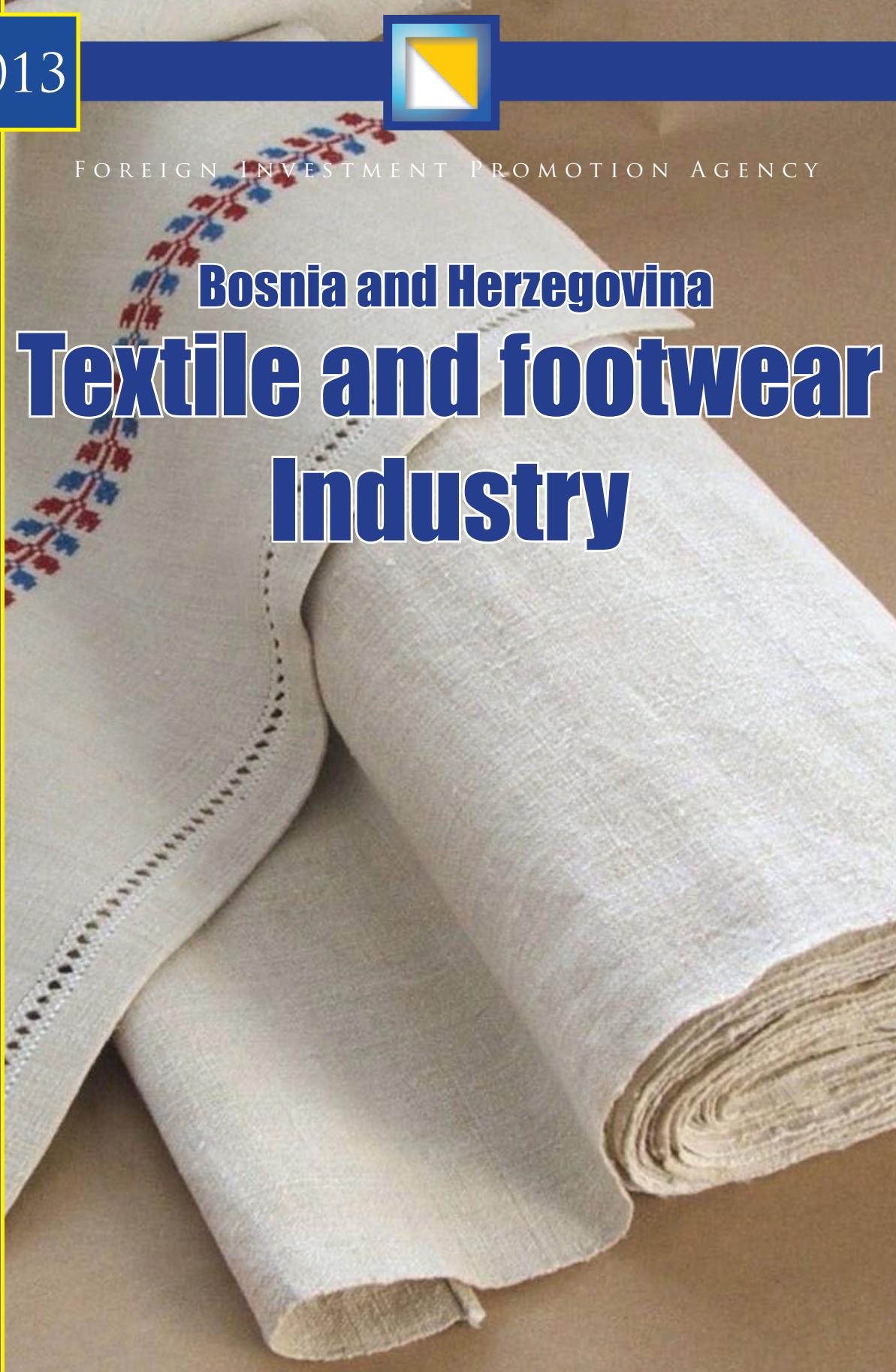


2013



FOREIGN INVESTMENT PROMOTION AGENCY

# **Bosnia and Herzegovina Textile and footwear Industry**





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Sarajevo, 2013

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

# LONG TRADITION AND INTERNATIONAL REPUTATION



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# Textile and footwear industry in Bosnia and Herzegovina

## INVEST IN TEXTILE AND FOOTWEAR INDUSTRY IN B&H

B&H has a long tradition and a good international reputation in textiles, clothing and footwear industry. BiH has achieved progress in modernizing its production units and introducing new technologies aimed at becoming part of the global market. BiH has a number of experienced and skilled workforces with both, academic and practical experience. The proximity of BiH to both Western and Eastern European markets is a major asset. BiH has the potential to attract companies wishing to relocate closer to their main markets, able to provide a short product delivery cycle to European retailers.

B&H textile and clothing industries have inherent skills, and good reputations as former suppliers of textile and footwear based consumer products to the German and Italian markets of the European Union (EU). New partnerships are bringing in new equipment and management know-how, as well as money, to those companies that have already been privatized. Goods that fulfill EU technical standards can be imported from B&H into all EU member state countries. It would be possible to move modern equipment from Western European mills into those located in B&H to raise the quality of output to meet the requirements of customers and consumers alike. The requirement of the textile sector is primary capital to invest in new machinery with increased automation that will improve the consistency of the product.

Textiles, clothing, leather and footwear Industry is a heterogeneous activity that encompasses a variety of products, manufactured products and materials for further production, and includes the following areas:

- textile production, which includes the production of fibers, yarns, weaving, knitting and textile finishing;
- production of garments, includes apparel manufacturing, finishing and dyeing of fur, or the processing of textiles in fashion items, and
- Production of footwear and leather processing and production of leather accessories and footwear.

Textile, leather and footwear is one of the few industries in which B & H continuously increase the volume of production and employment. The growth of industrial production in this area is higher than in the entire BH industry and it has reached 7.5%. The contribution of these industries to overall industrial production of B & H in Year 2012 has reached the 1 percentage point. In passive ion jobs Bosnian manufacturers of clothes and shoes were recognized as the market leaders and have become "the first" of "Western masters in terms of quality, reliability and productivity. Among the famous brands that are made in B & H Companies are, "Adidas", "Nike" Richter ", " Paul Green, "Crocs" in the production of shoes, or "Tiffany" and "Amadeus" in the textile industry. There are many other world famous brands that are made in BiH.



## WHY INVEST IN THE TEXTILE AND FOOTWEAR INDUSTRY IN B&H?

- Long tradition of clothing and footwear production
- A high level of quality products and services
- Good reputation as former supplier to the German and Italian markets
- Eligibility and low labor costs
- Inherent skills in spinning, weaving and knitting in the workforce
- Close proximity to major world textile markets
- Development of SME's
- Significant production capacity territorially well-positioned

### LONG TRADITION

Starts of textile industry, as well as the industrial sector in BiH are connected in 1929 when in Visoko was establish the first vocational school for leather and footwear in the Balkans. Since then BiH has become one of the leading nations in the production of clothing and footwear in Europe.

Bosnia and Herzegovina before the Second World War, among other things, has 198 leather and textile factories. After 1948 in BiH has raised many important plants, textiles, clothing, leather and footwear Industry, mainly in disadvantaged areas. In this way it encouraged faster development of underdeveloped areas and the employment of women workers. In 1980's Bosnian manufacturers and footwear producers used to sell their products to all continents. They used to sell cotton yarn, fabric textile, woven, confection, row and processed leather products.



Today, this sector is much diversified, with a large number of small producers in almost every municipality. With investment in equipment, this business field in Bosnia and Herzegovina provides an extraordinary chance for dynamic development. Textile industry employs about 30.000 workers in Bosnia and Herzegovina. Companies working in this field are ready for cooperation with foreign partners, through joint venture operations.

## WORKFORCE

BiH has a significant number of experienced and competent workforce (with an academic and with a practical experience) and a good reputation as a former supplier of consumer goods based on textiles and footwear primarily in the markets of Germany and Italy. Thus, B&H has the potential to attract companies that want to locate production closer to major markets, which are able to provide fast cycle delivery to European retailers. The textile industry employs about 30,000 workers in Bosnia and Herzegovina (21.500 FB&H and 8.560 in RS). About 9% of the total workforce in the country are working in this industry and almost 5% of active population. A high percentage (75%) of employees are women, which is very important to the overall economy, since the share of women, due to the war, in the total population is over 60%. Wages in this industry are very low. In 2012., The average net salary was approximately 190 euros. In Europe, the average minimum wage is 8.2 euros per hour and eight times the hourly wage textile workers in B&H.

## PRODUCTION CAPACITY

In the BiH textile, leather and footwear industry is dominated by the small private companies while large companies mainly joint stock companies (companies formed the transformation of former state enterprises in joint stock companies). The degree of capacity utilization (estimated) is 83.70%. However, the degree of capacity utilization in small companies is 100%, while in medium and large, about 60%. These data suggest the possibility of increasing production in the textile, leather and footwear BiH. Despite the internal problems as well as a global economic recession over the past years, this economic sector recorded a growth trend of production. Although the production and export



trends in the textile industry BH is positive, long-term sustainability of its development is without doubt to reduce costs and increase investment.



## EXPORT - IMPORT

Sector of the textile, shoe and leather industry in BiH is in the past year made significant exports and 90% of production in this sector is export oriented. One sixth of BiH exports come from products and garments sector, this sector is of great importance for this country in terms of its trade balance and interconnectedness of the world economy. According to data from the Foreign Trade Chamber of Bosnia and Herzegovina in 2012., Exported goods worth over 500 million euros, which represents approximately 13.8% of the total value of exports and 15.9% of exports over the B & H manufacturing.



The explanation for rapid export growth lies in the fact that many state-owned enterprises privatized in and they based their production on the finishing work for foreign partners. Largest trading partner in the textile industry for 2011 were the state of the European Union, transit countries in Eastern Europe and SEE countries. This data illustrates the high level of quality of textile production in BiH.

Leading exporter of textiles from BiH "Borac" Travnik, and it's followed by "Kula" Gradačac, "Kvalitet" Bugojno, "Sana" Kostajnica, "Dibicottone" Kozarska Dubica, "Sportek" Kotor Varoš and "Sanino" Derventa. It should be emphasized that the BiH textiles mainly imported raw material.

## THE MOST PROMISING OPTIONS

The accumulation of capital in the textile, leather and footwear is insufficient for a radical modernization of production and reconstruction of enterprises, and it is necessary to create an internationally competitive products. At the same time, development level of the existing domestic technology, nor the entrepreneurial and innovative capabilities of domestic companies, are not sufficient to create such products. In this situation, foreign investments are almost the only and quickest way that could significantly contribute to the improvement and modernization of the textile, leather and footwear.

Business partners from Italy, Germany, France and Austria has returned to this area for several reasons:

- The tradition of performing these tasks
- Technological equipment production capacity that can still meet the requirements of foreign partners
- The proximity and greater ability to control and surveillance activities by business partners
- Lower transport costs, easier and safer transportation
- Lower labor costs than in neighboring countries

Options for strengthening BiH textile and footwear industry and the profitable investment of capital are in the domains of:

- Introduction of new technologies and creation of conditions that they are effectively used, with the aim of increasing the competitive capacity of the BiH companies at a higher level
- Adjustments for future capacity development with the needs of European customers for higher quality and quick response
- Long-term, the development of strong, recognizable brands
- Design, Development: brands, sales, marketing, training, technical support, as well as ways to improve LOHN and non-LOHN production capacity in order to definitively "won" CEFTA, EU, Eastern European and Arab markets

Jobs we know, we have workers, quality is our pride. The closer the B&H is to Europe, our chances for success are increasing.

## SUCCESS STORIES

Major investments were in new projects (Greenfield):

- "Sportek" Kotor Varoš, investors from Italy
- "Nova Ivančica" Prijedor, investor from Croatian
- "Dević-Tekstil" Teslić, investor "Dević-Tekstil" from Croatian
- "Olip Bosna" Travnik, an investor from Italy

There are significant investments in existing companies, because in this way, the fastest increase in the number of employees, volume of production and productivity. Those investments were in "Sanino" Derventa and "Bema" Banja Luka, investors from Slovenia, "Dubikotton" Kozarska Dubica investor from Italy.



## USEFUL CONTACTS

Ministry of Foreign Trade and Economic Relations of B&H .....[www.mvteo.gov.ba](http://www.mvteo.gov.ba)

Foreign Trade Chamber, Association of the textile, leather,  
footwear and trade show organizers .....[www.komorabih.ba](http://www.komorabih.ba)

UTOK - Association of textile, leather and footwear in B&H .....[www.textile-leather-shoes.com](http://www.textile-leather-shoes.com)

Federal Chamber of Economy, Association of the textile,  
leather and rubber processing industries .....[www.kfbih.com](http://www.kfbih.com)

Chamber of Economy Republic of Srpska, Association of the textile,  
leather and footwear industries .....[www.komorars.ba](http://www.komorars.ba)

Institute for Standardization of Bosnia and Herzegovina .....[www.bas.gov.ba](http://www.bas.gov.ba)

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