



Determinants of Intra-Textile and Clothing Trade: The Case of OECD Countries

K.F. AU and Y.H. Chan
Institute of Textiles and Clothing, The Hong Kong Polytechnic University,
Hung Hom, Kowloon, Hong Kong

ABSTRACT

This paper examines the extents and determinants of intra-industry textile and clothing trade for the OECD countries. Trade overlap is used as the measurement of intra-industry trade (IIT). The general trend of intra-OECD trade and the extents of IIT for textile and clothing trade in year 2000 were examined. Hypotheses relating to 5 country-specific variables tested showed strong significance reflecting the different roles of the factors in the determination of IIT. It was also identified that bilateral IIT in textile and clothing between OECD countries are highly correlated.

Keywords: intra-industry trade, textile and clothing, OECD, country-specific, trade overlap

1. Introduction

International trade has grown rapidly after the World War II. According to WTO trade statistics, trade of manufacture products has grown by more than 100 folds, from US\$ 41 bn in 1955 to US\$4,630 bn in 2000, which also represented 74.9% of the world merchandise trade in 2000.^[1] In the trade of manufactures, a significant proportion of trading between market economies are intra-industry trade (IIT), i.e. the simultaneous exports and imports within the same product category classification^[2]. IIT is of great importance as it is regarded as more beneficial than inter-industry trade or able to stimulate innovation and exploit economies of scale in order to get profits in trade. Moreover, IIT is less disruptive than inter-industry trade in that productive factors remain within the same industry and do not switch from one industry to another. In 1996, IIT constitutes 57% of the US trade

and more than 60% of the trade in Europe^[3].

The Organization for Economic Cooperation and Development (OECD) is an international organization consisting of 24 developed countries and 6 developing countries⁽¹⁾ with an aim to

⁽¹⁾ OECD countries include:

Developed countries - Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States

Developing countries - Czech Republic, Hungary, Mexico, Poland, Slovakia and Turkey

Source: World Bank website (www.worldbank.org); Economies are divided according to 2001 GNI per capita, calculated using the World Bank Atlas method. High income countries (US\$ 9206 or more) are regarded as developed countries