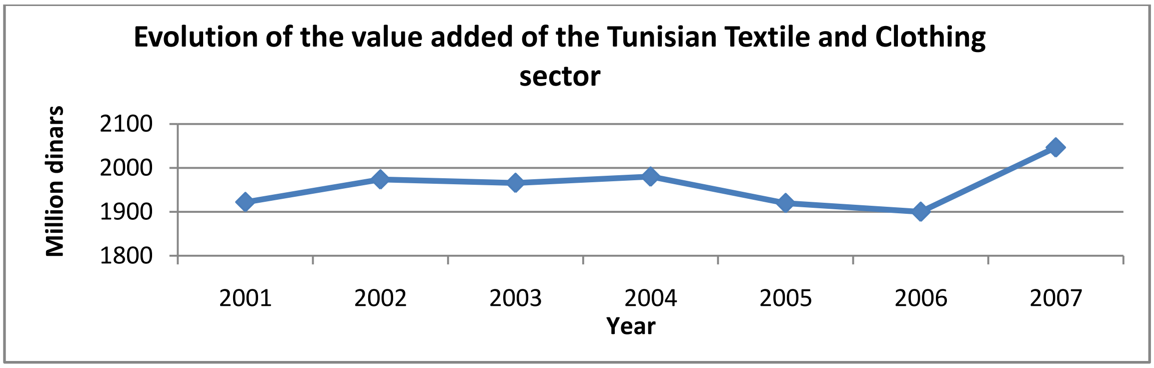
It is important to note that our analysis focuses on studying an essential export sector for the Tunisian economy which is the textile and clothing sector. The choice of this sector is the fact that it plays a very crucial role in the national economy because it drains important flows of currencies to improve the economic and social situation of the country and helps in building industries. It is also important to note that the value added of the sector recorded an increase to a value of 2 046, 9 million dinars in 2007 compared to a value of 1 922.4 million dinars in 2001, with a growth rate of 6.47%. And, the following table shows the value added of the sector over the period 2001 - 2007:

Table 1: Values added of Tunisian Textile and Clothing sector:

year	2001	2002	2003	2004	2005	2006	2007
Values added in million dinars	1 922.4	1 973.9	1 966.1	1 980.3	1 920.1	1 900.2	2 046.9

Source: National Institute of Statistics-Tunisia (INS).

Figure 1: Evolution of the value added of the Tunisian Textile and Clothing sector:



Source: National Institute of Statistics-Tunisia (INS).

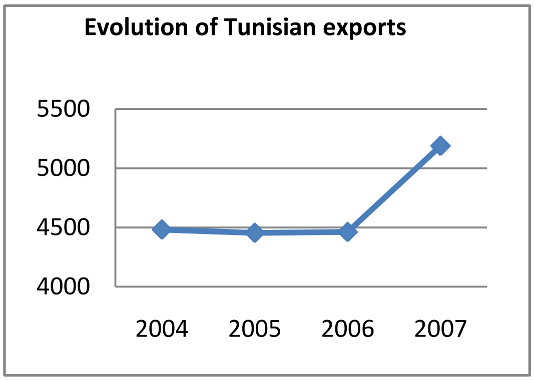
This graph indicates the evolution of the value added of Tunisian Textile and Clothing sector over the period 2001 – 2007 which reveals that these values are rising at the exception of 2003. Indeed, this sector has experienced a slight decline in 2003 of 0.39% in value compared to 2002. This decrease is explained by the slowdown experienced by the textile and clothing sector, mainly due to the various changes that affected the international market. As for external trade, the textile and clothing sector continues to be characterized by a strong dependence on foreign markets as it supplies of raw materials and capital goods needed for production and the marketing of its products. The low level of integration in foreign market which is the result of the unavailability of local raw materials is explained by a considerable flow of imports of intermediate products, such as cotton, yarn and textile fabrics as well as the purchase of articles for final consumption. For example, Table 2 below shows the trade values considering the annual exchange rate during the period 2004-2007.

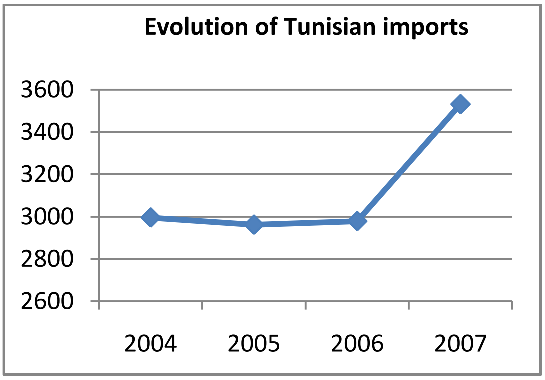
Table 2: trade value considering the annual exchange rate for 2004 to 2007:

Trade Value	2004	2005	2006	2007	Variation	
					2006 / 05	2007 / 06
Export in million dinars	4 481	4 453	4 460	5 187	0,15 %	16,30 %
Import in million dinars	2 996	2 962	2 979	3 532	0,59 %	18,56 %
Average exchange rate	1,5486	1,6126	1,670	1,7521	-	-
Export in million euro	2 894	2 761	2 671	2 961	-3,25 %	10,84 %
Import in million euro	1 935	1 837	1 782	2 016	-3,01 %	13,13 %

Source: Tunisian Textile Technical Center (CETTEX).

Figure 2: Evolution of Tunisian exports, imports and trade balance in Million dinars during the period 2004-2007:





Source: Tunisian Textile Technical Center (CETTEX).

Graphs mentioned that the sector has shown resilience and good behavior in 2007. In fact, foreign trade indicators are trending upward. Indeed, the value of exports in 2007 (Figure 2), for the first time went beyond the barrier of 5 billion dinars (5,187 million Tunisian dinars) thus registering a double-digit growth (16.30%) compared to the year 2006. Also note that this value growth has been accompanied by a growth in volume of certain products including knitted products. In addition, it is crucial to mention that in 2005, Tunisian exports in textile and clothing reached 4453 million dinars with a slight decrease of 0.63% compared to 2004 (4 481 million dinars). Indeed, 2005 was a difficult year because of increased competition on the European market. Therefore, the Tunisian textile and clothing sector will benefit in 2006 of a national support allowing its recovery. The disappearance of the Multi-Fiber Agreements since January 2005 and the entry of China into the World Trade Organization have been at the origin of the increased competition in the textile and clothing sector on the European market. Thus the Tunisian textile industries, whose main market is in Europe, have known a difficult year in 2005, even if the value added of Tunisian products played a very important role in reducing the impact of this competition. Faced with this situation, industry professionals have come together with the ministries to implement a national plan to support the textile and clothing sector whose main activities are included in the report "Economic Balance of 2006 ". Aimed at revitalization of the sector, this plan provides for the submission of technical, commercial and financial assistance to companies of sector over the next two years. This assistance will also result in assisting companies in the transition from outsourcing to co-contracting and from sub-contracting to the finished product, as well as the implementation of a plan to obtain ISO certification 9001 and 14001. Financial assistance has, for its part, strengthened Small and Medium Enterprise capital through a special intervention of the Fund for the development of industrial competitiveness and the participation of investment companies in capital development and securing funding for recovery short-term debt of SMEs. Through this national plan, the sector professionals expect a dramatic improvement in the competitiveness of Tunisian textiles companies in order to be able to compete internationally. As for the Tunisian imports (Figure 2), they initially exceed, in value, the barrier of 3000 million dinars (3532 million dinars) with a growth of 18.5%. Furthermore, the trade balance excluding investment, which is defined as the difference between exports and imports in value, recorded a surplus of 1,655 million dinars (representing an increase of 11.8% compared to 2006(Figure 2)) and the coverage rate, which is defined as the ratio between the amount of export and import, lost three points from 149.7% to 146.8%. In short, the analysis of exports given the annual average exchange rate (according to the Central Bank of Tunisia) that has shown an increase by 10.84% on the value of the sector exports in Euros for 2007 compared to the previous year as well as the imports which have evolved by 13.13%.

1. **The main exported products**:

Table 2: The main exported Tunisian products:

Value: million Tunisian dinars. **Volume**: Millions of items.	**2006**		**2007**		**Evolution**	
	value	**volume**	value	**volume**	value	**volume**
Jeans	719,31	36,71	811,22	37,89	12,80 %	3,20 %
Work clothes	430,22	30,34	473,17	29,90	10 %	-1,50 %
Lingerie	570,63	124,42	619,60	118,44	8,60 %	-4,80 %
City Trousers	479,54	23,84	541,56	25,74	12,90 %	8 %
T-shirts and vests	376,22	55,26	470,80	68,25	25,10 %	23,50 %
Pullovers, sweaters	256,47	22,11	280,39	22,79	9,30 %	3,10 %
Shirts and Blouses	181,43	11,63	214,54	12,84	18,20 %	10,40 %
other	1 445,97	215,52	1 775,41	245,84	22,80 %	14,10 %

Source: Tunisian Textile Technical Center (CETTEX).

As shown in Table 2 above and Figure 3, mentioned below, with nearly 14% change in value and more than 4% in volume for all clothing products, the evolution of the major groups of exported products is as follows:

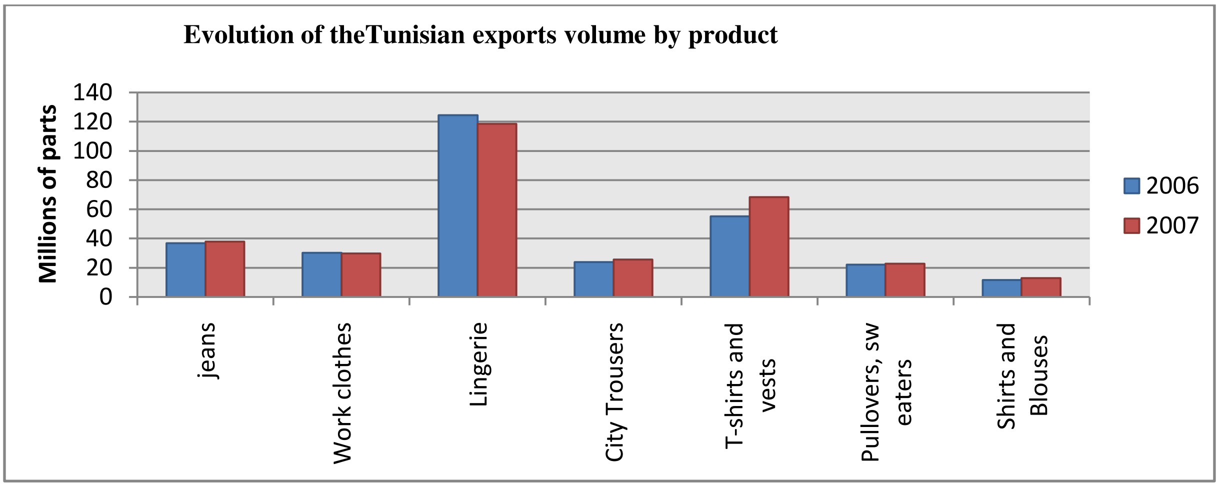
• Five product groups experienced a positive change in value and volume: Jeans, City Trousers, T-shirts, pullovers and shirts.

• The other two groups, namely, work clothes and lingerie, could not take advantage of the situation of the year to improve their market share in volume despite the good growth in value. This trend can be partly explained by the orientation of these two sectors to the high range.

• Small parts below (T-shirts and vests) still retain, and in recent years, at the top of the list in terms of its evolution rates with + 25% in value and +23% in volume.

• For the spinneret lingerie, these are swimsuits that have cushioned the major decline in other subcategories group since they displayed +20.8% in value and + 17.9% in volume and they represent 20 % of the whole category.

Figure 3: Evolution of the main Tunisian products in 2006 and 2007:



Source: Tunisian Textile Technical Center (CETTEX).

2. The main customers of Tunisia:

According to the Textile Technical Centre (CETTEX) The European market is the main destination of Tunisian exports. More than ¾ are absorbed by three main markets: France (37%), Italy (31%) and Germany (10%).

Table 3: Major customers of Tunisia in 2006 and 2007:

Weight: Tonne **Value** : Million Tunisian dinars	**2006**		**2007**		**Evolution in 2007**	
	Value	Weight	**Value**	Weight	**Value**	Weight
FRANCE	1 726	66 788	1 938	72 988	12,30 %	9,30 %
ITALY	1 365	57 362	1 638	62 783	20 %	9,50 %
GERMANY	430	11 382	531	13 961	23,30 %	22,70 %
BELGIUM	273	8 671	323	8 988	18,20 %	3,70 %
NETHERLANDS	172	5 671	196	6 799	14,10 %	19,90 %
UNITED KINGDOM	159	4 185	178	4 649	12 %	11,10 %
SPAIN	155	4 128	172	5 168	11,50 %	25,20 %
UNITED STATES	22	638	23	594	4 %	-6,80 %
PORTUGAL	15	631	22	578	45,50 %	-8,40 %
OTHER	142	24 945	166	26 737	16,70 %	7,20 %
Total	**4 460**	**184 400**	**5 187**	**203 246**	**16,30 %**	**10,20 %**

Source: Tunisian Textile Technical Center (CETTEX).

According to Table 3 above and Figure 4 below, showing the positioning of the main customers of Tunisia, show that Tunisia has kept the same traditional customers. However, the structure inside of these customers has currently undergone slight variations from one year to another.

• For France, the first customer, exports to this country have risen by 12%. Its market share is 37.4% while it was 40.9% in 2004 (CETTEX).

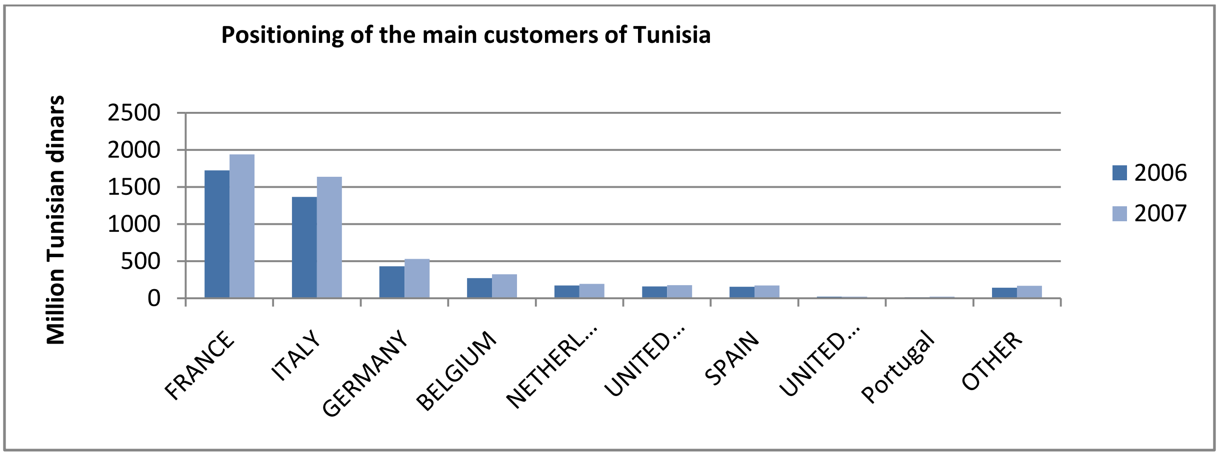
• Italy, second client, recorded more than +20% evolution in value in 2007, +9% in 2006 and +5% in 2005. Its market share rose from 26.6% in 2004 to 31.6% in 2007 (CETTEX).

• Germany and Belgium maintain their supplies from Tunisia with market shares respectively of 10% and 6%.

• For the three new markets, the Netherlands, the United Kingdom and Spain, the market share increase is modest over the last 4 years and it remained stable ; 3.8% in the Netherlands, 3.4% for the UK and 3.3% for Spain (CETTEX).

Indeed, the market share increase in value in Portugal is the most interesting by +78.7% in 2006 and +45.5% in 2007. The other two markets namely the United Kingdom and Spain rose modestly with significant fluctuations from one year to another.

Figure 4: The main customers of Tunisia in 2006 and 2007:



Source: Tunisian Textile Technical Center (CETTEX).

3. The main suppliers of Tunisia:

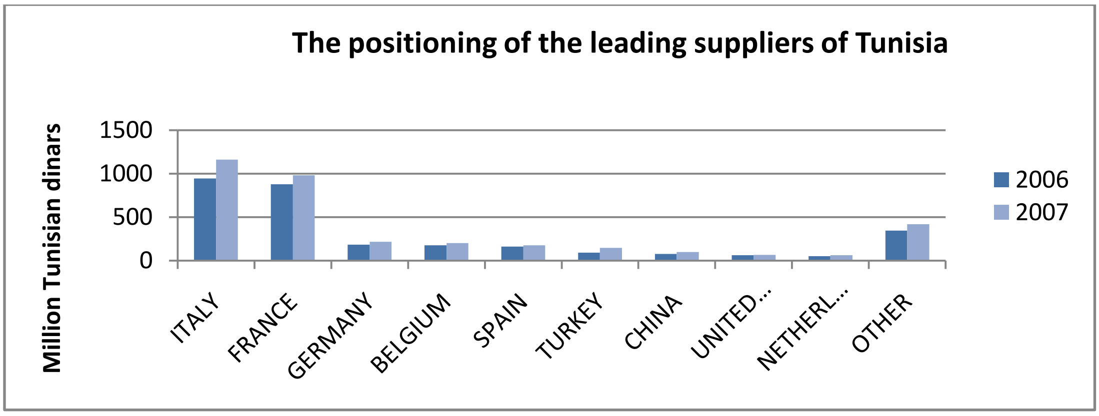
Table 4: The main suppliers of Tunisia in 2006 and 2007:

Weight: Tonne **Value** : Million Tunisian dinars	**2006**		**2007**		**Evolution in 2007**	
	Value	Weight	**Value**	Weight	**Value**	Weight
ITALY	946	94 992	1 162	106 612	22,70 %	12,20 %
FRANCE	878	56 200	982	64 578	11,90 %	14,90 %
GERMANY	183	21 885	218	20 771	19,20 %	-5,10 %
BELGIUM	178	14 664	203	14 889	14,30 %	1,50 %
SPAIN	163	13 057	175	11 217	7,40 %	-14,10 %
TURKEY	93	8851	148	13 225	58,30 %	49,40 %
CHINA	79	15 373	98	18 937	24,20 %	23,20 %
UNITED KINGDOM	62	3 882	66	2 427	6,40 %	-37,50 %
NETHERLANDS	52	4 786	62	6 077	18,70 %	27 %
OTHER	345	74 235	418	88 693	21,30 %	19,50 %
Total	**2 979**	**307 924**	**3 532**	**347 425**	**18,60 %**	**12,80 %**

Source: Tunisian Textile Technical Center (CETTEX).

In fact, it is shown in Table 4 above and Figure 5 below two important observations including: Italy is the leading provider of Tunisia since 2006. Its market share rose from 27% in 2001 to 33% in 2007. Furthermore, 60% of 2007 imports are fabrics and 26% of clothing or garments; Turkey yearly won places in the ranking of suppliers of Tunisia. It was the 11th supplier in 2000 then it goes to 6th place in 2007. (CETTEX)

Figure 5: The main suppliers of Tunisia:

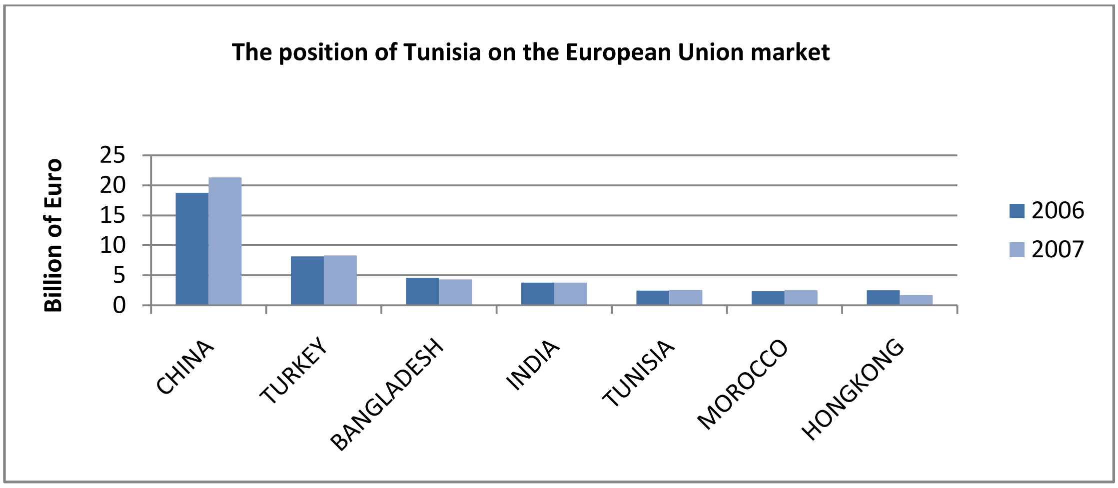


Source: Tunisian Textile Technical Center (CETTEX).

4. **The positioning of Tunisia on the European Union market:**

The Figure 6 below shows that Tunisia remains one of the major suppliers of clothing of the European Union market and ranks in 2007 at the 5th position after China, Turkey, Bangladesh and India. It is also the second largest Mediterranean exporter to the European Union after Turkey. Moreover, According to the CETTEX, China, which is by far the largest supplier of the European Union with 31% of supply, significantly strengthens its exports at the expense of Asian countries. Countries of the Mediterranean area consolidate their market share in Europe (13.8% in Turkey, 4.2% for Tunisia and 4.1% for Morocco).

Figure 6: The position of Tunisia on the European Union market:



Source: Tunisian Textile Technical Center (CETTEX).

III. A comparison within the textile and clothing industry between Tunisia and China:

1. China's position in world trade:

While China was for a longtime a feared competitor in the industry field, but now with the changes that have affected the world trade, China has become a major player in the global economy. It is becoming increasingly important and aims to become by the medium term (by 2020) the second world power just after the United States in the whole areas.

With the openness of China, its weight in the global economy has increased significantly over the last twenty years. Indeed, the China markets share increased by 18% to 25% in clothing between 2005/2006 and by 7% to 13% in textiles (World Trade Organization, 2006).

According to the Textile Technical Centre (CETTEX), the European clothing imports were largely dominated by products from Asian countries, mainly China in 2005. In fact, China was the winner of the total liberalization of quotas (+43.2% evolution of China exports compared to 2004). The important place occupied by China shows the dynamism of its economy. This country has managed to conquer large markets share both in Europe and the United States at the expense of other developing countries. Indeed, according to the World Bank 25% of world clothing exports were from China.

Table 5: International Trade in 2006 (in billions of dollars):

country	Exports			**Imports**		
	Value	Share of world Trade **(%)**	Evolution in 2006(%)	**Value**	Share of world Trade (%)	Evolution in 2006(%)
CHINA	968,9	8 %	27 %	791,5	6,40 %	20 %
JAPAN	649,9	5,40 %	9 %	579,6	4,70 %	13 %
FRANCE	490,4	4,10 %	6 %	534,9	4,30 %	6 %

Source: World Trade Organization (WTO).

Table 5 indicates that with evolutions in exports equal to 27% in 2006, China's exports exceed those of Japan and France. China is indeed, at the moment, the only real winner of the end of quotas. Although being considered as a developing country, China has become the third largest exporter in 2006 and its share in world trade is equal to 8% in 2006(World Trade Organization, 2006).

2. Concept of country competitiveness :

For the competitiveness concept, it is difficult to refer to a clear theoretical reference, although this regard we have an abundant literature. Being restricted to the analysis of business management for a long time, competitiveness has gradually been used to describe the state of a nation, without giving a precise qualification. Some authors still refuse to use it to describe an economy. Krugman (1994) denounced the use of the concept of "competitiveness" to describe a national economy by suggesting that nations are competing in the same way like firms, the essential lesson of the principle of comparative advantage that all nations win from international exchange is not clear. The company competitiveness expresses its long-term performance, that is to say, essentially growth (Mucchielli, 2002). It can be defined as the company ability to achieve performance (gain market share). By analogy, the nation competitiveness was, at least until Krugman, addressed in terms of business performance: in this approach, a country is competitive with other competing countries if it is capable to maintain its market share or win additional market share, which means to diversify, to conquer markets where it was absent or marginal and to defend its position in its traditional export markets. Since no single overall concept is really emerging, it is necessary to examine the different types of competitiveness, which refers to two essential dimensions: price competitiveness and non-price competitiveness.

1.1 The Price competitiveness:

To strengthen the position in the global economy through improving economic integration and a coherent redirection of exports and more adapted to the evolution of the international demand, the country is expected to improve its price competitiveness. The appreciation of the price competitiveness of exports is generally based on the relative price and by comparing price evolution to the export prices of competitors on the markets. Indeed, price competitiveness is the ability to offer, on the market, products at lower prices than competitors. Moreover, Control inflation, the choice of exchange rate policy and interest rates and cost control are key determinants of price competitiveness. In short, the price competitiveness measures the ability to win market share by offering more competitive prices than its competitors. In these conditions, an economy is called competitive, either by increasing its relative share of export or by limiting import penetration in the domestic market.

1.2 The non-price competitiveness:

The increased impact and widespread of economies to converge to international prices, the process of globalization and the increased competition requires that more countries seek to establish their competitiveness on factors other than that reporting directly to the price. Indeed, the weight of the traditional dimensions of competitiveness (low wages, depreciation, cost containment and margin ...) is increasingly relativised in favor of one relating to a set of new factors such as the sectoral and geographical diversification, quality, innovation, flexibility, control of supply circuits and marketing, delivery times, after-sales service and the development of knowledge and skills. Therefore, the implementation of these new factors often summarized under the concept of non-price competitiveness, if it's firstly up to the company, it also depends on the intensity and nature of various interactions and synergies that can and must be established between the various actors of the economy. Indeed, this competitiveness stems from the consistency and efficiency of productive structures of the economy, the rate of long-term evolution and the investment structure in the country. In short, the non-price competitiveness, also known as quality competitiveness, product competitiveness or structural competitiveness, based on products quality, their adaptation to demand, their reputation or reliability.... In other words, it is the ability of a country to capture foreign and domestic demand by channels other than prices. In this perspective, the knowledge incorporated in products, their quality and the extent of their range largely shape the ability of countries to conquer new market shares.

3. The comparison between Tunisia and China in terms of competitiveness in the Textile and Clothing sector:

1.1 The Price competitiveness:

The evolutions of exchange rates and wage differentials are the main determinants of the cost competitiveness of exports of Tunisia and China.

- **The exchange rate:**

For countries whose textile and clothing occupies a large share of exports, the study of the relationship between exchange rate and exports is a central issue. Indeed, the exchange rate plays a role in the competitiveness of countries to export, whether competitive devaluation or depreciation in the example of the Chinese Yuan, indexed directly on the dollar. In this regard, the continual depreciation of the dollar on foreign exchange markets since March 2002, took full advantage to Asian countries and in particular to the first power of the global textile: China. The Chinese currency, the Yuan, is closely anchored to the dollar since 1994, and has benefited from the fall of the dollar against the single currency that we consider, through many experts, that the anchorage was done at a level probably undervalued. This monetary phenomenon allows Chinese exporters to improve their performance in the global market and benefit, as well, an additional competitive advantage, which is not good news, following the dismantling of quotas since January 2005. In Tunisia, there is a stable exchange rate.

Today, Tunisia maintains a policy of stable exchange. But our country is growing rapidly, and this development will progressively rely on the modernization and development of the financial sector. It will then liberalize the financial system. Indeed, it is the movements of exchange rates that maintain coherence between economic and political situations of the different countries in an increasingly interdependent world. This is why fixed exchange rates are sometimes a problem and so are unacceptable.

• Salary costs:

Although, it has a wage advantage toward Europe, Tunisia has no "advantage" toward other Asian exporters like China where the minimum hourly wage is equal to 0, 30 euro.

Table 6: The minimum wage in the textile and clothing sector in 2007 (in Euro)

Country	*TUNISIA*	*CHINA*
Hourly minimum wage	0,70	0,30

Source: Tunisian Textile Technical Center (CETTEX).

It follows from Table 6 above that in 2007, one hour labor costs at minimum 0.70 euro in Tunisia as compared to 0.30 euro in China, about twice more than China. Therefore, we can see that low wages are a fragile asset because there are still countries where manufacturing activities can be carried out at lower costs. Therefore, the benefit focused on wage moderation cannot be indefinitely implemented and does not allow Tunisia to compete with countries such as China that has lower costs. In addition, the competitive advantage of Tunisia, based on labor costs that are relatively low, is even more fragile that it is not based, as is the case for China, on substantial increase of the productivity.

1.2 The non-price competitiveness:

It mainly includes the following elements as:

• Investments:

The analysis of machinery purchases, according to CETTEX, might suggest that the uncertainties have made industrialists hesitating, especially Tunisian, to invest and to engage in this sector. Their attitude contrasts with those more aggressive Chinese companies which have restructured, by realizing a considerable modernization effort to capitalize after dismantling. Indeed, China has bought more machines and has become the largest market sales of textile machinery. Between 2000 and 2003, Chinese spinners bought half of spinning equipment (long fibers) (IFM, 2004). The Tunisian Textile and clothing companies are mostly SMEs (Small and Medium Enterprises), which, because of their size and their limited means, continue, with few exceptions, to work sometimes with antiquated equipment and technologically archaic. In this respect, the condition of the installed equipment in companies is assessed through the monitoring of the average age of capital which provides information on the degree of modernization of the production and the use of production advanced technique meant to lead to the improvement of the productivity and cost control.

• The workforce qualification:

In some competing countries of Tunisia, the expertise and the qualifications in the textile and clothing sector are much better than those in Tunisia. This is explained by the major interest of these countries to coaching and professional training, which allowed them to have competent staff and a highly skilled workforce and enough appreciated by European investors : while in Tunisia the skilled labor is scarce, mainly because of the relatively low framing rate, especially in terms of qualified technical personnel and managers. Indeed, the weakness of the framing rate is due to the lack of training institutes and the inadequacy of the training content to the needs of the company (IEQ, 2004a). Some profiles requested by the company, are indeed formed in insufficient proportions as compared to the company needs and other profiles are not even planned (product managers, managers, etc.). In terms of manpower abundance, China has a reservoir of workers who are ready to migrate to cities for jobs with low qualification. This enables to explain why China has been able to constantly produce more manufactured goods, without increasing costs. In 1995, China hired 14,710,000 workers in the textile and clothing sector. This number increased to 19 million workers in 2004 (Werner International, 2003). In contrast, the textile and clothing sector in Tunisia has over 2,000 companies employing 210,000 workers. Our country is far behind China in terms of human capital. Neither population growth nor the current numbers of workers in the textile industry can allow Tunisia to counter Chinese competitors.

• Time limits:

Wage differences can be compensated by faster turnaround times, adapted to the short circuit and the acceleration of the fashion. Unlike the mass production that prevailed in the seventies, fashion is diverse; each retail chain seeking to distinguish itself from its competitors and consumption trends, become more and more ephemeral. In this context, the basic products fall under long series and competitive price. Fashion Products give rise to small series with the possibility of reassortment. Similarly, the ability to control short series reduces risk and therefore stocks. Tunisia has the advantage of geographic proximity to Europe. This advantage allowed the country to respond quickly to demand and adapt to the demands of the short circuit. Tunisia has the opportunity to honor a significant a significant quantity of orders with few delays. So, proximity reduces the cost of transport and the cost storage of production. On the other hand, geographical proximity is a relative concept. Indeed, the transportation cost is certainly a function of distance but even more of the frequency and size of orders. It is for these reasons that China is not really affected by geographical distance. China is a mass producing country and offers larger quantities. It can reduce transportation costs.

Conclusion:

The textile and clothing sector is a key sector for both the Tunisian and the Chinese economy. The end of quotas on Chinese textile exports weighs heavily on the economies of Mediterranean countries and specifically Tunisia. The figures clearly confirm that the lifting of quotas and the strong Chinese competition have negatively affected the textile and clothing sector in Tunisia. Indeed, the global trade in Textiles and Clothing (TC) has been a major evolution in 2007. Trade in textile and clothing goods is currently governed by more liberal rules of the World Trade Organization (WTO). This change in the conditions of access to export markets is a major shock. In this regard, we are brought to affirm that the Tunisian exports in Europe suffer from increased competition from Chinese exports. That is why that it must go through a process of restructuring and adjustment which will enhance the competitiveness of the sector. Finally, generally speaking, companies should open their capital and operate mergers by the time the profitability is good in order to have sufficient financial resources and dedicate them to R & D expenditures.

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