

Specification of import of goods from China to EU within the textile industry

Diploma Thesis

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Brno 2016

Acknowledgement

I would like to thank to my diploma supervisor doc. Ing. Lea Kubíčková, Ph.D for her openness, valuable consultations with pragmatic advices, for her very professional and yet very friendly and kind attitude, recommendations of literature and overall management of this thesis.

Also, I would like to thank to my family and my partner for the great support and I must not forget to thank to the respondents of in-depth interviews, without which this thesis would not arise at all.

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Abstract

Cupáková, N. *Specification of the import of goods from China to EU within the textile industry*. Diploma thesis. Mendel University in Brno, 2016.

The aim of this thesis is to identify the aspects of import of goods from China to EU within the textile industry. The emphasis is put on the identification of risks, their assessment and subsequent recommendations how to eliminate these risks. The first partial objective is to assess the motives and opportunities and help to explain why companies nowadays prefer to import textile goods from China in comparison with other countries. The second partial objective is to analyze the situation on the Czech market within the trade with China and to provide an overview of legislative aspects of importing to EU.

Keywords

China, EU, Foreign trade, Import of goods from China, Textile goods, Textile industry.

Abstrakt

Cupáková, N. *Specifikace dovozu zboží z Číny do EU v rámci textilního průmyslu*. Diplomová práce. Mendelova univerzita v Brně, 2016.

Cílem této práce je identifikovat aspekty dovozu zboží z Číny do EU v rámci textilním průmyslu. Důraz je kladen na identifikaci rizik, jejich vyhodnocení a následné doporučení, jak tato rizika eliminovat. Prvním dílčím cílem této diplomové práce je vyzdvihnout motivy a příležitosti a díky nim poskytnout vysvětlení, proč společnosti v současné době upřednostňují dovoz textilního zboží z Číny oproti jiným zemím. Druhým dílčím cílem je analyzovat situaci na českém trhu v rámci obchodu s Čínou a poskytnout přehled legislativních aspektů dovozu textilního zboží do EU.

Klíčová slova

Čína, EU, dovoz zboží z Číny, textilní průmysl, textilní zboží, zahraniční obchod.

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List of abbreviations

CCP – Common Commercial Policy

CZ – Czech Republic

CZSO – Czech Statistical Office

DDA – Doha Development Agenda

EEC – European Economic Community

EU – European Union

FTA – Free Trade Agreement

GATT - General Agreement on Tariffs and Trade

MOQ – Minimum Order Quantity

SITC – Standard International Trade Classification

WTO – World Trade Organization

1 Introduction and objectives

1.1 Introduction

Nowadays, almost all economies are engaged in the foreign trade all over the world. This fact is resulting from globalization and internationalization, the two phenomena which contribute significantly to the development of a global economy.

Since the connection of people around the world is becoming easier and more accessible also in developing countries due to globalization and language barriers are becoming negligible, it is very challenging for people in Europe to trade with Asian countries, especially with China.

There is no need of many information to realize that China is moving the world of trading and is definitely considered as one of the biggest producers in the field of textile goods and one of fastest developing economies. Although, the quality of goods is a famous topic for discussion, the costs of production and cheap labour force are major factors in the interest of traders and companies focusing on textile industry. Therefore, many companies already moved their production to China even at the cost of sometimes very difficult transportation conditions.

Due to the difficult transports and the fact that Chinese people are completely of a different nature and their culture and conventions are divergent from European ones, there may occur many risks connected to the trading. Companies trading with China must be vigilant against the risks and should not underestimate and effectively prevent from them.

This thesis will deal with the companies of different size which are already importing textile goods from China.

1.2 Objectives

The main objective of this thesis is to specify the main aspects of import of goods from China within textile industry, including the analysis and evaluation of significant and key risks occurring from import of goods to EU presented on the example of import of textile goods to the Czech Republic. Afterwards, there will be proposed recommendations which would help to eliminate these risks.

The first partial objective will be the assessment of the advantages and motives that are the drivers of the import of goods from China.

The second partial objective will be the analysis of the Czech market within trade with China including the import measures and trading balances between China and the Czech Republic together with the identification of trends. There will be also put focus on legal environment regarding the trade from China to EU.

2 Methodology

The thesis is subdivided into two main parts. The first part is the literature overview and is focused on the literature related to the topic of the thesis. The second part consists of analysis of risks and suggestions regarding the import of goods from China to EU within the textile industry. In the thesis, there will be used standard scientific methods such as analysis, synthesis, induction, deduction and comparison.

In the literature overview, there will be a compilation of all factors relevant to the topic of the thesis which are connected to the import of goods from China to EU. There is used the comparison method, when comparing the particular theoretical approaches. Specifically, there will be described the definitions of trade and globalization, the development of trade in China and European Union and their relations, customs, risks within the international trade which may occur. The literature overview is elaborated from the available Czech and English printed literature and online sources.

The second part of the thesis will include the analysis of both primary and secondary data. The analysis is the layout of a whole into smaller parts for the purpose of identifying and explaining the essential characteristics of the examined phenomenon. For the analysis of secondary data were achieved data from CZSO. As an appropriate form of the collection of the primary data were conducted in-depth interviews with four different entities acting at the field of EU-China market. This method is one of the most common methods of qualitative researches. It is a more detailed method of gaining information about certain issue because the respondents can express and describe their view more into the detail. This interview is based on asking questions in person and having a proper conversation on examined topic together with the summary of all collected information in the end of the interview to have the compacted output.

The in-depth interview used in this thesis contains 12 structuralized questions leading to obtaining of the exact information and based on these information is then used the induction and deduction method. The induction method is used for the general conclusions and proceeds from the particular findings to general knowledge. The deduction method is the opposite procedure compared with induction method,

therefore when using the deduction method we proceed from the general knowledge to the particular findings.

3 Literature Overview

3.1 Theory of trade

Trade can be defined according to Štěrbová, 2013 as means of exchange, in other words the realized purchase and selling of goods and services. In history until the money was implemented, there was known the barter exchange.

Trade in goods and services is defined as a change in ownership of material resources and services between one economy and another. The indicator comprises sales of goods and services as well as barter transactions or goods exchanged as part of gifts or grants between residents and non-residents. It is measured in million USD and percentage of GDP for net trade and also annual growth for exports and imports.

3.1.1 Theory of foreign trade

The trade is still considered as the major form of international cooperation according to Mulač, Mulačová, 2013. In the world concept, the trade is undoubtedly linked with globalization and internationalization. The cause of the origin of foreign trade is from ancient times and mainly due to the fact that one country disposes of different climate, natural resources, culture, technology and the availability of different availability of labor force can produce better and cheaper goods than some other country. Štěrbová, 2013 understands the foreign trade as a trade of one national economy with its surroundings, that means with one or more national economies or a trade of one state with other states if their borders correspond with economic borders (national economic are in 21st century not regularly identical with the state borders).

Adam Smith is, as describes Schumacher, 2012, the founder of modern economics and one of the first and most famous thinkers who enforced the free trade with the **Theory of Absolute advantage**. According to Jiráňková, 2010 the theory describes that the country should specialize on production of such products which is supposed to produce cheaper than other countries. These products will be exported to countries where their production is more expensive and in opposite, there will be imported products which can a particular country produce for the lowest prices.

The **theory of comparative advantage** from David Ricardo according to Helpman, 1998 has changed the thinking about trade. The emphasis on labour productivity helps to analyze effects of technological progress on patterns of specialization and the distribution of gains from trade. Ricardo explained the theory on example involving the trade of wine and cloth between England and Portugal representing the amounts of labour needed to produce wine and cloth in each country. This model highlights on the fact that the trade is beneficial for all the countries that are involved in the international trade. (Maneschi, 1998)

The Heckscher-Ohlin model of trade was developed by Eli Heckscher and Bertil Olin, sometimes called as Heckscher-Olin-Samuelson model due to the work of Paul Samuelson who developed a mathematical model from the original insights of Eli Heckscher and Bertil Olin. According to Feenstra, 2004 the goal of this model is to predict the pattern of trade in goods between the two countries based on their differences in factor endowments.

All of above described models are considered as **traditional** trade theories that were focused on unlimited free trade and comparative advantage as a way of explaining international patterns of trade. However, there were later developed the new trade theories and it is worth to mention the New Trade Theory of Paul Krugman who won the Nobel Prize for this theory. New trade theory suggests that a critical factor in determining international patterns of trade are the very substantial economies of scale and network effects that can occur in key industries. These economies of scale, and network effects, can be so significant that they outweigh the more traditional theory of comparative advantage. In some industries, two countries may have no discernible differences in opportunity cost at a particular point in time. But, if one country specialises in a particular industry then it may gain economies of scale and other network benefits from its specialisation.

(New Trade Theory, www.economicshelp.org, 2013)

3.2 Globalization vs. Internationalization

3.2.1 Globalization

Globalization is the connection of different parts of the world. Globalization results in the expansion of international cultural, economic, and political activities. As people, ideas, knowledge, and goods move more easily around the globe, the experiences of people around the world become more similar.

Kislingerová, 2005 presents Theodore Levit as the first one who in 1985 used the term globalization for description of the development of the global economy. Globalization is one of most commonly used words and although the clarification of this term can be easy there are many theories defining the globalization. According to Ritzner, 2011 the definition is following: *“Globalization is a transplanetary process or set of processes involving increasing liquidity and the growing multi-directional flows of people, objects, places and information as well as the structure they encounter and create that are barriers to or expedite, those flows.”* Scholte, 2005 understands the globalization as *“The spread of transplanetary and in recent times also more particularly supraterritorial – connection between people. A global relation can link persons situated at any inhabitable point on the earth. Globalization involves reductions of barriers to such transworld social contacts.”*

Pichanič, 2004 then defines globalization as a tighter integration of countries and inhabitants of the world which is caused by great decrease of transportation costs and removing of barriers for the free movement of goods, services, capital, knowledge and people.

3.2.2 Internationalization

Internationalization is the process which is quite communicated in these days and can be easily confused with the globalization. The understanding of internationalization has many different definitions in the literature and for example in 1977, Johanson and Vahlne described the internationalization as a process where companies gradually increase the activity at the international field. Břečková, 2003 then understands the process of internationalization as an engagement of a company to the international transaction by the level and form of participation.

According to Daly, 2007 the internalization can be described as a process of strengthening the international (between particular countries) trade, relations, agreements and cooperation which are considered as the basic unit in the process of internationalization.

Cihelková, 2007 considers the process of internationalization as a crossing of economic activity over national borders and widening the international economic relations connecting particular states.

Kunešová, 2006 then provides that the process of internationalization does not need to be always in accordance with the national interests. Internationalization proceeds during huge economic, technical and cultural differences of countries. Countries have afterwards a protecting attitude by applying various restrictive limitations to imports and lowering the integration to international economic relations.

3.2.3 Globalization of international economy

The international economy has also become more globalized in recent decades. International trade is vital to the economies of most countries around the world.

To increase trade, many countries have created free trade agreements with other countries. Under free trade agreements, countries agree to remove trade barriers. For example, they may stop charging tariffs or taxes on imports.

Economic globalization has allowed many corporations based in the West to move factories and jobs to less economically developed countries, a process called outsourcing. The corporations can pay lower wages, because the standard of living in less developed countries is much lower. Laws protecting the environment and workers' safety are less widespread in developing countries, which also lowers costs for the corporation. Often, this results in lower costs for consumers, too. (Globalization, www.education.nationalgeographic.org, 2016)

3.3 Theoretical models of internationalization

There have been many theories and models invented during the development of the internationalization. There are chosen four of them which are functional in long-term and easily applicable (Jurek, 2012):

- International product life cycle theory
- Uppsala model
- Internationalization network theory
- Theory of strategic behaviour

3.3.1 International product life cycle theory

The international product life cycle theory was developed by Raymond Vernon and links to the theory of comparative advantage firstly illustrated by David Richardo. This theory according Machková, 2006 explains the process of internationalization on an example of a life cycle of a product. During the life cycle of a product there can be identified three stages:

1. The first phase is characterized by the introduction of **a new product** by a company from developed country to developed markets and afterwards to less developed markets. The product has no other competitors at international markets and therefore is very successful.
2. The second phase is devoted to the low cost production of substitutes or very similar products by companies from less developed countries. The company is aware of this competitor and knows that if they want to keep their position at the international market, they cannot export anymore and need to re-allocate the production to countries with lower cost of production. For this phase are characteristic economies of scale and the product becomes **mature**.
3. In the third phase, demand for the product decreases and therefore the prices decreases. Developed countries stop the production of these products and less developed countries import these products to the markets of origin. The product is **standardized** in this phase.

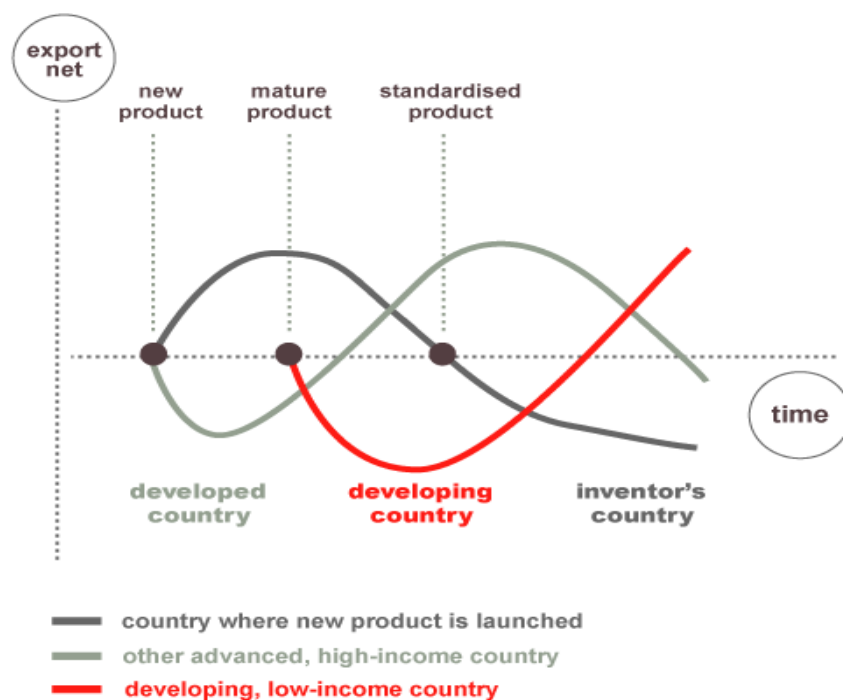


Figure 1: International Product Life-Cycle Theory; Source: www.slideshare.net

This theory of Vernon was confirmed for instance in the textile industry where production is nowadays held mainly in less developed countries with the cheap labour force and developed countries have to again import these goods. However, the theory is not absolutely valid, if the companies would be forced to innovate and introduced only new products into the market, they would always lose the competitiveness with less developed countries. (Machková, 2006)

3.3.2 The Uppsala internationalization model

The Uppsala model was developed in 70s of 20th century on the basis of behavioristic theories where the significant factor for understanding to a functioning of a company is the inner structure. Its main authors are Johanson, Wiedersheim-Paul and Vahlne. Development of international companies' activities is dependent on more knowledge in terms of international business. The model is based on the reality of Swedish production companies in 70s of last century. (Machková, 2006). Johanson and Wiedersheim-Paul, 1975 distinguish between four different modes of entering an international market, where the successive stages represent higher degrees of international involvement:

Stage 1: No regular export activities.

Stage 2: Export via independent representatives (agents).

Stage 3: Establishment of an overseas sales subsidiary.

Stage 4: Overseas production/manufacturing units.

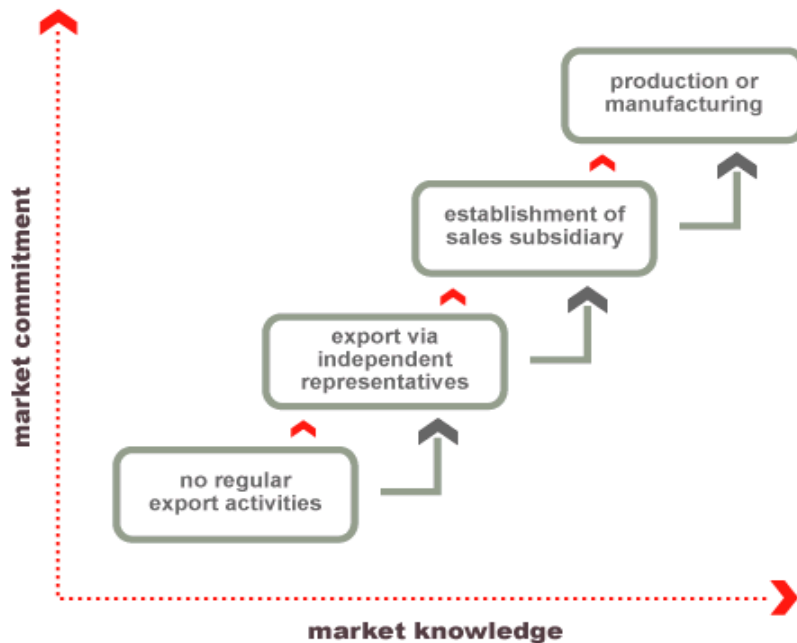


Figure 2: Uppsala internationalization model; Source: www.novoed.com

Machková, 2006 mentions that the level of engagement to international activities is defined by two factors:

- Resources that a company has and is willing to put into the development of international activities;
- the level of involvement in foreign market.

The condition for a successful internationalization is upon knowledge and experience. The better a company knows the target markets, the higher can be the level of intergration. Therefore companies enter foreign markets step by step. At first, they enter the markets which are closely culturally-related – *psychic distance*. Later, they develop several forms of international business.

3.3.3 Internationalization network theory

Theory of network has a direct link to the Uppsala model from the view of learning process and position of a company in the middle of ‘network of companies’. Jurek, 2012 states that according the authors of this theory a company establishes a relationship with other companies in foreign networks by three means:

- i. International enlargement
- ii. Ingrowth
- iii. International integration

The theory also explains that the internationalization depth of network is influenced by the number of partners from foreign countries. The level of internationalization is also dependent on the sector. The narrowly defined branches of business are known for their strong international relations.

The connection to the Uppsala theory is demonstrated in the learning process when companies mutually benefit from the experiences of other companies. According to Johanson a Mattsson, 1988 there is a matrix of four types of companies which exists on the relationship between level of company internationalization and level of internationalization of the sector’s network:

		Level of sector's network internationalization	
		Low	High
Level of company Internationalization	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International among Others

Table 1: Matrix of four types of companies; Source: Jurek, 2012; based on Johanson and Mattsson, 1988

3.3.4 Theory of strategic behavior

Strategic behavior theory first developed Raymond Vernon, empirical proof came later with the research of Knickerbocker and Graham in 1973. Knickerbocker invented the theory of following the leader (follow-the-leader theory), Graham then

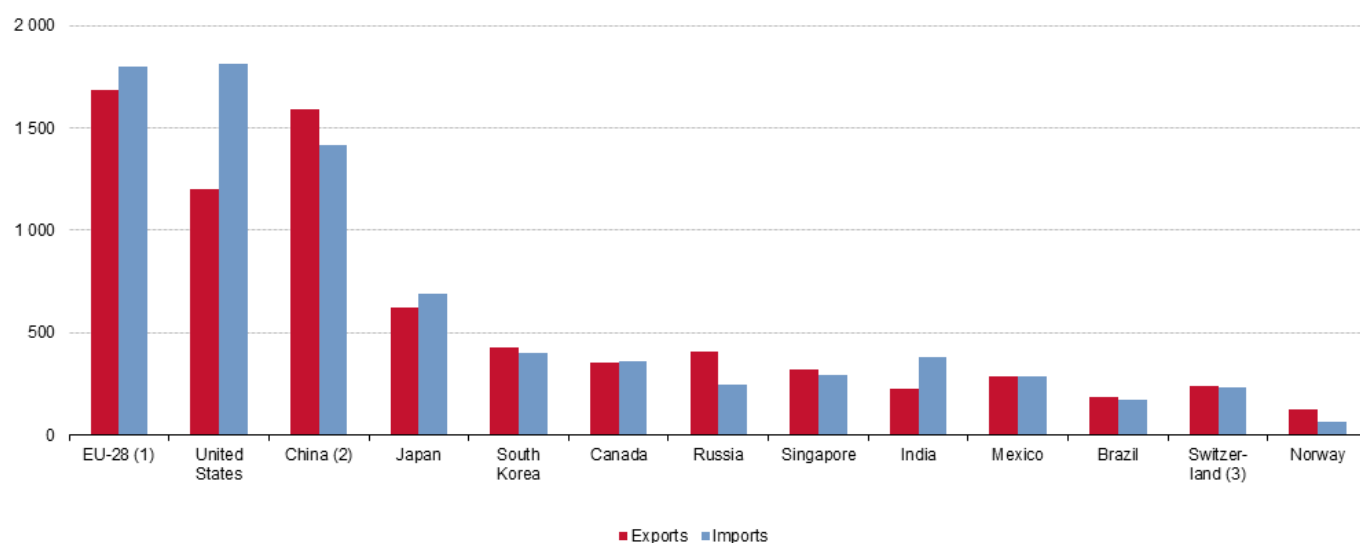
compiled the theory of cross investments (cross investment theory). Correspondence of both theories can be seen in monitoring the behavior of competitors, respectively in defining of mutual relationship. Unlike other theories, the theory of strategic behavior is not solely focused on situation of a company being internationalized but is also interested in the dynamics of the industry and its competitive behavior. It helps to understand the wave of internationalization in certain sectors. Internationalization understands as a return to the competitive equilibrium and its maintenance. (Jurek, 2012)

3.4 Development of trade of EU

Nowadays, EU member countries contribute to the global trade of goods by one sixth. The value of the international trade with goods significantly prevails above the value of the international trade with services due to more difficult conditions of the transport.

The EEC Treaty, signed in Rome in 1957, brings together France, Germany, Italy and the Benelux countries in a community whose aim is to achieve integration via trade with a view to economic expansion. After the Treaty of Maastricht, the EEC became the European Community, reflecting the determination of the Member States to expand the Community's powers to non-economic domains. (EEC Treaty, www.eur-lex.europa.eu, 2016)

The EEC during their origin is obliged to create the common commercial policy (CCP) as one of their main goals. After more than 50 years of the existence of EEC, respectively EU, it is possible to denote the common commercial policy as one on the top levels of the integration within the member states. The trade between member states is realized on one single market and relations with the third countries are delegated to the supranational level, therefore the EU itself has control over these relations. (Obchodní politika, www.euroskop.cz, 2016), (CCP, www.eur-lex.europa.eu, 2016)



(¹) External trade flows with extra EU-28.

(²) Excluding Hong Kong.

(³) Including Liechtenstein.

Source: Eurostat (online data codes: ext_it_introle and ext_it_intercc)

Figure 3: Main players for international trade, 2012; source: www.ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods/cs

From the autumn 2006, the European Commission has the main target to support the competition of EU and therefore, their main scope of work is the modernization of the common commercial policy in form of the strategy called Global Europe.

The document which is the basis explaining this strategy is called *Global Europe: Competing in the World* and includes the higher consistency of external and internal policies, liberalization of trade conditions, revision of the tools for protection of the trade and relations with China. (Global Europe, www.trade.ec.europa.eu, 2006)

3.4.1 The Common commercial policy

The Common commercial policy is the main policy dealing with trade in the frame of European common policies. Although, it is not the only one – The Common Agricultural Policy and policies which control the EU Single Market also influence the trade significantly. The CCP can be added to the group of policies which have the remarkable impact to the sovereignty of EU member countries. Between these policies, there are mutual influences such as in case of the Common Agricultural

Policy and CCP when together they create the basis for liberal negotiations of EU with WTO and regional partners. (CCP, www.eur-lex.europa.eu, 2016)

The CCP encourages the business environment within and outside of EU. The main sense of CCP is the opening of foreign markets for EU companies and increasing the negotiating power in discussions about the trade liberalization. The CCP is built on the principle of unity which is reflected on the unitary process in trade relations with third countries. This process is followed by the single customs tariff, single import and export regime and closing of agreements with all partners on the EU level. The principle of unity also relies on the findings of a single solution of external and internal procedures of EU in the trade areas and then on the applying of the unitary legislation in all member countries. (Společná obchodní politika EU, 2005)

3.4.2 Changes in CCP after Treaty of Lisbon

The Treaty of Lisbon replaces the assignments concerning the common commercial policy to the new 5th part which contains the adjustment of all activities of EU. The common commercial policy is obliged to be executed on the basis and together with the goals of EU such as supporting the democracy, legal state and human laws and also sustainable economic, social and environmental development and also development of natural resources. There are also abolished so called mixed agreements where the ratification of member states is needed, this is under the scope of EU. The significant is the extension of power of EU for the area of foreign direct investments which was originally the part of member states' power.

The European Parliament will have to give their consent to Association Agreements, agreements forming a special institutional framework, having significant impact on the Union budget and agreements in the areas covered by the ordinary legislative procedure. This point interprets the requirement of accordance for all trade agreements. (Changes after Lisabon Treaty, www.euroskop.cz, 2016)

3.4.3 Goals of CCP

The European Union has a unique economic potential and thus a very strong position in the world trade. EU with its all instruments assures an easy access of goods and services from member states to the third countries and opens its market for the foreign trade together with observing the rules and in case of violation of the rules, EU takes actions for the protection of its own interests. Various business meetings with the WTO are a significant sign of the fact that EU plays a key role in the international business relationships. This can be the proof of a great quality and success of the EU commercial policy whose interest is to contribute to the sustainable development of the world trade and progressive removal of restrictions and decreasing of custom duties. The common commercial policy has in the relationship with the third countries a role of a common policy which is obligated for all members of EU. (Společná obchodní politika EU, 2005)

We can identify two main goals of CCP:

1) Various trading system

Various trading system represented by WTO is considered as the key instrument against the threat of bias and the successful process of globalization. EU supports a fast access of all requestors for the membership in WTO as it has the leading role between members of WTO. EU also supports the external transparency and better understanding from the public.

2) Bilateral trading relations

The development of trading relations with particular countries or groups of countries is also a very important aspect in the field of CCP. Lots of these agreements or arrangements mirror the overall economic and trading significance of EU who prevails as the main trading partner of many of those countries. There are two categories of these agreements:

- **Preferential Trade Agreements** – contain better conditions for mutual exchange of goods, easier access to the trading partner's market

and higher self-openness, usually offered to countries with common historical linkages.

- European Agreements – Agreements on customs unions, Free Trade Agreements (FTAs)
- Association Agreements
- Unilateral Trade Preference
- Generalized System of Preferences (GSP)
 - Least Developed Countries (LDCs)
- Regional Trade Agreements

(Společná obchodní politika EU, 2005),

(Trade relations with third countries, www.euroskop.cz, 2016)

- **Non-preferential agreements** – Non-preferential origin of goods addresses the question of which country the goods originate, according to non-preferential rules of origin. These are currently being autonomous (one-sided) issues relevant countries, ie. not based on any contract or agreement, but are set by national regulations. Based on non-preferential origin of goods can not be when importing into the EU applied any preferential tariff arrangements. (Nepreferenční původ zboží, www.celnisprava.cz, 2016)

3.4.4 Instruments of common commercial policy

In terms of instruments used, the common commercial policy can be divided to the autonomous and the contractual policy. The autonomous commercial policy covers all measures concerning the import and export of goods, which applies beyond the EU contract obligations towards third countries, and is therefore used autonomously. This includes joint export and import regulations, safeguard measures, unfair trade practices, quantitative restrictions and foreign trade bans politically motivated. The contractual commercial policy includes all contractual arrangements between EU and third countries on imports and exports of goods. Such arrangements may relate to individual countries or groups or regions and can also have a global dimension as in case of WTO. (Instruments of CCP, www.euroskop.cz, 2016)

Autonomously used instruments:

- The Common Customs Tarrifs
- Quotas
- Voluntary export restrictions
- Defensive and offensive trading tools
 - Anti-dumping measures
 - Safeguard measures
 - Trade barriers regulations
- Embargo, boycott, specific arrangements for certain products such as weapons (Společná obchodní politika EU, www.mpo.cz, 2005)

3.5 Trade relations between EU and China

In 2003, People's republic of China has become the second biggest business partner of EU. EU already from the half of nineties remarkably boosted Chinese economic and trading reforms and was also the strong supporter regarding the entry to WTO. In 2004, there was initiated the 5-year program of cooperation between EU and China. The main priority of this program was to integrate China into the world trading system and also help China in the matter of fulfilling commitments and obligations to WTO. (Position paper on EU-China trade relations, www.fta-intl.org, 2015)

Over the years, trade between China and EU has become very intensive and the imports from China are the highest in EU with profit of 1 billion EUR per day. China is nowadays the biggest importer of industrial equipment, textile and housing accessories. In near future, China will probably become the number one economic partner of EU. (Position paper on EU-China trade relations, www.fta-intl.org, 2015), (China, www.ec.europa.eu, 2016)

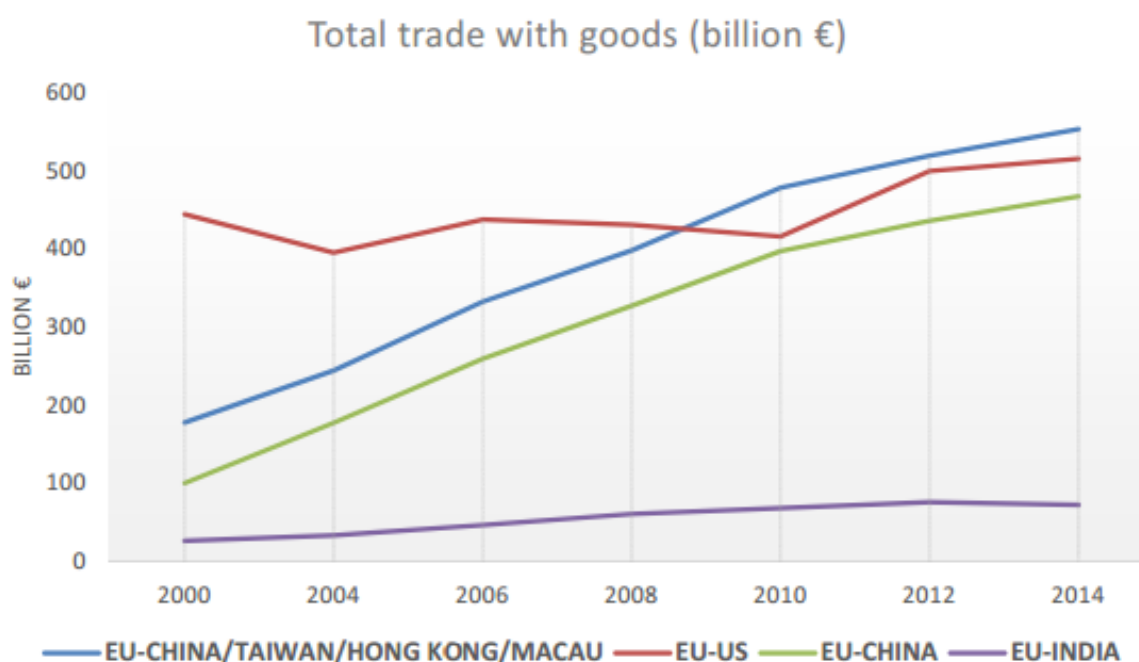


Figure 4: The increasing relevance of EU-China trade in comparison with other economic powers;
Source: www.fta-intl.org, European Commission 2015

China was the one most profiting from the Generalized system of preference with the 30% share on all preferential imports to EU until 1st January, 2015, when the GSP benefits have been removed as a result of their World Bank classification in the past three years. Since it is not foreseen that the EU will negotiate a Free Trade Agreement with China anytime soon, this means no Chinese products will benefit from tariff preferences when imported into the EU in the future. (EU GSP, www.lexology.com, 2014)

There are three main areas where EU encourages the trade with China – the observance of commitments to WTO, to maintain the fulfilling of commitments and economic and trading reforms through the cooperation with EU on certain expert's reports, develop further cooperation with China. Although there has been done an impressive progress on China's side, there is still a lot to deal with and an additional improvement expected. The improvement is demanded concerning the transparency which has been criticized for not publishing the relevant trade-related measures neither translations of them made available in one or more WTO languages as well as concerning the industrial policies and non-tariff measure which can be considered as

discrimination to foreign companies. (EU statement on China, www.trade.ec.europa.eu, 2014)

The launch of the negotiations on a bilateral investment agreement is an important forward-looking initiative that aims to promote bilateral investment by providing transparency, legal certainty, and market access to investors from both sides. The Council authorised the Commission to initiate negotiations for a comprehensive EU-China investment agreement on 18 October 2013. The mandate to launch negotiations on a new Partnership and Cooperation Agreement with China was approved by the Council in December 2005. Negotiations of a comprehensive EU-China investment agreement were formally launched at the EU-China Summit of 21 November 2013 in Beijing. The aim of this agreement is to remove market access barriers to investment and provide a high level of protection to investors and investments in EU and China markets. It will replace the 26 existing Bilateral Investment Treaties between 27 individual EU Member States and China by one single comprehensive investment Agreement. So far, 9 rounds of negotiations have taken place. During that round the EU and China negotiators reached clear conclusions on an ambitious and comprehensive scope for the EU-China investment agreement. The agreed in particular to pursue the conclusion of an agreement that will improve market access opportunities for European and Chinese investors by establishing a genuine right to invest and by guaranteeing that the Parties will not discriminate against. (China-investment, www.trade.ec.europa.eu, 2016), (Position paper on EU-China trade relations, www.fta-intl.org, 2015)

3.6 Cooperation of EU with WTO

3.6.1 WTO

World Trade Organization (WTO) is the intergovernmental organization which was established in 1994 and officially started to validate on 1st of January, 1995 in Geneva. It is the only international body dealing with the the rules of the international trade. WTO makes the rules for opening of the international trade between the states and also supervises if the rules are being obeyed. There are

currently 162 countries (the number is still growing) who are members of WTO (in 1994 signed 123 countries), also all member states of EU are included (mainly worth of EU). It was established on the basis of the Marrakesh Agreement and replaced the GATT (1948).

The main aim of WTO is the support of the international trade on the basis of given rules, independent negotiation of disputes between governments and organizations of business meetings. The core principle of functioning of WTO are the agreements which were arranged within so called Uruguay Round creating the law basis of rules of the international trade. These are the multilateral agreements dealing with particular segments of the international trade together with the trade with services and intellectual property rights. This is considered as the added value WTO disposes of because before the origin of WTO, GATT dealt only with the agreements with goods. (WTO, www.mzp.cz, 2015)

Statistics shows that there is a clear connection between the free and fair trade and economic growth. In this spirit, establishment of WTO provided more integrated and therefore dynamic system of the international trade due to the assurance that member countries will continue to discharge the trade barriers which means the sustainable support of the free trade. Fact is that two thirds of their members are developing countries who are using the trade for supporting of their economies. (EU and WTO, www.europarl.europa.eu, 2016)

WTO follows 5 main principles – non-discrimination, ongoing liberalization, transparency, support of competitiveness and development principle. Another main part is the Trade Policy Reviews Mechanism (TPRM) which contributes to effective complying with the commitments of multilateral agreements. From the beginning of WTO, EU is the most significant user of this mechanism 178 complaints that have been discussed. Every member state can also protect their rights applying to the Dispute Settlement Body (DSB). (WTO, www.euroskop.cz, 2016)

The Doha Round is the latest round of trade negotiations among members of WTO from 2001. Its aim is to achieve the major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. The work programme covers about 20 areas of trade. The Round is also known semi-officially as the Doha Development Agenda (DDA) as a fundamental objective is to

improve the trading prospects of developing countries. (Doha Round, www.wto.org, 2016)

The main aim is to make the development as the core of the world trade. It should enable to developing countries to profit more from the profits of the international trade and help them to fight successfully with the poverty. DDA is covering three major pillars:

1. Trade facilitation – precautions to easier trade and against dumping
2. Agriculture – access to the market for agricultural products, NAMA (non-agricultural market access)
3. Development

However, negotiations are still not closed. Concerning the significant issues, there are major differences between developing countries and developed countries as EU and USA and negotiations are delayed due to the lack of readiness of some WTO members to reform their agricultural policies. In regard of the progress of the Doha Round, members of WTO decided to focus on less controversial issues which could mean at least the fulfilling of developing goals within the DDA. During the years 2013 - 2015, there have been noticed two important improvements in form of the first multilateral legal tool and Trade Facilitation Agreement which is a positive step forward. (Doha Round, www.europarl.europa.eu, 2016)

3.6.2 Development of relations between EU and WTO

The EU was originally itself considered as a solution or way to remove the customs barriers and the trade support among its member countries. The united market of EU was partly inspired by GATT. The legal basis of the EU and WTO cooperation is created by the Agreement establishing the WTO signed in Marrakesh, 1994. In the frame of Lisbon Treaty, there were implemented two major changes influencing the relationship of WTO and EU. The first one is the proper legislation procedure for all instruments of the common commercial policy. The second one is that all commercial agreements underlie the decision of the European Parliament (EP) and therefore EP will be informed about the process of negotiations with WTO.

For all EU member countries, with WTO deals the European Commission who closely cooperates with the Council of EU, member countries and particular segments and services of EU of the Common Commercial Policy. The European Commission is also responsible for resolution of complaints on the ground of WTO. (EU and WTO, www.europarl.europa.eu, 2016)

The goals of EU within the negotiation with WTO are therefore following:

- Liberalization of trade in goods and services and investments, which will lead to the growth of trade and increasing economic prosperity
- Defending EU interests, particularly in certain sectors of industry, agriculture, public services and culture
- Creating a legal framework for this liberalization in the form of regulations to protect the environment and employment and ensuring an equitable share for LDCs (WTO, www.euroskop.cz, 2016)

The Common Commercial Policy is one of the areas where EU has the overall power. Basically, if EU negotiates with WTO, EU acts in the frame of such negotiations as a single subject and is represented by the European Commission, not member states.

EU also through WTO supports the multilateral framework for trade negotiations which should complement or completely replace the bilateral negotiations. The deadlock in the current round of negotiations and the fact that other trading partners have resorted to bilateral agreements, forced the EU to partially reconsider its long-term strategy and return back to the regional and bilateral negotiations. (WTO, www.euroskop.cz, 2016)

3.7 Customs

The custom is one of the oldest financial instruments and originally it had the fiscal function but with the spread of the international trade it achieved also other functions. We talk about the protective function when together with the assessment of the custom the price of the product rises and becomes less competitive at the

national market. The customs precautions have positive effects mainly in the situation when temporarily protecting some areas of national production before the foreign competitors and gaining them some more time to adjust. Except of the protective function, customs also perform the regulation tool of commodity and territorial structure of the import. At last, there can be mentioned the ecological function when a state applies customs to raw products or finished products which have when using or their manufacturing a negative impact on the environment. (Machková, Černošlávková, Sato, 2010)

3.7.1 TARIC

The Custom tariff – TARIC is the publication including the legislation of EU and is non-regularly proclaimed in form of binding (no. 2658/87) by EEC (the European Economic Community) in accordance with the needs and interests of EU. It is the basic instrument of the realization of the custom codex. The custom tariff represents the whole system based on combined nomenclature (combination of numerical designation of goods and customs tariff measure) which contents 10 000 of items and serves for the observance of foreign trade statistics of EU and trade between EU members. (TARIC, www.businessinfo.cz, 2010)

TARIC contains mainly contractual customs tariffs, therefore the tariffs used when trading with the signatories of GATT if they do not have signed any other agreement of preferenced customs tariffs. These contractual tariffs are applied in trade relations eg. with USA, Canada, Japan or Australia. (Machková, Černošlávková, Sato, 2010)

3.7.2 Customs Union

The Customs Union is one of biggest successes of EU and provides a big advantage for the international trade. EU member countries have no customs obligations and in the relationship with the third countries, there are implemented the same customs tariffs for all. The Custom Union is one of levels of integration process.

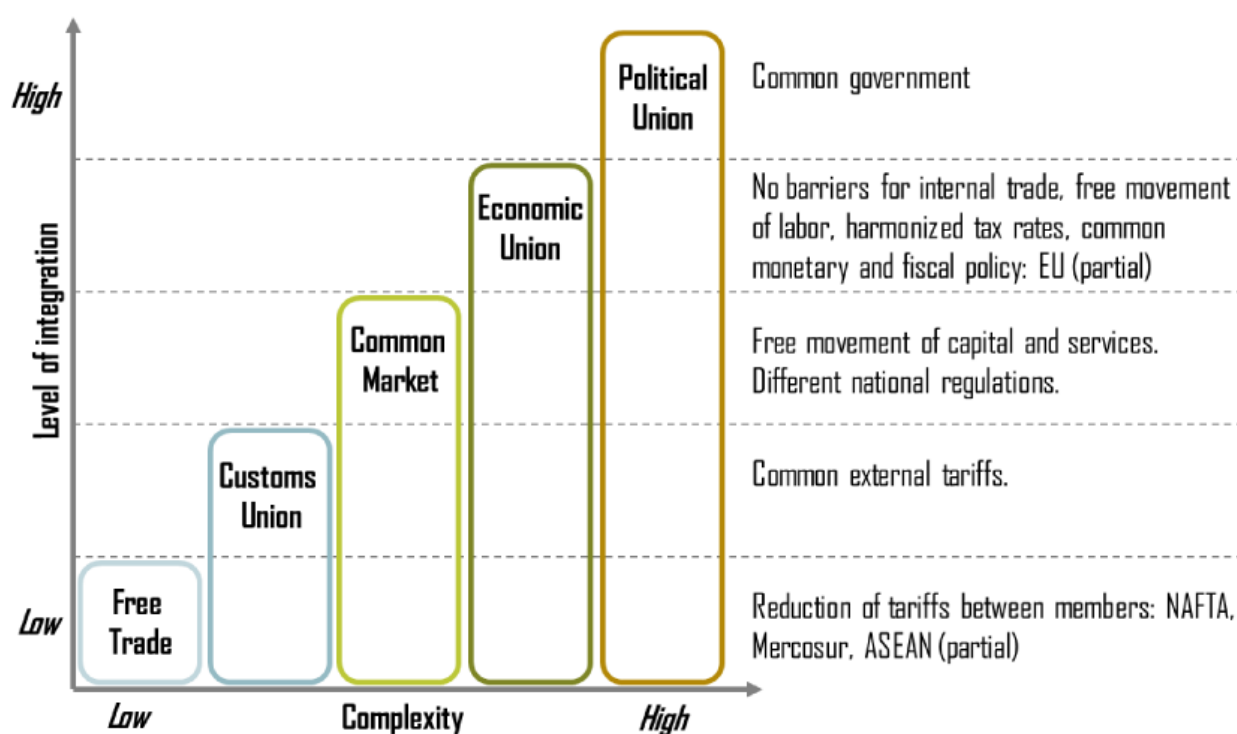


Figure 5: Figure 5: Levels of Economic Integration; Source: <https://people.hofstra.edu/geotrans/eng/ch5en/conc5en/economicintegration.html>

The lowest one is the Free Trade and higher is the Common Market (see Figure 5). There is a wide list of rules for member countries which apply to import and export and there are disestablished the controls among member countries. The Custom Union takes control over the internal trade of EU and enables the free movement of goods and services. In the frame of this internal market, countries can sell their goods and services and invest into each other member state which would not be ever possible without the EU custom union. (Politiky EU: Cla, www.europa.eu, 2014)

The customs are despite of the fact that it is not applied in such measure as it was before the origin of the customs union considered as quite significant incomes to the EU budget. But because most of the business of the EU takes place among them and also because international trade customs tariffs are being gradually reduced the revenue from customs duties represents in the EU budget downward item. (Politiky EU: Cla, www.europa.eu, 2014).

In 2004, the Agreement between the European Union and the Government of the People's Republic of China on cooperation and mutual administrative assistance

in customs matters was signed in The Hague. This agreement provides for a framework for customs cooperation and mutual administrative assistance between the EU and China and establishes the EU-China Joint Customs Cooperation Committee (JCCC), which oversees the proper functioning of the agreement.

The agreement provides for an effective communication and cooperation mechanism between the customs authorities in the EU and China. It allows them to assist one another to ensure the proper application of customs legislation and to prevent, investigate and combat any breaches. The main field of cooperation between EU and China is derived from the Action Plan concerning EU-China customs cooperation on IPR 2014 – 2017. (EU-China customs cooperation, www.ec.europa.eu, 2016)

3.8 Risks in the international trade

The word risk comes from the 17th century from Italian language and originally it was connected to the shipping – the word risks referred to barriers the shipmen had to pass. Later it was communicated as facing to unpleasant circumstances and it is not so long ago, when there was added the possibility of certain loss. Nowadays, theories talk about risks in connection with fear of occurring of damage, loss or failure in case of business. (Smejkal, Rais, 2013)

There are many risks occurring on the business field, some of them are of a wide scope, others are specific for the particular area. When taking a risk it may have a negative and also a positive impact. Such risks are called **speculative risk**. When the risk has only a negative impact then we talk about the **pure risks**.

The international trade brings the specific risks resulting from e.g. development of exchange rate, from economical and political changes in the international markets etc. There are also risks which become bigger with the geographical distance. These can be **shipping** or **commercial risks**.

The international economic relations can bear the positive impact due to the wider opportunities for selling of products on many different markets, the seller is not so dependent on the national market. The lower demand on one market does not need to mean lower profit of the seller, he just puts more focus on another

market. This has a positive influence on the stability of business. With the economic development through last decades there has been changed the fundamental of the international trade. These changes bring higher respect to the risks mainly when setting the strategic goals. New attitude to risks achieved the attribute Risk Management. Concerning the new concept of Risk management, it is focused on the active approach to risks, especially on considering the risk in all strategic decisions of business subjects.

The significant information about the most severe risks is provided by the World Economic Forum in their year book. Their aim is to contribute to the improvement of Global Governance by increasing the consciousness of risks' existence. The overview of all basic global risks introduces a specific instrument for all actors of decision-making process on the commercial and also governmental and organizational level. The knowledge of risks can be the crucial information when forming the strategies and policies forecasting the risks and their impact.

Risks of international economic relations represent a various group. Risk divisions or terminology in this aspect are not stabilized. Generally, for risk division are used different criteria, such as measurability, affect of the result, causes of origin, area of decision-making, etc.

According to the origin, we can assess the **pricing, consumption, inflation, commercial and political risks**. According to the process in which the risks manifest themselves, it would be possible to share the risk on the trade, transport, credit, investment and more. Often, risk is allocated to an entity such as the possibility of a potential "failure."

Among the different kinds of risks there are close linkages and connections. Some types of risk are complementary and come together. Risks must be therefore evaluated comprehensively and respect their coherence. (Machková, Černošlávková, Sato, 2010)

The major types of risks, which companies experience in implementing international trade are following:

- Market risks;
- commercial risk;
- transportation risks;
- territorial risks;
- foreign exchange risk;
- the risk of liability and other types of risk. (Machková, Černošlávková, Sato, 2010)

4 Import of goods from China to EU within textile industry

Based on previously written methodological procedure and knowledge which was obtained by the study of literature, this part will focus on the import of textile goods from China to EU, more specifically to the Czech Republic. In the first part will be outlined the textile industry in the Czech Republic, its definition, the relations between CZ and China, CZ and EU and the situation on the market based on data from CZSO.

Afterwards, there will be described the results of in-depth interviews which were performed by the author to get more details about chosen textile selling entities. Based on responses of respondents, there will be identified motives, opportunities and risks of the import of textile goods to the Czech Republic. Focus will be kept also on the significant obstacles of trading with China and what are the legislative restrictions which may facilitate or perhaps worsen the process of importing goods. Last part will be devoted to discussion, recommendations that would eliminate problematic factors and conclusion.

4.1 Textile industry

Before 2nd World War, the textile industry belonged to the top class branch of the Czech economy. After the war and during socialist age, smaller textile enterprises were binded together into big production complexes. After 1989, when the loss of eastern markets occurred it was not possible anymore to have control over these big production plants, therefore there were many of them closed and re-established to the small production plants. Nowadays, the textile industry faces to the strong competitors from Asia.

The oldest textile enterprise in the Czech Republic was the Offermann factory for skirts in Brno which was established in 90s of 18th century by the reconstruction from the manufacture. (Zpracovatelský průmysl ČR, www.hajduch.net, 2010)

4.2 Textile goods

The textile goods chosen to examine is according to the classification CZ-NACE. Classification CZ-NACE was established in 2007 in accordance with the Regulation of the European Parliament and of the Council no. 1893/2006 the 20th December, 2006 which gave base to the statistical classification of economic activities NACE. The usage of NACE is mandatory for all Member States of the EU. (www.czso.cz, 2015)

Textile goods falls under the categorization C – Manufacturing industry, no. 14 – Textile industry. This division includes all tailoring in all materials for all the different clothing and accessories. Division 14 also includes the fur industry. (www.nace.cz, 2016)

For the analysis of trade between the Czech Republic and China, there was used the classification according to the Standard International Trade Classification on the level of SITC 2 – Division. SITC is a classification of goods used to classify the exports and imports of a country to enable comparing different countries and years. The classification system is maintained by the United Nations. The SITC classification, is currently at revision four, which was promulgated in 2006. (www.wikipedia.com, 2015).

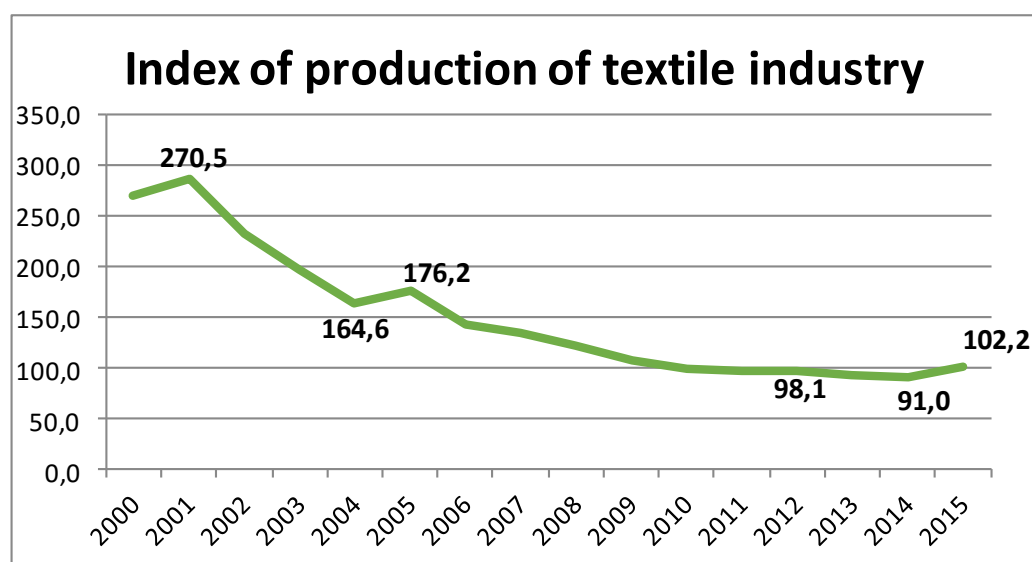
The analyzed data are within the group 84 – Articles of apparel and clothing accessories on the level SITC 2.

4.3 Current situation

The Czech textile industry in earlier times considered as a ‚national silver‘ is not having good times ahead. Consumers prefer imported goods before national products. Therefore, many companies which were profiting from the excessive and stable sale on the home market did not survive. There are only some small companies with specific goods which have their customers and can nowadays profit on the home market.

Performance of the textile industry (measured by the level of production in stable prices, see Graph 1) in the Czech market is decreasing in the long-term, although in the year 2015 there was captured an upturn. In the yearly comparison, the production is continually decreasing for already 9 years, the last year when the

value was higher than previous year was in 2005 and it was most probably due to the entry of Czech Republic to EU which led to the significant but only percussive increase in export. The production of textile industry decreased during 15 years about more than 2 thirds.

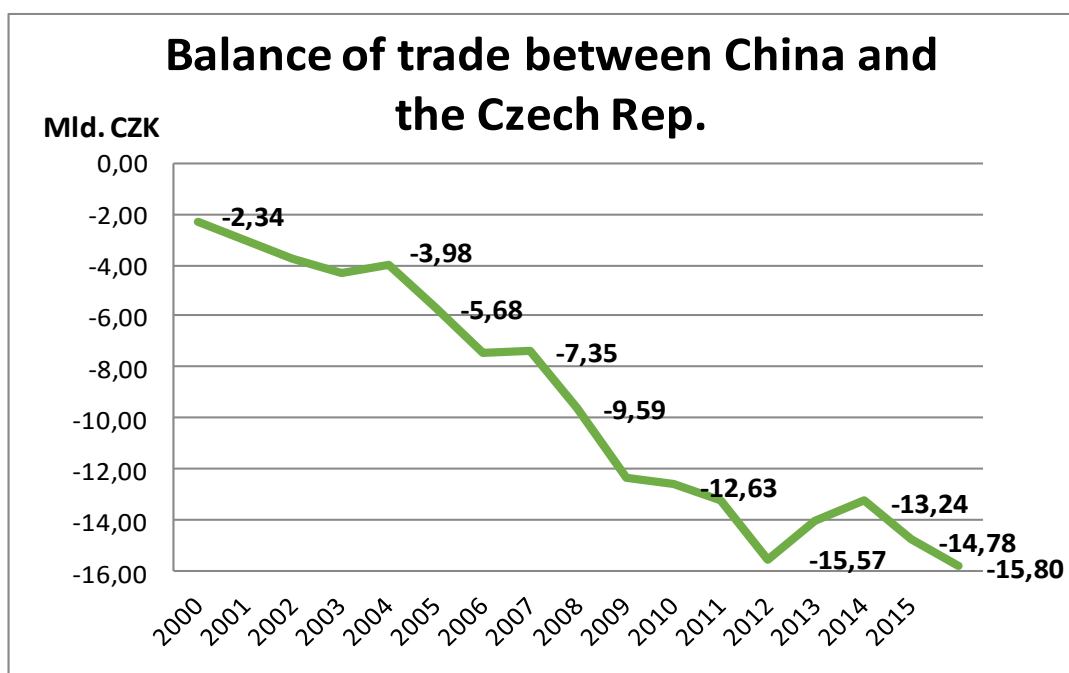


Graph 1: Index of production of textile industry in stable prices; Source: CZSO; own work

However, based on data from CZSO, year 2015 was a bright moment because there was finally noticed the production growth about 10,7 % after 10 years. This growth can be explained by the development in certain specialized segments of textile industry such as working or sports clothes. (Vývoj ekonomiky ČR, www.czso.cz, 2015)

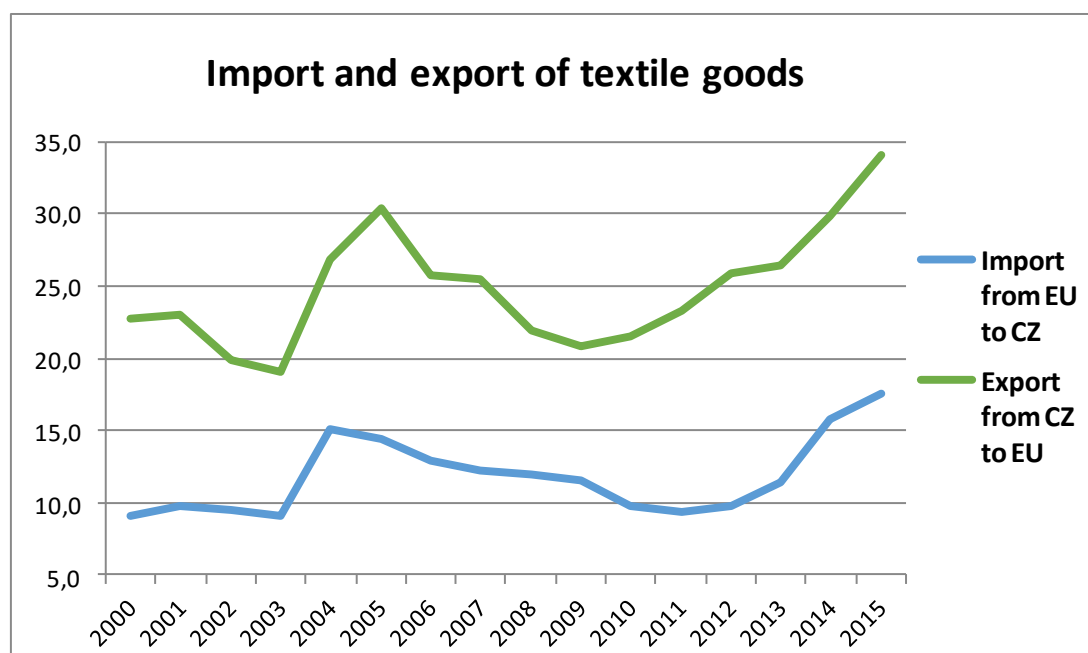
4.4 Development of foreign trade in the Czech Republic

Foreign trade with textile goods has a very low share on the total foreign trade in the Czech Republic – only 1,5% share in import of goods. Still, its influence on foreign trade is significant mainly in position of the resulting balance. From year 2004, foreign trade generates the deficits with these textile goods (see Graph 2), the dominance of imports over exports in last 7 years crossed the border of 10 mld. CZK. In 2015, the deficit has grown to the value of 15,8 mld. CZK. (Analýza, www.czso.cz, 2015)



Graph 2: Balance of Trade between China and the Czech Republic; source: CZSO; own work

And the trend is still deepening. From the entry of the Czech Republic to EU which was understood by Czech entrepreneurs as joining to the developed economies, the turnover of Czech foreign trade was significantly increased in relation to EU (see Graph 3). Also textile industry was positively affected. Between years 2003 and 2004,



Graph 3: Import and export of textile goods; source: CZSO; own work

the import of textile goods was increased about 65% from other EU countries and increase of export was closely behind with 41 % and next year another 13% of growth. This could be explained by creating of positions of Czech producers on new markets and the degree of mistrust from the side of foreign consumers.

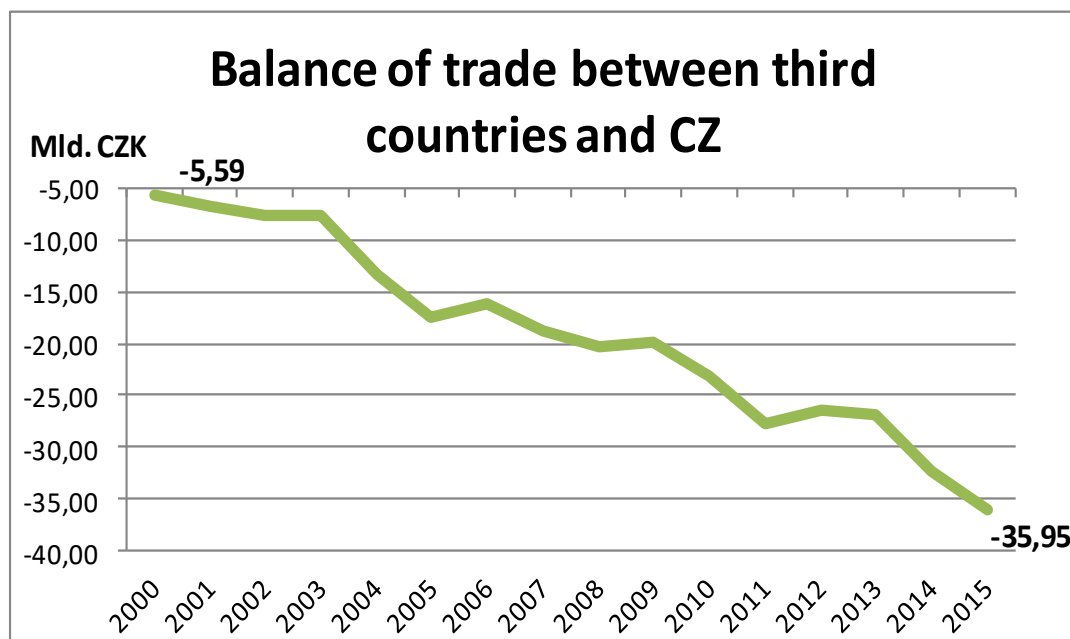
But it did not last for a long time. The effect of cheaper imports from third countries can be observed here. In 2015, results from the year 2005 were again achieved after 10 years.

Still, the strength of imports from third countries is immense (see Graph 4). Whilst there was in 2003 imported to Czech the goods in value of 9,0 Mld. CZK, in the year 2015 its value exceeded 38 Mld. CZK. (Analýza, www.czso.cz, 2015)



Graph 4: Import and export of textile goods between third countries and CZ; Source: CZSO; own work

Obviously it is very hard for our producers to compete with the producers from third countries as we can see in the Graph 5 that in the year 2005, the deficit was little more than 5 Mld. CZK, but in the year 2015 the deficit grew almost to 36 Mld. CZK.



Graph 5: Balance of trade between third countries and CZ; source: CZSO; own work

The products of textile industry from foreign markets continually displaced the domestic producers. There are two main reasons of this phenomenon:

At first, domestic textile industry was not able to compete with the goods available from the world markets in terms of variety. Second, the goods imported to the Czech Republic were cheaper than goods made in the Czech Republic. The decision-making of domestic consumers was very clear and understandable. (Analýza, www.czso.cz, 2015)

4.5 Development of trade in China

China has a significant role in the field of the international trade. The economy of People's Republic of China performs the high growth for a relatively long period of time after a successful beginning from low-cost productions to innovations and high-tech products.

Through years, foreign trade has become one of China's most dynamic and fastest-growing sectors, placing China among the world's largest trade countries. China's foreign trade development has strengthened the nation's ties with the rest of the world, effectively pushed forward the country's modernization and promoted world prosperity and progress. China entered WTO in 2001. During the past decade, China has quickened its integration into the global economy while its foreign trade has been further invigorated. On the 10th anniversary of China's accession to the WTO, the Chinese government issues this White Paper to give a comprehensive introduction to China's foreign trade development. To the economic and politic significancy corresponds also the wide number of relationships with other countries on different levels. For example, with the EU the first relationship was tied up in 1975, three years after that was signed the first Trade Agreement. (China, www.euroskop.cz, 2015)

4.6 China as the main trader

China is undoubtedly the biggest importer of textile goods to the Czech Republic, the second place is currently held by Bangladesh (see Figure 6). It is not very

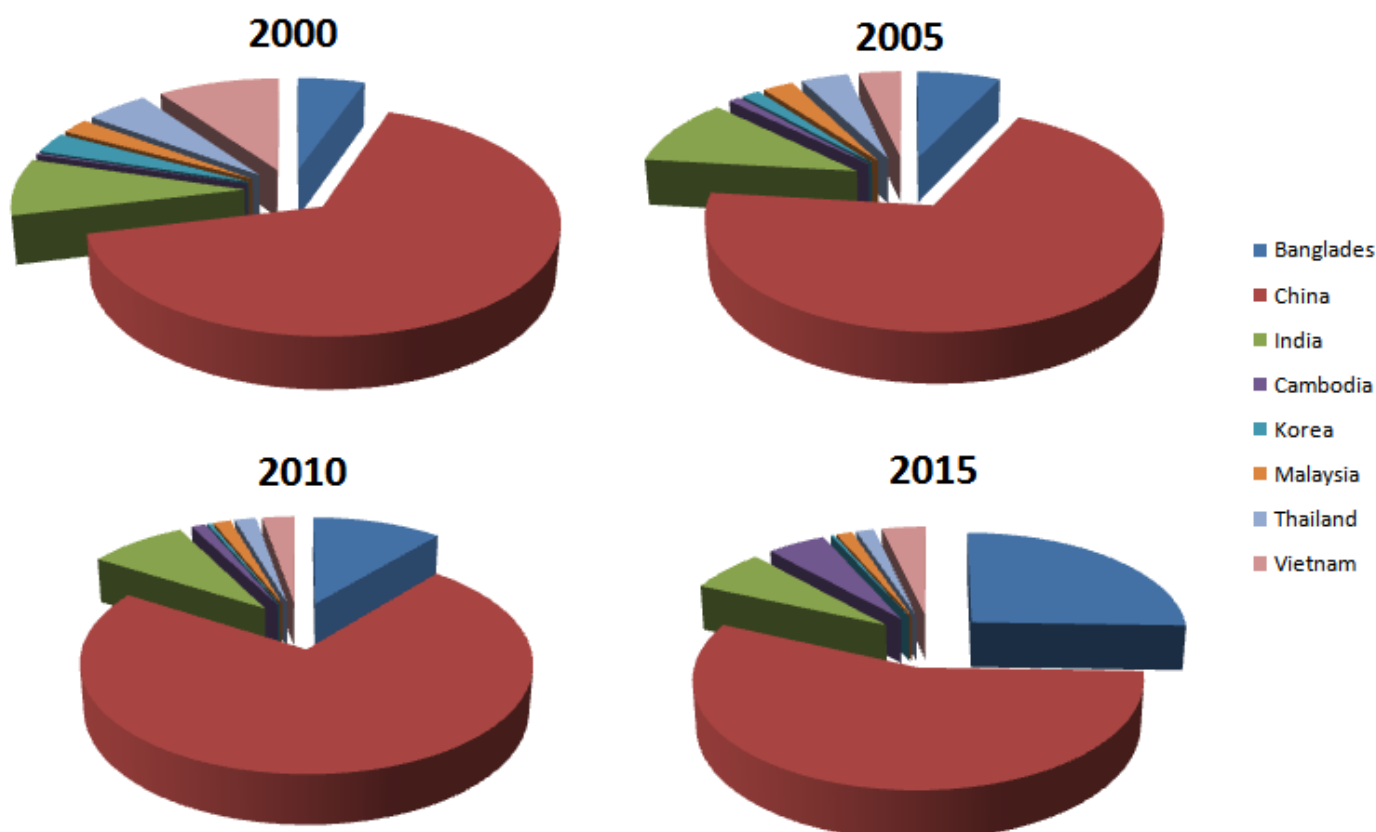


Figure 6: Development of trade amongst the Czech Republic and chosen Asian countries; source: CZSO; own work

surprising that these two countries are leading importers. Both are characterized by the low wages, low costs of production, availability of natural resources and low responsibility to environment resulting in almost no restrictions in production. This is the main reason why multinational companies move their production plants to these countries and thus maximize their profits.

In the Figure 6, we can observe that the textile goods from China were partly replaced by textile goods from Bangladesh. The explanation is in continuous and long-term increase of the living standard in China, therefore there are higher demands for wages and quality of working environment. Some of supranational companies already moved their productions to another less developer countries such as Bangladesh.

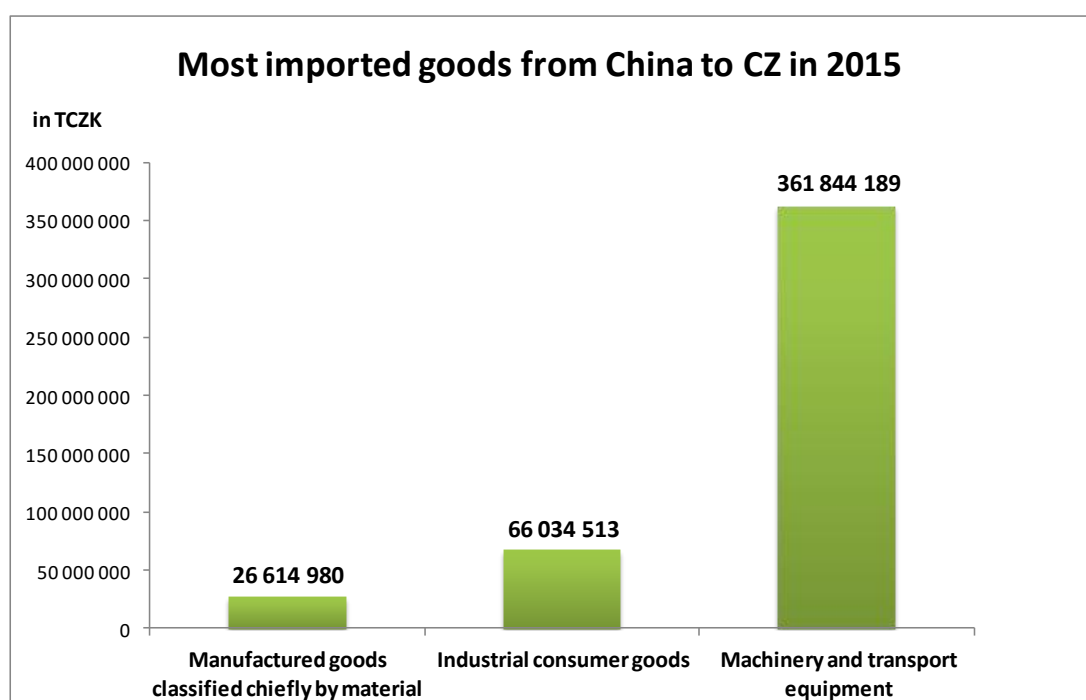
Dominance of China as the main trader of textile goods was weakened despite of the long-term and significant increase of imports from China (see picture). The peak was achieved in 2015 (see Graph 6) when was imported to the Czech Republic textile goods in value of 15,8 Mld. CZK. It was the highest value since the year 2011 when was imported goods in value of 15,6 Mld. CZK. (Analýza, www.czso.cz, 2015)



Graph 6: Import of textile goods from China to CZ (in mld. CZK); Source: CZSO; own work

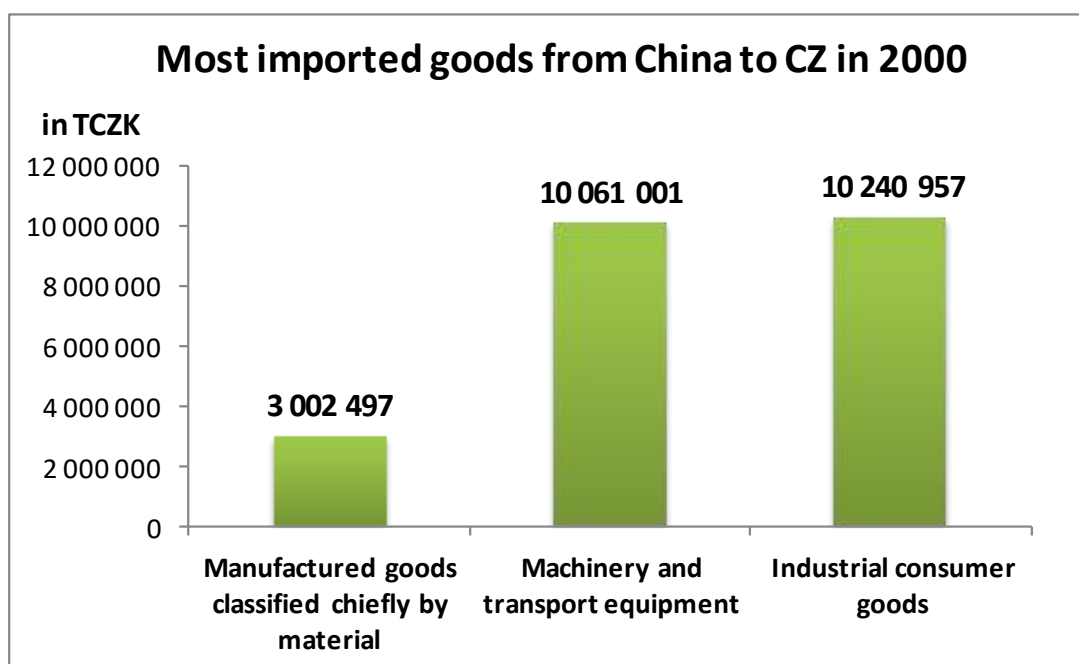
4.7 Commodity structure differences

The commodity structure of imported goods from China is based on classification SITC 1. There were chosen 3 most imported categories of goods of total 9 categories within SITC 1 in the year 2015 (see Graph 7). The examined goods fall under the category of industrial consumer goods with the second highest share of import into the Czech Republic.



Graph 7: Commodity structure of imports from China to CZ in 2015, Source: CZSO; own work

Compared to the imports of goods from the year 2000 (see Graph 8), we can observe the remarkable increase of imported goods in all three categories which remain over the years same only the order has switched from in 2000 leading Industrial consumer goods to Machinery and transport equipment with huge lead in 2015.



Graph 8: Commodity structure of imports from China to CZ in 2000; Source: CZSO; own work

5 Primary data processing

For the purpose of meeting objectives of this thesis, there was chosen the qualitative method of research, concretely the in-depth interview. This method of qualitative research and and and the results of applying this method will be described in detail in the following chapter.

5.1 In-depth interview

This method is one of the most common methods of qualitative researches. Boyce and Neale, 2006 describe in their guide the In-depth interviewing as a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation. Part of it is asking the participants, staff, and others associated with a program about their experiences and expectations related to the program, the thoughts they have concerning program operations, processes, and outcomes, and about any changes they perceive in themselves as a result of their involvement in the program.

The qualitative research in form of interviews had 4 stages. First, the author selected several companies acting at the field of textile industry which operate in the Czech Republic. The author addressed companies with known brands not only from the Czech Republic among which some already have the production in China and followingly focused on smaller companies or entrepreneurs who trade these goods and often buy these goods from brokers. The second stage was the providing of further information to the respondents who answered positively and were willing to participate in the research. The third stage was the interview itself where the author first introduced the topic, then asked all the questions from the questionnaire and led a side discussion about each question and in the end of the interview made a resume of all answers.

The interview conducted for the purpose of this thesis included 12 questions and can be considered as structured. Each interviewee was asked the same set of opened questions but had also space to discuss topics or issues more or less related to the questions. There were identified 4 respondents who somehow participate at the

field of the textile industry. The full basis for the interview is available for the insight in the annex of this thesis.

5.1.1 Characteristics of respondents

There were approached several enterprises acting at the field of the textile industry but final number of interviewees is 4 most probably also due to the topic of this thesis itself because it can be a thorny issue for many companies because of not very great popularity of goods from China amongst consumers. Respondents answered the questions under the assurance that their names will not be revealed. Therefore, respondents will be characterized by *Respondent 1-4*.

Respondent 1 is a woman on the position of the trade manager working in an international company with the seat in Germany and having many sister brunches all over the world – one in the Czech Republic. This company is on the Czech market from 1991 and has over 1600 employees.

Respondent 2 is a man on the position of Product Manager in originally Czech company with 208 employees which was established in 1994 and is the leader on the market in its field of production producing clothes and accessories. This company also found its place on international markets and has several sister brunches all over the world. Also, this company repeatedly figured in the top ranking of Most Admired Companies of the Czech Republic.

Respondent 3 is a woman on the position of Foreign Production Manager from the Czech company with 77 employees established in 1998 by Czech business man. This company produces clothes and accessories of a premium quality and acts on 8 European markets.

Respondent 4 is a man, the owner of a small company with 4 employees from the Czech Republic acting on Czech market for 5 years.

5.2 Results from interviews

Results from the interviews were recorded in written form and shall be depicted in accord with consecutive questions in form of mind maps.

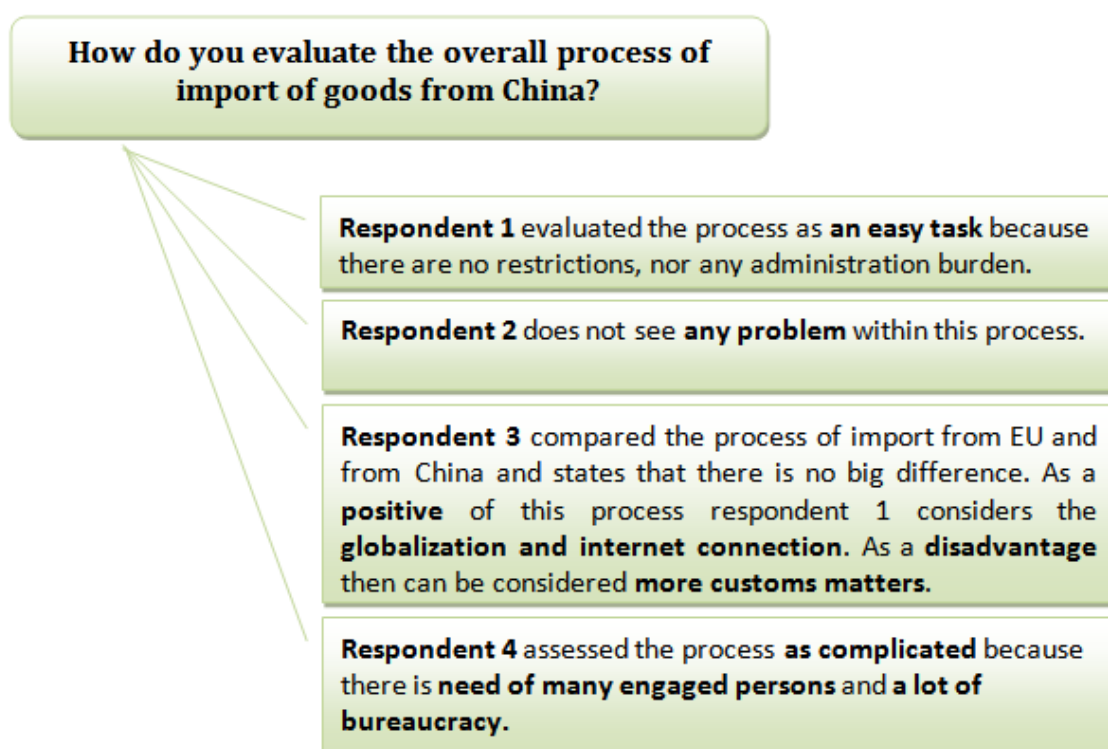


Figure 7: Question 1; Source: author's findings

Basically, in the Figure 7 we can observe two different attitudes to the overall process of import of goods from China. For bigger companies, it is easier to go through all necessities to begin trading with China. A small entrepreneur as a person who has to go through all steps by himself is more weight-bearing the responsibilities. Respondent 3 mentioned the globalization and internet in her answer. These two phenomenons indeed signify a great advantage of today's world and create countless possibilities for all actors of the international trade.

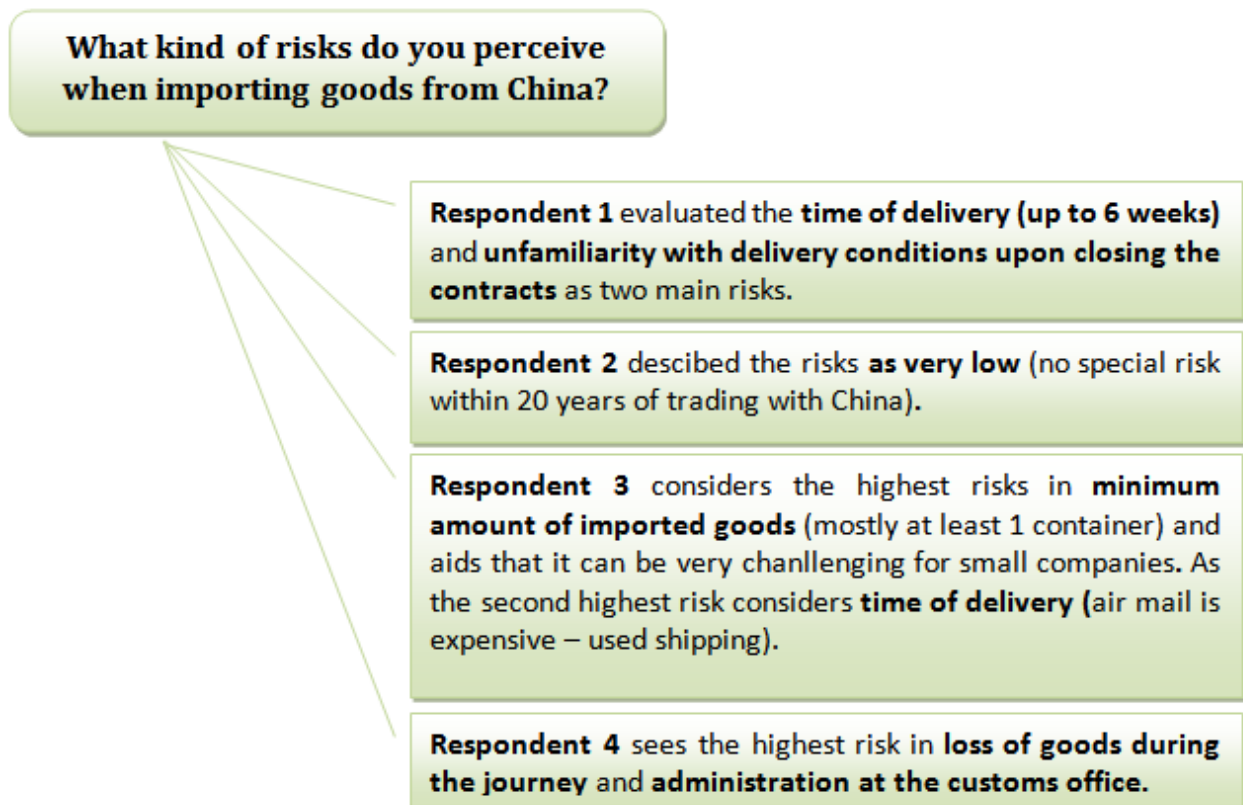


Figure 8: Question 2; Source: author's findings

Here we can see that Respondent 1 and Respondent 3 mentioned the same risk – time of delivery (see Figure 8). This risk occurs because of high prices of air mail compared to shipping. Companies then prefer the shipping to lower the costs and thereby expose themselves to the risk of loss of goods (the risk is usually bigger with the shipping – easier access to goods for robbers etc.). It is important to mention that the perception of risks is subjective as we can perceive within the response of Respondent 2 who did not identify any significant risks.

Please, evaluate given risks according to the possibility of occurrence in percentage and intensity of risks on the scale from 0 - 2 (possible decimal numbers):

Failure to comply with the term of delivery	R1
High transport costs (increasing prices)	R2
Low quality goods (quality deterioration)	R3
Increasing commodity prices due to expensive labor force	R4
Changes in legal regulations in China	R5
Changes in legal regulations in the EU	R6
Changes in preferences of local customers	R7
Supply of defective goods / material	R8
Damage during transport	R9
Emergence of foreign exchange losses	R10
Bankruptcy of suppliers	R11
Unreliability of suppliers	R12
Language barrier - worse understanding	R13
Different mentality	R14
Emergence of substitutes for the product	R15

Table 2: Question 3; List of risks provided by author

In the table, there are 15 risks which were picked up by the author for evaluation. There was observed the possibility of occurrence (in percents) and intensity of risks which had to be evaluated from 0 – 2. The evaluation of risks is based upon subjective perception of every respondent. The overall risk valuation will be depicted in the risk matrix of each respondent.

Risk matrix is a method of evaluation of risks based on **subjective rating of risks** by respondents where can be easily identified the **key risks** (right upper quadrant), **significant risks** (risks depicted on the border of the right upper quadrant and in its closeness) and **less significant risks** (with higher presumption of occurrence in the right bottom quadrant, with higher intensity of the impact in the left upper quadrant) in the left bottom quadrant.

In the risk matrix of Respondent 1 (see Figure 9), there is identified **one key risk** which is **the failure to comply with the term of delivery**. As the significant risks are considered **the supply of defective goods/material, emergence of foreign exchange losses and damage during transport**.

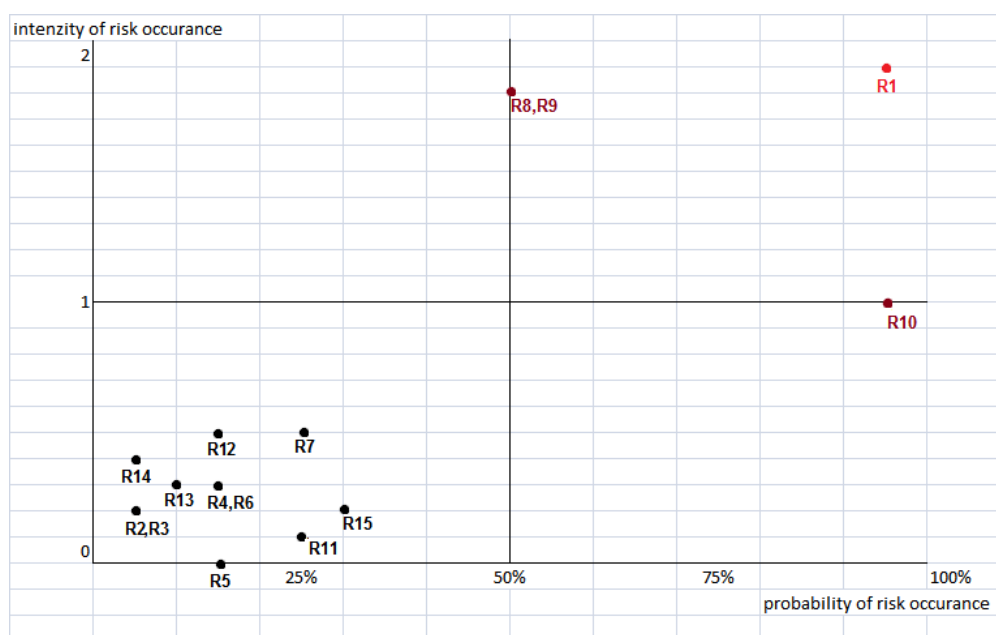


Figure 9: Risk matrix of respondent 1; Source: Author's findings

The risk matrix of Respondent 2 (see Figure 10) shows two **key risks** and no other significant risks. As the key risks were evaluated **failure to comply with the term of delivery** and **emergence of foreign exchange losses**. All other risks were assessed as with low intensity and low presumption of occurrence.

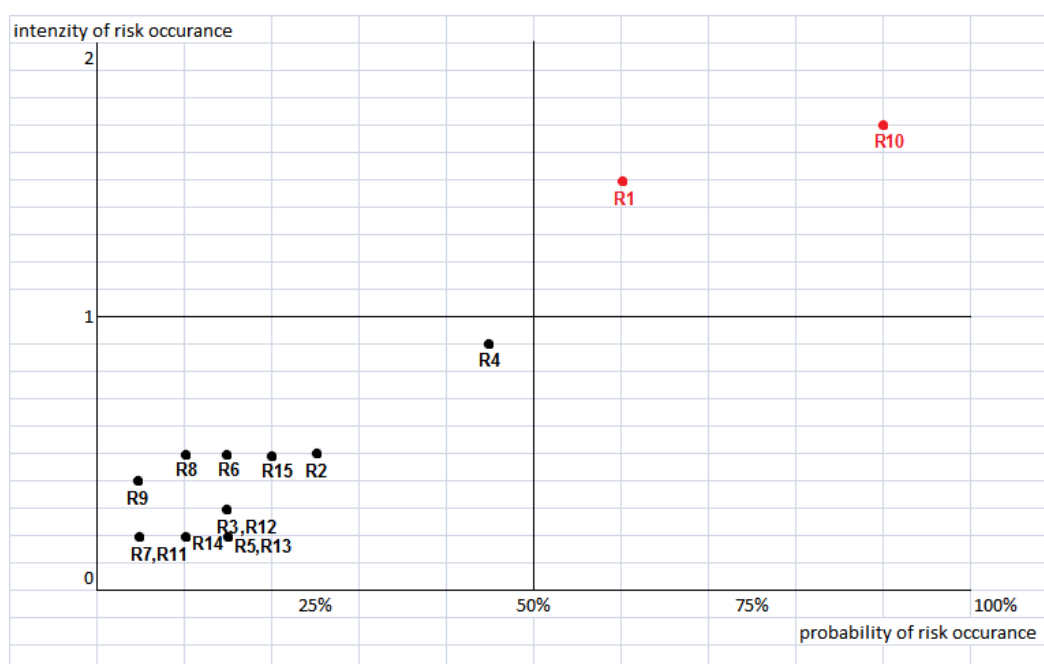


Figure 10: Risk matrix of respondent 2; Source: Author's findings

Respondent 3 regarding the risk matrix (see Figure 11) has evaluated **5 key risks** which are **high transport costs (increasing prices), increasing commodity prices due to expensive labor force, supply of defective goods/material, damage during transport and emergence of foreign exchange losses**. for this company, there are also 3 significant risk which are the **failure to comply with the term of delivery, low quality goods (quality deterioration) and different mentality**.

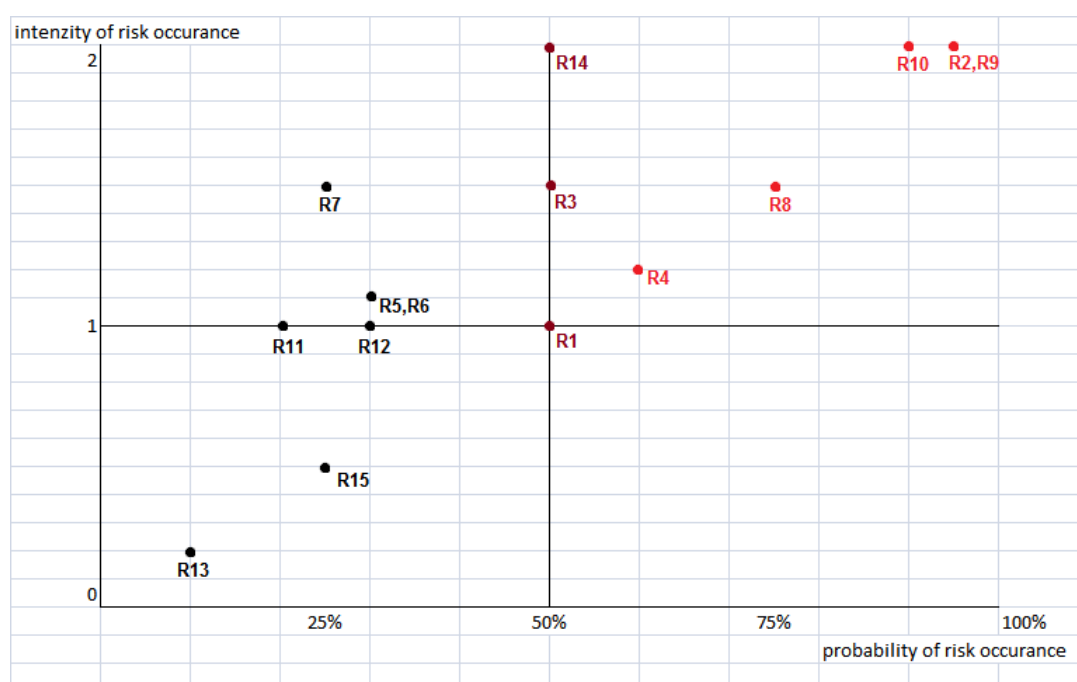


Figure 11: Risk matrix of respondent 3; Source: Author's findings

In the risk matrix of Respondent 4 (see Figure 12), there can be identified **one key risk** for this company and that is **the emergence of foreign exchanges losses**. This risk has the highest evaluation and therefore we can suggest that can it jeopardize the business at most. The significant risks are then **changes in legal regulations in the EU, bankruptcy of suppliers, supply of defective goods/material, unreliability of suppliers, emergence of substitutes for the product**.

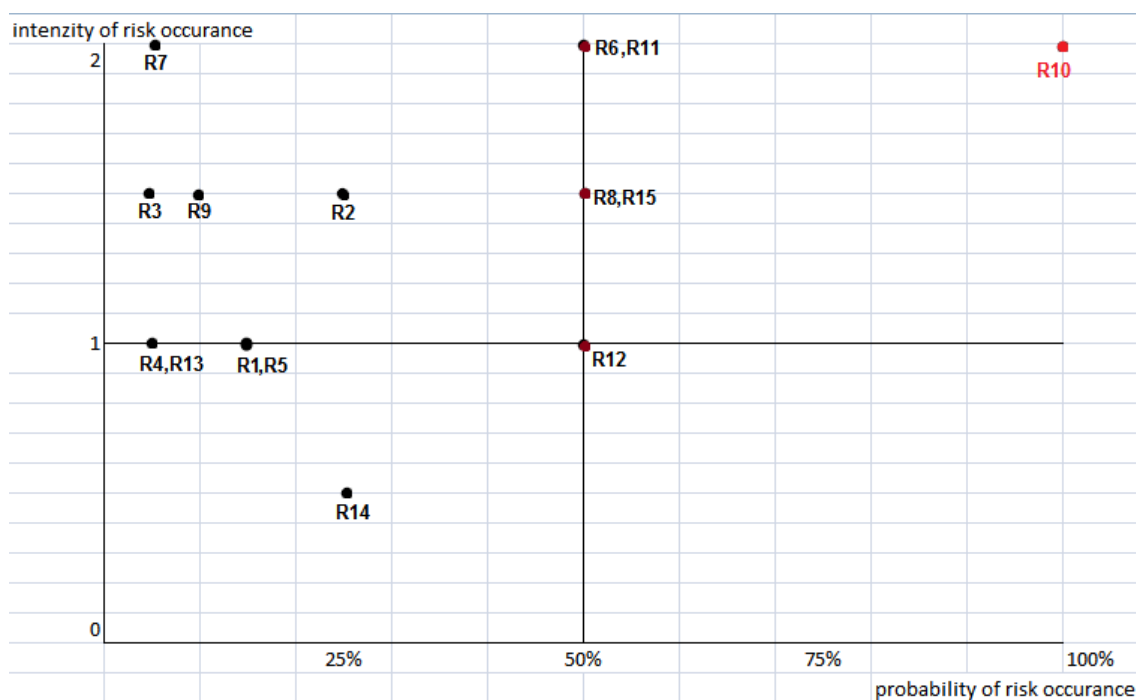


Figure 12: Risk matrix of respondent 4; Source: Author's findings

From the answers is obvious and not surprising that the main advantage of trade with China is low price of goods (see Figure 13). The advantage of price also

What are the advantages and opportunities of the import of goods from China? Please, evaluate them on scale from 1 - 5 (5 - best).

Respondent 1 evaluated **price on scale** with 5 points, then **variability for choosing of the supplier** with 3 points and **bigger volume of production** also with 3 points.

Respondent 2 evaluated the **compact production on one place** as the biggest advantages with 5 points, then low prices and reliability both with 4 points.

Respondent 3 evaluated **low prices** and **low cost labour force** both with 5 points and **availability of goods** with 3 points.

Respondent 4 stated only **price** as an advantage with 5 points.

Figure 13: Question 4; Source: author's findings

achieved 5 points from 3 respondents of 4. Closely with price is connected cheap labour force. It is only a matter of time if this advantage will prevail or the differences with European market will slowly diminish but sure is that this process will take a lot of time and until then, China will retain the role of the main trader.

Other advantage mentioned by Respondent 1, bigger volume of production goes hand-in-hand with the availability of goods. China is the biggest producer in Asia and the reason is the ability to offer wide variety of goods within an acceptable period of time.

The variability of choosing of supplier can be evaluated as an opportunity. This is also closely connected to the China's position as the biggest producer. The variability is very important factor for companies who are looking for suppliers in other countries and one of the strong points in decision-making process of choosing a country for trading.

What are the main motives of cooperation with Chinese suppliers from China? Please, mention 3 if possible:

Respondent 1 identified as 3 main motives the **cheap labour force, bigger capacity of production and bigger choice between suppliers.**

Respondent 2 stated that the motives are **the same as advantages and opportunities.**

Respondent 3 evaluated only **price** as the main motive.

Respondent 4 also identified **price as the only motive.**

Figure 14: Question 5; Source: author's findings

Motives of trading with China are in almost all cases compared to advantages and opportunities (see Figure 14). The price is one strong motive – the driver of the decision-making process.

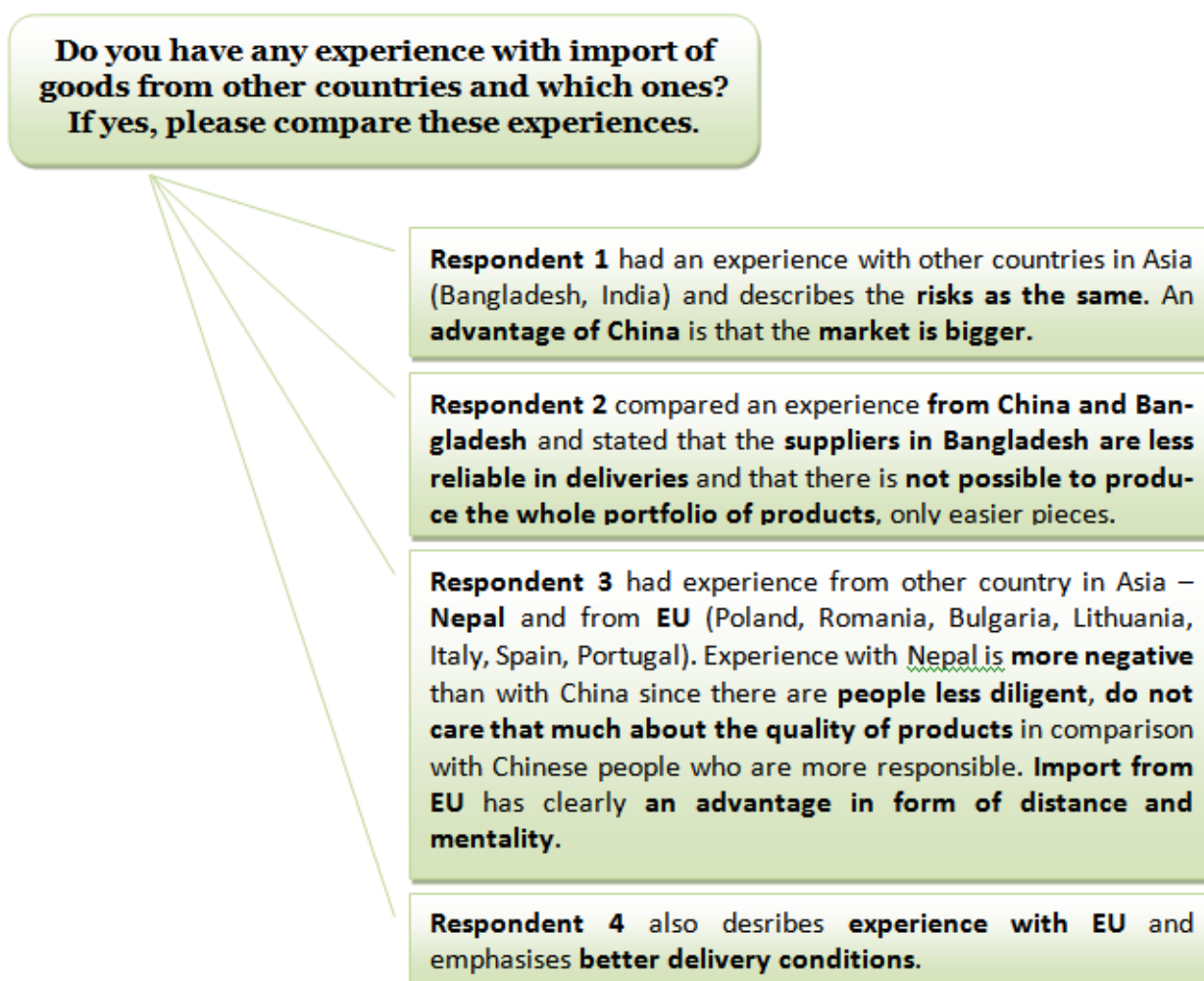


Figure 15: Question 6; Source: author's findings

Generally, Asian countries are known for their low cost production and cheap labour force. Therefore, it is not surprising that respondents mentioned countries such as Bangladesh or Nepal (see Figure 15). When comparing China with Bangladesh, two respondents having experiences with both prefer China from Bangladesh mainly due to more negative experiences, worse quality of goods and less responsibility from the producers. On the contrary they highlight China for its bigger market and possibility of greater production of goods.

Interesting is that two of the respondents would apparently prefer trading within EU due to better delivery conditions, closer mentality of people in Europe and benefits from shorter distance. Regardless, they are forced to trade with China because they are not able to find in Europe such producers that would propose the same prices as in China.

How do you and your customers perceive the quality of imported goods?

Respondent 1 stated that **to maintain the quality** of goods there is very important to have a good **quality control** and then **the quality meets expectations**.

Respondent 2 answered that the quality of goods from China is **sufficient** for the market of Middle and Eastern Europe.

Respondent 3 replied that the **quality is good when there is a proper quality control**, pressure for lower prices can worsen the quality. Then happens that customers complain about the quality, with higher prices of products the expectations for good quality are higher.

Respondent 4 confirmed that the **quality control is required in order to keep the standard**. Also stated that a person must be cautious because there often occurs low quality goods in an order.

Figure 16: Question 7; Source: author's findings

Quality of goods is a very controversial topic of these days. It is widely discussed if the quality is generally good and often we can observe different opinions on the quality of goods from China. The key factor as almost all respondents agreed is the quality control (see Figure 16). It is not important if the company is small or big, this is the process that has to be involved in trading of goods from China in order to keep the quality and not to lose customers.



Figure 17: Question 8; Source: author's findings

Referring to the question on experiences, also here we can observe (see Figure 17) the advantage of Asian countries in cheap labour force and wide range of products. As main competitors are identified mainly other Asian countries – India, Vietnam, Cambodia, Thailand and others. Only Respondent 4 introduced EU as the competitor of China, other respondents do not share the same opinion.

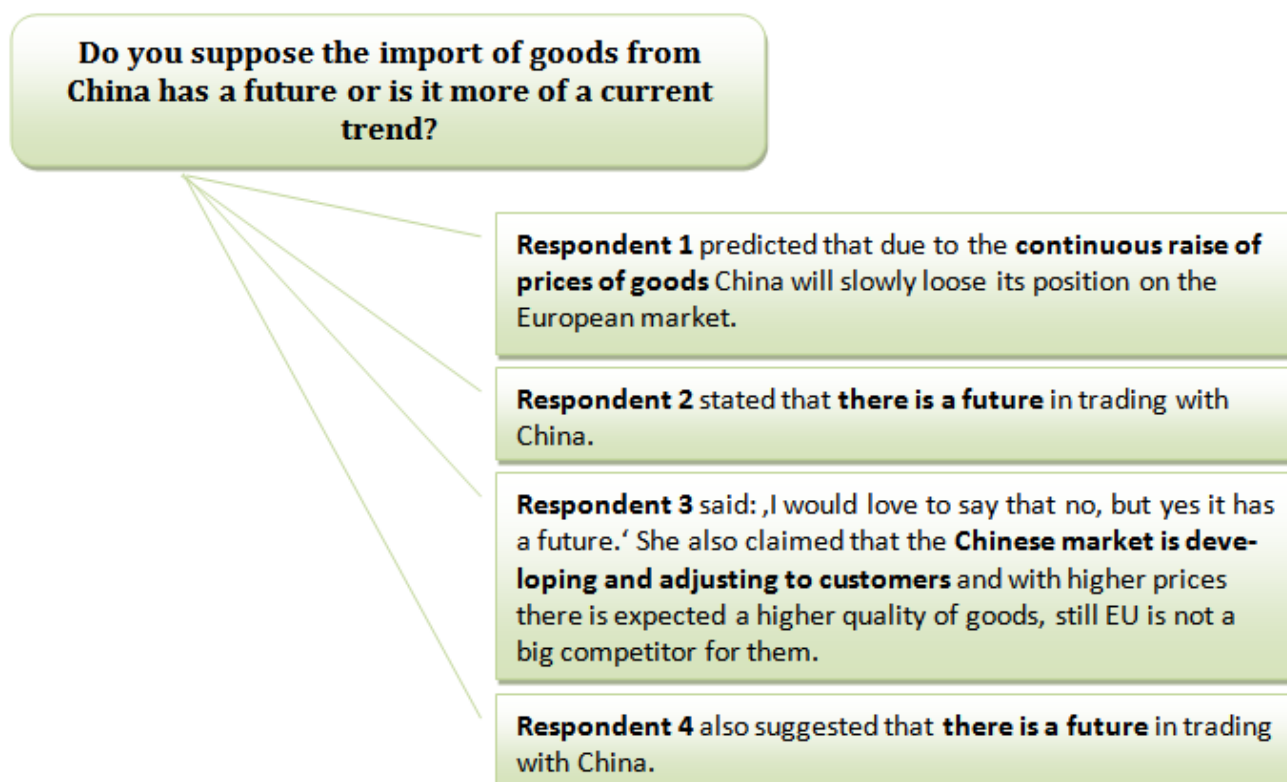


Figure 18: Question 9; Source: author's findings

Regarding the future of trading with China (see Figure 18), it is very clear from the responses of all the respondents that although trading with China is not as easy as trading within Europe and there are several things during the whole process which

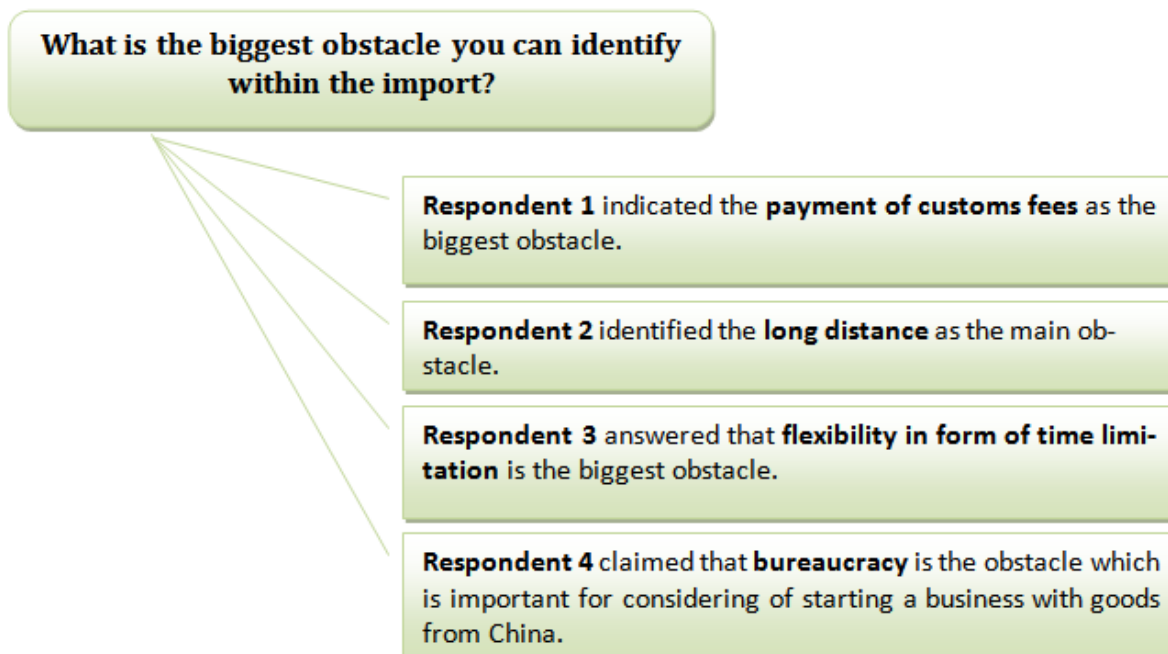


Figure 19: Question 10; Source: author's findings

both entrepreneurs and companies, still this trend will prevail also thanks to the nature of Chinese people who are very diligent and willing to adjust in form of doing what is in their possibilities to please their customers.

The obstacles are considered as reasons why it is difficult to trade with a foreign country (see Figure 19), especially from third countries. Respondent 1 as the only one answered the customs payments which is undoubtedly the obstacle of trading generally. Other obstacles have more of a subjective character. This is probably caused by the fact that customs have to be paid and many people do not consider this as an obstacle, however matters such as long distance, insufficient flexibility or bureaucracy are obstacles which are solely subjective and companies or entrepreneurs must decide whether to reconcile with them or not.

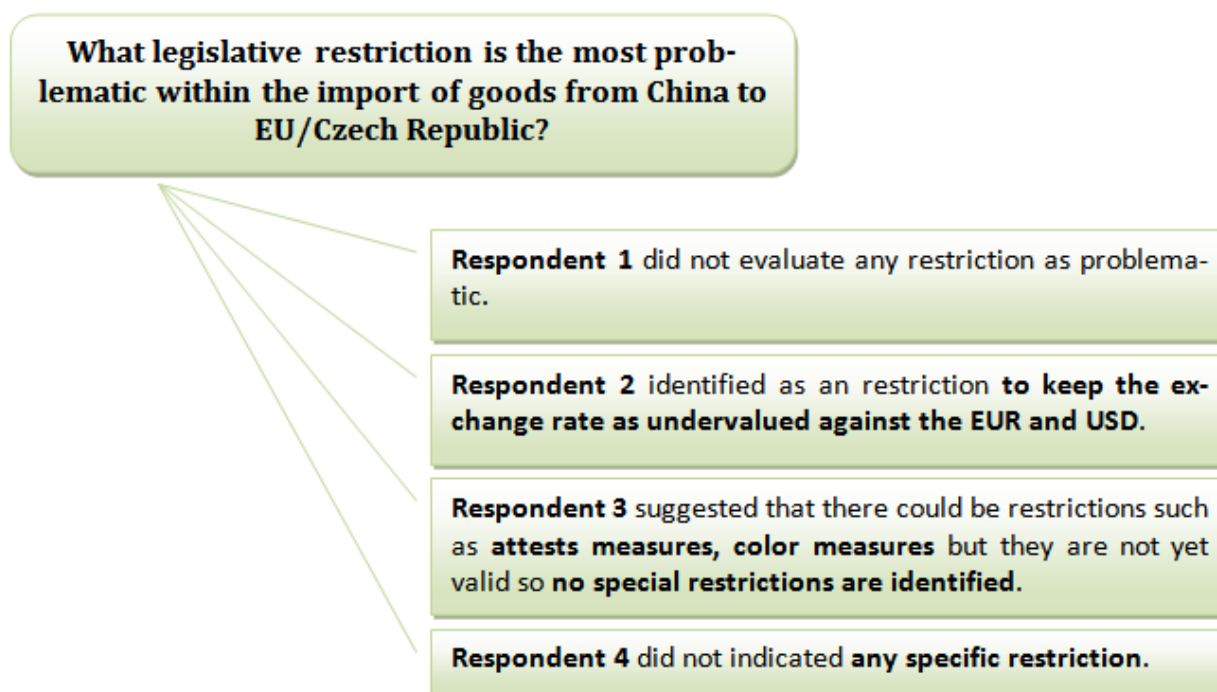


Figure 20: Question 11; Source: author's findings

From the answers of respondents is clear (see Figure 20) that there are no significant restrictions which would somehow make more difficult the import of goods from China. Respondent 1 and Respondent 4, they both did not mention any restrictions which they would perceive as problematic. Interesting was the response of Respondent 3 who noticed that there might occur such restrictions as attests measures or color measures in the future.

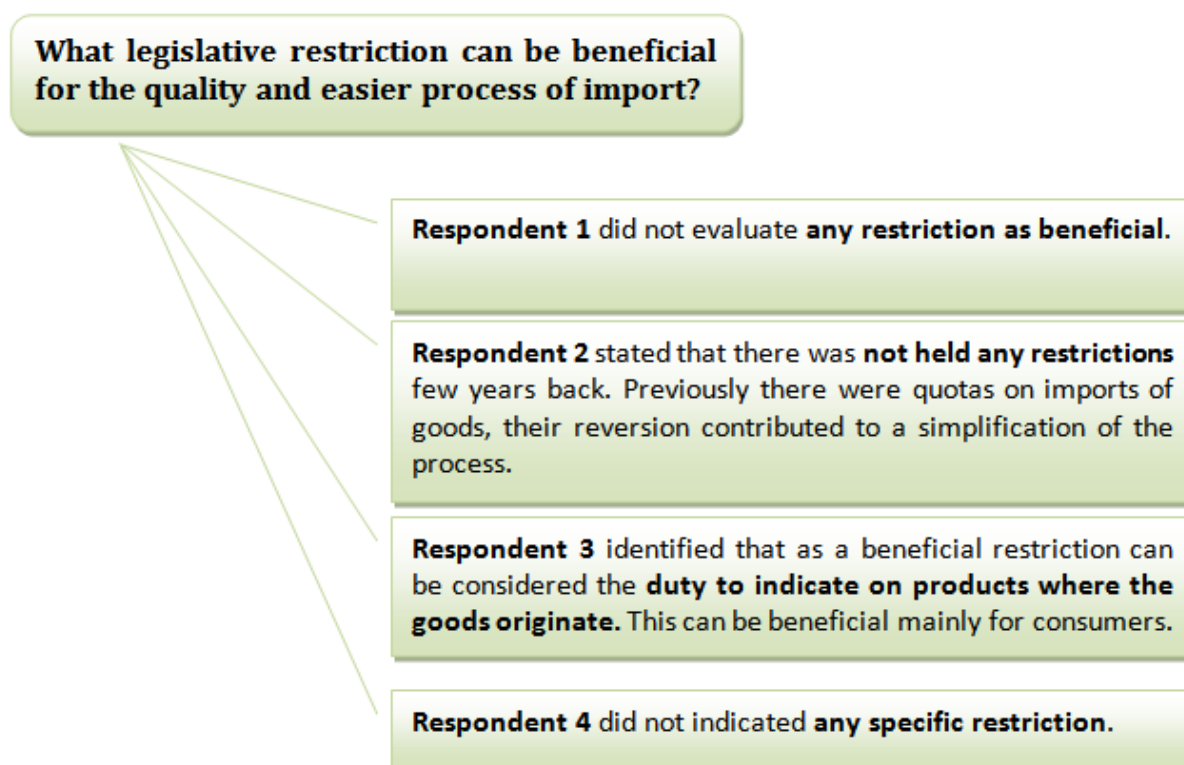


Figure 21: Question 12; Source: author's findings

Again, neither any specific beneficial restrictions were mentioned by the respondents (see Figure 21). Only Respondent 3 emphasized that for consumers it is an advantage to have the information on goods where do they come from so a consumer can make a decision whether to buy this goods from certain country or rather choose a different goods or substitutes. This process of decision-making is solely based on subjective thinking of a consumer.

5.3 Legislative background

Legislation for the implementation of measures on imports of textile goods is a Regulation of the European Parliament and Council Regulation (EU) 936/2015 establishing common rules for imports of textile products from certain third countries not covered by bilateral agreements, protocols or other arrangements or by other specific Union import rules. However, this Regulation takes control only about quantitative restrictions and import licenses for products originating from Belarus and North Korea. (Opatření při dovozu textilních a oděvních výrobků, www.mpo.cz, 2015)

The qualitative restrictions were applied on textile goods from China until the year 2005. The reversion of quotas on textile products which was valid from 1974 until 2005 was caused due to the entry of China to WTO. (Textil, 2005)

On 13 October 2004, the European Council of Ministers passed a decree stipulating that as of 1 January 2005, the EU would abolish all 210 quotas on textile products and garments from the WTO members. On 14 June 2005, the Memorandum of Understanding of China-EU Textile Trade was signed and the EU imposed quantitative restrictions on textiles products of 10 categories from China again. As numerous orders had been placed by the European importers prior to that, the quotas were used up soon. Millions of Chinese textile products, which had exceeded EU's import quotas for the year, were blocked at European ports. After consultation, the European Commission announced the method for solving the blocked textile products on 13 September on the basis of the agreement signed in Beijing on 5 September, which adjusted the import volume to the level enough for solving all the blocked products. According to the method, China should resolve half of the blocked textile products through adjustment, while the EU should resolve the other half by increasing the import quantity unilaterally. To prevent such an event from happening again, both sides agreed to adopt the flexible provisions agreed upon in 2006 and 2007. Barriers to trade, www.china.org.cn, 2016)

5.4 Identification of motives and opportunities

Identification of motives and opportunities is one of the important parts and a partial objective of this thesis. The motives and opportunities were both evaluated during the in-depth interviews with the respondents. Generally, there is a lack of the literature concerning the opportunities or motives of the import of goods from China although it is an interesting topic within the discussions when companies and entrepreneurs make decisions whether to trade the goods from China. Even though these two terms have slightly different definitions, there are no significant contrasts among assessments of motives and opportunities.

The key motive is price. The motive of price is closely connected lower costs of production and to **the cheap labour force** that is very typical for Asian countries. China's advantage is the combination of cheap labour force and diligence and discipline which creates a sense for order in comparison with other Asian countries, the competitors of China (Vietnam, India, Bangladesh etc.) where the order in production plants is less developed or missing. **The reliability** of Chinese people is also connected with the diligence and discipline and is definitely considered as the motive to trade with China compared to their competitors.

The bigger volume of production held on one plant is considered as another strong motive. It is very convenient especially for companies which produce large quantities of various goods, although for smaller companies, this is not that important factor. Smaller companies often do not deal directly with the Chinese producers but with advisory or mediative agencies which have more experiences, stronger relations with the producers and thus the smaller companies can achieve a great advantage from this cooperation in comparison with larger companies which on one side deal directly with the producer and can have a greater negotiating power. On the other side, the nature of Chinese people is very different and this can be crucial even for bigger companies who do not have many experiences with trading with China and can be very unsatisfied with the cooperation in the end.

The price, the cheap labour force and big volume of production together with **greater choice of suppliers** are as well as the motives considered the greatest opportunities. Worth to mention is **the opportunity of availability of goods** that are no more produced in the Czech Republic. There was an example of

a sweaters' production when the Czech producers were known for these skills and due to the entry of third countries led by China to the Czech market, these producers became uncompetitive and many companies had to end the production and close the business. Therefore, nowadays the production of wide range of products became an advantage for China a bit at the expense of other markets.

5.5 Evaluation of risks

The evaluation of risks regarding the import of goods from China to EU, respectively to the Czech Republic was the main objective of this thesis. The choice of risks for evaluation was suggested by the author and was based on the secondary data processed in this thesis. Before introducing the risks, there was a question related to the suggestion of risks by respondents without the influence of proposed risks.

The risk connected to **the time of delivery** was evaluated by two respondents and also it was included in the list of the author's risks so we can consider this as one of the key risks. The time of delivery is very individual but since the goods is shipped over long distances and the shipping is not the most reliable way of transportation, the time of delivery may be extended up to 6 weeks and therefore every company or entrepreneur should consider this and adapt to these delivery conditions. Among other mentioned risks belongs **the administration burden, loss of goods, minimal amount of imported goods (MOQ) and unfamiliarity with delivery conditions.**

There was used the risk matrix created for each respondent separately that brings the clear visual comparison of subjectively assessed risks. The risk of **emergence of foreign exchange losses** was evaluated by all respondents as very high and therefore is considered as the key risk. The emergency of exchange loss is problem always when the two countries with different currencies are trading together. There may appear price differences on which must be every trader prepared and count with such inconveniences. The risks of **supply of defective goods/material** and **damage during transport** are another highly evaluated risks which are considered as key risks by our respondents. These two risks are connected one to the other because during the shipping of goods, there are many factors that can cause the damage such as robbery, mishandling, inappropriate

packaging. Of course, the goods can be supplied damaged also directly from the production and that is the problem of the producer but also of a company itself because there is an insufficient quality control.

High transportation costs and higher prices of goods resulting from more expensive labour force were as the key risk evaluated only by one respondent but it is worth to mention this risk because it is up-to-date subject. China's labour force is improving and claiming for higher wages which can have an effect on prices of goods in near future.

The risks evaluated as significant by all respondents are the **unreliability of suppliers, emergence of substitutes for the product, changes in legal regulations in the EU, bankruptcy of suppliers, low quality goods (quality deterioration)** and **different mentality**. All these risks entail certain complications which can be miserable or worse to disallow the trade. The unreliability of suppliers and different mentality goes hand in hand because the different mentality can cause that we demand for goods and Chinese people want to do the best for their customers therefore they promise everything the customer asks for but often they misjudge the situation regarding terms of delivery and capacity and then the customer is unpleasantly surprised and can consider the producer as unreliable. Low quality of goods again corresponds with the process of quality control in a company which is very important in this case and can help many times to prevent from inconveniences.

5.6 Recommendations to reduce risks

The risks are a natural part of every action companies take and especially when the companies are trading with another country, the risks may be even more intense. In this subchapter will be proposed some recommendations on how to minimize the risks that are taken from the primary and secondary data.

- **Different mentality**

Before the company starts to trade with different countries, it is necessary to realize that each country has a bit different mentality, culture, habits etc. Therefore, it is very convenient first to understand the thinking of the targeted nation and be prepared for the behaviour patterns of local people. Ideally, recommendation is to visit the country

and meet the producer or the agent personally or at least find some information on the internet and be in regular contact with the producer/agent.

- **Emergence of foreign exchange losses**

The risk of the foreign exchange loss is very significant and unfortunately, it is hard to estimate such risk. However, the recommendation is to be involved in the currency development throughout the year, to take into account possible exchange losses when creating the financial plan.

- **Emergence of substitutes for the product**

The risk connected to the substitutes for a certain products will be always present within any kind of industry. Although, the textile industry is highly loaded, and it is also due to the producers from China, who nowadays are able to replicate in principle any product and within the textile goods, moreover, is not too complicated. Therefore the recommendation is to be the one who sets the trends, always trying to invent new and unrivaled products and communicate with the customers because they are the driving force of each industry.

- **High transportation costs**

High costs of transport can have many causes such as human factor in form of strikes when the time of the delivery is prolonged and this can cause some additional expenses. It is always favourable to keep the reserve in calculations of costs of transportation, because there can always occur a range of additional costs in the form of various charges.

- **Loss of goods, damage during transport**

The loss or damage of goods during transport was evaluated as highly probable so it is highly recommended to arrange insurance package to potential damage during transportation.

- **Low quality goods, supply of defective goods**

Chinese suppliers usually just shortsightedly focus on current business, from which they mainly want to maximize their profits and often try unfair practices and attempt

to deliver the goods at a lower quality. Therefore, there is required the increased attention over every undertaken business.

Quality inspection should be part of the acceptance of Chinese goods. Professional importers, e.g. large companies within the larger contracts go further and also control the actual production of goods across key moments. Likewise, check the input materials which are used in the production of goods. In essence, taking control of quality from the manufacturer assures that their goods will correspond fully their requirements.

It is understandable that small and medium-sized importers often can not afford this approach, but there are also partial variations that can significantly reduce the risk of fraud at a low cost. Arrangements for quality inspection before payment of the total amount for the order of goods is definitely an important point of the whole import.

- **Minimal amount of imported goods (MOQ)**

When it comes to the amount of goods a company needs to import to the Czech Republic, often small companies have different requests than bigger companies. For very small companies with relatively low sales, it can be very challenging to order some amount of goods because normally there is minimum 1 container which would be for small company very expensive when it would not be even half full. Therefore the recommendation is to address the agents who are focused on helping small and medium-sized enterprises.

- **Time of delivery**

Obviously, there is important to count with longer delivery times, it is recommended to always add to the stated time of delivery by the manufacturer a minimum 14 days to a month, so that the delayed delivery of goods would not cause a major problem for the company.

- **Unreliability of suppliers, bankruptcy of suppliers**

These risks are possible to reduce with the verification of the supplier. In today's world with an easy access to the information especially through the internet, the least a company can do is to check the supplier in online search. There are also various discussions online and if the supplier has in past committed some unfair trading, there

is high probability that any previous customer will share this experience. Also it is worthy to check the websites of a supplier. Usually, websites should be in both English and Chinese, if Chinese is missing that could mean that the potential supplier is a fraud focusing on foreign companies. Finally, the best recommendation is to travel to China and meet the supplier personally, preferably at the place of production so that one can best assure that this is not a fraud, unreliable producer or producer on the edge of bankruptcy.

6 Results obtained from primary and secondary data

For the purpose of fulfilling the goals of this thesis, there were chosen the secondary data analysis and the qualitative research for procurement of the primary data. The secondary data for the analysis of the Czech market in relation to China were derived from the CZSO database of the international trade and consecutively processed by the author.

The analysis of the Czech market included the import measures and trading balances between China and the Czech Republic together with the identification of trends of trade development between years 2000 and 2015. There was determined the continuous decrease of production of textile industry in the Czech Republic due to still growing import of goods from EU (Germany, Italy) and third countries (China, Bangladesh, Turkey) and therefore causing extrusion of Czech companies producing textile products. Significant is also the trade deficit between third countries and CZ which achieved in 2015 value of almost – 36 Mld. CZK which confirms the previously mentioned fact that Czech companies are not able to compete in textile industry with the rest of the world and this trading deficit will most probably continue. Also, China was identified as the main trader with the Czech Republic among observed data between years 2000 and 2015 and although, the share of China is slowly decreasing, still has the lead over the second-largest importer, which is Bangladesh by more than 8,5 Mld. CZK.

The analysis of the primary data procured from 4 conducted interviews with the representants of companies dealing on the Czech market in the frame of the textile industry helped to specify objectives of this thesis. The main objective was to identify the risks connected to the import of goods from China. There were identified the key and significant risks based on the qualitative research held in the form of interviews with 4 representatives of companies of different sizes. The crucial for their evaluation were two criteria – the intensity of risk occurrence and the probability of risk occurrence. Key risks evaluated by respondents are time of delivery, emergence of foreign exchange losses, supply of defective goods/material, damage during transport, high transportation costs and higher prices of goods resulting from more

expensive labour force. Among significant risks belong the unreliability of suppliers, emergence of substitutes for the product, changes in legal regulations in the EU, bankruptcy of suppliers, low quality goods and different mentality. It is interesting that due to the fact that different mentality of Chinese people is considered as a risk factor in trade with China, some companies put more focus on European producers even at higher costs. There were also suggested by the author some recommendations how to reduce these risks.

To identify the motives and opportunities of importing of textile goods from China to EU, respectively to the Czech Republic as specified by the author, was the first partial objective of this thesis. The key motive resulting from the interviews is the price followed by cheap labour force, reliability of Chinese people and bigger volume of production held on one plant than in competing Asian countries. The evaluated opportunities were almost identical to already mentioned motives and these are the price, cheap labour force and big volume of production together with greater choice of suppliers and the opportunity of availability of goods. The interesting finding is that due to the entrance of China to the Czech market of textile goods, many domestic companies became uncompetitive and it meant their disappearance. This fact caused that in the Czech Republic, there were essentially banished certain skills, such as the production of sweaters.

7 Discussion

This thesis, focused on the aspects of import of textile goods from China, was elaborated partly from secondary data from CZSO which served as the basis for explanation of developing trend of the trade between China and the Czech Republic and there was added also the comparison of trade between the Czech Republic and EU. The primary data achieved from the qualitative research in form of in-depth interviews were then used for the deeper specification of the aspects of import from China to the Czech Republic.

In the analysis of trade development between the Czech Republic and China where were described the biggest imports, there were chosen for better comparison with China only Asian countries. However, it is important to mention that apart from Bangladesh, there are also European countries (see Anex 3) who contribute significantly to the import into the Czech Republic. Bangladesh still remains as the 2nd biggest importer, however Germany takes the 3rd place, Turkey then the 4th place and it is followed by Italy at the 5th place. The reason why Germany is at the 3rd place can be explained by the fact that Germany has become a major transport hub for the shipments where the goods is compiled and assembled.

From the analysis emerges that the trend of imports from China to the Czech Republic is still increasing and the imports in the year 2015 were the highest from the year 2000. Therefore, this fact strongly suggests that the future of trading with China will have a positive development curve what was also confirmed by all of the respondents in in-depth interviews.

There were conducted 4 interviews with the representants of companies of different size that trade with China and import textile goods into the Czech Republic. Although there was in the beginning of the research addressed more than 30 companies in the frame of textile industry, only 4 companies were compliant to conduct the interview. Therefore, the author is aware that it is not favourable to generalize the findings of the qualitative research and thereby the thesis is targeted to present the particular findings arising from the evaluation of respondents' answers.

The interviews were held in face-to-face or telephone form and the author of this thesis compiled the questions contained in the questionnaire in compliance with

the goals of this thesis. The questionnaire (see Annex 1) served as the base for the interview and was introduced to each respondent. Apart from the answers on questions in the questionnaire, there was held a conversation related to each question of which the aim was to achieve more information and more comprehensive view on the topic. The results of the interviews were presented in the second part of this thesis.

Based on results from the interviews, there were identified the motives and opportunities, risks and suggested recommendations how to reduce the risks evaluated as key or significant.

This thesis can be valuable mainly for entrepreneurs and companies that are willing to trade with China in terms of import of textile goods. Although, the recommendations are not supposed to be generalized, still these information are relevant and supported by companies which already trade with China.

8 Conclusion

The import of textile goods from China will be always a very discussed topic. There are many companies and entrepreneurs who trade with goods from China in various sectors of industry. This import has lots of aspects of a positive and negative character of which must be every business entity aware.

This thesis was focused on these aspects of the import. The main aim was to identify the risks connected to the import of goods from China. There were identified the key and significant risks based on the qualitative research held in the form of interviews with 4 representatives of companies of different sizes. The crucial for their evaluation were two criteria – the intensity of risk occurrence and the probability of risk occurrence. Key risks evaluated by respondents are time of delivery, emergence of foreign exchange losses, supply of defective goods/material, damage during transport, high transportation costs and higher prices of goods resulting from more expensive labour force. Among significant risks belong the unreliability of suppliers, emergence of substitutes for the product, changes in legal regulations in the EU, bankruptcy of suppliers, low quality goods and different mentality. It is interesting that due to the fact that different mentality of Chinese people is considered as a risk factor in trade with China, some companies put more focus on European producers even at higher costs.

Afterwards, the author suggested some recommendations how to reduce these risks.

The first partial objective was to identify the motives and opportunities, thanks to which is currently importing of textile goods from China very popular. The key motive resulting from the interviews is the price followed by cheap labour force, reliability of Chinese people and bigger volume of production held on one plant than in competing Asian countries. The evaluated opportunities were almost identical to already mentioned motives and these are the price, cheap labour force and big volume of production together with greater choice of suppliers and the opportunity of availability of goods. The interesting finding is that due to the entrance of China to the Czech market of textile goods, many domestic companies became uncompetitive and it meant their disappearance. This fact caused that in the Czech Republic, there were essentially banished certain skills, such as the production of sweaters.

The second partial objective was to analyze the situation on the Czech market within trade with China and provide with some legislative issues of importing to EU. The analysis included the import measures and trading balances between China and the Czech Republic together with the identification of trends of trade development between years 2000 and 2015. There was determined the continuous decrease of production of textile industry in the Czech Republic due to still growing import of goods from EU (Germany, Italy) and third countries (China, Bangladesh, Turkey) and therefore causing extrusion of Czech companies producing textile products. Significant is also the trade deficit between third countries and CZ which achieved in 2015 value of almost – 36 Mld. CZK which confirms the previously mentioned fact that Czech companies are not able to compete in textile industry with the rest of the world and this trading deficit will most probably continue. China is going to keep the position of the biggest importer to the Czech Republic even though Bangladesh as the second largest exporter of textile goods will slowly decrease the lead of China.

Regarding the legal restrictions put on textile goods, there were not identified any specific restrictions that would somehow simplify or would in turn weigh on the entire process of importing goods. In past, there were set the quotas on textile products which were in 2005 abolished.

Finally, as already mentioned the trade between China and the Czech Republic as a part of EU will have most supposedly the positive trend of development and although there are some questionable topics such as quality of goods, the companies will continue to produce and import goods from China because it is either the best or optimal opportunity for them.

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10 Annexes

10.1 Annex 1

Dotazník k diplomové práci Specification of the import of goods from China to EU within the textile industry

1. Jak hodnotíte proces dovozu zboží z Číny?
2. Jaké vnímáte rizika při dovozu zboží z Číny?
3. Prosím, ohodnoťte dané rizika dle **intenzity** a **pravděpodobnosti** výskytu na škále od 0 – 2 (s možností desetinných čísel).

Nedodržení termínu dodání	
Vysoké náklady na přepravu (zvyšování cen)	
Nízká kvalita zboží (zhoršení kvality)	
Zvyšování cen zboží vlivem dražší pracovní síly	
Změny legislativních předpisů v Číně	
Změny legislativních předpisů v EU	
Změny preferencí domácích zákazníků	
Dodávky vadného zboží/materiálu	
Poškození během dopravy (vlivem nevhodného zabalení)	
Vznik kurzové ztráty	
Bankrot dodavatele	
Nespolehlivost dodavatele	
Jazyková bariéra – horší porozumění	
Rozdílná mentalita	
Vznik substitutů k produktu	

4. Jaké jsou výhody či příležitosti dovozu zboží z Číny? Prosím, ohodnoťte tyto výhody/příležitosti na stupnici 1-5.
5. Jaké byly a jsou hlavní motivy spolupráce právě s dodavateli z Číny? Vyberte prosím 3 nejvýznamnější motivy.
6. Máte zkušenosti s dovozem zboží i z jiné země, popř. z které? Můžete tyto zkušenosti porovnat?
7. Jak vnímáte kvalitu dovezeného zboží Vy a Vaši zákazníci?

8. Která země se domníváte, že nejvíce konkuruje Číně v rámci podmínek dovozu zboží a z jakého důvodu?
9. Myslíte si, že má dovoz zboží z Číny budoucnost, nebo je to spíše momentální trend?
10. Jakou vnímáte největší překážku zboží při dovozu?
11. Které legislativní opatření při dovozu do EU/ČR nejvíce vnímáte jako problémové?
12. Které legislativní opatření naopak přispívá kvalitě a celkově jednoduššímu procesu dovozu zboží?

10.2 Annex 2

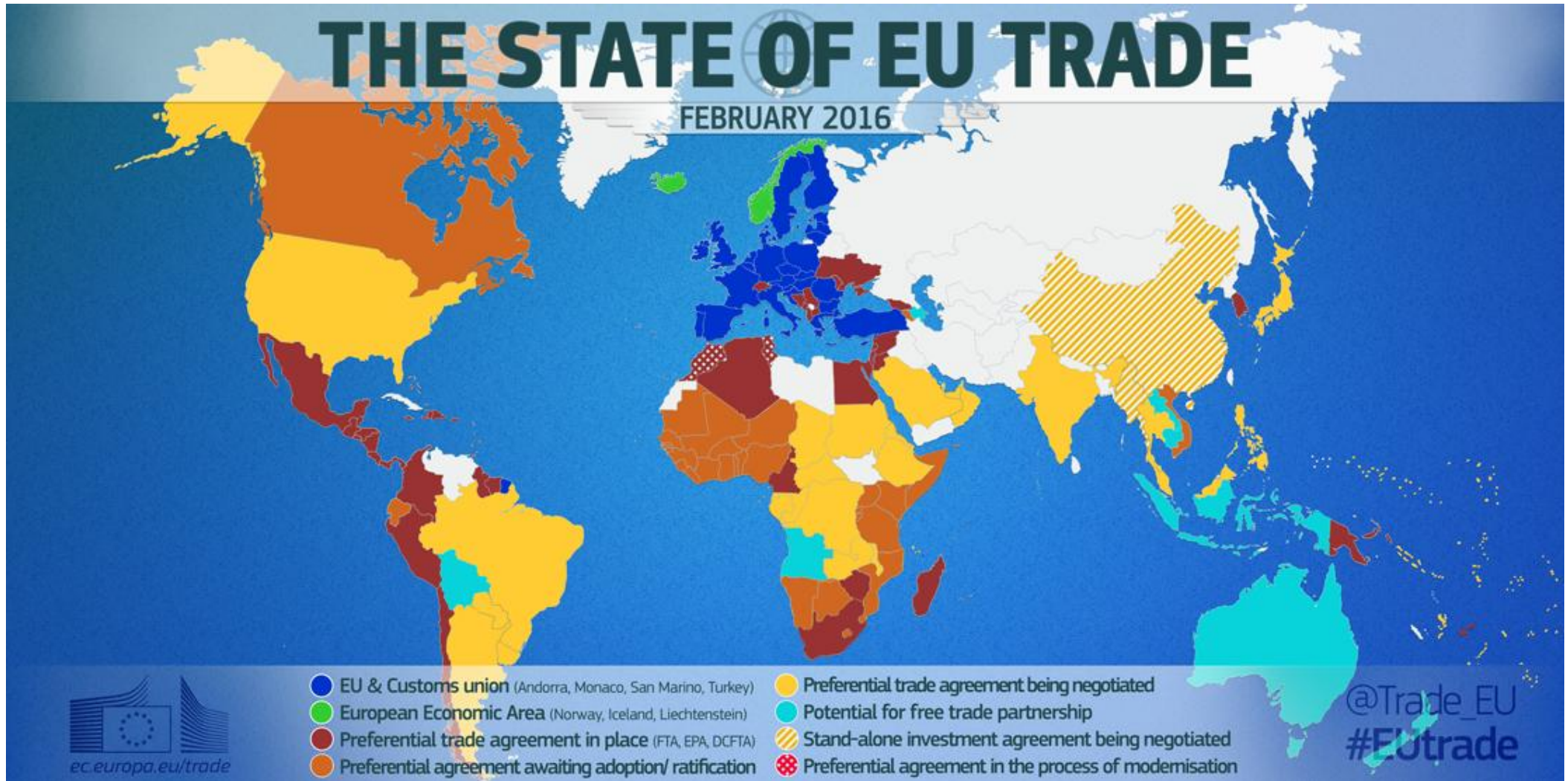


Figure 22: State of EU trade; Source: http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149622.png

10.3 Annex 3

Index of production of textile industry in stable prices in CZ							
2000	2001	2002	2003	2004	2005	2006	2007
270,5	285,7	231,5	196,4	164,6	176,2	143,2	134,4
2008	2009	2010	2011	2012	2013	2014	2015
122,4	108,0	100,0	98,1	97,4	93,2	91,0	102,2

Table 3: Index of production of textile industry in stable prices; Source: CZSO

Balance of trade between China and CZ in Mld. CZK							
2000	2001	2002	2003	2004	2005	2006	2007
-3,02	-3,74	-4,34	-3,98	-5,68	-7,47	-7,35	-9,59
2008	2009	2010	2011	2012	2013	2014	2015
-12,34	-12,63	-13,28	-15,57	-14,06	-13,24	-14,78	-15,80

Table 4: Balance of trade between China and CZ; source: CZSO

Imports and Exports of textile goods EU-CZ								
	2000	2001	2002	2003	2004	2005	2006	2007
Imports	9,05	9,80	9,47	9,13	15,05	14,39	12,98	12,26
Exports	22,72	22,96	19,85	19,02	26,83	30,38	25,81	25,52
	2008	2009	2010	2011	2012	2013	2014	2015
Imports	11,90	11,54	9,82	9,38	9,80	11,40	15,81	17,62
Exports	21,91	20,80	21,52	23,29	25,90	26,38	29,85	34,09

Table 5: Import and export of textile goods in Mld. CZK; source: CZSO

Imports and Exports of between third countries and CZ								
	2000	2001	2002	2003	2004	2005	2006	2007
Imports	7,37	8,54	8,95	8,98	14,49	18,64	17,49	20,69
Exports	1,78	1,79	1,23	1,36	1,18	1,21	1,44	1,83
	2008	2009	2010	2011	2012	2013	2014	2015
Imports	23,25	24,55	26,13	29,70	28,60	29,16	34,96	38,24
Exports	3,00	4,66	2,90	1,93	2,09	2,26	2,56	2,29

Table 6: Import and export of textile goods between third countries and CZ in Mld. CZK; Source: CZSO

Balance trade between third countries and CZ								
2000	2001	2002	2003	2004	2005	2006	2007	
-5,59	-6,75	-7,72	-7,62	-13,31	-17,43	-16,05	-18,85	
2008	2009	2010	2011	2012	2013	2014	2015	
-20,25	-19,89	-23,23	-27,77	-26,52	-26,90	-32,40	-35,95	

Table 7: Balance of trade between third countries and CZ in Mld. CZK; source: CZSO

Import of goods from China to CZ								
2000	2001	2002	2003	2004	2005	2006	2007	
3,02	3,75	4,35	3,98	5,68	7,47	7,35	9,59	
2008	2009	2010	2011	2012	2013	2014	2015	
12,35	12,63	13,28	15,57	14,07	13,25	14,79	15,82	

Table 8: Import of textile goods from China to CZ in Mld. CZK; Source: CZSO

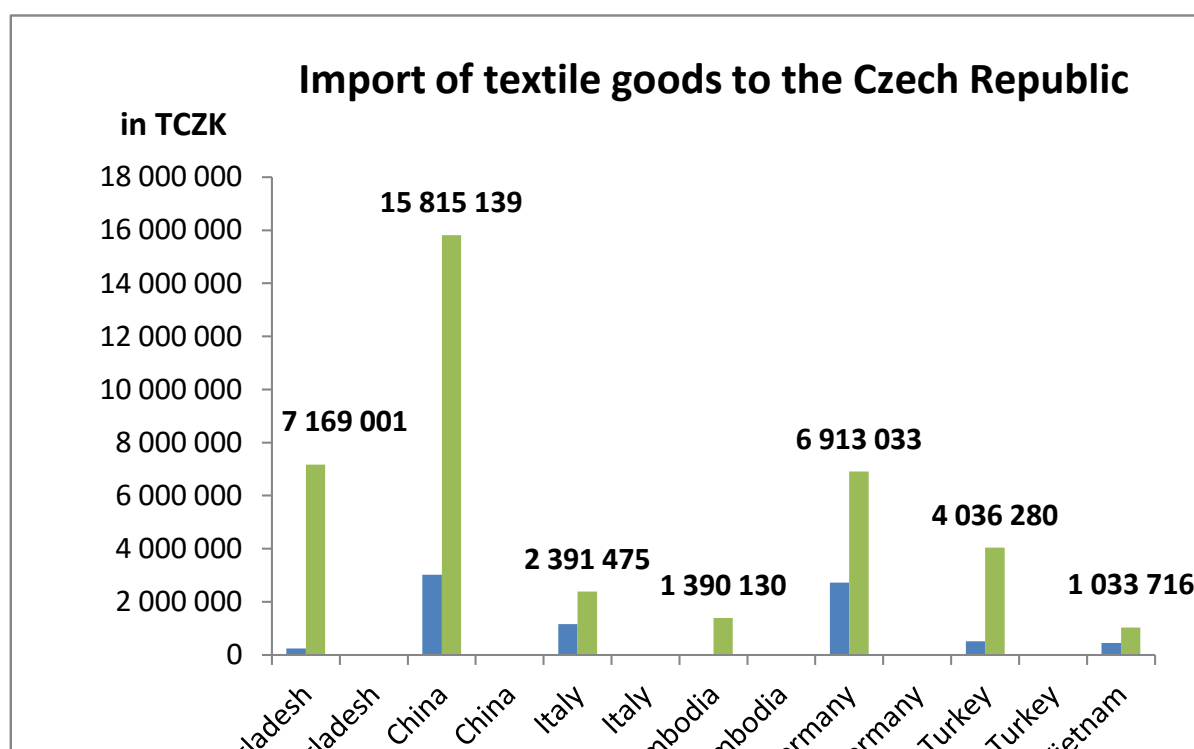
Commodity structure among 3 biggest importers in 2015 (in TCZK)	
Manufactured goods classified chiefly by material	26 614 980
Industrial consumer goods	66 034 513
Machinery and transport equipment	361 844 189

Table 9: Commodity structure of imports from China to CZ in 2015, Source: CZSO

Commodity structure among 3 biggest importers in 2000 (in TCZK)	
Manufactured goods classified chiefly by material	3 002 497
Industrial consumer goods	10 061 001
Machinery and transport equipment	10 240 957

Table 10: Commodity structure of imports from China to CZ in 2000; Source: CZSO

10.4 Annex 4



Graph 9: Import of textile goods from chosen countries to the Czech Republic; Source: CZSO; own work