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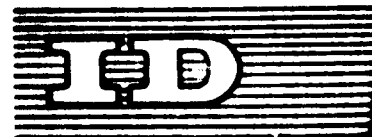
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Expert Working Group Meeting on Trends and Prospects
in the Textile Industry in Developing Countries
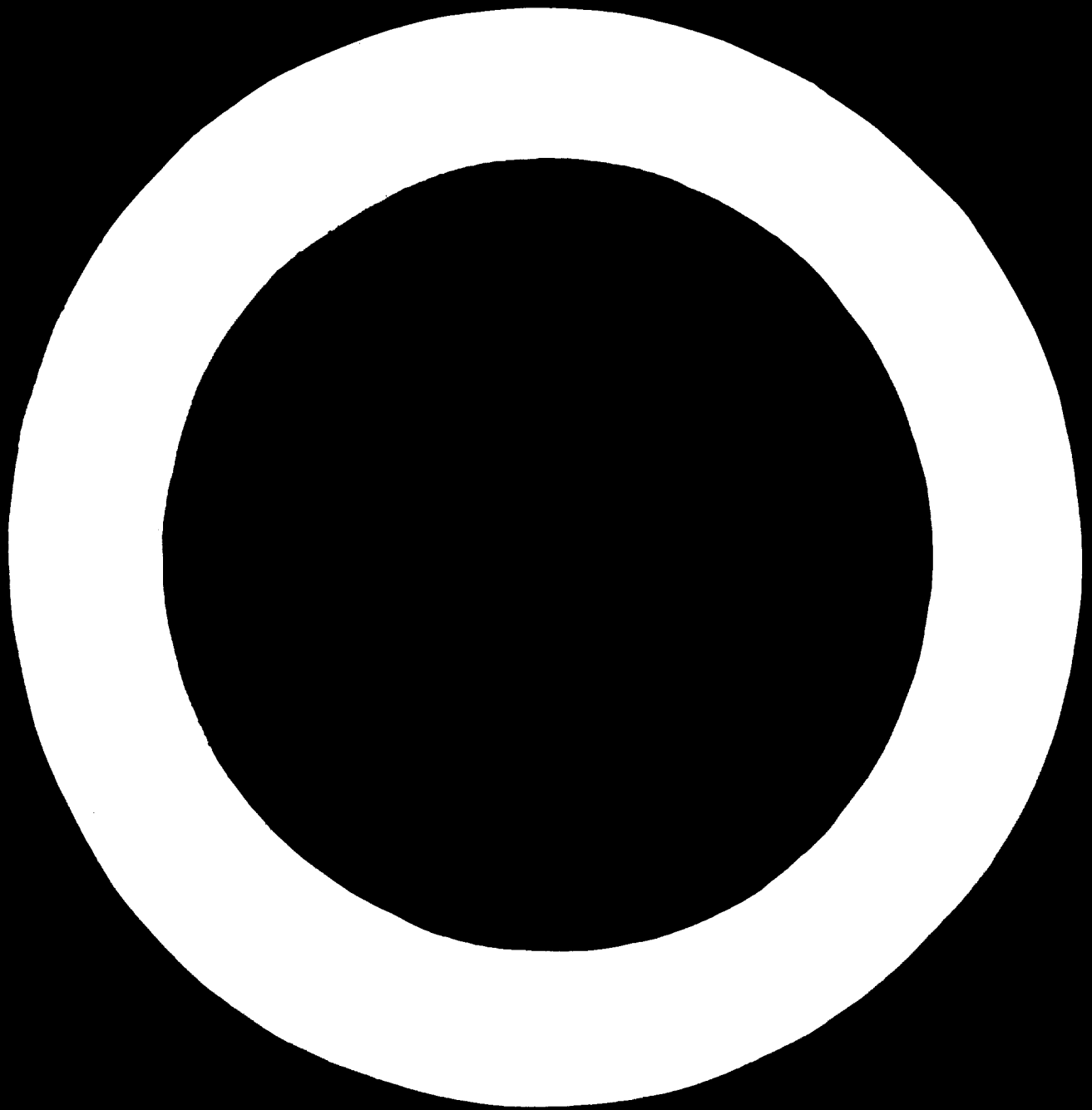during the Second Development Decade

Vienna, Austria, 3 - 7 November 1969

FINAL REPORT OF THE EXPERT WORKING GROUP MEETING

ON TRENDS AND RPOSPECTS IN THE TEXTILE

INDUSTRY IN DEVELOPING COUNTRIES DURING THE

SECOND DEVELOPMENT DECADE [1]

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INTRODUCTION

1. An Expert Working Group was formed to examine trends and prospects in the textile industry in developing countries during the Second Development Decade. It met at UNIDO Headquarters, Vienna, from 3-7 November 1969 to discuss a working paper on the subject drafted by the UNIDO Secretariat. The list of the 10 participants at the meeting appears in the Annex, together with the names of the UNIDO representatives who attended.

2. The meeting was opened by Mr. N.K. Grigoriev, Director of the Industrial Technology Division of UNIDO, who welcomed the participants. The Group elected Mr. R. Robson (ECA) as Chairman and Mr. A, Van Lancker (Chile) as Rapporteur.

3. Each of the participants made a general statement on the UNIDO draft document and on the situation of the textile industry in the developing world. The objectives of the meeting and the form of the final document were discussed.

4. The participants agreed to examine the working document under the following heads:

   (a) Consumption statistics: in particular the method of projection and distribution according to type of fibre

   (b) Production pattern: taking into account
      (i)   capacity;
      (ii)   technological developments
      (iii) competitiveness
      (iv)   availability of natural fibres;

   (c) Trade aspects

   (d) Investment implications

   (e) Development strategy at the national level and at a subregional level. The constitution of subregional groups of countries should take into account their economic level and geographical situation.

5.   It was agreed that, in view of the limited amount of time available for preparing the final report, the statistics and projections of the working paper should be accepted, subject to their being updated and suitably quali- fied.

6.   FAO undertook to supply information for selected countries up to 1967 in order to complete the statistical series already made available. FAO will also put their working documents on hard fibres and jute at the disposal of the Working Group.

7.   The participants observed that data on costs and prices were required in order to evaluate competitive strength thoroughly.

CONSUMPTION STATISTICS

8.   In general, it was agreed to use consumption data on a **per capita basis**, where possible. The approach should be, first, to examine total textile consumption, and then to assess its distribution between various types of fibre.

9.   The method of projection was generally accepted since time did not permit further research a linear function appeared to fit closely the available data. It was observed that the trends in individual countries are not illustrated by such an approach, but because of the limitations of the study, it is impossible to correct this deficiency.

10. Projections of wool consumption should be included in the document, preferably using similar methods to those for cotton and MMF. The figures should be based on the GDP growth rates already employed and on the income- elasticity of consumption Results should again be expressed in **per capita** terms.

11. The limitations of purely statistical forecasts were pointed out by some participants, namely, that they do not fully take account of:

    (a)   Technological development, especially in regard to synthetic fibres

    (b)   Competitiveness

    (c)   Consumer behaviour characteristics

    (d)   Marketing policies

    (e)   Import policies and the circumstances of local industries.

However, the figures do allow for these factors with the implicit assumption that historical trends will be maintained in future. Table 16 on distribution between fibres explicitly incorporated an assessment of fibre technology trends.

12. The estimated world consumption of cotton and man-made fibres, based on recent growth trends but modified relative shares, was accepted. However, the world consumption figures did not include the centrally planned economies. In order to rectify this without modifying the tables presented, participants recommended the inclusion in the introduction of a table showing world consumption, including the centrally planned economies.

13. The modified distribution according to type of fibre was accepted although it was recommended that future movements in the consumption pattern of cellulosics be carefully followed technological developments might increase the competitive strength of rayon, which has continuing prospects in tyres, carpets, disposable clothing and blends with synthetic (polyester) fibres. *in particular*

14. The trend of cotton consumption in the developing regions was carefully examined, especially its share in total consumption (tables 19 and 20). The Group recommended that table 19 should incorporate the estimated distribution for 1980 according to type of fibre.

15. In Latin America, the share of cotton has fallen as that of synthetics has risen, indicating an accelerated change in consumer behaviour and attitudes towards man-made fibres. The substantial petro-chemical capacity planned in this region for the next decade will require an intensive promotion of man-made fibres to ensure its economic operation. The relative costs of fibres, however, may work in favour of cotton.

16. It may be misleading to show the distribution of consumption for Asia, as a whole. Some information should be added on subregional differences. For example, man-made fibres represented 45 per cent of cotton/IMF consumption in the Far East (excluding Japan), 11 per cent in South East Asia and 33 per cent in the Middle East.

17. Moreover, the plans for agricultural development of some Governments could lead them to promote cotton consumption, which might reverse recent trends.

18.   Interfibre competition is sharpened by the versatility of polyester fibres, for use in apparel and household textiles and in new industrial uses. Evolution of blends may further increase the market share of man-made fibres, for example, blends of polynosic rayon and synthetic fibres may displace cotton in some uses.

PRODUCTION PATTERN

Capacity

19.   The Working Group recommended that the presentation of capacity figures be modified in order to indicate clearly the utilization level of existing spinning capacity. Full capacity operation and efficient machine utilisation have to be regarded as major objectives of development.

20.   The loom capacity was examined. It was difficult to assess the proportion of yarn production utilized in mills because the usage for knitted goods, cordage, sewing threads, ect. could not be estimated closely. It was decided that broad estimates of capacity utilization would be more realistic than detailed calculations, given the insufficient data available.

Technological developments

21.   In future man-made fibre production, continuous filament seems likely to increase more than staple fibre due to the success of the texturising process. Texturized yarns - polyamide, polyester, polyacrytic and acetate - are used mainly in knitting, but their use is also increasing in weaving.

22.   In the spinning process, some modifications may be noted but they are not fundamental. Knitting should constitute in future a still larger share of textile production. New projects to develop the textile industry should take knitting into account, especially if high labour employment is desired.

23. The development of sophisticated machinery for finishing man-made materials is making this activity much more capital-intensive and demanding higher technical skills in operative and administrative personnel.

24. The scope for utilization of second-hand machinery is a controversial matter. Its cost may not be substantially lower and on the other hand there may be difficulty in getting spare parts and in obtaining finance. When buying new machinery, the most sophisticated models are not generally the most suitable.

25. Improvement of labour efficiency and capacity utilization are of greater importance in the short term than economies of scale.

Competitiveness

26. Comparative cost figures were not included in the report. Such studies as are available emphasise, however, the relatively high level in developing countries of:

    (a) Machinery and installation costs;
    (b) Unit labour costs
    (c) Interest charges on capital;
    (d) Marketing costs.

27. In order to reduce costs to an internationally competitive level, machine and labour productivity need to be substantially improved. Excessive tariff protection is considered a major cause of inefficiency.

28. Competitiveness is not immediately relevant in many developing countries. When self-sufficiency is the primary objective, attention should be paid first to foreign exchange savings, direct and indirect employment and general economic growth. In the long term, as self-sufficiency is achieved, competitiveness should become a much more significant factor.

Availability of natural fibres

29. The need for co-ordination between agricultural plans for natural fibre production and textile industry investments was emphasised.

TRADE ASPECTS

30. The representative of UNCTAD suggested a need for geographical redistribution of industrial capacity in order to achieve optimisation of resources. Developed countries could assist this readjustment by moving factors of production out of the textile industry into other lines of activity to facilitate greater imports of textile products from developing countries. The GATT Long-Term Arrangement regarding International Trade in Cotton Textiles (L.T.A.) was likely to continue in its present form and might be enlarged to include man-made fibres progressively.

31. The L.T.A. regulated the exports of cotton textiles from developing countries. It was claimed that, by its inadequate pattern of categorization, it had been impeding the introduction of capital-intensive industries in developing countries. It was hoped that textiles might be eventually granted a tariff preference under the general preference system being negotiated for developing countries under the auspices of UNCTAD.

32. It was hoped that raw material imports by developed countries would be steadily replaced by imports of yarn and grey cloth.

33. The developed countries were anxious for the L.T.A. to be extended to cover man-made fibres. GATT was carrying out a special study on the problem of man-made fibres and related trade aspects.

34. The general view was that progress in world trade liberalisation was likely to continue only at its present modest rate. An acceleration of this trend was desirable, as it could be of real benefit to exporters in developing countries.

35. As the degree of self-sufficiency grows, it will become increasingly necessary to negotiate bilateral and regional trade agreements if under-utilisation of capacity is not to increase.

36. A policy of exporting yarns or grey cloth rather than raw materials (cotton) would be beneficial only if markets were not lost to substitute textiles produced in the developed countries which had previously imported the raw materials.

37. The trend in textile imports by the developing world would be sharply downwards as self-sufficiency increased. Trade would tend to be restricted to high fashion and other specialist high-quality items.

38. Intra-regional trade and trade between developing regions was currently very low in volume. If agreements could be reached giving access to these markets, benefits would arise from lower costs as the result of greater specialization and generally enhanced competition between developing countries.

39. Intra-regional trade also depended on improvements in transport and the general infrastructure sub-regional agreements might be a more practical aim than regional ones in the near future.

INVESTMENT IMPLICATIONS

40. Investment should be keyed to the degree of self-sufficiency aimed at by the national development plan, bearing in mind the prior need to improve the productivity of existing production equipment.

41. The kind of planning needed for the textile sector was discussed. Market size and composition, quality characteristics and broader national objectives had to be considered.

42. Investment requirements in the spinning sector were analysed for each region.   Existing capacity was estimated on the basis of average efficiency and operating conditions and the deficit calculated in relation to the 1980 consumption forecasts. Investment requirements in the 1970s for new plants to eliminate this deficit were estimated as follows:

Latin America	-	$850,000,000
Asia		$1,200,000,000
Africa	roughly	$500,000,000.

43. The reasons for the present low efficiency of textile production were discussed. The principal factors are:

    (a) Poor utilization of installed machinery (hours per year);

    (b) Low machine productivity (per operating hour)

    (c) Technically outdated equipment (especially in Latin America and parts of Asia).

44. To the extent that texturizing becomes more popular, the estimates for spinning capacity were overstated. About 5 per cent of projected yarn production might perhaps be replaced by texturizing. Texturizing capacity generally had a higher capital cost per ton of annual output but might also create a more marketable end-product.

45. Forecasts of weaving capacity should closely match the estimated new spinning capacity. A figure of $3,000 o.i.f. per loom was considered reasonable as a basis for calculating the investment involved.

46. In planning investments, local investment should be encouraged and foreign loan requirements minimized.

DEVELOPMENT STRATEGY

Consumption

47. The urgent need to reduce prices of textile products in developing countries was stressed as a major objective in order to raise the consumption level. Countries that had already attained a large measure of self-sufficiency should review their tariff barriers in the light of their technological development with a view to progressive liberalization. Protection for the local industry should be balanced by strong price control.

48. The marketing margins and distribution structure of the textile industry should be re-examined. Before deciding to invest, the market situation should be studied. Small national markets might call for a single, sub-regional plant, e.g. the central African markets.

49. Better transport facilities are required in order to reduce production and distribution costs.

Production

50. The fundamental strategy for development of the textile industry would be to ensure the full and efficient utilization of existing production facilities, especially in Latin America and parts of Asia, based on modernization and structural adjustment.

51. Continuous shift operations should be promoted, but it was emphasised that high productivity of labour and machinery would not be achieved without improving working conditions.

52. Action to develop the industrial sector should include community planning of urban services at the plant, such as the infrastructure, housing, health and nursing services, in order to create not only the discipline but also the social welfare necessary to improve productivity.

53. Better maintenance and spare parts service would improve capacity utilization. Centralized maintenance units and local manufacture of spare parts should be planned. The purchase of machinery for particular uses (spinning, weaving, knitting, etc.) from different suppliers should be avoided within a single plant.

54. Participants pointed out the urgent necessity of continuing field work in the textile and clothing industry to be carried out by an international agency (UNIDO) with its own staff, on a regional basis.

55. Each regional textile centre should provide technical information to promote industrial development and be capable of giving technical assistance on the spot. Educational activities should be organized in order to promote instruction at the national level in textile technology.

Trade

56. Intra-regional trade co-operation should be developed in order to achieve regional self-sufficiency by progressive liberalization. Plans for sub-regional co-operation were taking shape in Latin America.

57. Export to developed countries was often difficult and might prove to be of decreasing importance in the long term. Exporters of natural fibres to developed countries should concentrate on exports of semi-elaborated goods.

58. Export to developed countries of elaborated goods carried the risk that market restrictions would be imposed. Lack of technical skill and of marketing, including style and design, must also be overcome in most cases.

59. It was considered that the export of finished goods to developed countries might often prove difficult to promote and that some countries might concentrate rather on cotton yarns and cotton or blended grey cloth. In this connexion, it was considered that the L.T.A. would need to be liberalized, in order to facilitate the growth of exports.

Investment

60. Participants emphasized the need for an up-to-date survey of the textile industry on a subregional basis in order to provide the necessary informa-tion for feasibility studies.

61. Regional or subregional planning of textile industrialization should result in the co-ordination of national investment programmes.

62. In planning, the following factors should be taken into account: current consumption and market size, consumption growth, export plans, increase of productivity and of capacity, development plans for the agri-cultural and petrochemical sectors. Projects should be implemented only if the cost-benefit appraisal is favourable.

63. Investment in knitting instead of weaving operations could be a solution for small countries, as this does not require large production units and employs an up-to-date but relatively easy technology. The same considerations apply to making-up garments.

64. Regional co-operation would be necessary for setting up textile factories in small countries, e.g. in the African region.

65. Foreign aid in the form of grants should be made available for textile development in small countries.

Policy Recommendations

66. Developing countries should strengthen the machinery for developing their textile markets. Structural adjustment is needed in many cases to achieve competitiveness in price and quality and make possible local market expansion.

67. The developing world was classified into three groups according to the development stage reached by the local textile industry.

68. The first group comprised net exporters of textile commodities. Since exports to the industrialized world were not expected to increase in volume by more than 5 per cent per year, these countries should increase the value of export trade by further sophistication in quality and styling. However, they should develop their home markets by long-term programmes.

69. The second group consisted of countries currently self-sufficient in textiles. As exporting to the developed world required greater technical skill than was needed for the local market, only some countries would be able to do so. The others should aim to consolidate their self-sufficiency, improving competitiveness and reducing costs by reduction of protective tariffs and structural adjustment. Local consumption should be developed and intra-regional trade increased.

70. The last group contained the net importers of textile commodities. For this group, the objective was import substitution, in order to achieve self-sufficiency within the next decade. Medium and long-term programmes for the development of the textile industry should be set up. Where national self-sufficiency could not be achieved because of restricted market size, the industry should be planned on a subregional, co-operative basis.

CONCLUSION

71. Having completed their discussion of the matters in the the working paper that had called for comment, the participants agreed that the Rapporteur should prepare a revised version of the document in the light of the meeting. It was recommended that its final form should be a UNIDO publication whose title might well be "Trends and Prospects in the Textile Industry in Developing Countries during the Second Development Decade".

**Expert Group Meeting on Trends and Prospects in the Textile Industry
in Developing Countries during the Second Development Decade**

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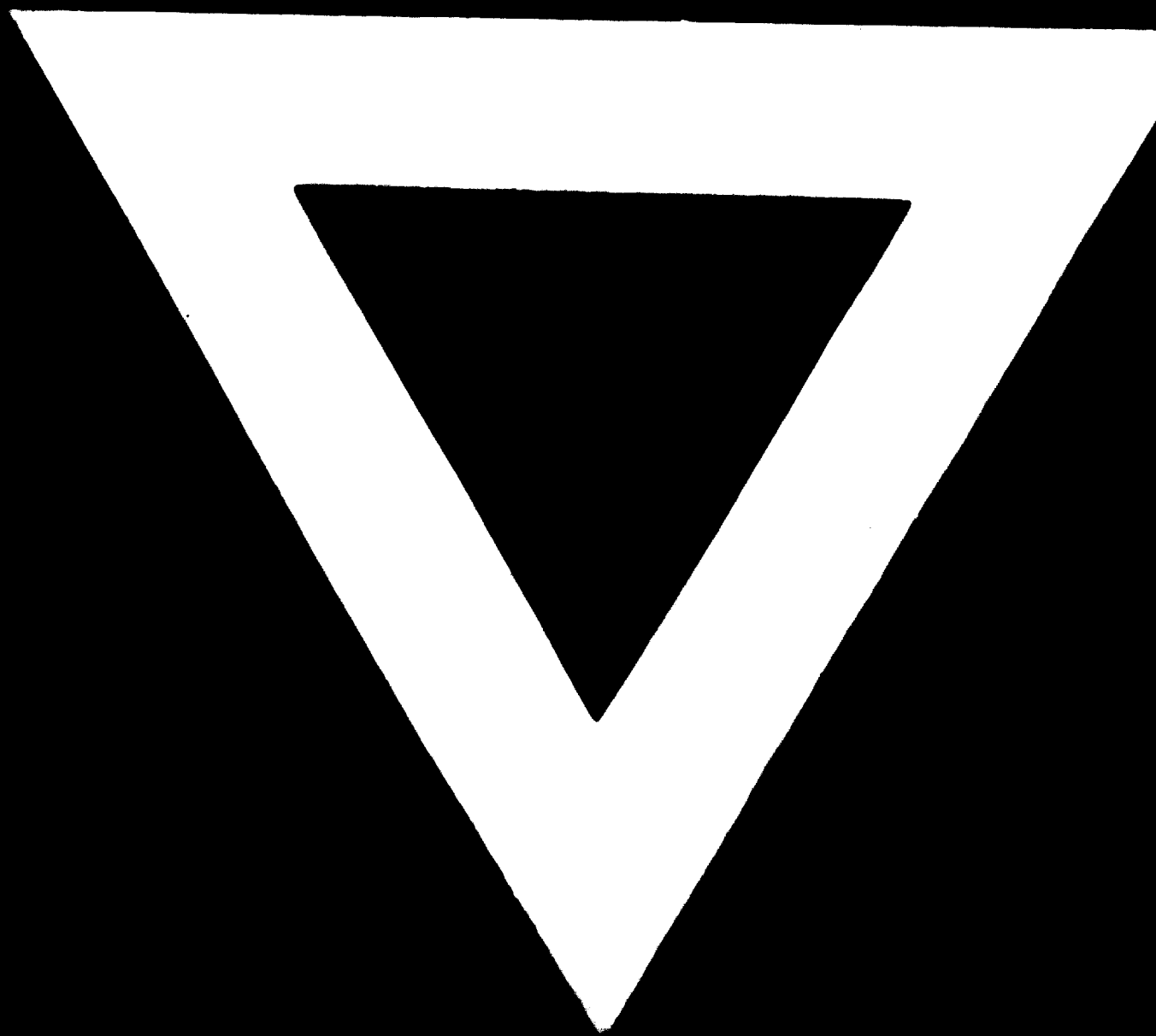Kossuth Lajos Tér. 2-4
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