

# Ukrainian Textile and Garment Industry: Navigating War and EU Integration

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## Abstract

Ukraine's textile and garment industry has long been a vital part of the national economy, supported by a skilled and cost-effective workforce, competitive manufacturing conditions, and low overhead costs. By early 2020, over 90 per cent of the sector's workforce was female, mostly engaged in low-value-added assembly work. However, the full-scale war has severely disrupted the industry—many manufacturing facilities have been destroyed, international buyers have withdrawn, and supply chains have been interrupted. Despite these difficulties, several firms have demonstrated remarkable resilience, continuing production and adapting operations amid wartime conditions. Simultaneously, Ukraine's path towards European Union accession has sped up, and trade relations with the EU have strengthened over the past decade. These developments offer both opportunities and considerable challenges for the textile and garment sectors. To fully capitalise on EU market access and value chain integration, the industry must undertake substantial upgrading initiatives to boost competitiveness and meet EU standards. The conceptual paper examines the main obstacles the Ukrainian textile and clothing industry must overcome to achieve industrial modernisation, social sustainability, and regulatory alignment with the EU. These include post-war reconstruction, technological modernisation, and compliance with the EU's stringent regulatory framework.

**Keywords:** Ukraine, garment industry, global supply chains, social sustainability, European enlargement

**JEL codes:** F16, J21, L16

## Introduction

Ukraine inherited its light industry, of which textiles and garments accounted for the largest share, from the former Soviet Union, making it one of the country's oldest and most diverse industries focused on consumer goods. Since independence, however, the sector's share of national output has fallen from 20% to just 0.8%, underlining its untapped potential.

Even though the textile industry has great potential, it still accounts for a small proportion of Ukraine's exports to the EU, which possibly explains why very little research has been done on adapting the textile and clothing sector to EU standards. In-depth research on this topic is essential, as Ukraine's textile and garment industry offers significant potential for post-war reconstruction. The sector's predominantly female workforce and its proven role in economic recovery in other countries in the past, such as Italy's post-war revival (Godart, 2014), highlight its importance in reconstruction efforts and job creation.

Although Ukraine's light industry has received considerable attention in the academic literature, particularly from Ukrainian scholars (Havrylenko & Brodiuk, 2018; Kosse & Movchan, 2020; Morhulets et al., 2020), most studies focus on the general impact of challenges such as war (Derman et al., 2023) and EU integration (Ishchuk & Sozanskyi, 2020; Mollá & Vantyghem, 2022; Thiemann et al., 2025). As stated, Ukraine has made significant progress on the issue of integration maturity between 2006 and 2021, but all its achievements are still below expectations in comparison with other candidate countries (Tankovsky and Endrődi-Kovács, 2023). The processes that have unfolded since 2014 have not brought a breakthrough, and integration efforts are stagnating. Despite the political will to comprehensively reform the country, no significant results have been achieved. Looking to the future, post-war reconstruction could help to unlock considerable economic potential (Tankovsky, 2020).

However, there is a lack of detailed, in-depth research on the actual progress in implementing EU integration requirements in the sector and the specific obstacles that war has created in this process. The conceptual paper, synthesising the state-of-the-art literature on the Ukrainian textile and garment industry, seeks to identify the challenges and point out the changes that are needed to bring the Ukrainian textile and garment industry in line with EU standards, and how these reforms can support the upgrading and modernisation of the sector and its integration into European supply chains. After the extensive description of the main characteristics of the industry, the state of the segment during the war is presented. Then, the EU integration process and EU requirements related to the textile and garment sectors are described. After that, the progress and challenges in reforming the Ukrainian textile and garment industry are presented, followed by concluding remarks.

The main research question of the paper is: What challenges must be addressed within the Ukrainian textile and garment sector to upgrade the segment and integrate into European supply chains? The study hypothesises that Ukraine's textile and garment industry, even amid wartime challenges, holds significant potential to drive economic recovery and enhance regional competitiveness through domestic raw material development and alignment with EU regulatory frameworks.

The paper employs qualitative literature analysis to uncover patterns, themes, meanings, and deeper insights within a body of literature, providing a rigorous foundation for further research or practical application. This method makes sense of diverse sources by identifying recurring themes, patterns, and relationships, leading to a deeper understanding of complex phenomena, clarifying what is known, and highlighting gaps or inconsistencies (Gentles et al, 2016; Onwuegbuzie et al., 2012; Onwuegbuzie & Weinbaum, 2017; Wilson & Anagnostopoulos, 2021). Additionally, statistical data analysis is used to draw reliable conclusions, test hypotheses, and make informed choices based on evidence. Statistical analysis provides interpretable results, allowing for the meaningful interpretation and reporting of research findings (Ali & Bhaskar, 2016; Benzecri, 1969). It is also used to identify patterns, trends, and relationships in large and complex datasets (Benzecri, 1969). The source of statistical data is the UN COMTRADE database.

## **1. The Ukrainian textile and garment industry**

### **1.1. The main characteristics of the sector**

The light industry – including textile, garment, footwear production, and the manufacturing of knitted and leather goods – plays a significant role in the national economy and contributes to the development of the country's export potential (Perevozova et al., 2025). The textile industry is one of the basic strategic segments of the domestic economy, providing 5% of budget revenues and 2,6% of merchandise exports (Ishchuk, 2022). In 2017, the light industry was responsible for 3,5% of industrial employment (Dutchak, 2017).

The industry comprises 23 economic activities in three main sectors: textiles, clothing and leather products - including the manufacture of fabrics, clothing, footwear and leather goods. It is an important sector, contributing 5% to the national budget and accounting for 2.6% of the country's merchandise exports in 2020 (Hlukhova, n.d.). The professional infrastructure of garment enterprises, also a legacy of the Soviet era, has played a crucial role in forming the basis for the development of Ukraine's modern fashion industry (Derman et al., 2023).

The textile industry in Ukraine emerged in the late 19th century and experienced significant growth during the Soviet era, becoming the most important part of the USSR's textile production. It was well supplied with raw materials from other republics, and its products were in great demand. However, after the collapse of the USSR in 1991, the industry declined sharply due to political changes, loss of markets, outdated infrastructure and declining consumer purchasing power

(Gerasymchuk et al., 2020), leading to its share of national output to fall from 20% to just 0.8%, transforming it from a once thriving industry to a struggling sector with a limited contribution to the national economy. The end of the Soviet Union also marked the beginning of a long 'transition' crisis, characterised by decreasing socio-economic parameters. At the same time, Ukrainian garment manufacturers have been in the lowest position in the global garment value chains (Dutchak, 2018). While deindustrialisation occurred during the 1990s and a large part of the country's garment and shoe sector collapsed, the sector has still grown under the European Union's Outward Processing Trade (OPT) system (Dutchak et al., 2017). Between 1991 and 2020, Ukraine has been transformed from an industrialised country into a raw materials appendage of the EU and the rest of the world (Gerasymchuk et al., 2020).

The country's skilled and cheaper-than-average workforce, competitive manufacturing, and low overheads make it a leader in the textiles, clothing, and footwear sectors. Intense price competition between countries in the region has resulted in several prominent fashion brands moving production from Central and Eastern European countries to Ukraine due to increased domestic guaranteed minimum wage, mainly because of lower labour costs and higher production capacity. However, former research warns that price competitiveness alone does not augur for the long-term survival of garment manufacturing (Kalantaridis et al., 2019).

Furthermore, as it has been formerly reported, low wages and poor terms of conditions of employment characterise the industry, despite the workforce being high-skilled and the existence of developed infrastructure (Dutchak et al., 2017). Ukrainian garment workers – producing for Western brands – are often affected by management's arbitrariness and company unionism, besides the inherent features of global chains' operation (Dutchak, 2018). The bargaining power of the sector has also been reportedly low, while state support has a contradictory effect of allowing manufacturers to keep a disempowered labour force cheaply. This gives manufacturers a competitive advantage, while putting a tough effect on the socio-economic conditions confronting the labour force and having a negative long-term effect on the sector (Dutchak, 2017). In order to provide decent jobs within the Ukrainian textile and garment sector, there is a need for the proper monitoring and enforcement of labour laws.

This industry is relatively unburdened by high taxes, which allows Ukrainian manufacturers to significantly reduce production costs and offer cheaper goods without sacrificing quality. Large firms<sup>1</sup> can invest more in technological development and allow buyer-led firms to benefit from the economies of scale. In addition, the predominance of small and medium-sized enterprises in the textile industry means that customers can order products from Ukrainian manufacturers in smaller batches. Small firm sizes allow them to be more flexible and adaptable

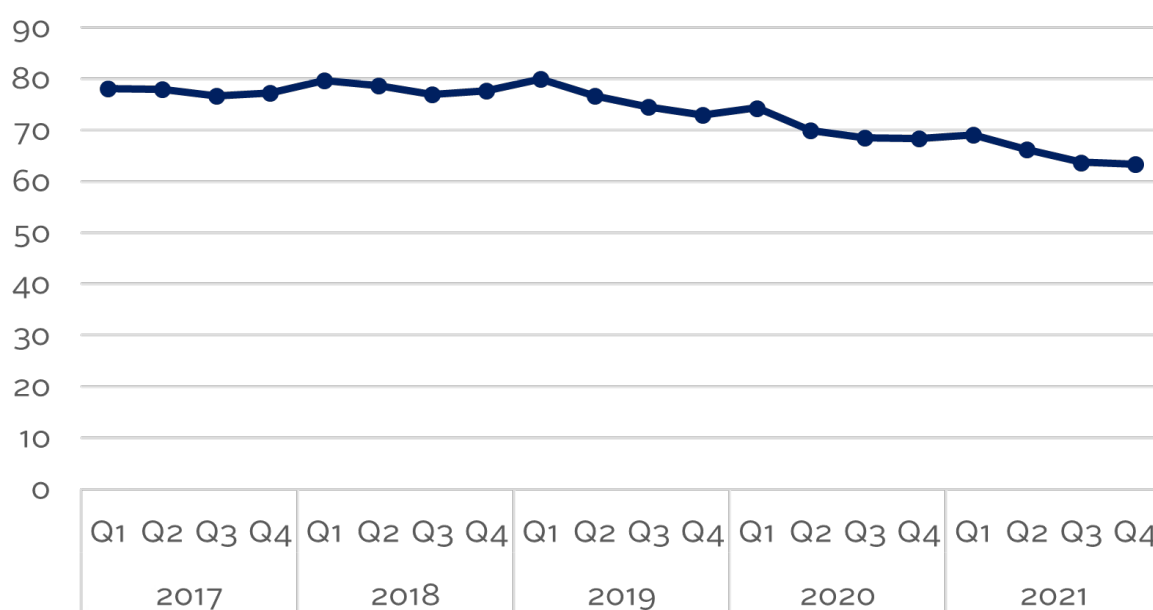
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<sup>1</sup> In the context of global value chains (GVCs), a "buyer" refers to a firm that plays a key role in orchestrating and coordinating the production and distribution of a product or service across multiple countries and firms. They are often large retailers or distributors who order from multiple suppliers and control the flow of goods from production to the end consumer.

to economic, social, and other changes. This is a significant advantage for small craft brands without production facilities and allows for a fast reaction to fashion trends and market requirements, similar to the leading firms in the fashion industry, which is in line with global tendencies and the reshoring phenomenon. Manufacturers can exploit market niches where fast turnaround, quality manufacturing, and small batches contribute to competitive advantages (Taplin, 2006).

Many Ukrainian firms are acting as international subcontractors for 'designer brands'. The basis of cooperation with European partners is based on the implementation of labour-intensive tasks, while sales, design, and logistics are performed mainly by the buyer firms (Ishchuk, 2022), pointing out the low value-added characteristic of the sector. According to UkraineInvest, the textile industry is one of the leading manufacturing industries in Ukraine, with nearly 2,500 establishments, 80-90% of which are export-oriented, for brands such as Tommy Hilfiger, Hugo Boss, Mexx, Triumph, or Marks&Spencer. Firms are gathered in the interest group of Ukrlehprom, representing 60% of the total volume of goods produced in Ukraine. Founded in 2000, Ukrlehprom, the Union of Ukrainian Textile and Leather Companies, brings together the 250 largest Ukrainian companies in the industry. According to their latest report on the potential of the Ukrainian leather and textile industry - 2017-2018 - there are 475 textile, 1547 garment, and 319 leather companies in the industry, employing around 85,000 people. In 2019, this number increased to 510, 1669, 339, and 87900, respectively. Although dwarfed by the number of people employed in other Ukrainian manufacturing segments, this number has significantly increased recently (Derman et al., 2023).

Figure 1. Average number of employees employed in the manufacture of textiles, wearing apparel, leather, leather articles and other materials over the quarters in 2017-2021 (thousand people)



Source: Edited by the author based on Derzhstat (n. d.)

Based on the data from the Derzhstat (n. d.), as Figure 1 shows, employment in the Ukrainian textile, garment, leather and footwear sectors has slightly decreased between 2017 and 2021, mainly after the COVID-19 pandemic. However, data for the period after 2021, which coincides with full-scale war, is not yet available. A distinctive feature of the sector is its predominantly female workforce - by early 2020, over 90% of those employed were women (Hlukhova, n.d.).

Ukrainian textile and leather companies have partners in 146 countries, mainly in Europe (Varava, 2018). This reflects the sector's strong appeal to European fashion companies, driven by geographical proximity, good logistics, the availability of low-cost labour, and the close economic ties with the European Union.

In 2014-2015, the country's garment and shoe sector saw relatively stable employment, compared to other industrial sectors, despite Ukraine's economic crisis and a military conflict (Dutchak et al., 2017). Overall, the outflow of the Ukrainian light industry turned out to be less significant compared to the heavy industry. Despite the challenging economic conditions, the number of firms within the sector had reached pre-war levels by 2019 (Perevozova et al., 2025).

In the first nine months of 2024, Ukraine's textile, clothing and footwear sector showed a positive domestic growth trend, with sales reaching UAH 33.4 billion (excluding VAT) - an increase of 11% compared to UAH 29.7 billion in the same period of 2023. However, the sector's exports declined, totalling USD 623.5 million in 2024, down 10.5% from nearly USD 697 million in 2023. In 2024, clothing accounted for the largest share of industry turnover at 44%, followed by textile products at 26%, leather and fur products at 15%, knitwear at 7%, footwear at 4% and textile manufacturing at 3% (Ukrlehprom, 2024).

One of the key challenges facing Ukraine's textile industry is its heavy reliance on imported raw materials and components. These include essential materials such as fabrics (mainly cotton and linen), leather, wool, threads, accessories and fixed assets (Ishchuk & Sozanskyi, 2020). This dependence leaves the industry vulnerable to external supply chain disruptions, hindering its competitiveness. However, Ukraine has significant potential for textile manufacturing and expanding the production of raw materials. This could see its firms take on a leadership role in the future as a regional sourcing hub. Sheep breeding has a genetic centre, and the weather allows for flax and hemp cultivation (which can provide a basis for cheap but high-quality textile garment raw materials and accessories, as well as geotextiles and functional textiles) (Gerasymchuk et al., 2020). Ukraine also has significant, though currently underutilised, potential for cotton production. Currently, the country relies entirely on imported cotton, which increases production costs and dependency on foreign suppliers. Historically, southern Ukraine was a major cotton-producing region for the Soviet Union, but a shift to corn cultivation in 1956 led to the decline of domestic cotton farming. Since then, Ukraine has been unable to rebuild its supply of raw materials for the textile industry, becoming heavily dependent on imports from countries such as Uzbekistan and Belarus. Consequently, over 90% of textile production in Ukraine now takes place under tolling arrangements (Gerasymchuk et al., 2020). Overcoming current challenges,

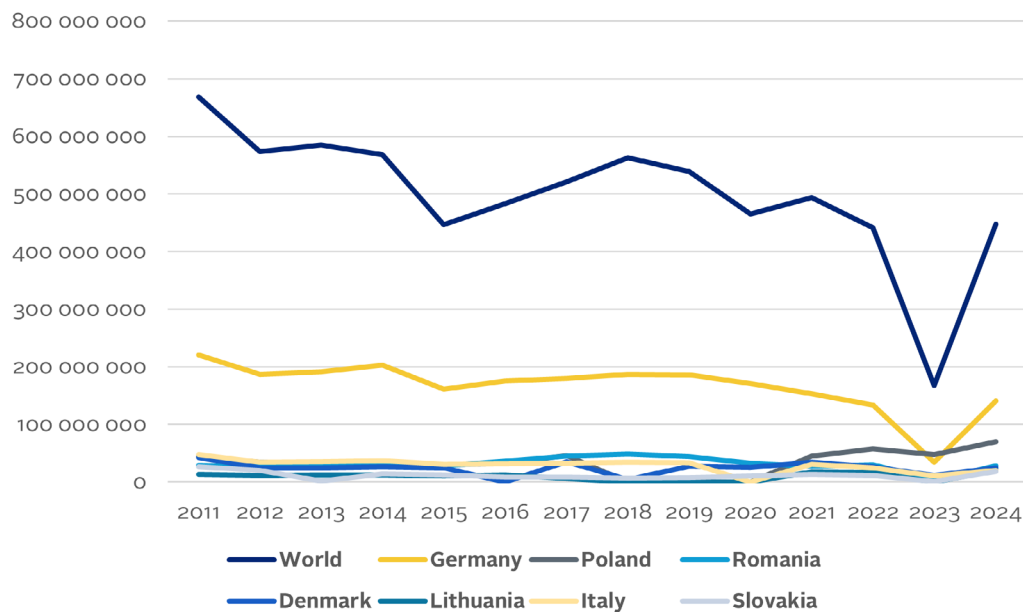


restoring and modernising facilities for processing wool, flax, hemp, cotton, and producing artificial and synthetic fibres is essential (Ishchuk, 2022). Reviving domestic production of cotton, wool, flax and hemp could reduce reliance on imports and strengthen the sustainability of the textile industry.

The sector also faces several other critical challenges, including uneven competition in the domestic market, a shortage of skilled labour, low productivity levels, ineffective management and limited access to public subsidies and financing. Researchers have also identified an absence of clear business and marketing strategies, insufficient government financial support and ongoing issues with customs procedures as key challenges for the sector (Derman et al., 2023). Along with challenges, such as high dependence on imported raw materials and components, low price competitiveness of the Ukrainian textile industry, the concentration of a significant production of toll raw materials, a significant import of used garments and footwear were listed, besides the cross-sectoral imbalance of the segment (Ishchuk, 2022).

Despite high import dependence on raw materials, the sector is mainly export-oriented. In 2020, around 51% of textiles and related products were sold abroad, mainly to Europe (Hlukhova, n.d.). The main export markets are Germany and Romania. However, the volumes destined to Hungary, Poland and Romania suggest that Ukrainian manufacturing firms also act as subcontractors for suppliers, operating in these countries (Dutchak et al., 2017). Ukraine has 19 free trade agreements with 46 countries, including the European Union. Increasing trade has been facilitated by the trade agreements between the European Union and Ukraine. Since 1 January 2016, the EU and Ukraine have provisionally applied the Deep and Comprehensive Free Trade Agreement (DCFTA). The DCFTA provides for trade liberalisation in goods, services, capital movements, and specific aspects of the labour movement. A distinctive attribute of the DCFTA is that it is a comprehensive program for adapting trade-related regulatory standards to the relevant EU standards, designed to ensure mutually expanded access to the EU and Ukraine's internal markets and to eliminate non-tariff (technical) barriers to trade. DCFTA also made it easier to establish business relations under the international subcontracting model (Derman et al., 2023).

**Figure 2. Ukrainian garment exports (SITC 84) to its main trade partners between 2011 and 2024 in US\$**

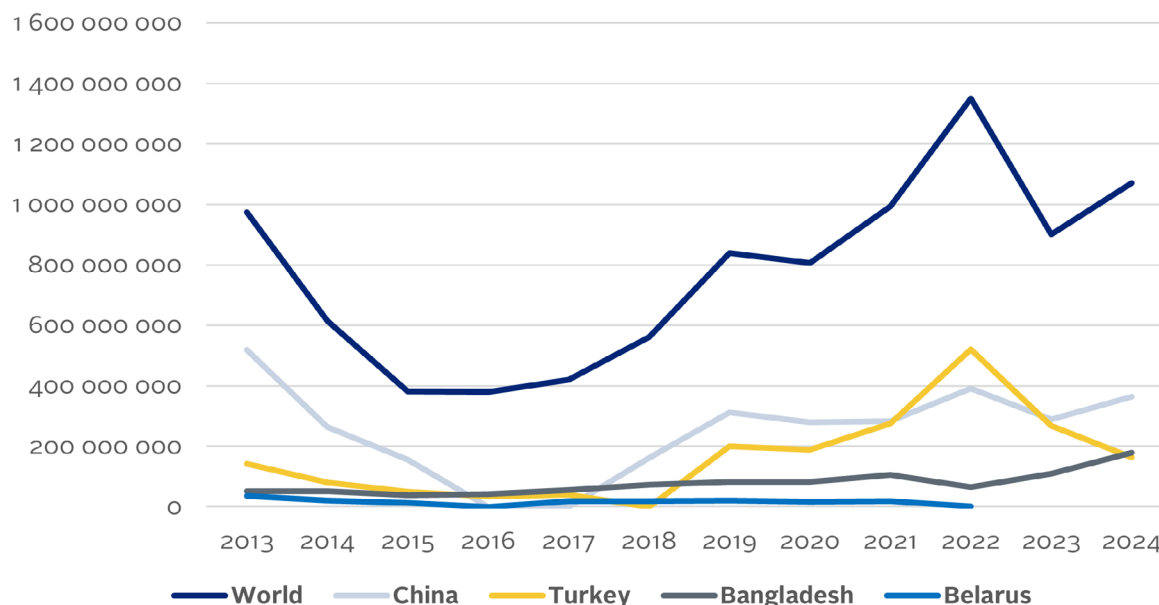


Source: Edited by the author based on United Nations (2025)

As Figure 2 shows, the garment export of Ukraine between 2011 and 2024 showed volatility, which is possibly explained by the effect of military conflict. While the garment export has dropped significantly in 2023, due to Russia's aggression against Ukraine, it has rebounded in the next year, clearly indicating the potential and the resilience of the sector. Ukraine's main garment export partners are Germany, Poland, Romania, Denmark, Italy, Lithuania, and Slovakia, which clearly shows a strong export orientation towards the European market. The significance of Romania and Slovakia, however, indicates subcontracting activities between the neighbouring countries. While overall garment exports of Ukraine have shown volatility, the German export remained relatively stable, showing strong trade connections between the two countries.



Figure 3. Ukrainian garment imports (SITC 84) from its main trade partners between 2013 and 2024 in US\$



Source: Edited by the author based on United Nations (2025)

Since 2015, Ukrainian garment imports have increased until 2022. As Figure 3 shows, Ukraine's main trade partners in garment imports are China, Turkey, Bangladesh, and Belarus, indicating the price-sensitivity of Ukrainian customers. While Belarus was among the top 4 garment exporters to Ukraine, it has lost its significance lately, possibly due to geopolitical tensions and the country's alliance with Russia. In 2022 data, Poland became an important source of garment products for the country, and Turkey took over the most prominent role in garment export to Ukraine (then China took it back).

A free trade agreement between Ukraine and Turkey was signed in 2022. Although it has not yet been ratified by Ukraine, it could pose a significant challenge to the country's textile and garment industry once it comes into effect. Market liberalisation may enable Turkish producers to outcompete and displace local manufacturers, potentially leading to a sharp decline in sales. The Ukrainian textile industry may face major risks, including an estimated annual loss of 1.5 billion UAH in customs revenue, potential factory closures, and the loss of up to 50% of jobs in the sector. This would threaten both national employment and the significant tax contributions that the sector makes to the state budget (Farbar, 2024). This highlights the importance of assessing strategies to strengthen the sector's resilience and ensure that it can withstand external shocks, such as trade liberalisation.

## 1.2. The state of the Ukrainian textile and garment industry during the war

Before the war, certain manufacturers spent several years modernising their operations at their own expense (Derman et al., 2023). The textile industry became a new workplace for many people who lost their jobs during the economic crisis of 2014 and served as a source of development for large Ukrainian businesses at that time. According to the Ukrainian Ministry of Economy, 70% of Ukrainian garment factories continued to operate during the war. During Russia’s full-scale war against Ukraine, garment enterprises strongly adapted to the new conditions. However, the textile sector was one of the most affected, since logistical challenges, energy crises, and the destruction of production facilities caused unprecedented challenges to the segment. Despite these challenges, the continuous operation of the segment allowed it to save jobs and ensured a stable demand for its products (Voichenko & Liubymova, 2024). That is why the textile industry has the potential to support the Ukrainian economy even in times of full-scale war and has the potential to play a leading role in economic restructuring.

The share and distribution of exported and imported products clearly show that since the country’s companies mainly import raw materials (54.7%) and 48% of exports are finished garments, the lower value-added assembly operations dominate Ukrainian textile and leather firms. Based on data from the European Commission (2025b), the textile imports from Ukraine to the EU increased till 2021, then decreased, while clothing imports have shown a slow, steady decline. In parallel with this, EU textile exports to Ukraine increased between 2020 and 2022 and showed a drop in 2023. Meanwhile, clothing exports increased in 2021 and 2023, showing a contradictory trend.

Table 1. Textile and garment trade between Ukraine and the European Union in 2020-2023

	EU imports from Ukraine (million euro)				EU exports to Ukraine (million euro)			
Years	2020	2021	2022	2023	2020	2021	2022	2023
Textiles	124	142	138	113	531	594	641	567
Clothing	326	312	306	301	506	658	537	689
Total import/export between the EU and Ukraine	16 335	24030	27643	22837	23117	28292	30088	39059
%, Textiles	0.76%	0.59%	0.50%	0.49%	2.30%	2.10%	2.13%	1.45%
%, Clothing	2.00%	1.30%	1.11%	1.32%	2.19%	2.33%	1.78%	1.76%

Source of data: Edited by the author based on European Commission (2025b)

Many garment manufacturing facilities have been relocated (primarily due to the Business Relocation Program) to safer locations and often changed their former lines of business (Derman et al., 2023). The majority of foreign partners have terminated their partnerships. These findings reflect the footloose nature

of garment sourcing and fragile contract work relations, further bracing the need for upgrading and earning a more stable position in global markets. However, the flexibility of Ukrainian firms, in terms of management decisions and intersectoral upgrading, was also seen, proving a good base for restructuring.

According to a current analysis, 19,700 manufacturers of clothing, footwear, textile, and leather products were registered in Ukraine. In 2023, the turnover of the industry decreased by 13%. However, despite the full-scale war, new promising sectors are emerging in Ukraine, both in demand on the domestic market and export-oriented: production of military products, home clothes, and wedding dresses, showing the potential for intersectoral and product upgrading. Europe is the largest export market for the Ukrainian textile industry, followed by Asia. While China is the leading import market, Turkey is currently in second place. Imports of textile manufacturing products significantly exceed sales abroad. Over the past six years, imports have exceeded exports several times, and by the end of 2023, the gap was more than six times larger. According to the FAMA report, the experts interviewed are confident that the textile industry in Ukraine has the potential to support the Ukrainian economy even in times of war (FAMA, 2024).

During the war, Ukrainian fashion gained global recognition for its blend of traditional motifs and modern design, known for its creativity, quality and affordability. Leading brands such as FROLOV, Sleeper, Ksenia Schnaider, and Bevza have attracted international attention, while others such as GUNIA Project and Etnodim are using fashion to promote Ukrainian culture and raise global awareness of the war (Yermolenko, 2024). The embroidered shirt (vyshyvanka), the Ukrainian national costume, has become a powerful symbol of cultural identity and solidarity, embraced by global celebrities and designers alike.

### **1.3. EU Integration process and EU requirements for Ukraine's textile and garment industry**

The EU-Ukraine Association Agreement, signed on 27 June 2014, aims at political integration and economic cooperation through a Deep and Comprehensive Free Trade Area (DCFTA), in force since 1 January 2016. It liberalises trade and aligns Ukrainian regulations with EU standards (European Commission, 2015). This means that Ukraine has stepped into the way of eurointegration and has been implementing many directives, bringing the country closer to EU standards (Varava, 2018). This is particularly important for Ukraine's textile and garment sector, which now enjoys fewer trade barriers, access to EU markets and incentives to modernise production in line with European standards.

The EU-Ukraine Association Agreement led to a significant reduction or complete removal of EU import duties on Ukrainian goods. Since the beginning of the war, the Autonomous Trade Measures (ATMs) have served as temporary EU measures suspending import duties and quotas on Ukrainian exports from June 2022. These measures have played a crucial role in supporting the Ukrainian economy by maintaining stable trade flows with the EU amidst the disruptions of war and fostering Ukraine's deeper integration into the EU market (European Commission, 2024). However, the current extension of the ATMs is set to expire in June 2025, after which they are expected to be phased out in favour of a comprehensive review and potential enhancement of the EU-Ukraine DCFTA (Mykhailova, 2025). Since the entry into force of the DCFTA, trade in textiles and apparel between Ukraine and the EU has improved significantly.

As Figure 2 shows, the garment export of Ukraine between 2011 and 2024 showed volatility, which is possibly explained by the effect of military conflict. While the garment exports dropped significantly in 2023 due to Russia's aggression against Ukraine, they rebounded the following year, indicating the sector's potential and resilience. Ukraine's main garment export partners are Germany, Poland, Romania, Denmark, Italy, Lithuania, and Slovakia, which clearly shows a strong export orientation towards the European market. However, the significance of Romania and Slovakia indicates subcontracting activities between the neighbouring countries. While overall garment exports in Ukraine have shown volatility, German exports remained relatively stable, showing strong trade connections between the two countries.

Harmonisation of legislation is essential for Ukraine to trade efficiently within the EU market. This extensive process is already underway, improving the regulatory framework and facilitating market access. Over time, full adoption of EU standards is expected to improve trade performance further and make Ukraine more attractive to European investors, including compliance with the REACH Regulation on chemicals used in textile production.

Moreover, according to Article 360 of the Association Agreement, Ukraine and the EU agreed to strengthen their cooperation on environmental issues, contributing to the long-term objective of sustainable development and a green economy. This requirement also concerns the Ukrainian textile industry, which needs to comply with European waste recycling legislation.

In summary, Ukraine must meet several regulatory, technical, and production standards to fully integrate its textile and garment sector into the EU market. The EU-Ukraine Textile Initiative (EUTI), launched in 2022 and coordinated by EURAT-EX and Ukrlehprom, plays a crucial role in achieving this goal. By promoting close cooperation between EU and Ukrainian textile companies, the initiative not only helps Ukraine to align its production capacities with EU standards but also positions the country as a key, long-term strategic partner within the European textile supply chain (Forrest, 2022). Besides a strong collaboration with international organisations, the introduction of new technologies and government support (in the form of soft loans, tax incentives and export development programs) are also criti-

cal to help the sector's competitiveness (Voichenko & Liubymova, 2024). A proper and supportive economic policy is important since the textile industry alone will not be able to serve an important role in economic development without material and human resources and an adequately developed, effective national policy towards this sector (Gerasymchuk et al., 2020).

## **2. Progress and challenges in reforming Ukraine's textile sector for EU integration**

While there is an emergence of cross-border production relocation to Ukraine (Smith et al., 2008), the country's sector has to move towards more meaningful participation in the global value chains. As wages and living standards have been increased in the Eastern-Central European countries, especially with the EU membership, the garment industry is facing a pressure to restructure its supply chain management and the geographies of sourcing, as other economic sectors and labour mobility increase the demand on regional labour markets and reduce the supply of low-cost, primarily female labour (Smith et al., 2008). The role of government is especially important since problematic socio-economic outcomes are the result of global supply chain inclusions (Dutchak, 2018), and one of the main constraints for the garment industry development is the absence of a sectoral development strategy (Varava, 2018). As Perevozova et al. (2025) argued, the formation of effective supply chains within the light industry depends on many factors, such as the integration of production, logistics and distribution processes, the introduction of modern information technologies and risk management in an unstable market. However, the fast adaptation of Ukrainian firms to crisis conditions is a solid basis for positive forecasts towards a post-war recovery; and a good starting point for the industry's modernisation, increasing the country's export potential and the introduction of sustainable technologies, with a special focus on EU standards of both quality and environmental aspects (Milakovsky & Vlasiuk, 2024). Since Ukrainian manufacturers have gained experience in manufacturing for military purposes, this can also serve the prospects of domestic firms, as the EU puts a special emphasis on defence (European Commission, 2025a).

Restoring peace and Ukraine's stability will create favourable conditions for investment in the country's textile industry, as it will possibly attract new technologies and expand its exports (Voichenko & Liubymova, 2024). As the former experience of Central and Eastern European countries has shown, the establishment of free trade areas not only reduces tariffs and non-tariff barriers but also increases direct investment inflows (Lytvyn et al., 2020). One of the key challenges for Ukraine is the significant trade asymmetry with the EU. Ukrainian exports are mainly raw materials, especially from the mining and metallurgical sector (such as ferrous metals) and agriculture (including wheat, maize, sunflower seeds and sunflower oil). In contrast, imports from the EU are mostly high-tech and diversified, including machinery, industrial equipment, vehicles and household appliances

(European Commission, 2025b). Meanwhile, the Ukrainian sector largely depends on imported materials and components, which requires a future diversification of suppliers and localising production processes (Perevozova et al., 2025). This creates a structural imbalance, with Ukraine largely exporting unprocessed goods and importing finished and complex products. Developing Ukraine's textile and garment industry and increasing its trade in manufactured goods with the EU could help reduce this imbalance and create a more sustainable trading relationship.

Additionally, what the Ukrainian textile sector lacks for further integration with the EU is a basic knowledge of the legislation, standards, etc., that apply in the EU to be better prepared for the requirements of the EU market (Mollá & Vantyghem, 2022). Ukraine also lacks the necessary expertise and strategic know-how to effectively compete in the highly regulated and competitive EU market (Farbar, 2024). With the gradual entry of Ukrainian products into EU markets, it is essential to explore ways to increase Ukraine's competitiveness. One of the primary sources of the country's competitive advantage is its abundance of raw materials, such as industrial hemp and flax. In the Zhytomyr region, Ukraine is already building its first modern industrial hemp primary processing plant with the support of several private investors (Saravas, 2024).

Despite the significant market prospects and the socio-economic importance of the Ukrainian textile sector, Ukraine has not yet implemented any reforms that would help to address the challenges and the current state of the sector (Ishchuk, 2022). As internally displaced people (from war zones) have been formerly found jobs in the Ukrainian garment and shoe industry (Dutchak et al., 2017), the Ukrainian government has to be aware of their harsh financial circumstances, since they are structurally more exposed to the risk of overexploitation. The textile industry can contribute to a more efficient use of labour resources in areas limited by territorial, water and energy resources (Gerasymchuk et al., 2020). Special attention needs to be paid to the social aspect and the provision of decent jobs for the sector, especially since the dominant majority of foreign buyers require a code of conduct.

With regard to the REACH regulation, one of the main challenges in implementing sustainable practices in the Ukrainian textile industry is the lack of qualified experts. Private sector companies often lack access to information, training, and practical guidance on how to introduce environmentally friendly products and circular business models, and few leading companies can set an example or share their experiences. Moreover, compliance with European waste recycling legislation is currently one of the significant obstacles for the industry due to the lack of infrastructure. Ukrainian legislation currently lacks support mechanisms and incentives to encourage companies to recycle, reuse and adopt green practices (Farbar, 2024).



Besides the upcoming revision of the REACH regulation, sustainability reporting, and due diligence standards across Europe, the European Commission plans to introduce numerous objectives under the EU strategy for sustainable and circular textiles, stating a long-term vision for 2030. Ukrainian manufacturers are now in a good position to be well-prepared for the upcoming targets to achieve a leading role in the European textile ecosystem. As Voichenko and Liubymova (2024) have noted, many firms have started to explore alternative energy sources (such as wind and solar), optimised their production processes, and implemented energy-efficient technologies. The more advanced, modern manufacturers have implemented the different principles of sustainable development, namely using organic cotton and recycled materials, besides waste minimisation technologies (Perevozova et al., 2025). Ukraine also needs proper policies and intentional entrepreneurs to maximise upgrading opportunities and escape the reliance on low-value-added activities within the textile and garment industries in the long term.

## Conclusion

The garment industry has played an important role in economic reconstruction after wars and in gaining independence, e.g., in the case of Italy. As many tasks can be trained on the job, due to the footloose nature and its relatively cheap-to-establish characteristic, the garment industry can exponentially boost employment, and provide a significant volume of exports for the country. Moreover, in Ukraine, the textile and garment industry has traditionally been dominated by women, who comprised around 90% of the workforce before the war. As the war has created a shortage of male labour, the growth of the textile and garment sector is significant, as it has great potential to become an engine of economic recovery and growth in difficult times.

Ukraine's textile industry has the potential to support the country's transition away from a raw material-based economic model. Restoring domestic production of raw materials, particularly flax, wool, hemp and cotton, would further enhance the industry's competitiveness and long-term resilience. Growth in the sector could also help to establish a secure local supply chain for garment manufacturing, positioning Ukraine as a key player in the regional manufacturing hubs of Europe. This is particularly relevant as Western European fashion brands seek to reduce their reliance on Asian suppliers in line with reshoring trends. Thanks to its strong production capacity, skilled workforce, reputation for high-quality goods and strategically advantageous location, Ukraine is well-placed to increase its presence in the European textile market.

The development of the textile industry in Ukraine can make a significant contribution to the more efficient use of labour resources. Given that the textile sector has traditionally been female-dominated, and in light of the ongoing war with Russia, which has resulted in the mobilisation of a large proportion of the male workforce, the expansion of this industry represents a strategic opportunity. By en-

gaging the underutilised female labour force, the textile sector can boost Ukraine's economic productivity during the war and serve as a key driver for rapid economic recovery in the post-war period.

For Ukrainian fashion designers and brands, many creators became well-known on the global stage due to the full-scale war. It is still an open question whether they can sustain this interest in the global, competitive fashion market. Regarding their manufacturing base, as Ukrainian garment manufacturers have gained experience in high-quality manufacturing, a possible collaboration can be built upon that base.

The Ukrainian textile and clothing industry, therefore, has significant untapped potential and can become an attractive destination for foreign investment. With a skilled workforce, a strategic geographical location close to major European markets, and a base of established companies, the sector offers promising opportunities to expand production, modernise infrastructure, increase labour productivity and regional integration (Tankovsky et al, 2025), and meet global demand for quality textile and apparel products.

In addition, the textile and clothing industry has the potential to become environmentally sustainable by adopting EU standards and regulations in line with the REACH Regulation. The industry's future growth largely depends on improving the competitiveness of Ukrainian products in the EU market and aligning the regulatory framework with EU standards.

Hence, the findings of this paper confirm the initial hypothesis, demonstrating that Ukraine's textile and garment industry has the potential to drive economic recovery and strengthen regional competitiveness by developing domestic raw materials and aligning with EU regulatory frameworks. This is possible even in the context of ongoing wartime challenges.

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