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CONTRACT NO. 2696

JUGOSLAV TEXTILE STUDY : MARKETING REPORT



GHERZI TEXTIL ORGANISATION
ZURICH LÖWENSTRASSE 1

CONTRACT NO. 2696

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GHERZI ORGANIZATION
ZURICH

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1.0 THE JUGOSLAV TEXTILE INDUSTRY AND MARKETS

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1.0 THE JUGOSLAV TEXTILE INDUSTRY AND MARKETS

1.1 Introduction

This marketing report is based on detailed interviews both in Yugoslavia and in many of the convertible currency markets. The report is written at the level of the industry and market opportunities generally so that all the comments do not apply equally to all companies; a series of reports would have to be prepared at a second level, based on more detailed interviews, if the opportunities for specific companies were to be identified.

1.2 Interviews

Within Yugoslavia the meeting programme was arranged by ZIT and included:-

. textile manufacturing companies in the fibre, primary textile and confection sectors:-	9
. associations of textile manufacturers:-	4
. trading houses:-	6
. chambers of commerce:-	2
. banks:-	1
	--
Total	22
	--

In the convertible currency markets, field work was carried out in West Germany, Italy, France, the UK, Holland, Belgium and the USA. Interviews were made with:-

- . retail buyers and buying organisations
- . Yugoslav Government trade offices
- . Yugoslav trading house representatives and agents
- . importers, converters
- . manufacturers concerned with outward processing (TPP)

1.2 Structure of the Report
cont.

The report is in two basic parts:

- (i) The body of the report
- (ii) More detailed supporting material with a product market by section base.

The Body of the Report.

The contents of the body of the report cover the following topics:

Section 1 The Yugoslav Textile Industry

This describes the size of the industry, the companies within it, its sub-sections, products, markets and annual sales.

2 Domestic Market Demand and Supply

The changes in market demand, price structure and distribution.

3 Textile Demand and Supply in the Convertible Currency Markets

These markets represent the targets for export sales by the long established and newly established industries of all textile producing countries. The Yugoslav industry competes in these markets against many competitors. This section puts the Yugoslav industry into the context of the global competition and discusses the limiting factors for growth (quotas) and the niche opportunities.

4 The current state of the Yugoslav Industry

This section considers the present situation of the industry; its responsiveness to the market's rapidly changing needs and its abilities to match international standards of quality consistency, service, delivery, performance and prices.

1.2
cont.

5 The strategic position of the Industry Sectors : Strategies and Action Plans

The industry sub-sectors are defined and discussed separately in terms of

- . their current position
- . market trends
- . their internal capabilities
- . market opportunities
- . proposed strategies and action plans

Appreciation

In preparing this report we have received unlimited help from ZIT. Their support in preparing visit programmes, making translations, interpreting at meetings and provision of data has exceeded that help that we could reasonably have expected. The assistance of all the participants in the interviewed companies was most helpful and much appreciated. The kindness and generosity of so many people has made this a most satisfying project on which to have worked.

2.0 THE INDUSTRY

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2.0 THE INDUSTRY2.1 The Size of the Industry

The textile industry in Yugoslavia employs some 382,583 persons in 1300 basic organizations of associated labour (BOALs) within 903 company groups (combinats). The industry is dominated by the confection sector that represents 30% of the work force employed.

Figure 1.

Textile Industry companies and personnel - 1984

Industry Sector	Companies	Personnel	% share personnel
. Hemp fibre production	0	854	0.2
. Cotton yarn spinning	43	32629	8.5
. Wool yarn spinning	38	20552	5.4
. Hemp yarn spinning	13	3944	1.0
. Man-made fibre production, including chemical industry	7	2746	0.7
. Cotton weaving	24	11681	3.1
. Wool weaving	66	35063	9.2
. Hemp weaving	37	21583	5.6
. Filament weaving	8	2576	0.7
. Fabric knitting	20	7523	2.0
. Underwear knitting	18	5182	1.4
. Outerwear knitting	32	14697	3.8
. Hosiery knitting	108	36323	9.5
. Narrow fabric weaving	27	12365	3.2
. Confection - underwear	22	5669	1.5
. Confection - outerwear	52	25728	6.7
. Confection - household textiles	270	114226	29.9
. Confection - heavy	30	5551	1.5
. Carpets	11	3652	1.0
. Other textiles	34	10147	2.7
	43	9892	2.4
Total	903	382583	100.0

2.1 Foot notes:

cont.

1. The confection companies work with woven fabrics. Companies in the knitting sectors usually have their own separate confection units.
2. Other textiles include upholstery (cars), non-wovens, hats, sun-blinds, parasols, umbrellas, cotton wool and medical textiles.
3. The man-made fibre sector includes companies usually listed in the chemical industry. For completeness those activities of chemical companies directly related to the production of synthetic fibres have been included in this list.

Source: ZIT

In 1982 there were 902 companies listed that employed 335253 persons. Since 1982 employment has increased by 14%.

2.2 The Structure of the Industry

The primary textile sectors are predominantly vertically structured combinats with BOALs in each of the spinning, weaving, dyeing and finishing and confection activities. For example, in the cotton sector the structure is:-

Activity Sector	Number of Companies total	Companies on a vertical structure	Independent Companies
Spinning	40	40	0
Weaving	46	40	(6
Finishing	46	40	(6
Confection	450	40 +	

All weaving companies have their own bleaching, dyeing, printing and finishing activities.

The confection sector, on the other hand, is predominantly made up of independent companies although each of the large vertical structured combinats appears to have confection companies. This is especially so in the household textiles sector where each of the confection units is part of a cotton spinning/weaving/finishing company.

2.2 cont. The wool sector employs almost 50000 persons in some 38 vertically structured companies. In many instances making up units are part of the same vertical companies. This sector is perhaps the most successful part of the Yugoslav industry in supplying tailored outerwear both for men and ladies. Cloth designs tend to be mainly classical.

The knitting sector is more fragmented with a total of 185 companies employing 68560 persons in the knitting and making up activities. Knitting companies buy in yarns.

2.3 The Business Base of the Industry

The industry is dependent on foreign trade : most of the cotton fibres used, 80% of the wool fibres and much of the man-made fibres consumed are imported whilst exports of fibre, intermediate products and confection goods are made to hold an overall, increasingly positive, trade balance (figure 4).

All textile imports were less in 1984 than in 1980 (figure 6) by 20%, when calculated in US \$. Fibre imports increased by 7% to 1984 in spite of the increase in local production of man-made fibres and represented almost three-quarters of all textile imports. Yarn and fabric imports declined by 53% in the period 1980-1984 whilst their share of imports fell from 43% to 25%. Made-up (confection) goods represented a fairly constant 2.4% of all imports whilst their value fell from \$22.3 mn to \$14.0 mn i.e. a decrease of 37%.

All textile exports peaked in 1981 at \$1232.6 mn in what must have been an exceptional year. Exports in 1984 at \$956 mn represented a 20% increase over 1979 (\$799.6 mn) and an increase over the 1983 low (figure 5). Fibre exports declined by 44% whilst yarn and fabrics were almost stable. Exports of made-up fabrics were almost stable. Exports of made-up (confection) goods increased 44% in 1984 compared with 1980 but were 11% less than the 1981 high of \$628.6 mn.

The industry was almost equally dependent on the developed countries as on Eastern Europe for textile imports in 1982. The data presented in figure 7 does not include wool imports from Australia and New Zealand and also not the superior grades of cotton from Egypt, the Sudan and the USA. If these items

Figure 4: YUGOSLAVIA - Textile Foreign Trade Balance
Exports less Imports (mn US \$)

	1980	1981	1982	1983	1984	% change 1980-84
All textiles:						
Exports	799.6	1232.6	1072.7	869.5	956.0	
Imports	763.7	846.2	743.1	584.7	611.5	
Balance	35.9	386.4	329.6	284.8	344.5	+ 260
of which:						
Group 26 - fibre						
Exports	56.0	67.4	65.8	50.3	31.5	
Imports	412.1	456.4	423.7	355.9	439.4	
Balance	(356.1)	(389.0)	(357.9)	(305.6)	(407.9)	- 15
Group 54 - medical						
Exports	5.9	9.5	6.5	4.1	5.5	
Imports	3.7	3.7	3.6	4.1	3.9	
Balance	2.2	5.8	2.9	-	1.6	- 27
Group 65 - yarns/fibres						
Exports	347.6	527.5	447.6	368.7	356.5	
Imports	325.6	363.7	296.9	206.5	154.2	
Balance	22.0	163.8	150.7	162.2	202.3	+ 820
Group 84 - confection						
Exports	389.7	628.6	552.9	446.6	562.5	
Imports	22.3	22.3	18.9	18.1	14.0	
Balance	367.4	606.3	534.0	428.5	548.0	+ 49

Source: ZIT/Foreign Trade Statistics

Figure 5: YUGOSLAVIA : Textile Exports 1980-1984: groups 26, 54, 65 and 84
(bn dinar and mn US \$)

	1980	1981	1982	1983	1984	1980-84 % change
- conversion rate : 1 US \$ = dinars	27.3	27.3	41.8	67.8	124.8	+357
All textiles (bn dinars)	21.83	33.65	44.84	58.95	119.31	
" " (mn US \$)	799.6	1232.6	1072.7	869.5	956.0	+ 20
of which:						
Group 26 - fibres (bn dinars)	1.53	1.84	2.75	3.41	3.93	
" " " (mn US \$)	56.0	67.40	65.8	50.3	31.5	- 44
Group 54 - medical (bn dinars)	0.16	0.26	0.27	0.28	0.69	
" " " (mn US \$)	5.86	9.52	6.46	4.13	5.53	- 6
Group 65 - yarn/fabric (bn dinars)	9.49	14.40	18.71	25.00	44.49	
" " " (mn US \$)	347.62	527.47	447.61	368.73	356.49	+ 3
Group 84 - confection (bn dinars)	10.64	17.16	23.11	30.28	70.20	
" " " (mn US \$)	389.74	628.57	552.87	446.61	562.50	+ 44

Source: Foreign Trade Statistics

Figure 6: YUGOSLAVIA : Textile Imports 1980-1984: groups 26, 54, 65 and 84
(bn dinar and mn US \$)

	1980	1981	1982	1983	1984	1980-84 % change
- conversion rate : 1 US \$ = dinars	27.3	27.3	41.8	67.8	124.8	+357
All textiles (bn dinars)	20.85	23.10	31.06	39.6	76.31	
" " (mn US \$)	763.7	846.2	743.1	584.7	611.5	- 20
of which:						
Group 26 - fibres (bn dinars)	11.25	12.46	17.71	24.13	54.84	
" " " (mn US \$)	412.1	456.4	423.7	355.9	439.4	+ 7
% share total imports	54	54	57	61	72	
Group 54 - medical (bn dinars)	0.10	0.10	0.15	0.28	0.49	
" " " (mn US \$)	3.7	3.7	3.6	4.1	3.9	+ 6
% share total imports	0.5	0.4	0.5	0.7	0.6	
Group 65 - yarn/fabric (bn dinars)	8.89	9.93	12.41	14.00	19.25	
" " " (mn US \$)	325.6	363.7	296.9	206.5	154.2	- 53
% share total imports	43	43	40	35	25	
Group 84 - confection (bn dinars)	0.61	0.61	0.79	1.23	1.75	
" " " (mn US \$)	22.3	22.3	18.9	3.4	14.0	- 37
% share total imports	2.5	2.6	2.5	3.3	2.4	

Source: Foreign Trade Statistics

Figure 7: YUGOSLAVIA - TEXTILE IMPORTS FROM SELECTED COUNTRIES - 1982 (bn dinars)

Country of Service	Category 26 Fibres	Category 54 Medical	Category 65 Yarns, Fabrics	Category 84 Confection	Total
1. Developed Countries					
. Austria	0.488	-	0.295	0.047	0.830
. Denmark	-	-	-	-	-
. France	0.183	-	0.142	-	0.325
. Greece	0.555	-	0.365	-	0.920
. Italy	2.107	-	1.055	0.029	1.206
. W. Germany	1.633	-	0.798	-	2.431
. Switzerland	0.082	-	0.378	0.077	0.537
. USA	1.111	-	0.066	-	1.177
. Sweden	-	-	-	-	-
. UK	0.177	-	0.074	0.027	0.278
Sub-total	6.336		3.173	0.180	7.704
% share category	55.1		46.3	28.0	45.3
2. E. Europe					
. Bulgaria	0.006	-	0.392	0.006	0.404
. Czechoslovakia	0.167	-	1.402	0.312	1.881
. Hungary	0.256	-	0.464	0.041	0.761
. East Germany	0.060	-	1.120	0.076	1.256
. Russia	4.666	-	0.031	-	4.697
Sub-total	5.155		3.409	0.435	8.999
% share category	44.9		49.8	67.8	53.0
3. Developing countries					
. Algeria	-	-	-	-	-
. China	-	-	0.265	0.027	0.292
. Iran	-	-	-	-	-
. Iraq	-	-	-	-	-
Sub-total			0.265	0.027	0.292
% share category			3.9	4.2	1.7
4. TOTAL	11.491		6.847	0.642	16.995
% share all imports	100.0		100.0	100.0	100.0

Footnote: Some imports are not included, e.g. Egypt (cotton) and Australia (wool)

Source: Foreign Trade Statistics/ZIT

2.3 had been included, the balance would have been
cont. equally divided between the developed and Eastern
European countries.

In exports the balance is very much in favour of the Eastern European markets. The export destinations for the major product groups are presented in figures 8, 9 and 10. (The destinations and products shown in these figures represent 91% of all textile exports.) Fibre exports are targeted mainly on the developing countries and especially to Iran. Whilst the principal markets for medical supplies, yarns, fabrics and confection products are Eastern Europe.

Of the developed countries, Italy was the major market for yarn and fabric exports (followed by W. Germany) and W. Germany was the most important export market for apparel confection (followed by Switzerland and Austria) and also for household textiles. More than 90% of confection goods exports to W. Germany and Holland in 1984 were TPP (outward processing) exports; less than 10% were classical (direct) exports.

Jugoslav exports represent a significant part of W. Germany's and also of Holland's textile imports for certain specific product groups. In most other western markets, Jugoslav exports represent a very small share of any product group imports (chapter 5).

Figure 8: YUGOSLAVIA - TEXTILE EXPORTS TO SELECTED COUNTRIES - 1982 (bn dinars)

Country of Destination	Category 26 Fibres	Category 54 Medical	Category 65 Yarns, Fabrics	Category 84 Confection	Total
1. Developed Countries					
Austria	0.009	-	0.080	0.496	0.585
Denmark	-	0.006	0.079	0.157	0.242
France	-	0.010	0.234	0.231	0.475
Greece	0.048	-	0.049	0.175	0.272
Italy	0.263	0.010	1.389	0.166	1.828
W. Germany	-	-	0.804	1.658	2.462
Switzerland	-	-	0.061	0.646	0.707
USA	-	-	0.084	0.126	0.210
Sweden	-	-	0.052	0.246	0.295
UK	0.009	-	0.100	0.055	0.164
Sub-total	0.329	0.026	2.932	3.956	7.240
% share of category	15.7	11.7	25.8	16.1	19.0
2. E. Europe					
Bulgaria	0.037	-	0.457	0.207	0.701
Czechoslovakia	0.437	0.064	0.493	1.519	2.410
Hungary	-	-	0.227	0.513	0.740
East Germany	-	-	0.016	1.170	1.186
Russia	-	0.105	4.557	13.823	18.485
Sub-total	0.474	0.169	5.750	17.232	23.522
% share of category	22.7	76.1	50.7	70.3	61.8
3. Developing countries					
Algeria	0.067	-	0.980	1.620	2.667
China	0.125	0.027	0.223	0.035	0.410
Iran	1.096	-	1.112	-	2.208
Iraq	-	-	0.346	1.655	2.001
Sub-total	1.288	0.027	2.661	3.31	7.286
% share of category	61.0	12.2	23.5	13.6	19.2
4. TOTAL	2.091	0.222	11.343	24.498	38.048
	100.0	100.0	100.0	100.0	100.0

Footnote: Export statistics include TP (CMT) goods.

Source: Foreign Trade Statistics/ZIT

Figure 9: YUGOSLAVIA - Household Textiles Exports by product group and country of destination - 1982 (mn dinars)

Country	Table Linen 656.91.20	Bed Sheets Bed Spreads 656.91.10	Woollen Blankets 656.61.10	Other Blankets 656.62.10/ 69.10	Covers for beds, sofas and other household textiles 656.91.90	All household textiles
Denmark		125.71			15.00	140.71
West Germany	20.76	295.62		82.21	82.33	480.92
Sweden		21.08			21.08	42.16
UK					21.05	21.05
Italy			8.68			8.68
USA	5.76					5.76
USSR	66.66	59.66		72.16	161.09	359.57
East Germany		19.64			14.43	34.07
Hungary					2.41	8.41
Iraq		24.77		188.17	32.23	245.17
Algeria				296.92		296.92
China				35.11		35.11
Others	8.78	20.35	10.58	167.28	33.16	248.15
Total	101.96	574.83	19.26	841.85	388.76	1926.68
% share	5.3	29.8	1.0	43.7	20.2	100.0

Figure 10: YUGOSLAVIA - Household Textiles Exports - 1980-84 (tonnes)

Product Category	Description	1980	1981	1982	1983	1984
656-91.20	table linen	25	152	171	169	300
91.10	bed sheets	313	1014	2162	2398	2518
61.10	wool blankets	21	77	76	-	27
62.10	cotton blankets	36	42	11	-	1
69.10	other blankets	2075	2256	3204	5049	2886
91.90	covers for beds and sofas and other household textiles	481	921	937	854	1597
Total		2951	4462	6492	8470	7329
% change 1980-1984						+ 148

2.4 Some aspects of the recent history of the industry and their consequences.

On preparing a report on the industry at this level we are mindful that we cannot include the excellence of performance of some companies or the lesser performances of others. These comments and those that follow are necessarily of a general (average) nature.

Since the 1940s the local industry has had the privilege of supplying a strong and growing domestic market that was protected against import competition. The consequences were that prices achieved by manufacturers were high when compared with the prices obtained for export sales to Eastern Europe and much higher than exports to the Western markets. Margins earned on the domestic market were correspondingly high.

The economic recession of the early 1980s and the falling domestic demand increased competition amongst manufacturers for the remaining local demand. This increased competition coincided with the Government's liberalization of prices policy, that allowed manufacturers to determine their own selling prices (and wholesale and retail prices) for most goods.

During the past 15 years, fashion has become of increasing importance in the domestic market, especially amongst the younger generation, and this has placed a further demand on the industry to respond more quickly to fashion requirements as well as for smaller sized production orders.

However, the major markets for exports (Eastern Europe and the developing countries), that represented 80% of exports in 1982, continued to place large block orders for products with relatively little fashion content and for which the demands for quality consistency and meeting tight delivery schedules were limited. In many ways the demands of the two market groups are very different and cause a dilemma that some companies find difficult to resolve.

2.4
cont

For example, the market groups may be characterized in the following general terms:-

	Eastern Europe	Western Markets
. Product	Basic, little fashion element	Significant fashion element
. Prices	Usually good, high margins	Highly competitive low margins
. Order size	Large block orders	Some large, many medium size
. Delivery schedules	Not critical	Critical, planned
. Quality consistency	Not critical	High specification production
. Working relationship; manufacturer and customer	Distant relationship acceptable	Close working relationship essential offering a high level of service
. Preferred selling contact	Centralised selling (trading houses)	Direct; buyer/supplier
. Production flexibility	None	Most necessary

Some Eastern European markets have recently become more fashion oriented, e.g. Czechoslovakia, and manufacturers in Jugoslavia are adjusting to these changing demands in terms of order size and production flexibility. But for the most part, Yugoslav companies are characterized by:

- . long lead times
- . lack of flexibility in terms of order quantities, changes to order specifications and changes in priorities.
- . offering relatively low levels of customer service
- . a lack of understanding of the segmentation of western markets in terms of price points, retail outlets fashion, age, volume, etc.

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2.4 cont. The legislation requiring companies to earn their own convertible currency to pay for imported raw materials, new machines and spare parts has placed an extra burden on all companies. All companies are not suited to exporting; but this is true also of many companies in all textile producing countries. Companies that are newly formed, or who change to exporting sensitive products, have an automatic right to a share of MFA quotas with the consequence that manufacturing companies that have established themselves in the export markets and have orders on their books can have their own quotas reduced year on year in order to make room for the new exporting companies. These new exporting companies usually use the services of local trading houses to market their products.

Local Yugoslav trading houses have traditionally had the responsibility of selling Yugoslav products, including textiles, in the export markets and also, to some degree, in the domestic market. Their role has been essential in negotiating the large orders with the Eastern block countries, where the negotiations are often protracted and payment is not necessarily direct. Some of the trading houses are conditioned to the buying/selling needs of the East European markets and find it difficult to accept the different needs of the Western markets. To the Western markets, the role of the trading houses is often less necessary and many buyers insist on dealing directly with the manufacturing companies. Some western buyers are frustrated from dealing directly with the actual suppliers and, therefore, do not buy from Jugoslavia.

The role of the trading houses in purchasing raw materials is discussed in Chapter 6.

2.5 Market image of the Industry.

At the industry level, the market image can be stated only in general terms and these will not reflect the performances either of the best performers or of the less good performing companies. Overall the market image can be summarized as follows:

2.5 - Strengths (relative to the Western markets)
cont.

. the quality of confection, especially of tailored outerwear (for men's and ladies' suits, costumes, jackets, coats, rainwear, dresses and trousers) and some underwear (for men's shirts and ladies' blouses).

. the direct export of men's and ladies' wear based on Yugoslav designed fabrics (mainly classical) and especially from the wool sector. (Note: the prices of local fabrics are considered to be a definite weakness).

. the very large quantities of TPP work (CMT, outward processing) undertaken on behalf of Western manufacturers, especially from West Germany and Holland based on temporarily imported face fabrics, linings, interlinings, sewing threads, accessories, labels, packaging and presentation materials.

. geographical proximity to the major markets in Europe.

. a willingness to please the markets with an acceptable quality consistency, delivery scheduling and service although these factors usually require that buyers or the trading houses have their own representatives on manufacturers' premises to monitor performance. (German buyers speak of only a very small number of manufacturers in whose performance they have confidence without the presence of their own staff.)

. a superior performance in TPP business than that offered by many other countries.

. a limited number of companies are geared to garment production of a satisfactory quality consistency and meeting delivery schedules without regular monitoring on the part of buyers or their staff (or trading houses).

2.5 - Weaknesses (relative to the Western markets)
cont.

. the industry is seen to be manufacturing oriented, less than dynamic, inflexible and to show a lack of understanding of how the markets operate.

. manufacturing companies, particularly the large vertical combinats, are geared to the supply of large orders for basic products to Eastern Europe and not to meeting the medium sized orders of the Western markets and the special needs of the markets.

. the Western market demands an increasing number of 'mini' seasons a year (up to 8 - 4 for autumn/winter and 4 for spring/summer) that places shorter and quicker response times on suppliers. Many companies are not geared to meeting this type of market demand.

. quality consistency generally.

. the high cost of yarns and fabrics produced in Jugoslavia. (One major factor for the high proportion of TPP work.) The industry is competing with cotton growing countries, where labour costs are lower, in the export markets with corded cotton yarns and basic cotton grey cloths. These price levels cannot be met by Yugoslav producers; if they were to offer combed cotton yarns and fabrics the opportunities to meet target prices would be more realistic.

. market segmentation identification companies are trying to compete in the Western markets with very basic household textiles against competition from low-cost cotton growing countries. Prices of Yugoslav goods are as much as 25% too expensive for these bottom market segments.

. the industry gives the impression of attending to short term problems to the exclusion of longer term commercial relationships that are essential for ongoing business with Western buyers.

. company management (production, technical, commercial and financial) needs to be re-trained in modern management methods.

. the industry is understood to be non-competitive because of high conversion costs based on old technology and ageing machinery, low machine utilization and low labour productivity.

2.5 . a number of weakness factors combine to increase
cont. the demand for TPP business rather than direct
exports:-

. buyers do not have the confidence in the simultaneous availability of all components of garments and the requisite packaging and presentation materials from the aspects of:

- . timing; short lead times
- . colour co-ordination
- . performance of all components
- . cost, relative to availability from international sources
- . garment engineering and styling
- . fabric width

. the bureaucratic process of buying direct exports through a third party (the trading house) that in turn deals separately with a spinner, a weaver and a garment producer.

. MFA quotas do restrict the direct exports for a number of sensitive items so that TPP business is the only opportunity for increasing sales to specific markets but many quotas are not fully taken up. Quotas are not the sole reason for TPP business as is commonly claimed. TPP business is high for low-quota items, e.g. ladies' dresses.

. the lack of flexibility shown by companies and the extended lead times often exclude them from the first order and almost certainly exclude them from the repeat orders. TPP is often the only manner in which at least some business can be placed in Yugoslavia.

. many companies fail to give service; they do not respond in time (if at all) to telex messages, letters or order enquiries. Buyers have neither the time nor necessity to await replies that may never come.

. the Western markets are particularly critical of the processing sector (bleaching, dyeing, printing and finishing) where the quality of the finished fabric is often less than acceptable, e.g. fabrics are described as dead - overbaked, etc.

2.5 . the high costs of financing and inflation
cont. resulting in no stabilization of prices for even
minimum periods of 3 or 6 months.

. the difficulty of buying natural fibres most
prudently during the season and the subsequent
problems of underspinning fibres at high costs.

. the industry is dependent on imported raw
materials (cf Portugal). Imports account for 90%
of cotton fibre consumption, 80% wool fibre, 24% of
man-made fibres (excluding the man-made fibre raw
materials that are imported), most of the chemicals
and dyestuffs used in processing and much of the
machinery and spare parts.

. the almost wholly ad hoc (short-term)
relationships of trading houses with manufacturing
companies severely limits the companies from
developing any business strategy other than an
equally short-term one. (More companies, even
medium sized ones, are registering to take care of
their own export marketing so that they can better
determine their own destinies.)

3.0 DOMESTIC MARKET : DEMAND AND SUPPLY

3.0 DOMESTIC MARKET, DEMAND AND SUPPLY

3.1 INTRODUCTION

The domestic market is considered in two categories:

- . the end-use consumer market
- . the demand and supply of raw materials for the textile and confection companies

Each of these categories will be considered in this chapter.

3.2 THE END-USE CONSUMER MARKET

3.2.1 Background. The consumer market in Yugoslavia from the late 1960s to the early 1980s can be described in the following terms:-

- . consumer expenditure on textiles increased progressively from 4.4 bn dinars (1962) to 15.9 bn dinars (1981) at constant 1972 prices (figure 11).
- . the population increased from 18.6 mn in 1962 to 22.42 mn in 1981, so that the per capita expenditure increased by 199% from 237 dinars (1961) to 709 dinars (1981).
- . the demand for fashion oriented apparel developed rapidly since 1970 with the younger age groups equally as fashion conscious as in many countries in Western Europe.
- . the domestic consumer market is a protected market with import restrictions largely excluding foreign products.
- . price controls were applied during the period 1970-1982, that allowed prices to be determined by Government. Domestic market prices were high relative to those in many prices.
- . the apparent domestic market consumption levels for many end-use consumer products are presented in Appendix A.
- . the domestic market is dependent on domestic suppliers as imports for local usage are very restricted.

Figure 11: YUGOSLAVIA - Total National Income by Industrial Sector
at constant 1972 values : 1962-83. (bn dinars)

	1962	1975	1979	1980	1981	1982	1983 (projected)
Total national income	117.4	260.5	334.2	341.6	346.3	348.0	343.5
of which: Public sector	88.0	215.3	284.2	291.2	294.8	294.0	290.0
Private sector	29.4	45.2	50.0	50.4	51.5	54.0	53.5
Textile industry (public sector)							
. yarns, fabrics	2.6	4.7	5.7	5.9	6.1	5.9	6.0
. confection, knitting carpets	1.8	7.2	8.8	9.3	9.8	9.7	9.7
Total textiles	4.4	11.9	14.5	15.2	15.9	15.6	15.7

Source: National Statistics Office

Figure 12: YUGOSLAVIA - Consumer Expenditure at current prices
by product group (bn dinars) : 1979-1983

	1979	1980	1981	1982	1983 (projected)
Total consumer expenditure	574.0	758.5	1050.6	1386.0	1914.7
of which:					
. clothing	50.1	63.6	83.9	113.5	156.0
% total	8.7	8.4	8.0	8.2	8.1
. shoes	19.5	24.7	32.6	44.2	60.6
% total	3.4	3.3	3.1	3.2	3.2
. food	193.3	259.2	364.8	486.0	697.0
% total	33.7	34.2	34.7	35.1	36.4
. drink/tobacco	62.6	80.7	115.0	154.0	207.9
% total	10.9	10.6	10.9	11.1	10.9
. furniture household items	60.0	76.8	101.5	133.5	168.2
% total	10.5	10.1	9.7	9.6	8.8
. light, heating, etc.	43.2	58.4	87.0	114.4	160.4
% total	7.5	7.7	8.3	8.3	8.4
. health	23.5	30.8	41.3	51.1	64.7
% total	4.1	4.1	3.9	3.7	3.4
. culture, sport	26.0	33.5	45.3	59.4	76.3
% total	4.5	4.4	4.3	4.3	4.0
. cars, buses, etc.	73.4	100.4	138.8	177.0	250.3
% total	12.8	13.2	13.2	12.8	13.1
. others	22.4	30.0	40.4	52.9	73.3
% total	3.9	4.0	3.8	3.8	3.8

Source: National Statistics Office

Figure 13: YUGOSLAVIA - POPULATION (1948-1985)
and Projected Growth to 2000 (millions)

	1948	1961	1971	1981	1985	1990	1995	2000
Total	15.77	18.55	20.52	22.42	23.24	24.11	24.91	25.65
of which								
- male	7.73	9.1	10.2	11.1	11.5	11.97	12.40	12.80
- female	8.04	9.45	10.32	11.32	11.74	12.14	12.51	12.85
average age (years)	28.3	29.7	31.3	33.0				
average age expectancy - born 1948	50.8	58.1	63.3	67.8	70.4			

Source: National Statistics Office

Figure 14: YUGOSLAVIA - Population distribution by size of family - 1948-1981

YEAR	FAMILY UNIT (members)								
	Total	1	2	3	4	5	6	7	8+
1948	3.61	0.45	0.51	0.56	0.57	0.49	0.37	0.25	0.40
1953	3.95	0.48	0.57	0.65	0.67	0.54	0.40	0.26	0.39
1961	4.65	0.63	0.72	0.80	0.87	0.64	0.43	0.25	0.32
1971	5.38	0.69	0.88	1.02	1.14	0.70	0.43	0.23	0.28
1981	6.20	0.81	1.15	1.22	1.47	2.69	0.41	0.20	0.25

Source: National Statistics Office

Figure 15: YUGOSLAVIA - Numbers of Marriages, Divorces and Apartments finished : 1953-1982 (thousands)

	1953	1963	1973	1976	1978	1980	1981	1982
Marriages	167.4	157.9	183.7	174.9	178.8	171.4	173.0	n/a
Divorces	16.0	21.3	23.2	24.4	24.2	22.6	22.6	
Apartments finished per year:								
public sector			44.7	60.9	50.4	48.6	57.8	53.3
private sector			90.1	89.0	87.2	48.1	91.4	85.4
Total			134.8	149.9	137.6	96.7	149.2	138.7

Source: National Statistics Office

Figure 16: YUGOSLAVIA : Consumer expenditure and inflation 1972-1985

	1972	1976	1979	1980	1981	1982	1983	1984	1985
Consumer expenditure (current values, bn dinar)	n/a	n/a	574.0	758.5	1050.6	1386.0	1914.7	n/a	n/a
. as index values		100	n/a	324	422	617	800	111	
Price inflation	1976	1978							
. general	26	33	40	43	71	100	139	229	424
. food/textiles		31	37	50	70	100	144	238	440
Consumer expenditure converted to US \$ (bn \$)			22.07	27.78	38.5	33.16	28.24	n/a	n/a
. conversion factor dinars/ US \$ av.			26.00	27.30	27.30	41.80	67.80	124.80	295.00

Source: National Statistics Office

3.2.2 The Present. During the 1980s, domestic market demand has been affected by the national economic situation so that:

. the total national income has declined from a 1982 peak (figure 11) and income from the textile industry has declined in parallel.

. the share of total consumer expenditure spent on clothing has declined from 8.7% in 1981 to 8.0% (1984) and on household items (including household textiles) from 10.5% to 8.8%. The share of consumer expenditure spent on living essentials (food, light and heating) has increased during this same period (figure 12).

. since 1982, price regulations have been liberalized and manufacturers have been free to determine their wholesale and retail prices.

. as a consequence of the reduced market demand for textiles overall, manufacturers' and retailers' prices have not kept pace with inflation. The margins earned by manufacturers are now not so attractive - relative to export prices - and more manufacturers are looking to the export markets to sell their capacities.

. an increasing share of retail sales are made at discounted prices (special sales promotions, etc). It is believed that the share of retail sales at discounted prices may be as high as 30% with discounts of up to 50%.

. the demand for fashion garments by children and young people - to age 25 - has maintained a high market activity. The older generations have reduced their clothing purchases, as they had relatively extensive wardrobes when the economic recession first became apparent in 1982.

. the stocks of household textiles held by families were considerable and replacement purchases did not merit a high priority in current personal spending.

. the number of apartments completed has declined so that the demand for carpets, furnishings and upholstery fabrics has declined. Demand for lower cost floor coverings of the textile based linoleum type has increased (figure 15).

3.2.3 The Future: The most pessimistic of national economic forecasters believe that 1985 represents the trough of the economic recession and that the market will recover during the next 2-3 years (to 1988). The more optimistic forecasters believe that the market could be quite buoyant within 12-18 months. The indicators for market growth are:

. 1985 is the third year of the present recession and the large part of the population that has deferred large capital purchases, e.g. suits, jackets, coats, etc, during this period will need to buy new garments.

. the trend to fashion oriented leisure wear will continue with the acceptance of less formal wear for most occasions. Demand will be for more items of lower unit cost.

. the increase in birth rate of the 1960s is reaching the age of marriage and setting-up home.

. the total population is continuing to increase as the average life expectancy is extended. (Figures 13, 14 and 15).

. demand for end-use consumer products may reasonably be expected to expand by 5%-10% by 1987/8 for all these reasons.

But inflation is running at 70% and more with wage settlements at only half of this level. Credit : interest rates are more than 50% so that spending on less than essential, high cost consumer goods is difficult for most people.

3.2.4 Channels of Distribution: The preferred distribution channels vary from sector to sector. As shown in the figure, manufacturing companies' own shops represent an estimated 50% of the domestic apparel market but only 10% of the domestic carpet market.

Type of retail outlet	% share domestic market		
	apparel	household textiles	carpets
. manufacturers' shops	50	20	10
. trading houses	30	20	-
. wholesalers	)	50	70
. retailers	) 20	10	20
Total	100	100	100

3.2.4 Manufacturers' own shops are generally companies in the tailored outerwear sector, e.g. Kluz, Varteks, Beka, etc. who each have a network of shops across the country. Other manufacturing sectors have their own shops too, albeit on a more limited scale. For example, BPK in household textiles and Tiz in ladies' lingerie. Those manufacturers with their own distribution channels have them for a variety of reasons:

- . as a logical extension of their concept of the attractiveness of a vertical structure.

- . to bring a manufacturer closer to the consumer and so have a better feel for the market needs.

- . to be able to off-load stocks and second quality to minimise disturbance of the markets.

- . to optimize their margins.

Many manufacturers' shops offer other merchandise that is complementary to their own ranges. Some, but by no means all, have established a market image that is attractive to specific age groups and price segments of the market. Some manufacturers have adopted a policy of buying centrally for their company shops whilst others leave this to their individual shops. Not all company shops are successful.

Some Yugoslav import/export houses have their own retail outlets in the domestic market. Those that have retail outlets include Centrotexil and Yugoexport. But these have differing business plans; Centrotexil sells to the volume market with more classical merchandise at modest prices with many stores across the country whilst Yugoexport has a self-created exclusive and expensive image for its 12 shops. The role of the trading houses is discussed in greater detail in Chapter 6.

Textile wholesalers include Ateks (Belgrade), Tekstil-Belgrade, Nama (Zagreb), Robna-Kuca (Belgrade) and Veletekstil (Ljubljana).

The retail shops are independently, privately owned stores. They are mainly small shops with some small department stores. There are no national chains of retailers or of large department stores as can be found in many western countries.

- 3.2.5 Price structure: Manufacturers' selling prices together with the wholesalers' and retailers' selling prices are determined in each instance by individual manufacturers. (The liberalization of prices was a policy of Government in 1983.) Wholesalers' and retailers' margins are a nationally agreed fixed percentage on manufacturers' prices.

If the determined retail price is 100 units, the manufacturers' selling price will be 72 units with the margins to the wholesaler and retailer being 16 and 12 units respectively. Where companies have their own shops, the 100 units remain with the company. These retail margins appear low when compared with retailers' margins in W. Europe (60%-120% on purchase value) but the Yugoslav retailer has far fewer risks. For example, if the product does not sell, the retailer may return them to the manufacturer or negotiate a discount to the cost of the manufacturer. Additionally, the payment terms may nominally be 30 days but often run to 60 or 90 days without extra charges or the goods may be available on consignment stock and are paid for by the retailer only when he sells them. Many manufacturers recognise that, as they are often financing retailers anyway, they might as well invest in their own shops.

3.3 Intermediate Products.

The domestic market consumption of many intermediate products is also presented in Appendix A. The figures illustrate the material consumption at each stage and their source of supply, i.e. domestic production or imports. Export values are also shown.

Unfortunately, these tables are not complete for all products as:

- . the Yugoslav production statistics do not until 1985 present data in sufficient detail.
- . it is understood that imports and exports of materials for TPP production (outward processing) may not be included in the statistics.

4.0 THE CONVERTIBLE CURRENCY MARKETS

4. THE CONVERTIBLE CURRENCY MARKETS

4.1 Introduction

These markets represent the major sales targets for all of the world's textile producing countries. The markets include:

- . Western Europe
- . North America
- . Australia, Japan
- . Some oil producing countries of the Middle East

Western Europe, particularly the 10 EEC countries, is the largest consumer market for textiles in the world with import penetration in some countries as high as 65% for certain product groups.

In 1985 these markets accounted for 20% of Yugoslavia's textile exports and 50% of imports (fibres, yarn, fabric and made-up goods). The net trade deficit of Yugoslavia with these markets was of the order of 1 bn dinars.

4.2 Demand and Supply

The demand for imported yarns and fabrics and especially for made-up clothing and household textiles continues to increase. But the world's supply capacity is increasing at a greater rate so that supply capability globally continues to outstrip demand. The competition between suppliers is becoming yet more severe. Buyers can be both more demanding as well as more selective on their suppliers and choose suppliers who show an understanding of their (the buyers') and the markets' problems. Buyers prefer suppliers who can help to solve these market problems to a mutual benefit.

At the same time, the high cost countries of these markets are finding that they have potentially viable manufacturing opportunities themselves if they invest in the latest technologies. Manufacturers are able to retain some production in the UK or Germany, say, by these means.

4.3 Market demand

The characters of markets have undergone some fundamental changes over the past years. There have been three prime causes of these changes:

- i. retailers determined that they needed to create their own identities in the markets and channels of distribution.
- ii. new retail groups have entered the markets with very specific targets on particular market segments.
- iii. the consequences of the oil crises of the late 1960s and early 1970s, in conjunction with the more recent world recession, have been to increase the frequency of buying and to reduce stock holdings and order sizes.

In order to establish their own identities with consumers, many of the major retailers established the segment of the market that they could best supply with co-ordinated collections of clothing. This segmentation of the clothing product-markets by individual retail groups has been made on the bases of:

- . age of the target customers
- . styling, colour, design (fashion, high fashion, classical, professional, formal wear, leisure wear etc.)
- . critical key price points
- . consumer spending of target customers
- . frequency of buying
- . fashion changes within a season

This approach to retailing - concept selling - of offering very carefully selected, limited ranges of co-ordinated clothing has given the opportunities to some long established and to many new national chains of retail stores. (These retailers design and engineer their ranges together with their suppliers.) This approach has also seen the demise of many established clothing groups.

The economic recession with the reducing demand for consumer goods caused retailers to stimulate extra demand by introducing new fashion ranges in between the established seasons. Consequently, in place of the traditional two clothing seasons per year (autumn/winter and spring/summer) the markets have become accustomed to as many as 8 mini-seasons per year. These more frequent seasonal fashion changes

4.3 have tied buyers even more strongly to their
cont. established suppliers. Buyers need:-

- . smaller initial orders for each season's new merchandise with repeat orders available against short lead times.

- . frequent fashion change orders of smaller quantities against short lead times.

The economic recession also had the consequence of limiting expenditure and the frequency of buying high capital cost goods (e.g. outercoats and suits) in favour of more frequent purchases of less expensive goods (sweaters, casual shirts, trousers, etc.). At the same time, the dress habits have shifted increasingly to less formal wear in almost all segments of the markets. This trend is expected to continue.

4.4 Market Structure

The typical product-market structure in the convertible currency markets for many of the finished goods in clothing and household textiles is shown in figure 17.

Each of the 5 product-market segments shown in figure 17 has a range of sub-segments according to the profile of the individual major outlets. As was discussed in 4.3, retailers have very specific market profiles according to the ages, incomes and style demands of their target customers. These factors determine the retailers' needs and indirectly their sources of supply.

In general terms, product-market segments 1 and 2 (figure 17) are served by producers in the high-cost Western countries themselves that have strong traditions in classic and fashion styled clothing, e.g. Italy, the UK, France and Germany. Increasingly, manufacturers and designers in high-cost countries are sub-contracting production to manufacturers with lower costs of production either on a direct import basis or on a TPP (outward processing) basis. The imported goods are 'married' with local production to obtain an average cost. Fabric design and colouring usually originate in the specific western country.

Product-market segment 3 has the greatest spread of price and product variety. It also is the market segment for which there is great competition for

Figure 17: Typical product-market structure.A. Private consumption market

Product-market segment	Retail price level	Fashion/classic f/c	Market Volume	Description
1	top	f	small	. designer label, e.g Klein, Armani
	top	f/c	small	. top manufacturers' supported brands
2	top	f/c	small	. other manufacturers' supported brands
	medium	f/c	small	. top retailers' brands
3	medium	f/c	medium	. manufacturers' brands not supported
			to high	. retailers' brands
			high	. importers' brands
4	bottom to medium	) f/c) f/c) f/c	high	. retailers' labels
			high	. importers' labels
			high	. no labels
5	bottom	f/c	high	. no labels
		f/c	high	. seconds, surplus stocks

B Contract market - apart

4.4 cont. supply. Whilst some production is made in the western markets, e.g. knitted outerwear and underwear, shirts, trousers, anoraks and the like, there is a large part of demand that is supplied either by large volume, standard production from 'lower-cost' countries on a direct import basis or by the same countries on a TPP basis. Importers' and retailers' brands are usually direct imports based on fabrics available in the confectioning countries and produced to designs given by the customers. Manufacturers' brands may be on the basis of TPP or direct imports, according to the policies of the importing countries.

Market segments 4 and 5 are for the most part based on imports from lower-cost countries for high volume, standard production. The important high fashion parts of these segments and the essential fast repeat business, continues to be supplied by small workshops in the western markets.

The contract market is, with certain exceptions, supplied by producers in each of the Western markets. One notable exception is the supply by Yugoslavia of military uniforms to W. Germany. Protective clothing for industrial uses is often imported from world sources other than the Western markets themselves.

This market structure applies both to apparel and to household textiles. The particular characteristics of the markets are considered individually elsewhere in this report. The specific styling and colouring of both apparel and clothing varies between countries, even between the smaller countries of Western Europe.

4.5 Market Supply

As the number of suppliers targeting on the markets increases, especially from those countries with newly established textile industries, they compete initially for business in segments 5 and 4. But these segments are already saturated with suppliers of standard products in high volume. The consequence is that competition is further increased, prices are effectively reduced and the levels of quality and service offered by suppliers are improved. Country suppliers who are no longer able to compete at these relative price levels re-focus their sales on segment 3, where the potential for prices and margins are higher, but where the market demands are also higher - quality

4.5 cont. consistency, delivery scheduling, close relationships with buyers for the development of new products and engineering of garments to meet price points in the markets.

Portugal and Hong Kong, as typical examples of countries that had low labour costs, were competing for business in segments 4 and 5 alongside countries such as Thailand and Sri Lanka. At that time, suppliers in those countries were manufacturing oriented and produced to customers' orders brought to them by buyers seeking low cost stitching capacity. As their labour costs increased and they were no longer competitive in segment 4, they had to compete for segment 3 business. But this required them to change their strategic business plans quite significantly. Over the past 10 years or so, many companies in Hong Kong, and more recently in Portugal, have become:

- . marketing oriented
- . innovative in garment engineering and styling
- . skilled in producing consistent quality
- . experienced in servicing customers
- . practiced in meeting delivery schedules with the necessarily built-in flexibility to support customers' changing demands
- . developed a capability of meeting small and medium-sized orders as well as large orders

Not all companies in Hong Kong and Portugal have changed; those that have are now far more successful and through their close working relationships with customers can plan their future business with greater confidence than previously.

4.6 Imports; direct imports and TPP (outward processing)

The import needs of the hard currency markets fall into two groups:

- i. direct imports
- ii. TPP imports, based on temporarily exported product components that are subsequently re-imported as made-up products

Direct imports for which the requirements are:

- . increasingly, a marketing orientation by the producing factories.

- 4.6 . small, medium and large-sized orders (with an
cont. increasing share of small to medium sized orders).
- . a close and direct working relationship between the buyers and the factories to understand each others' needs and problems; to engineer new products together; to meet specific price points and to have mutual confidence in each other for long term, close working relationships.
 - . flexibility in lead times to meet the markets' changing needs. Production managers need to be marketing oriented.
 - . reliability of delivery schedules for both short and long term order programmes.
 - . quality consistency to agreed product specifications.
 - . some product innovation so as to be interesting to buyers. (New products can be based on bought-in designs from leading international designers and modified by in-house stylists to suit specific buyers' needs.)
 - . international standards of production so that product costs can be as competitive as possible and realistic.
 - . all the components of a made-up product, e.g. linings, interlinings, buttons, zips, threads, labels, presentation and packaging materials, etc. to be available at the required moment in time and that they meet the criteria of colour matching, performance specifications, quantity, cost and the like.
 - . lead times vary according to the product group but may be up to 6 months.

TPP imports for which the requirements are for manufacturing companies in western countries to:

- . negotiate a cost of making-up products (garments, household textiles, etc.) in a lower-cost country on the basis of buying standard minute units of production only.
- . the TPP maker-up provides only his confection stitching capacity.

4.6 . the western country manufacturer supplies all of
cont. the product components in the exact amounts for a
specific order together with detailed
specifications. The confectioner makes at an
agreed confection cost and to an agreed delivery
schedule.

. the lead times for orders may be up to 6 to 8
weeks or even less if the manufacturers/
confectioners have open contracts for the regular
supply of making-up capacity.

The direct import route may be taken by
manufacturers, general importers or retail buyers
in western countries. The TPP route may be taken
only by manufacturers. But the decision to take
the TPP route is more complex than this suggests.
The factors that persuade western manufacturers to
follow the TPP route include:

. the desire to stay in manufacturing.

. the western manufacturer's own skills in fabric
or garment manufacturing and the opportunity of
marrying prices of his own production with imported
products.

. the knowledge that all of the components are
available at the correct moment in time and the
confidence that the delivery dates for customers'
orders will be honoured.

. the knowledge that the components are of the
correct specification, including colour matching.

. the facility to source components from whichever
world-wide source to achieve the required product
at the best possible price.

. in a fast-changing fashion world with up to 8
seasons a year, the TPP route allows western
manufacturers to hold stocks of basic cloths in the
greige state; to colour the required amount at the
latest possible moment to the 'new' fashion colour;
and to have the garments made up by a lower-cost
producer. (For example, the greige cloth stock is
held in Germany, it is then dyed in Germany and
sent to, say, Yugoslavia, for making-up. This
method of working requires 1 week for dyeing and
3-4 weeks for making-up. It is unlikely that such
a quick turn round could be achieved if the fabric
was dyed in Yugoslavia or other Eastern European
countries.)

4.6 . for those sensitive product groups that are
cont. covered by quotas, the TPP route allows additional
quantities to be imported by certain countries.
Not all countries permit the TPP items to be
additional to the basic quota quantities, e.g. -
the UK, Ireland, Greece. In contrast W. Germany,
Holland and Belgium have established separate TPP
quotas for these sensitive product groups and the
ceiling limits are quite elastic. But the TPP
route is by no means restricted to these sensitive
product groups for which direct imports are limited
by quotas.

For example, W. Germany, Holland, Belgium and the
USA are the countries that use the TPP route most
regularly. These three European countries work
with confection companies in Eastern Europe, Africa
(especially Tunisia and Morocco) and the Far East
(including Sri Lanka, Thailand and Malaysia).
American companies use fabrics made and finished in
the USA and elsewhere and have them made-up by
confection companies in Eastern Europe (e.g.
Rumania), the Far East (including China, Thailand
etc.) and the Caribbean area (e.g. The Dominican
Republic).

The opportunities in selected convertible currency
markets are discussed in Chapter 5.

5.0 THE CONVERTIBLE CURRENCY MARKETS

- SELECTED COUNTRY PROFILES

5. THE CONVERTIBLE CURRENCY MARKETS
SELECTED COUNTRY PROFILES

5.1 General

Although the convertible currency markets have many international characteristics, the products they require and the service required by each are distinctly national and, thereby, different from one another.

. the international characteristics include:-

- increasing import penetration.
- highly competitive target markets for textile producers all over the world.
- demanding in service.
- increasing fashion and seasonal demands.
- smaller orders given than a few years ago.
- developing segmentation of the markets.
- specification production with increasing demands for quality consistency.
- and, especially there is no major gap in the ranges of textile products being offered by the supply sources world-wide. There are niche opportunities for individual manufacturing companies to satisfy individual buyers' requirements in all of the product groups on a long term basis provided the supplier can offer some business opportunity superior to that of a competitor. The service does not have to be low price; it needs to be a mix of quality, delivery scheduling, product flexibility, innovation, close personal relationships, flexibility, mutual understanding and the like.

. the national characteristics that are important include:-

- styling and colouring
- sizes of products, e.g. garments, bed sheets, carpets etc.
- levels of service demanded
- price competitiveness
- traditional supply sources
- levels of import penetration
- the strengths of the residual textile industry in each country.
- the protectionist policies followed by each country to control the rate of run down of the residual textile industry and the help given to newly emerging textile industries in different overseas countries.

5.2 West Germany

The largest consumer market in Western Europe is characterized by:-

- . a willingness to pay the highest prices for imports amongst European countries.
- . high import penetration of all textile products across a wide price spectrum.
- . the second largest textile producing country in the EEC.
- . the largest exporter of textile products to other countries within the EEC.
- . a consumer market that is highly segmented from a price point of view.
- . the large store groups, e.g. C & A, Konstadt, Kaufhalle, Horten, Kaufhof and Hertie, are targeting on different parts of the market; they have differing price points, buying policies and brand policies.
- . the buying groups, e.g. Kaufring, buys on behalf of many small department stores and independent shops with their own and manufacturers' brands.
- . the mail order houses have important market shares in many products with their own and manufacturers' brands.

This market is further characterized by its liberal approach to textile imports. These may be on the basis of direct imports or by the TPP route. German textile manufacturers have particular strengths in converting greige cloths (either locally produced or imported) into high quality, finished fabrics (coloured woven, piece dyed or printed). These fabrics may be made-up into textile products in Germany or sent to other countries for making up on a CMT basis (TPP). Some German confection companies have their own satellite factories in N. Africa (Morocco or Tunisia), Cyprus, Malta, Sicily or they use CMT factories in Eastern Europe or N. Africa.

The market is the most demanding in terms of service and honouring agreed delivery schedules. It has a unique level of styling and colouring.

5.2
cont.

West Germany is Jugoslavia's most important textile customer in the convertible currency markets but Jugoslavia is not necessarily Germany's largest supplier. The particular strengths of the Yugoslav industry that are particularly attractive to German buyers are in making-up, particularly in the areas of tailored outerwear. The sensitive product groups controlled by quota under MFA 3 are listed in Appendices B, C and D and show direct imports together with the quota utilization and TPP (CMT) trade. The Yugoslav share of W. German imports, including TPP, is presented in figure 18. Whilst many made-up product quotas are fully utilized, e.g. categories 5, 6, 7, 8, 12, 15b and 16, the Yugoslav industry is not competitive in other categories, e.g. categories 2 and 29, where the quotas are not fully utilized. In all of the made-up product categories the volume processed on the TPP basis exceeds that imported directly. The ceiling quota levels in these sensitive products precludes the opportunity for additional direct imports from Jugoslavia.

This does not represent the full story however. Many 'non-sensitive products' that are not governed by quotas, are also subject to very high volume of TPP trade e.g. ladies' dresses, tights in fine denier, lingerie, skirts, etc.

The high levels of TPP trade with W. Germany are expected to continue with the special strengths that German manufacturers have in their established sources of fabric supplies and channels of distribution. Jugoslavia may expect to have part of this TPP business, perhaps an increasing part, if companies are able to offer a competitive service.

The opportunities to convert any appreciable part of this trade to direct imports are less clear although some part could undoubtedly be switched. The importance of German manufacturers in importing would probably have to be lessened but most importantly the performance of Yugoslav companies would have to improve considerably. The success of the trade with W. Germany has been developed largely by the presence of German technicians working in Yugoslav companies either full or part-time to monitor progress against delivery schedules and to check the quality of production. German buyers think in terms of only a small number of Yugoslav companies with whom they have confidence to trade without their own monitoring operations.

5.2 For direct imports to grow appreciably will
cont. require also changes by companies so that they:-

- . improve the quality of fabric finishing
- . have their own direct sales operations
- . are marketing oriented and innovative with new products
- . produce yarns and fabrics made to international standards and are therefore price competitive
- . are flexible with shorter lead times and accept small, medium and large sized orders
- . offer a service that matches market requirements

Figure 18: West German Textile Imports

Year	SITC code	Item	Total imports tonnes	From Jugoslavia	
				tonnes	% total
1983	65	yarns, fabrics, made-up goods	985946	11538	1.2
	* 6512	wool yarn	32326	49	0.2
	65131	cotton yarn < 14000 mnts/kg	18310	151	0.8
	65132	" " 14-40000 " "	51113	1585	3.1
	65133	" " 40-80000 " "	48592	1287	2.6
	65134	" " > 80000 " "	5456	81	1.5
	6514	synthetic <85%	3223	10	0.3
	* 6516	" >85%	13538	0	0
	* 6519	other fibre yarns	57831	454	0.8
	* 6517	yarns with rayon	9640	260	2.7
	6521	cotton fabric, greige	38668	333	0.9
	6522	" " finished	43694	647	1.5
	* 6582	taraulins, sails	2151	450	5.5
	* 6583	travelling rugs	3683	1082	29.4
	6584	bed linen and household textiles	31932	2513	7.9
	* 659	floor coverings	210896	620	0.3
	1984	84	clothing	380184	27015	7.1
842		men's outer garments	79185	7639	9.6
8421		" overcoats	3219	944	29.3
8422		" suits	5250	839	16.0
8423		" trousers	40713	1987	4.9
8424		" jackets, blazers	3923	1247	31.8
* 8429		other outerwear	26075	2622	10.1
843		ladies' outer garments	88734	6548	7.4
8431		" coats, jackets	13678	1598	11.7
* 8432		" costumes	4722	699	14.8
* 8433		" dresses	8714	602	6.9
* 8434		" skirts	7936	550	6.9
8435		" blouses	10290	696	6.8
* 8439		other outer garments	43394	2403	5.5
* 844		undergarments	26791	2275	8.5
8441		men's shirts	23441	2173	9.3
* 8442		" other underwear	1291	13	1.0
8443		ladies undergarments	2059	89	4.3
845		knitted garments	80530	2991	3.7
8451		knitwear	50914	257	0.5
* 8452		ladies' knitted dresses, skirts	9060	674	7.4
* 8459		other knitted outerwear	20556	1560	7.6
846		knitted undergarments	53150	5884	11.1
84621	men's knitted shirts	34629	2063	6.0	
* 84631	panty hose	11248	3124	27.8	
* 8465	ladies' foundations	2629	484	18.4	
*	infants and babywear				

Footnote: * indicates non-quota items under MFA 3.

5 3

FRANCE

The French market is large (55 millions population) and looks increasingly to imports to meet the consumer demand for textile products. These imports are on the basis either of direct imports or TPP although in the case of Yugoslavia only one product (men's and boys' shirts) has a TPP quota. Over the last decade or so, French companies have invested in making-up factories in many of the Francophile countries of North Africa, e.g. Tunisia, Algeria, Morocco, Ivory Coast, etc. and these satellite units are used extensively for TPP trade. The advantage for French manufacturers and buyers is that they can manage the whole business for themselves (quality, delivery, cost, styling etc.).

The market is very price sensitive and buyers find they are able to meet the critical price points by marrying prices from own production in France, imports from N. Africa together with Far East production. Increasingly, Portugal is becoming a more significant supplier for apparel and household textiles as Portuguese companies have become more aggressive in the market with competitively priced products.

Many French buyers are not visited by representatives of the Yugoslav industry, i.e. either by trading houses or by the companies directly, and consequently are under no pressure to buy from Yugoslavia. Buyers, generally, have a sufficient number of alternative supply sources and concentrate on those companies that come and sell to them in an aggressively positive manner.

Buyers do not like to deal with a central (government) agency (Cetex - Centrotexil, is understood to be such an agency) as this denies them the personal contact with manufacturers to have mutual confidence, the necessary levels of co-operation in styling, scheduling orders, product innovation and engineering products to meet critical price points. Where contracts have been negotiated, buyers find that the quality of products are generally inferior to the original sample and are inconsistent; that delivery schedules are unreliable; and that the presence of French technicians in the factories is essential. When buyers do make enquiries for new order possibilities, they frequently do not receive replies or delayed replies by which time the business has had to be placed elsewhere.

5.3 cont. French buyers take the view that the buyer and the manufacturer must "live" with each other in order that the daily commercial problems can be solved immediately. But Yugoslav companies, for this type of contract, show an inflexibility to change established orders either in terms of quantity or delivery scheduling. The companies are generally unable to give repeat orders with a short lead time that is essential mid season and for mail order business.

Additionally, many fabrics finished in Jugoslavia are criticized as being 'dead'; they lack the 'lively' characteristics of fabrics finished in Western countries; for example, resinated fabrics are over-processed. Yugoslav prices tend not to be competitive, especially in the areas of hosiery and underwear, and this inhibits imports. Some quotas for the sensitive product groups (Appendices B, C and D) are not fully utilized as the import duty levied on the second half of the quota amount (of 14%-19% according to product) increases the price beyond the level of competitiveness. For example, in 1984, the quota utilization of some categories was:

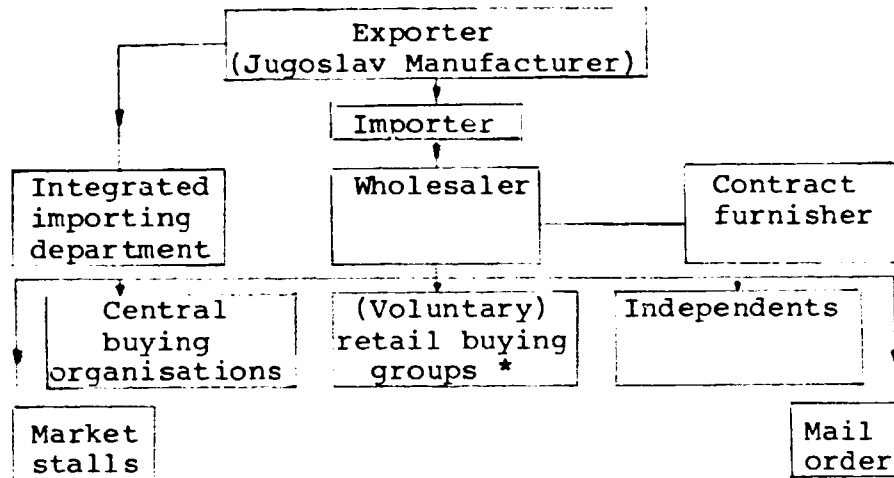
Category	6	:	7	%
"	7	:	0	%
"	12	:	58	%
"	15b	:	12	%
"	16	:	29	%
"	73	:	59	%
"	67	:	48	%

The market is open for the complete range of textile products from Jugoslavia but suppliers have to seek the niche opportunities into which they can best sell their specific expertise. Buyers will invariably supply the product designs that they want in apparel and household textiles.

(i) clothing

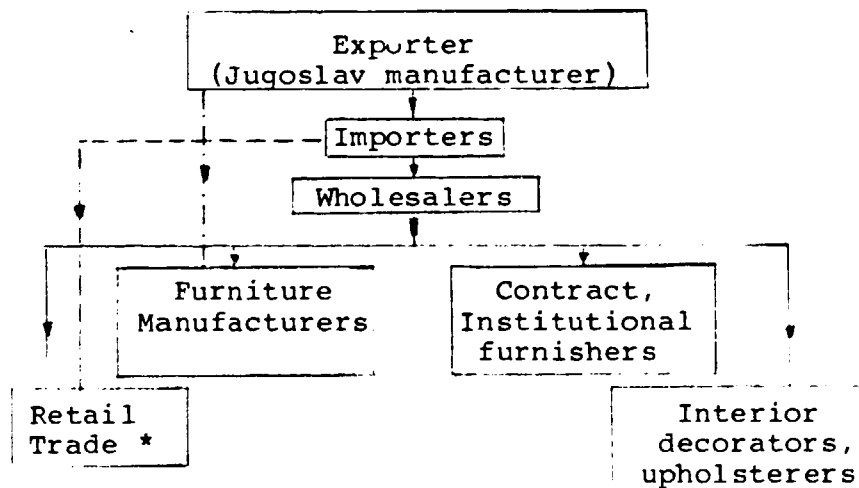
French central buying organisations cover 50%-60% of the French clothing market. Biderman and Weil cover some 70% of the clothing manufacturers.

5.3 (ii) household textiles
cont.



* including: Independent Stores
Hypermarkets
Supermarkets
Variety Stores

(iii) furnishing fabrics



* includes: . central buying organisations
. (voluntary) retail groups
. Independents
. Mail Order
. Market Stalls

----- only large importers
- - - - - marginal direct purchasing from developed countries by large furniture manufacturers

5.3 Typical woven cotton fabrics required:
cont.

Fabric	Yarn count no.		End/picks per cm.	
	warp	weft	warp	weft
100% cotton	20	20	24	24
100% cotton	30	30	26.5	26.5
100% cotton	30	30	47	24
100% cotton	36	40	28	27

Contacts made:

. Centrotex (Cetex)	: Yugoslav trading house
. Belfil	: yarn/grey goods
. Hohmann	: yarns
. Bernheim	: importer
. Davibu	: importer
. Netter	: importer
. Weil	: importer clothing
. SCA	: central buying
. GAGMI	: central buying
. Group Anchon	: central buying
. Bidermann	: clothing manufacturer
. Segal	: importer
. Intraco	: importer
. 3 Suisses	: mail order
. De Beog	: shirts manufacturer
. Samaritaine	: central buying
. Sapa	: central buying

Figure 19: French Textile Imports - 1984

Category	Item	Total imports tonnes	From Yugoslavia	
			tonnes	% of total
* 6582	taraulins, sail	5059	31	0.6
6584	bed linen and household textiles	21485	178	0.8
84	clothing	132707	1128	0.85
8421	men's overcoats	846	11	1.3
8422	men's suits	1702	18	1.1
8423	men's trousers	19182	6	-
8424	men's jackets, blazers	1139	15	1.3
* 8429	men's other outer garments	8113	50	0.6
8431	ladies' coats, jackets	2671	23	0.9
* 8432	ladies' suits	940	9	1.0
* 8433	ladies' dresses	1843	10	0.5
* 8434	ladies' skirts	2199	34	1.5
8435	ladies' blouses	1838	12	0.7
84339	ladies' other outer garments	8521	78	0.9
844	undergarments	8253	105	1.3
8441	men's shirts	6090	90	1.5
* 8442	men's other undergarments	946	5	0.5
* 8443	ladies' underwear	1217	10	0.8
845	knitted outer garments	29634	214	0.7
8451	knitwear	7571	38	0.1
* 8452	knitted dresses	10714	80	0.7
846	knitted underwear	23214	207	0.9
84621	men's knitted shirts, cotton	975	7	0.7
* 8463	knitted underwear, synthetic	10705	115	0.1
* 84631	panty hose	5983	87	1.5
84632	men's knitted shirts, synthetic	1070	0	0
* 8465	ladies' foundations	1181	0	0
* 8471	accessories	2815	7	0.2
*	babywear and infants' wear			

Footnote: * indicates non-quota items under MFA 3

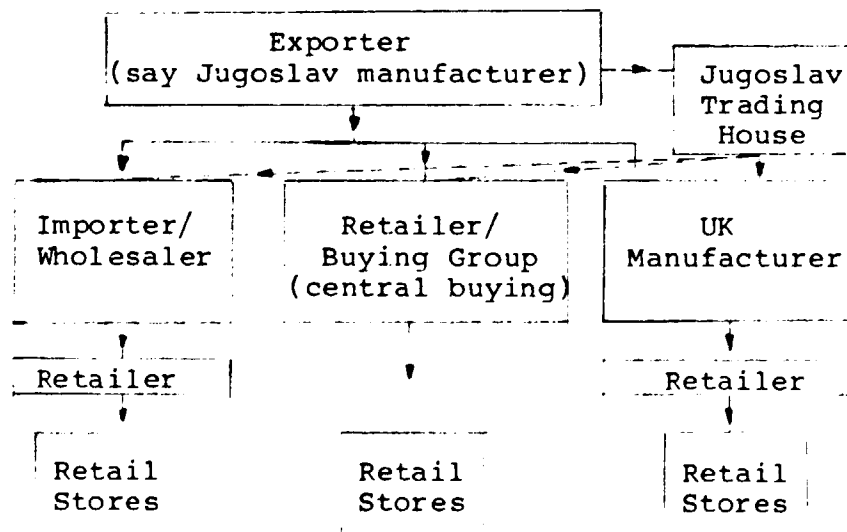
5.4 THE UNITED KINGDOM

The textile consumer market in the United Kingdom is the second largest in Europe with 56 million people. Import penetration is running at 60%-70% of consumption in many products and is continuing to increase as the indigenous industry declines further. The market is highly competitive and attracts products from all of the world's supply countries at prices that are some 15%-20% lower than the price at which the same product would sell into Germany.

Retail chain store buyers are especially strong and place orders centrally for their large national chains of stores, e.g. Marks and Spencer, British Home Stores, Debenhams, Littlewoods, Mothercare, Top Shop (Burtons), etc. In certain product groups, these stores can account for at least 60% of market consumption. The voluntary buying groups, buying on behalf of small department stores and independent shops have a further 10%-15% share of the consumer market.

The retail buyers may import directly on their own account or they may use importers or UK manufacturers to import on their behalf. UK manufacturers, selling under their own brand names, frequently sub-contract part of their production to marry prices with local production or to offer specialist product ranges at specific prices.

The channels of distribution for finished products are as shown in the diagram.



5.4
cont.

The role of the trading house is acceptable to the extent that it fulfils the role of an agent only and does not preclude the possibilities of the UK buyers relating directly and as frequently as necessary with the Yugoslav manufacturer.

The UK government accepts outward processing work (TPP) in the sensitive product groups for which quotas exist under MFA 3 only as part of the total import quota and so does not offer additional TPP quota limits as, for example, in W. Germany, Holland and Belgium.

UK textile product imports are listed in figure 20 together with imports from Yugoslavia and the share of each product market. Quota utilization for many sensitive product groups in 1984 was low.

Category	Quota utilization % 1984	Category	Quota utilization % 1984
5	66	1	109
6	54	2	107
7	26	29	137
9	41	3	141
12	31	4	110
156	29	8	131
24	-	16	96
73	15		
67	0		

There are considerable opportunities for growth of a wide range of textile products from Yugoslavia into the UK. But this growth can take place only if:

- . products are more competitively priced.
- . positive selling takes place between the Yugoslav manufacturer and the retail buyer/importer.
- . niche opportunities are identified by manufacturers in the many product market segments and exploited with buyers.

5.4 UK buyers have been frustrated in earlier years -
cont. when they have placed contracts in Jugoslavia as:

- . manufacturers were not flexible in their production programmes
- . direct contact with some manufacturers was difficult
- . prices were too inflexible
- . transport costs were high
- . deliveries were delayed

Buyers are increasingly taking the view that it is no longer necessary for them to travel the world to find suppliers. In a buyers' market, supply manufacturers should seek the buyers and sell their product ranges positively. Buyers will travel to their suppliers to discuss new programmes, additional business for subsequent seasons and to monitor the flow of orders as part of furthering an ongoing business relationship.

Figure 20: UK Apparel Imports - 1984

SITC code	Item	Total imports tonnes	From Yugoslavia	
			tonnes	% of total
8421	men's overcoats	691	26	3.8
8422	" suits	3455	217	6.3
8423	" trousers	20954	47	0.2
8424	" jackets/blazers	2374	147	6.2
* 8429	" other outerwear	152263	1	-
8431	ladies' overcoats, jackets	3555	12	0.3
8432	" suits	1297	-	0
* 8433	" dresses	2827	11	0.4
* 8434	" skirts	3148	-	0
8435	" blouses	3901	1	0.03
* 8439	" other outerwear	12635	-	0
8441	shirts	12466	173	1.4
* 8442	men's other underwear	1680	-	0
* 8443	ladies' underwear	1542	5	0.3
8451	knitwear	20264	72	0.4
* 8452	knitted dresses, skirts	2198	1	0.05
* 8459	other knitted outerwear	59	-	0
* 8461	knitted underwear, wool	33	-	0
(8462	knitted underwear, cotton	10248	23	0.2
(84621	knitted shirts, cotton	747	-	0
* (84629	knitted other underwear, cotton	9501	23	0.2
8463	knitted underwear, synthetic	8161	53	0.6
* 84631	knitted tights, synthetic	4143	-	0
* 84632	knitted shirts, synthetic	1239	-	0
84633	knitted others, synthetic	2779	53	1.9
65	textile yarns, fabrics, made-up goods	830076	2443	0.3
651	textile yarn	280679	742	0.3
* 6512	wool yarn	19298	-	0
6513	cotton yarn, total	51489	159	0.3
* 65131	cotton yarns, < 14000 mt/kg	7624	-	0
* 65132	" " , 14000-40000 "/"	23679	159	0.7
* 65133	" " , 40000-80000 "/"	15918	-	0
* 65134	" " , > 80000 "/"	3100	-	0
65135	" " , retail sale (s. thread)	1168	-	0
6514	synthetic fibre yarn	148551	381	0.3
6515	yarn > 85% synthetic fibre	3554	165	4.6
6516	yarn < 85% synthetic fibre	14901	37	0.2
* 6517	regenerated fibre yarn	1542	-	0
6521	cotton fabrics, ecru	61362	934	1.5
6522	cotton fabrics, finished	54003	266	0.5
653	man-made fibre fabrics	114886	311	0.3
* 6531	synthetic c.f. fabrics	26658	31	0.12
* 6532	synthetic st. fabrics (85%+)	11320	34	0.3
* 6534	" " "	49830	53	0.1
* 6534	fabrics with wool	11798	-	0
* 6535	" c.f. regenerated fibre	4122	2	0.05
* 6536	" st. " "	8857	101	1.1
*	babywear and infants' wear			

Footnote: * indicates some of the product groups not covered by MFA 3 quotas.

5.5 HOLLAND

Holland is an important textile import market in spite of being a relatively small country (population 15 millions). The country always has been a 'free-trade' country that for centuries has depended on imports and exports. When the local textile industry declined in the 1960s and 70s, many companies set up joint-venture companies in lower cost countries, e.g. Tunisia, for garment making, or sent fabrics and other components to overseas countries for outward processing on a CMT basis (TPP). This practice continues today and explains why TPP is important to Holland, like W. Germany, for quota and non-quota products.

Textile imports by Holland are shown in figure 21 together with imports from Yugoslavia and their share of total imports. These shares are relatively small. Quota utilization for the sensitive product items is low for some categories (Appendices B, C and D) and many TPP quotas were also only partly used in 1984.

Imports:

Category	Quota Direct	Utilization TPP
1	2	
2	22	
2a	38	
3	70	
7	25	31
15b	25	46
16	37	40
24	-	
23	28	
67	28	
4	113	
5	105	4
6	429	10
8	268	48
9	104	
12	89	

There are opportunities for export growth from Jugoslavia to Holland across the wide range of products if:

- 5.5
cont.
- . the products are more competitively offered
 - . the levels of service, delivery reliability and contacts with manufacturers were improved
 - . the quality consistency of output was improved so that it was not essential for Dutch technicians to be present in the manufacturing companies constantly.

There are many non-quota items, e.g. ladies' dresses, tights, as well as the quota items for which the outward processing route (TPP) represents a major part of textile imports. If total imports increase in the future, it is expected that the TPP share will also increase to at least retain the present ratio between direct imports and TPP. The ratio may increase in favour of TPP. The outward processing route is prepared by many manufacturing importers as:-

- . they are able to utilize their expertise in designing, styling and engineering garments.
- . they can have confidence that all the components are available simultaneously, are well colour-matched and perform to the product specifications.
- . that by sourcing fabrics and components from world suppliers they can obtain materials most competitively. (Note: Yugoslav fabrics are considered to be too expensive.)
- . they can hold stocks of grey fabrics in Holland and have fabric dyed to "new" fashion colours within a week in Holland or Germany. These fabrics, together with other components are shipped to Yugoslavia (or elsewhere) for rapid making-up to meet the needs of the frequent seasonal market changes (up to 8 a year).
- . they recognize the Yugoslav skills in making-up, especially in tailored outerwear garments.
- . the 'poor quality' of fabric finishing in Yugoslavia limits interest in Yugoslav fabrics.

Jugoslav making-up companies are considered to be more reliable than those in some other Eastern Europe countries. This reliability has a value (in the range 2%-5%) in higher prices paid to Yugoslav companies.

5.5
cont.

The market is extremely price sensitive. Where contracts can be negotiated and obtained under EUR 1 (for example, the first 50% of quota quantities) the prices are acceptable. If the orders cannot be obtained under EUR 1 and an import duty of between 14% and 19% is payable, according to the product group, the prices are no longer competitive. This explains why the quotas for the direct imports of many product groups are not fully utilized and TPP business is increasing.

Dutch buyers regret that the lead times for direct imports are so extended that repeat orders cannot be placed.

Recommendations from the market are:

- . to modernise plant
- . to train management at all levels in modern management methods
- . to improve the quality of fabric processing - bleaching, dyeing, printing, processing

Figure 21: Dutch Textile Imports - 1984

Category	Item	Total imports tonnes	From Yugoslavia tonnes	% of total
* 6582	tarpaulins, sails	3334	-	0
* 6583	travelling rugs, blankets	1597	6	0.4
6584	bed linen and other household textiles	12814	118	0.9
84	clothing	105869	2632	2.5
842	men's outer garments	28812	809	2.8
8421	" overcoats	3450	83	2.4
8422	" suits	2322	168	7.2
8423	" trousers	15390	158	1.0
8424	" jackets, blazers	1612	120	7.4
* 8429	" other outer garments	8598	280	3.3
843	ladies' outer garments	22594	512	2.3
8431	" overcoats, etc.	3444	82	2.4
* 8432	" suits	1708	102	6.0
* 8433	" dresses	2566	57	2.2
* 8534	" skirts	2568	16	0.6
8435	" blouses	2478	29	1.2
* 8439	" other outer garments	9830	227	2.3
* 844	undergarments	6769	564	8.3
8441	men's shirts	5714	558	9.8
8442	" other undergarments	447	6	1.3
* 8443	ladies underwear	608	0	0
845	knitted outer garments	21136	320	1.5
8451	knitwear	12630	65	0.5
* 8452	ladies' knitted dresses, skirts	1585	136	8.6
* 8459	other knitted outer garments	5842	119	2.0
846	knitted underwear	13359	329	2.5
* 8461	panty hose, synthetic	2457	203	8.3
* 84621	men's cotton shirts	323	0	0
* 8465	ladies' foundation garments	819	7	0.9
* 847	accessories	5449	19	0.3
*	babywear and infants' wear			

Footnote: * indicates non-quota items under MFA 3.

5.6 THE UNITED STATES

Import penetration of finished textile products represented 21% of domestic consumption in 1984 compared with 12% in 1979. The growth in imports is expected to continue.

Jugoslavia's exports to the USA are only a small part of the total even on a product by product basis (figure 22). There is scope for growth outside of the newly designated sensitive product groups now covered by quota limits. However, the total US imports include appreciable amounts covered by the outward processing route (TPP), based on US fabrics and components. Yugoslav companies do not benefit from this TPP business as:-

- . stitching costs are not competitive when compared with prices quoted in the Far East (e.g. China, Malaysia, Thailand, the Philippines, etc.) and in the Caribbean and Central American areas (e.g. the Dominican Republic, Mexico, Equador, etc.).

- . transportation costs to and from Jugoslavia are very high.

- . the lead times necessary for working in Jugoslavia are considered excessive.

- . the existing network of working relationships with stitching companies, agents and transport companies is operating well.

In the upper market segments for ladies' and men's tailored outerwear, Jugoslavian suppliers are competing directly with U.S. and with West European producers, e.g. French, UK, Italian, German. In these main opportunity areas, i.e. 100% virgin wool in suits, costumes, trousers and overcoats (also rainwear), Jugoslav products compete well but they have to sell at prices some 10% lower than similar products from their high cost competitors, to overcome the possible disadvantages and delays of buying from a distant source. In fact in many of these products imports could be considerably higher but are restricted by the quota levels applied during 1985 (figure 22). For example, one importer wishes to order 1 millian pairs of ladies' trousers for delivery in 1986 but the total quota is only 350,000 pairs!

5.6 In tailored outerwear, cloth designs developed in
cont. Yugoslavia, that are mainly classical, are
selected by large importers and who in turn give
manufacturers the garment styles. These large
importer/wholesales distribute to medium priced
store groups and department stores (e.g. Sears
Roebuck, J.C. Penney's etc.).

The problems facing Yugoslavian manufacturers
are:

- . the industry does not have a clear, positive
textile image in the market place.

- . there is strong competition from US and W.
European suppliers in tailored outerwear at the
price levels open to Yugoslavian suppliers. At
lower price levels in tailored outerwear, East
European producers provide the competition with
what are probably 'not truly' commercial selling
prices.

- . the industry can offer mainly classically
designed cloths and garments but not much in the
way of fashion.

- . the industry cannot compete with cheap goods
from the Far East, Central or Southern America or
the Caribbean, i.e. knitwear, underwear, socks,
lingerie, sportswear.

- . the quota items pay 21% duty; if quotas are
exceeded, the duty becomes 45%-55%.

- . the large mills (woollen) are too inflexible in
production programming (to change either order
priorities or order size).

Figure 22: US Textile Imports - 1984

Category	Item	Total imports tonnes	From Yugoslavia	
			tonnes	% of total
65	yarns, fabrics, made-up goods	4617.1 mn \$	5.2 mn \$	0.11
651	textile yarns	125663	70	0.06
6512	wool yarn	7417	-	0
6513	cotton yarn	22230	11	0.05
6514	yarn, synthetic fibre	63995	28	0.04
6515	other synthetic fibre yarn	2509	-	0
6516	st. synthetic fibre yarn	3117	-	0
6517	regenerated fibre yarn	4990	-	0
6519	other synthetic yarns	21023	31	0.15
652	cotton fabrics, woven	4925	10	0.2
6521	" " , ecru	164193	-	0
6522	" " , finished	37683	10	0.03
653	mmf fabrics, woven	69238	247	0.36
6531	c.f. mmf fabrics, woven	3322	6	0.18
6532	st. " " "	16653	2	-
6532	st. mixtures of synthetic fabrics, woven (wool)	18377	239	1.3
6532	cf regenerated fibre fabrics	1183	-	0
6536	st. " " "	2466	-	0
6542	wool fabrics, woven	9790	26	0.27
6545	bast fibre fabrics	114209	-	0
6549	other woven fabrics	10084	-	0
655	knitted fabrics	2200	-	0
656	tulle, lace	5032	1	-
65601	narrow fabrics	3321	1	-
657	special textile fabrics	443.7 mn \$	0.12 mn \$	0.03
6581	sacks, bags	5882	-	0
6582	taraulins, sails	1305	-	0
6583	travelling rugs	5536	14	0.25
6584	bed linen, table linen, bath, kitchen textiles	60868	78	0.13
6589	other made-up textiles	57515	13	0.02
659	floor coverings	579.1 mn \$	0.04 mn \$	0.007
84	clothing	14.6 bn \$	0.44 bn \$	3.0
842	men's outer garments	2.04 bn \$	0.23 bn \$	11.3
* 8421	men's overcoats	32159	194	0.6
* 8422	men's suits	6158	330	5.4
* 8423	men's trousers	57945	104	0.2
* 8424	men's jackets, blazers	8406	320	3.8
843	ladies' outer garments	4.52 bn \$	0.14 bn \$	3.1
8431	ladies' coats, jackets	42203	503	1.2
8431	ladies' suits, costumes	5418	84	1.6
8433	ladies' dresses	9251	-	0
8434	ladies' skirts	12377	22	0.18
8435	ladies' blouses	33081	52	0.16
8439	ladies' other outer garments	1.88 bn \$	0.03 bn \$	1.6
* 8441	undergarments, shirts	1.1 bn \$	0.04 bn \$	3.6
8442	undergarments, others	5989	-	0
8443	undergarments, ladies	6361	29	0.5
845	knitted outer garments	119634	36	0.03
846	undergarments, knitted	113307	15	0.01
847	accessories	0.28 bn \$	0.75 mn \$	0.27
	babywear and infants' wear			

Footnote: * indicates items under quota.

Figure 23: US Quotas on Yugoslavian Imports,
direct imports and TPP (pcs 000)

Category	1985 (5 months)	1986 (12 months)	% change
340/640	133.65	340.00	+ 6
434	3.54	8.59	+ 5
435	15.63	37.88	+ 5
447/448	19.58	47.47	+ 5
(447)	11.67	28.28	+ 5
(448)	11.67	28.28	+ 5

Carry forward/carryover : 11% year to year

5.7

CANADA

The Canadian textile clothing market has increasing levels of import penetration with an increase in imports of 71% by volume during the 4 years 1980-1984.

Figure 24: Canadian imports of textile clothing 1980-1984 and Yugoslavia's share of the import market (000 pcs)

Year	Total imports volume	From Yugoslavia	
		volume	total
1980	137424	0.23	-
1981	160786	98.11	0.06
1982	159751	291.47	0.18
1983	200400	295.84	0.15
1984	234737	156.90	0.07
% change 1980-84	+ 71	+	

During 1984:

- . total imports increased by 17% (figure 24).
- . imports from Yugoslavia declined by 47%.
- . import quotas were imposed on 21 of the world's major textile and clothing supply countries (The Far East, Eastern Europe and the Americas). No quotas were placed on imports from Yugoslavia.

Exports from Yugoslavia represent only a very small part of Canada's clothing imports : less than 0.07% (figures 24 and 25). There is growth potential across the range of clothing products but Canada is a most price sensitive market. Import duties are steep but these are equally harsh on all source countries:

Fibre	Import duty %
cotton	22.5
cotton/synthetic	25.0
synthetic	25.0
wool	25.0
knitted products	25.8

Figure 25: Canadian Textile Imports - 1984 (000 pcs)

Category	Item	Total imports volume	From Yugoslavia	
			volume	% of total
32.1	outerwear	3403.70	0.268	0.078
37.1	men's, boys' trousers (wool)	537.35	-	-
37.2	men's, boys', ladies', girls' trousers (others)	21054.10	2.64	0.01
39.1	ladies', girls' blouses and shirts	20801.60	3.40	0.02
39.5	men's, boys' shirts (not pe/ cotton)	7646.55	0.002	-
42.2	sportswear, skirts	2408.32	3.632	0.15
42.3	sportswear, co-ordinates	7211.79	0.454	0.01
46.1	jackets	8189.40	11.34	0.14
46.2	overcoats	914.23	18.14	2.0
46.9	other jackets, overcoats	1032.12	0.06	-
47.1	men's, boys' jackets/blazers	169.69	5.73	3.4
47.2	men's, boys' suits (fine)	374.04	0.51	0.14
Total: categories 32-74-A		73742.89	46.176	0.063
other categories		160994.1	110.72	0.068
Total: all categories -C		234737.0	156.9	0.07
% share A of C		31.4	29.4	

5.8 ITALY

Italy is one of the largest textile consumer markets in Europe and is also the second largest - and most rapidly growing - textile production country. Nevertheless Italy is an important importer of many textile products and these will increase further in the short and medium terms. Some textile imports - and Jugoslavia's share - are presented in figure 26.

Nearly all imports from Jugoslavia are direct imports, i.e. not on a TPP basis, as the bureaucracy necessary for administering the outward processing business is too complex. Some 20% of Yugoslav imports are channelled through the zone of 'agreement of Osimo' near to Trieste, where the duties payable and administration are much simplified.

The quota units for certain production categories are presented in Appendix B and their utilization in Appendix C. A summary of the utilization of quota is shown below (1984):-

Category	% utilization	Category	% utilization
2a	39	1	98
3	17	2	98
4	45	5	139
6	59	8	106
7	0	9	94
12	41	52	102
15b	0		
16	0		
24	0		
73	27		
67	15		
67a	-		

It is said that the majority of Yugoslav exports sold into Italy are not strictly competitive; that they sell because of the protection afforded by MFA quotas and the limits that are imposed on imports from other sources. The non-competitiveness is attributed to a number of factors:

- 5.8 cont.
- . high conversion costs in Jugoslavia, higher labour costs, older machinery (relatively low productivity)
 - . imported cotton fibres from many sources
 - . quality of output
 - . availability of specific sizes of articles that the market requires, e.g. bed sheets
 - . flexibility of manufacturers

Cotton yarns (category 1); cotton yarns in basic counts are sourced from many supply countries world-wide - importers group these relative to Jugoslavia as follows:

- . 'better' than Jugoslavia : Turkey, Peru, Colombia
- . the 'same' as Jugoslavia : Portugal, Spain, Brazil
- . 'lower' than Jugoslavia : India, Pakistan, Egypt

Imports are taken from Turkey, Peru and Columbia until their quotas are utilized and afterwards contracts are placed in Jugoslavia, Portugal, etc. In a year when trade is buoyant, the Jugoslav quota will always be utilized.

Cotton fabric, ecru (category 2); the quota is utilized as fabric quality is superior to that from many developing countries. The end-uses though are limited as manufacturers are unable to guarantee that the dyeing will be level in plain colours because of the mixed origins of the raw cotton; printing, a less critical end-use, is an outlet.

Cotton fabric, finished (category 2a); the quota is only partially utilized as fabrics from other sources are more competitive not only in terms of price and quality but especially in terms of order size and lead times.

Synthetic staple fibre fabrics (category 3); the quota is only partly utilized as the fabrics are more competitive.

For made-up apparel, the quotas are only partially utilized as the products are not competitively priced in the lower market segments into which they are selling. Knitwear and men's shirts are exceptional.

Household textiles (category 9); the quota was almost fully utilized in 1984 (compared with 15%

5.8 in 1982) as sales of jacquard terry towels and
cont. printed or jacquard tea towels have increased.

Jugoslav producers of sewing threads have identified a good niche in the Italian market and this is now a quota item (Italy is the only EEC country to have a quota on sewing threads). The quota is now fully utilized.

Most of the made-up goods imports from Jugoslavia are products for which entry is not restricted by quota. Protective clothing (work wear) and bath robes or dressing gowns are becoming more important imports both to the Italian market and Jugoslav manufacturers. Competition is strong from China, Portugal and Spain.

Import duties of the order of 14%-19% are payable but the first 50% of quotas are free of duty. This explains why only part of many quotas are utilized 50% or less.

There is a frustrated demand in Italy from which Jugoslav manufacturers could benefit: geographically they are well placed to serve the market. The products in most immediate demand are:-

- . viscose yarns and fabrics for which there is little competition.
- . acrylic yarns for machine knitting.
- . hand knitting yarns.
- . woollen and worsted yarns based on wool fibre.
- . men's cotton flannel shirts.
- . dressing gowns and bathrobes.

Figure 26: Italy's textile imports - 1983 (tonnes)
 (Some items picked at random)

Category	Item	Total imports volume	From Jugoslavia volume	% of total
* 5307.08	worsted wool yarn - ecru	1489	0	-
* 5307.18	worsted wool yarn - bleached	510	0	-
* 5311.03	wool carded yarn fabric	237	0	-
* 5311.11	wool combed yarn fabric >395 g/m ²	86	0	-
* 5311.13	as .11: 200-375 g/m ²	368	0	-
* 5311.17	as .11: less than 200 g/m ²	509	0	-
* 5503.30	yarn waste, cotton	11981	1627	13.6
* 5509.10	woven cotton gauze (bandages)	988	-	-
5509.11	woven cotton fabric, other - up to 130 gm/sq.m.	1920	-	-
5509.12	as .11: singles yarn less than 50000 m/kg	5673	250	4.4
5509.13	as .11: with singles yarn min. 55000 m/kg	2176	11	0.5
* 5605.21	acrylic yarn; max. 14000 m/kg	113	-	-
* 5605.23	as .21: min. 14000 m/kg	376	-	-
* 5605.55	regenerated fibre yarn; more than 14000 m/kg	1200	279	28.0
* 5605.61	as .55: max. 14000 m/kg	1437	534	37.2
* 6001.51	raschel lace	113	-	-
* 6001.64	warp knit fabric, dyed	261	-	-
* 6001.65	as .64: printed	25	-	-
* 6003.27	stockings	586	-	-
* 6003.30	stockings	289	2	0.7
6004.19	cotton T shirts	1753	2	0.1
* 6004.33	panty hose	279	-	-
* 6005.08	babies' outer garments: cotton	81	1	1.2
* 6005.17	track suits: cotton	305	-	-
* 6005.48	cotton dresses	22	1	4.5
6005.52	skirts: synthetic fibres	3	-	-
6005.64	trousers, wool	2	-	-
6005.64/62	trousers, other fibres	30	-	-
* 6101.13	cotton work wear	250	164	65.6
* 6101.29	parkas, anoraks: mmf	792	-	-
* 6101.31	parkas, anoraks: cotton	554	9	1.6
* 6101.32	parkas, anoraks: other fibres	68	-	-
6101.41	overcoats, raincoats: wool	172	-	-
6101.74	trousers: mmf	551	-	-
6101.76	trousers: cotton	4157	-	-
6101.72	trousers: wool	197	-	-
6101.78	trousers: other	4	-	-
* 6102.12	cotton aprons, women's work wear	157	1	0.6
* 6102.14	as .12: other fibres	121	-	-
* 6102.25	parkas, anoraks: mmf	63	1	1.6
* 6102.26	parkas, anoraks: cotton	38	1	2.6
6102.35	coats, raincoats: wool	179	-	-
6102.37	as .35: mmf: more than 1kg/garment	292	-	-
* 6105.20	handkerchiefs: cotton	135	-	-
* 6204.23	tents: cotton	733	31	4.2
* 6204.	tents: other fibres	136	-	-

Footnote: * indicates non-quota items under MFA 3.

6.0 THE ROLE OF THE TRADING HOUSES

gherzi organisation zürich

6. THE ROLE OF THE TRADING HOUSES

6.1 Introduction

The Yugoslav textile industry is largely dependent on a relatively small number of independent trading houses based in Yugoslavia and with overseas offices in many countries. Their role is extensive; they are the marketing and sales arms of a large part of the industry; they source raw materials, machines and spare parts; they are bankers to the industry with regard to convertible currency and they have networks of retail outlets in Yugoslavia.

Within the industry they are widely criticized as having authority without responsibility and from the markets they are frequently seen as central (state) authoritarian organizations that prevent detailed dialogue between buyers and manufacturing companies. These critical comments are discussed in this chapter.

6.2 The Trading Houses

Most of the Yugoslav trading houses have textiles amongst their product ranges; some specialize in textiles and clothing whilst other generalist houses offer many types of non-textiles.

The leading specialist textile trading houses include:

. Centrotexsil; the largest organisation working with some 500 companies across the country. The major part of sales turnover is with the Soviet Union and other East European countries. Centrotexsil also has a network of retail shops in the domestic market targeting on volume sales in the lower price segments of the market.

. Jugoexport specialises in importing wool and other fine fibres (from hard currency markets) and exporting finished products to Western markets, especially W. Germany. The company works with many manufacturers across the country according to customers' orders. Jugoexport also has a small chain of 10 retail stores in the domestic market that are targeted at the top end of the market offering expensive and exclusive products.

6 2 . Jugotekstil, based in Ljubljana, has been strong
cont. in the Czechoslovakian market (a market of rapidly
increasing fashion consciousness) and in the
developing country markets of Iran, Libya,
Algeria, Iraq and in Kuwait. Their presence in
the Western markets (Germany) and N. America is
increasing.

. Unitex, Ljubljana, is a 'co-operative' of
Slovenian textile companies selling only into
Western, convertible currency markets. The
company works extensively with other factories
across the country, including Macedonia, to obtain
merchandise to meet customers' requirements for
order size, specification, delivery and price.

. Intex, Skopje, is a trading house organization
associated with 24 textile factories in Macedonia
(employing 24000 people) with one import-export
operation. They work also with other factories,
as necessary, in Macedonia and elsewhere in the
country.

. other specialist houses include Textil Zagreb
and Sib, Sarajevo, a recently formed trading house
of 3 carpet companies in that city.

General trading houses, such as Genex, also offer
textiles and clothing as the opportunities arise.

6.3 Marketing and Selling

The role of the trading house is to introduce
potential customers (buyers) to manufacturers.
But it is much more complex than that statement
would suggest.

All companies have a need to export to hard
currency markets in order to obtain the necessary
funds to finance their own raw materials, new
machines and spare parts requirements. However,
not all companies have the expertise to make
exports on their own accounts and especially not
when compensation (or barter) trade is involved.
Consequently, the trading houses fill this
essential role of selling and marketing. The
larger manufacturing companies, and some
medium-sized ones, have, however, determined that
they are best able to control their own destinies
by registering for exporting themselves directly.
This registration of manufacturing companies for
own exports does not preclude them from working
occasionally with trading houses also.

6.3 The trading houses operate in several ways in
cont. selling: (figure 27)

- . they introduce potential customers to manufacturers for direct exports. The manufacturer agrees the price but the trading house administrates the contract.

- . they arrange the outward processing contracts to prices agreed with the manufacturer and administer the contract.

- . they assemble product collections of their own choice from the manufacturers' various product ranges and sell their (the trading house's collection) at prices they determine for themselves.

In theory these modus operandii should relieve manufacturers of the heartache of selling. In practice, they do not. Trading houses have no responsibility, except in some specific cases, to sell a given capacity on an annual basis from particular manufacturing companies. Consequently, manufacturing companies look to a number of trading houses to sell their capacities on the basis that if one or two houses fail, the others may succeed. Few trading houses have anything but very short-term, single order (ad hoc) arrangements with manufacturers, and they do not wish to enter into longer term commitments. This arrangement suits the trading houses; it does not suit the manufacturers.

The way of working has serious disadvantages for manufacturing companies:

- . they cannot plan their own businesses
- . they frequently do not know 'their' customers
- . they know little of the market into which their products are being sold

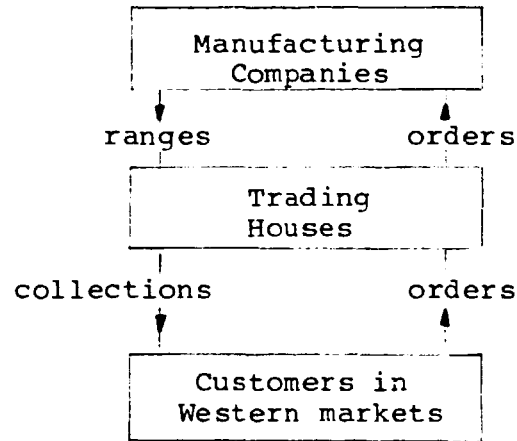
Many manufacturing companies believe that the trading houses can have an important role in the exports to the hard currency markets but that it is not working correctly at the present time. The internal interests of the trading houses have priority over the manufacturers' interests. Consequently, many manufacturing companies are registering in order to export on their own accounts.

6.3 cont. The role of the trading houses is necessary in exporting to the eastern and developing countries where their participation in barter/compensation/ and counter trading is essential. But these markets are not very demanding in design and styling, colouring, quality consistency, pricing or delivery scheduling. The competitiveness that is characteristic of the western markets requires a different approach in both marketing and selling to that for these other markets.

6.4 Raw materials sourcing and financing

The trading houses have an important role in obtaining raw materials (fibre or intermediate products) new machines and spare parts as companies may not have their own capital or convertible currency to obtain them directly. For much of the time, this system works satisfactorily but there are many occasions when the particular raw material is not available and so higher cost materials than are necessary are used, e.g. the underspinning of cotton.

Purchasing of natural fibres in the buying seasons is not always possible, because of the limited amount of cash available, and so fibres are not always bought most advantageously. The rapidly moving exchange rate of the dinar and the high cost of bank borrowing escalates the cost of fibres (in dinar terms) within a short time and adds considerably to the industry's costs and declining competitiveness.

Figure 27: Role of the trading houses : sellingi. Trading house collection offered:

. manufacturing companies offer their product ranges to one/more trading houses.

. trading houses assemble a collection (the trading house's own collection) and offer at prices that they determine.

. as orders from customers are received, the trading house place orders on the supply companies provided the supply company has quota remaining if this is appropriate. Alternatively, the trading house places orders on the supply company at the time that the collections are assembled, to ensure that quota is available. The trading house then sells the amount for which they have contracted.

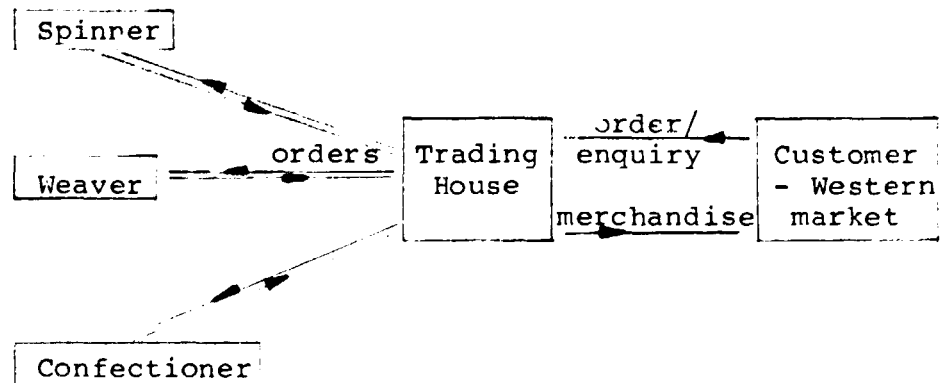
ii. Customer orders sourced in Jugoslavia by the trading house

Figure 27 cont.

. the customer in the western market places an order or makes an enquiry on the trading house in Jugoslavia (or on the local office in the Western country).

. the trading house identifies the local spinner for the yarn and places an order (together, possibly, with finance and/or the fibre).

. the spinner sells the yarn to the trading house.

. the trading house seeks out the weaver and places the order for fabric and supplies the yarn.

. the weaver supplies fabric to the trading house.

. the trading house seeks a confection company and supplies the fabric (and other components) to the confectioner who supplies the garments (and quota, if appropriate) to the trading house.

. the trading house negotiates the delivery times and selling price with the customer and is responsible for the contract (the manufacturer determines the prices).

. the trading house monitors deliveries against agreed schedules and quality on the manufacturers' premises.

This process is complex and most time consuming:

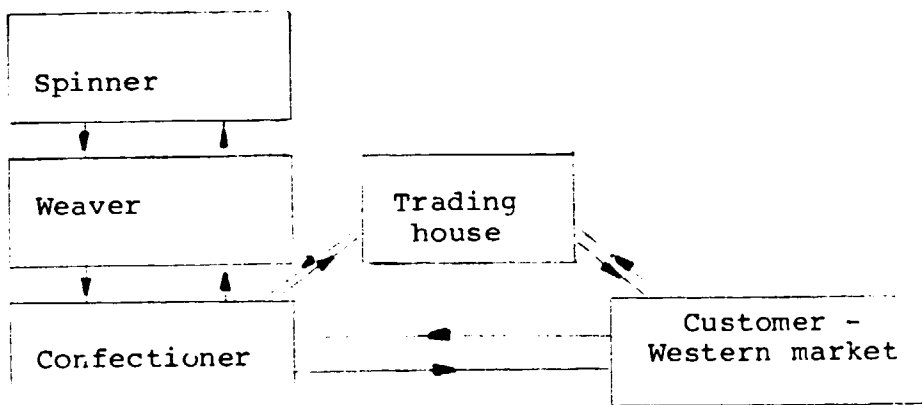
. the trading house is the 'go-between' the customer and manufacturer(s) at all times.

. the spinner need not know the weaver or the weaver know the confectioner.

. the trading house has the responsibility for ensuring that all components are brought together simultaneously as required.

Figure 27 cont.

iii. The preferred route - from the manufacturer and market customers' viewpoints



The advantages of this route are:

- . the customer relates directly with his supplier to discuss price, delivery schedules and, especially, styling and quota availability.
- . the confectioner is responsible for obtaining the proper fabric (and other components) directly.
- . the weaver has the responsibility for obtaining the correct yarns directly.
- . the trading house could still perform the role of financing, maintaining progress and sourcing fibre.

7.0 KEY FACTORS

7. THE KEY FACTORS

7.1 Cost of production.

The costs of production in Yugoslavia are in the medium band (Appendix J) which means that the industry should target on selling its products on the middle price band segments of the market. The industry is not competitive for basic textile products offered by the low-cost countries.

7.2 Competitive exposure.

The major part of the industry has been established over the years to supply the protected domestic market and the large markets of Eastern Europe, especially Russia, where the demands placed on suppliers are not severe. Only a relatively few companies, particularly in the confection sector, have the in-house expertise and credibility to work with customers in Western Europe without monitoring of quality levels and delivery schedules.

. Domestic market: the market is effectively protected from imports. Fabric selling prices in the home market were until recently some 60%-90% higher than when sold for exports (direct or indirect). Consequently many producers were selling only into the local market. Now, when domestic demand has declined by 30% and domestic market prices are 20% lower than export prices, these same producers are trying to export. The market has become fashion oriented over the past 15 years.

. East Europe: these markets, especially Russia, have traditionally placed large contract orders for simple, classical merchandise. The prices paid have not been as attractive as the domestic market prices but they are considerably better than the prices to the convertible currency markets. Quality demands are not stringent and delivery schedules are not keen. Although some markets have become fashion oriented, e.g. Czechoslovakia, the main demand continues for fairly basic products in simple, classical styles in large quantities.

7.2 cont. . Convertible currency markets: these are highly competitive markets into which all of the world's textile supply countries are targeting sales. The products have a high fashion content, are required to be produced to an agreed quality specification consistently and supplied to a pre-determined delivery schedule. Prices are usually very keen but interesting margins can be earned in the niches that supply companies can identify and exploit. (These niches are not at the industry level but are possible at the individual company level.)

7.3 Market characteristics.

Some of the characteristics of market demand for the three market groups are summarized in the figure.

Item	Domestic market	East European markets	Convertible currency markets
. order size	medium, large	large	small, medium, large
. lead times	as convenient	as convenient	planned; short for repeats
. fashion content	low-medium	low	high
. classical content	high	high	high
. quality standard	not too demanding	not too demanding	very demanding
. price points	now more keen	not critical	very critical, highly sensitive
. delivery schedules	relaxed	relaxed	very important
. sales activity required	self/trading house	trading house	direct with buyers

7.3
cont.

Item	Domestic market	East European markets	Convertible currency markets
. selling method needed	passive	passive	active, aggressive
. product innovation demand	increasing	low	high
. production programme flexibility	none required	none required	high demand
. company orientation necessary	becoming marketing	manufacturing	marketing
. market segmentation	low	low	very high
. servicing levels required	low	low	very high

The widely differing demands of the three market groups illustrate the dilemma facing the companies in the industry. The experience over many years of a large part of the industry has been in the domestic and eastern markets. As companies have seen a decline in their domestic market business, through the economic recession, and especially as the Government requires them to earn their own hard currency, many companies are forced, often for the first time, to export to the west for which they are not equipped.

7.4 MFA Quotas.

The quotas under the MFA are to some degree restrictive according to specific products and markets. For many items, however, the quotas are not fully utilized (Appendices B, C and D) as the import duties payable on the second 50% of the quota amounts make the products non-competitive. There are many non-quota products where Jugoslav's exports represent a very small part of total imports.

7.5 Market segmentation.

The convertible currency markets are highly segmented by retailer and customer profile (chapter 4). Yugoslavia's industry has been targeting to some considerable degree on the lower market quartiles rather than on the middle market quartiles where their selling prices, including duties, are attainable.

7.6 Marketing.

Few companies in the textile industry have had the need to operate their own marketing activities. Selling into Eastern Europe did not require own marketing as the trading houses had this responsibility. For the western markets, an increasing number of companies recognize that they need to be marketing orientated themselves and are becoming registered for exporting.

7.7 Raw materials.

The country has few indigenous raw materials to support the industry: a small amount of cotton and some coarse wool fibre is grown; the production of synthetic fibre is increasing and for regenerated cellulosic fibre the industry is largely self-supporting. However, most of the cotton and much of the wool is imported together with many of the intermediates for man-made fibre production. Most of the chemicals, all of the dyestuffs and machines are also imported. The industry has effectively no advantages over other countries' industries; it pays international prices for all of the imported products and these costs are increased by the major movements in the exchange, inflation and bank financing rates.

7.8 Profile of the industry.

In order to optimize its competitiveness in the Western markets, the industry needs to meet international standards (or better them) in a number of its disciplines. At the level of the industry, a number of such international standards are not attained in Yugoslavia. These are as shown in the figure:

7.8 Disciplines with less than "international
cont. standard" performance.

- . marketing
- . selling
- . product innovation (not necessarily own designs
as these can be bought-in)
- . customer service (responding to enquiries)
- . honouring delivery commitments
- . specification production/quality consistency
- . investments in new technologies
- . yarn and fabric conversion costs
- . labour productivity
- . machine utilization
- . standard of fabric processing
- . management methods

At the company level this general profile will not apply in each case as some companies are becoming organized (marketing oriented) to meet the demands of the market.

But many of the older companies, especially the vertical cotton companies, are finding it difficult to accept the need to change. A flexibility in their operations is essential, to accommodate order changes from the markets, is a pre-requisite.

7.9 Strengths.

The main strength of the textile industry lies in the Confection Sector and particularly in the stitching of tailored outerwear for men and ladies. Some companies in the sector are marketing oriented and many produce garments of high quality at very competitive prices. These companies often work on the outward processing (TPP) basis.

7.10 Export incentives.

Very limited incentives are offered to companies to encourage them to export. A small reduction in financing charges are possible but the Government does not help with export credit guarantee schemes, funding market research projects or help with organizing and financing exhibition stands at overseas fairs. Additionally, there are no tax incentives to exporters.

7 11 Price Stability.

The western markets expect that prices will increase with time but they also expect their suppliers to quote firm and fixed prices for a period of 6 months. Prices quoted by Yugoslav companies show marked variations from order to order and relate only to a specific order. Buyers cannot plan their collections on this basis and consequently the Yugoslav industry is less attractive as a regular supply source.

7.12 Classical products: classical vs TPP exports
(Appendix K)

. TPP exports are increasing faster than classical exports:-

- growth TPP	1983-1984 :	+ 21.7%
- growth classical	1983-1984 :	+ 15.1%

. TPP exports represented 59% of all confection product exports in 1984 (1983=58%) by value (converted to US \$) at current prices and exchange rates.

. 76% of all classical exports of confection products were men's and ladies' outer wear but 85% of TPP exports were in these product categories (figure K1).

. 12.4% of all classical exports of confection products were undergarments, especially men's shirts, whilst 10.8% of TPP exports were in the product categories (figure K1).

. 87% of confection exports to EEC countries were TPP in 1984 (figures K2, K3 and K4). West Germany took more than 90% of their total imports on the TPP basis.

. 47% of confection exports to the USA, 51% to Switzerland and 65% to Sweden were on the TPP basis.

. 32% of TPP exports in 1984 were men's suits, jackets and crousers; 10.3% were men's shirts and 24.7% were ladies' skirts, blouses and dresses. Men's and ladies' coats accounted for 24.4% of TPP exports (figure K5).

8.0 STRATEGIC OPPORTUNITIES

8.0 STRATEGIC OPPORTUNITIES

8.1 Objective:

The objective of the strategy is to increase textile exports to the Western markets. Using 1984 as a base, the expansion could be considered as:

Jugoslav textile exports (mn US \$)

Year	#	product groups	developed countries	developing countries	socialist countries	total
1984	26	fibres	14.70	12.50	24.93	52.13
	651	yarns	49.60	22.17	19.26	91.03
	652	fabrics	74.11	17.30	77.84	169.25
	84	confection	180.11	77.96	389.07	647.14
		total	318.52	129.93	511.10	959.55
		% share	33.2	13.5	53.3	100.0
			↓			
1988/9		total	600.0			

The possibility exists for textile exports to the Western markets to be increased over 3-4 years. Growth of the order of up to 100% is not impossible if the industry is prepared to change. Without change, real growth will not be possible.

8.2 Requirements:

In product terms, particular market niche opportunities will have to be identified by individual companies and exploited by them. The products are likely to be well designed products (designed in conjunction with buyers) and of higher added value.

The products are unlikely to include carded cotton yarns, greige basic cotton fabrics or basic household textiles. The export product ranges could well include:

- . combed cotton yarns for knitting and weaving.
- . acrylic yarns and wool yarns, worsted spun for knitting or weaving. These may be top or yarn dyed.

- 8.2
cont.
- . furnishing fabrics.
 - . apparel fabrics; knitted or woven but mainly dyed or printed.
 - . garments that are included as sensitive (quota) products under MFA and others such as leisure wear, sportswear, lingerie. These will be designed in conjunction with buyers, possibly as part of co-ordinated ranges and selling into the medium and higher market segments.
 - . well designed household textiles, e.g. flannelette bed sheets.
 - . TPP business will continue - possibly at greater volume.

The product opportunities are easily identified. The challenge to the industry - or at least to a number of key companies in the industry - are considerable. The successful companies will be those able to operate at levels of performance at least equal to if not superior to international standards in terms of:

- . marketing - the identification of exactly what buyers require and how the particular company can best satisfy those requirements in terms of product specification, pricing, qualities, packaging, presentation, back-up support, price points, etc.
- . selling - frequency of visits showing ranges, pricing, order response and the like.
- . design - engineering and styling to meet buyers' price points, constructions, requirements, etc.
- . flexibility - the ability to modify production programmes to accommodate changing market needs.
- . production - facilities that allow very competitive product costs. This may require investment in new technologies and machines that would also permit the most modern products to be manufactured in all disciplines, e.g. fibre production, spinning, weaving, knitting, processing and making-up.

- 8.2 cont.
- . quality - to achieve a consistent performance level to agreed product specifications.
 - . costs - to be as competitive as possible.
 - . raw materials/ intermediate products - world sources are likely to offer lower prices for some raw materials or intermediate products. Companies should have the facility for importing such materials for subsequent export as higher added value goods.
 - . management - companies will need to be managed in all disciplines in keeping with a marketing orientation rather than a manufacturing orientation. Management's ideas will need to be modified.

8.3 Programme:

Companies wishing to supply the Western markets, and this will not include all companies, will recognize the challenge of the markets. Some may not wish to so change their ways of operating and there may not be the necessity for all to change.

Those companies that wish to be key suppliers to the Western markets should be encouraged to formulate business plans to enable them to profit from increased sales to the Western markets. These plans will take the form of projects that will require financing. It is proposed that individual companies are invited to develop projects to enable them to be successful in the Western markets. Where the companies require to be financed by the bank, these projects should be approved by an appointed organization to ensure that the proposals form an acceptable business plan and that duplication of plans targeting out any one market are not implemented.

8.3 The business plans will cover the company's total
cont. activities:

- . marketing and selling; it is expected that this will probably be directly to customers.
- . manufacturing; plant investments to achieve a balanced mill activity at lowest possible costs.
- . human resources; plans to train management and operatives in the skills necessary to service markets correctly, with deliveries to agreed schedules and of a consistent quality.

Companies in the industry could be invited to prepare their projects during 1986/7. Assessment could take place during the second half of 1987 for implementation the following year.

8.4 Role of the Government.

It is proposed that the Government has an important role in the development of the industry. This support role would be:

- . export credit guarantees.
- . assisting export market research projects by individual companies.
- . encouraging individual companies (with financial assistance) to take part in international, overseas exhibitions, e.g. subsidising a separate hall or group of stands at an exhibition for Yugoslav exhibitors.
- . encouraging companies to export directly as individual companies or by merging their sales activities.

APPENDICES

gherzi organisation zürich

APPENDIX A. INDUSTRY STATISTICS

(Sources: ZIT. Foreign Trade Statistics).

Figure A1 : Fibre consumption in the cotton and wool spinning sectors; 1977-83

A2 : Consumption of domestically produced fibre in the cotton and wool spinning sectors; 1977-83

A3 : Cotton fibre production, import, export and apparent consumption; 1980-84

A4 : Wool fibre production, import, export and apparent consumption; 1980-84

A5 : Bast fibre production, import, export and apparent consumption; 1980-84

A6 : Woollen yarn production, import, export and apparent consumption; 1980-84

A7 : Worsted yarn production, import, export and apparent consumption; 1980-84

A8 : Cotton yarn production, import, export and apparent consumption; 1980-84

A9 : Bast fibre yarn production, imports, exports and apparent consumption; 1980-84

A10 : Synthetic spun yarn production, imports, exports and apparent consumption; 1980-84

A11 : Cellulosic spun yarn production, imports, exports and apparent consumption; 1980-84

A12 : Yarn consumption in the cotton and wool weaving sectors; 1977-83

A13 : Consumption of domestically produced yarn in the cotton and wool weaving sectors; 1977-83

A14 : Woven cotton type fabrics; production, import, export and apparent consumption; 1980-84

A15 : Woven synthetic staple fibre fabrics production, imports, exports and apparent consumption; 1980-84

- A16 : Woven cellulosic, staple fibre fabrics production, imports, exports and apparent consumption. 1980-84
- A17 : Continuous filament woven fabrics production, imports, exports and apparent consumption; 1980-84
- A18 : Woven bast fibre (jute, hemp) fabrics production, imports, exports and apparent consumption; 1980-84
- A19 : Woven blanket production, imports, exports and apparent consumption; 1980-84
- A20 : All yarn consumption in the Knitting Sector; 1977-83
- A21 : Consumption of Yugoslav produced yarn in the Knitting Sector; 1977-83
- A22 : Household textiles (i) - table linen and towels; production, imports, exports and apparent consumption; 1980-84
- A23 : Household textiles (i) - bed linen; production, imports, exports and apparent consumption; 1980-84

APPENDIX A. INDUSTRY STATISTICS

Figure A1: Fibre consumption in the Cotton and Wool System Spinning Sectors 1977-83
(thousand tonnes)

Year	Fibre type				
	Synthetic	Cellulosic	Cotton	Wool	Total
1977	42.45	21.82	118.20	19.57	202.04
1978	44.76	21.80	116.49	18.76	201.80
1979	51.21	22.62	114.67	21.41	209.91
1980	58.68	22.17	119.95	21.61	222.41
1981	63.58	20.59	122.80	21.31	228.28
1982	60.60	22.42	125.47	21.53	230.02
1983	69.63	20.14	123.02	21.36	234.15
% change 1977-83	+ 64	- 7	+ 4	+ 9	+ 16

Figure A2: Consumption of domestically produced fibre in the Cotton and Wool System Spinning Sectors (1977-1983) (thousands tonnes)

Year	Fibre type					% Total Consumption
	Synthetic	Cellulosic	Cotton	Wool	Total	
1977	19.05	17.59	-	2.98	39.62	19.6
1978	18.75	18.72	-	1.91	19.38	19.5
1979	25.77	19.64	-	2.47	47.88	22.8
1980	34.69	19.21	-	3.56	57.46	25.8
1981	38.57	18.20	-	3.44	60.21	26.4
1982	37.92	19.31	-	3.75	60.98	26.5
1983	49.02	16.76	-	5.73	71.51	30.5
% change 1977-1983	+ 157	- 5	-	+ 90	+ 80	

Figure A3: Cotton Fibre production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 263.40.10/10.10
30.90/30.10
20.10/20.20

	1980	1982	1984	% change 1980-1984
production	0.00	0.00	0.00	-
import	112.41	115.10	131.23	+ 17
export	5.43	6.63	8.09	+ 49
apparent consumption	106.98	108.47	123.14	+ 15

Figure A4: Wool Fibre production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 262.70.10/60.10
20.20/20.10
10.30/10.10

	1980	1982	1984	% change 1980-1984
production (approx.)	2.00	2.03	1.57	- 22
import	27.64	27.17	21.95	- 21
export	0.95	0.13	1.05	+ 11
apparent consumption	28.69	29.07	22.47	- 21

Figure A5: Bast Fibre production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 265.80.10/80.50/30.90
20.90/20.50/20.20
10.90/10.20
00.90/00.20

	1980	1982	1984	% change 1980-1984
production	8.19	8.19	9.27	+ 13
import	32.18	29.15	34.09	+ 6
export	0.67	0.65	0.38	- 43
apparent consumption	39.70	36.69	42.98	+ 8

Figure A6: Woollen Fibre production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Category : 651.21.10

	1980	1982	1984	% change 1980-1984
production	8.53	7.99	6.40	- 25
import	0.60	0.67	0.40	- 33
export	0.15	0.08	0.00	-
apparent consumption	8.98	8.58	6.80	- 24

Figure A7: Worsted yarns (combed) production, import, export and apparent consumption 1980-1984
(thousand tonnes)
- includes 100% wool, synthetic, cullulosic and mixtures.

Category : 651.22.10

	1980	1982	1984	% change 1980-1984
production	40.90	41.68	41.56	+ 2
import	0.40	0.30	0.11	- 73
export	0.83	1.47	0.62	- 25
apparent consumption	40.47	40.51	41.05	+ 1

Figure A8: Cotton yarn production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 651.30.10/42.10

	1980	1982	1984	% change 1980-1984
production	110.36	112.86	121.56	+ 10
import	0.43	0.54	0.55	+ 28
export	18.33	12.33	10.59	- 42
apparent consumption	92.46	101.07	111.52	+ 21

Figure A9: Bast fibre yarn production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 651.92.10/93.10/53.10
52.10/51.30/51.10

	1980	1982	1984	% change 1980-1984
production	24.12	22.18	22.41	- 7
import	0.74	0.35	0.74	-
export	4.44	1.25	1.34	- 70
apparent consumption	20.42	21.28	21.81	+ 7

Figure A10: Synthetic Spun Yarns production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 651.64.10/64.90
65.10/65.90/63.90

	1980	1982	1984	% change 1980-1984
production - cotton system	8.16	7.19	8.07	- 1
production - worsted system	19.16	21.93	22.96	+ 20
import	3.07	2.70	1.79	- 42
export	2.33	2.59	3.55	+ 52
apparent consumption	28.06	29.23	29.27	+ 4

Figure A11: Cellulosic Spun Yarns production, import, export and apparent consumption 1980-1984
(thousand tonnes)

Categories : 651.74.90/75.10

	1980	1982	1984	% change 1980-1984
production - cotton system	5.99	6.33	5.82	- 2
production - worsted system	12.80	11.34	10.60	- 17
import	0.03	0.04	0.01	-
export	0.38	0.24	0.46	+ 21
apparent consumption	18.44	17.47	15.97	- 13

Figure A12: Yarn consumption in the cotton and wool weaving sectors:- 1977-1983
(thousand tonnes)

Year	Spinning System		
	Cotton	Wool	Total
1977	76.94	31.25	108.19
1978	78.88	33.35	112.23
1979	78.02	34.07	112.09
1980	78.38	34.17	112.55
1981	82.67	38.97	121.64
1982	82.18	37.68	119.86
1983	80.78	44.44	125.22
% change 1977-1983	+ 5	+ 42	+ 16

Figure A13: Consumption of domestically produced yarn in the Cotton and Wool weaving sectors:- 1977-1983
(thousand tonnes)

Year	Spinning System			% Total Consumption
	Cotton	Wool	Total	
1977	76.21	24.97	101.18	93.5
1978	76.77	25.61	102.38	91.2
1979	75.49	28.09	103.58	92.4
1980	76.44	28.39	104.83	93.1
1981	80.76	34.24	115.00	94.5
1982	79.93	34.44	114.37	95.4
1983	78.99	37.83	116.82	93.3
% change 1977-1983	+ 4	+ 52	+ 15	

Figure A14: Woven cotton type fabrics : production, import, export and apparent consumption 1980-1984 (thousand tonnes)

Categories : 652.11.10/21.10, 541.91.20
652.13.10/29.30
652.23.10/12.10/22.10

	1980	1982	1984	% change 1980-1984
production - all fabrics	88.21	88.42	101.56	+ 15
imports: greige fabric	3.15	4.50	9.78	+ 210
" finished fabric	-	-	-	
" greige gauze	-	-	0.01	
" finished gauze	-	0.03	-	
" finished terry	0.04	-	0.03	
" pile fabric	1.07	0.63	0.55	- 49
exports: greige fabric	6.84	8.25	12.11	+ 77
" greige gauze	0.47	0.49	0.43	
" finished gauze	0.08	0.02	0.03	
" greige terry	0.02	0.03	0.06	
" finished terry	0.09	0.39	0.09	
" pile fabric	0.02	0.28	0.04	
apparent consumption	84.95	84.12	99.17	+ 17

Footnote: production data converted at 200 gms/sq.mt.

Figure A15: Woven synthetic staple fibre fabrics - production, import, export and apparent consumption 1980-1984 (thousands tonnes)

Category : 653.52.10

	1980	1982	1984	% change 1980-1984
production - all fabrics	20.25	19.12	15.60	- 23
imports - fabrics	3.91	4.41	4.25	+ 9
" - pile fabric	0.10	0.20	0.07	
exports - fabrics	1.53	1.55	2.32	+ 52
" - pile fabrics	1.49	1.48	2.54	+ 70
apparent consumption	21.24	20.70	15.06	- 29

Footnote: production data converted at 200 gms/sq.mt.

Figure A16: Woven cellulosic staple fibre fabrics :
production, import, export and apparent
export and apparent consumption 1980-1984
(thousand tonnes)

Category : 653.62.10 (production
converted at 180 grams/sq.mt)

	1980	1982	1984	% change 1980-1984
production	2.82	1.55	2.57	- 9
imports	1.10	0.91	1.23	+ 12
exports	1.91	2.82	2.30	+ 20
apparent consumption	2.01	(0.36)	1.50	

Figure A17: Continuous filament woven fabric production
import, export and apparent consumption
1980-1984 (thousands tonnes)

Categories : 653.61.10 - cellulosic
653.51.10 - synthetic
653.51.50 - tyre cord fabrics

	1980	1982	1984	% change 1980-1984
production : cellulosic	7.24	7.26	6.57	
" : synthetic	10.60	9.46	13.01	
" : tyre cord	- not separately specified			
sub-total	17.84	16.72	19.58	+ 10
imports : cellulosic	1.49	1.54	1.24	
" : synthetic	1.46	1.70	2.17	
" : tyre cord	3.48	3.33	6.07	
sub-total	6.43	6.57	9.48	+ 47
exports : cellulosic	-	0.01	0.04	
" : synthetic	0.19	0.31	1.19	
" : tyre cord	0.02	0.33	1.08	
sub-total	0.21	0.63	2.31	
apparent consumption	24.06	22.66	26.75	+ 11

Footnotes: production statistics in square metres, have
been converted as:

- . cellulosic - 200 gms/sq.mt.
- . synthetic - 250 gms/sq.mt.

Figure A18: Woven bast-fibre fabric (jute, hemp)
production, import, exports and apparent
consumption 1980-1984 (thousand tonnes)

Categories : 653.32.10/40.10
 Production converted at 350 grams/sq.mt.

	1980	1982	1984	% change 1980-1984
production	12.73	9.00	3.38	- 76
imports	0.41	0.18	0.05	- 88
exports	0.95	0.56	1.32	+ 39
apparent consumption	12.19	8.62	2.11	- 83

Figure A19: Woven blanket production, imports, exports
and apparent consumption 1980-1984
(thousand tonnes)

Categories : 656.61.10/62.10/t9.10
 Production converted at 250 grams/sq.mt)

	1980	1982	1984	% change 1980-1984
production : cotton	0.03	0.05	0.04	
: wool	6.11	5.97	6.40	+ 5
imports : cotton	0.19	0.10	-	
: wool	-	-	-	
: others	0.48	0.60	0.48	-
exports : wool	0.02	0.08	0.03	
: cotton	0.04	0.01	-	
: others	2.08	3.20	2.89	+ 39
apparent consumption: all	4.67	3.53	4.00	

Footnote: Production of blankets made from 'other'
 fibres not specified in the production data.

Figure A20: All yarn consumption in the Knitting Sector : 1977-1984 (thousand tonnes)

Year	Cotton	Wool	Total
1977	13.16	8.11	21.27
1978	15.15	9.20	24.35
1979	15.06	8.52	23.58
1980	20.14	10.58	30.72
1981	20.57	13.67	34.24
1982	19.86	12.07	31.93
1983	20.01	10.96	30.97
1984			
1977-1984 change			+ 45.6 %

Figure A21: Consumption of Yugoslav produced yarn in the Knitting Sector :
1977-1984 (thousands tonnes)

Year	Cotton	Wool	Total	% Total Consumption
1977	12.44	7.08	19.52	91.8
1978	13.77	8.16	21.93	90.1
1979	14.85	7.23	22.08	93.6
1980	19.81	10.08	29.89	97.3
1981	20.34	12.58	32.92	96.1
1982	19.40	11.07	30.47	95.4
1983	19.15	10.26	29.41	95.0
1984				

Figure A22: Household Textiles (i) table linen and towels: production, imports, exports and apparent consumption 1980-1984
(thousand tonnes)

Category : 656.91.20

	1980	1982	1984	% change 1980-1984
production : m2	24647	20181	27492	
production equivalent	8.21	6.72	9.15	+ 11
imports	0.05	0.04	0.05	-
exports	0.03	0.17	0.30	-
apparent consumption	8.23	6.59	8.90	+ 8

Figure A23: Household Textiles (ii) bed linen: production, imports, exports and apparent consumption 1980-1984 (thousand tonnes)

Category : 656.91.10

	1980	1982	1984	% change 1980-1984
production : km2	40.53	49.18	51.56	
production equivalent	8.11	9.84	10.31	+ 27
imports	0.04	-	-	
exports	0.31	2.16	2.52	+
apparent consumption	7.84	7.68	7.80	- 1

APPENDIX B

Figure B1: EEC import quotas - for direct textile exports from Yugoslavia
1983-1986

Category	Tariff Numbers	Product	Units	Country	1983	1984	1985	1986				
Group IA 1	55 05	Cotton yarn - not put for retail sale	t	W. Germany	2785	2790	2794	2799				
				France	209	214	219	224				
				Italy	4344	4346	4248	4351				
				Benelux	121	123	124	125				
				UK	141	149	155	161				
				Ireland	49	49	49	49				
				Denmark	32	32	32	32				
				Greece	171	171	171	171				
				Total	7854	7874	7893	7913				
				2	55.09	Cotton woven fabrics (other than terry, plush, chenille, narrow tulle etc.)	t	W Germany	1920	1940	1961	1981
France	858	867	877					888				
Italy	4778	4786	4793					4801				
Benelux	516	519	523					527				
UK	1077	1083	1088					1092				
Ireland	12	12	12					12				
Denmark	134	134	134					134				
Greece	200	201	202					203				
Total	9495	9542	9590					9638				
2a	55 09	Cotton woven fabrics not included in category 2.	t					W. Germany	580	586	592	594
				France	184	186	188	192				
				Italy	746	747	748	749				
				Benelux	132	133	134	139				
				UK	139	140	141	142				
				Ireland	5	5	5	5				
				Denmark	73	73	73	73				
				Greece	150	151	151	152				
				Total	2009	2020	2031	2041				
				3	56.07	Woven fabrics of synthetic or cellulose spun yarns	t	W. Germany	74	82	89	97
France	65	70	74					78				
Italy	429	430	432					432				
Benelux	32	33	34					35				
UK	61	63	66					69				
Ireland	5	5	5					5				
Denmark	173	173	173					173				
Greece	6	6	6					6				
Total	845	862	879					897				
Group IB 4	60 04	Knitted underwear	pcs 000					UK	250	650	673	687
				5	60.05	Knitted outerwear (pullovers sweaters)	pcs 000	W Germany	665	675	686	697
								France	316	327	337	346
								Italy	80	87	94	103
								Benelux	159	161	164	166
								UK	217	221	225	230
								Ireland	6	7	8	9
								Denmark	30	31	32	33
								Greece	18	19	20	21
								Total	1491	1528	1566	1605
								part 1983				

Category	Tariff Numbers	Product	Units	Country	1983	1984	1985	1986
6	61.01 61.02	Outerwear, men's ladies', boy's, girls', childrens' trousers	pcs 000	W Germany	222	226	231	235
				France	40	46	51	56
				Italy	30	34	38	42
				Benelux	125	126	127	129
				UK	219	224	229	235
				Ireland	2	2	2	2
				Denmark	12	12	12	12
				Greece	10	10	10	10
				Total	660	680	700	721
				7	60.05 61.02	Outerwear - ladies' and girls' blouses	pcs 000	W Germany	194	196	197	198
France	29	32	34					37
Italy	29	30	31					33
Benelux	52	53	55					56
UK	30	31	33					34
Ireland	1	1	1					1
Denmark	8	8	8					8
Greece	9	9	9					9
Total	352	360	368					376
8	61.03	Underwear - men's and boys' shirts.	pcs 000					W Germany	988	993	998	1003
				France	257	267	277	287
				Italy	191	198	205	213
				Benelux	329	333	337	341
				UK	535	543	551	559
				Ireland	11	11	11	11
				Denmark	30	31	32	33
				Greece	41	42	43	44
				Total	2382	2418	2454	2491
				Group IIA 9	55.08 62.02	Household textiles of cotton: terry towels, tea towels, table linen, bed linen, curtains etc.	t	W. Germany	277	282	286	281
France	182	185	189					191
Italy	30	35	41					48
Benelux	21	25	29					34
UK	75	87	99					111
Ireland	1	1	1					2
Denmark	27	29	30					31
Greece	4	4	5					6
Total	617	648	680					714
Group IIB 12	60.03	Socks and stockings (but excluding ladies' tights and stockings).	pcs 000					W. Germany	990	1045	1100	1162
				France	2000	2010	2020	2030
				Italy	210	235	262	294
				Benelux	337	361	383	408
				UK	192	229	273	305
				Ireland	8	10	11	12
				Denmark	160	162	164	167
				Greece	21	23	26	29
				Total	3918	4075	4238	4407
				15b	61.02	Outerwear: ladies' coats, jackets	pcs 000	W. Germany	176	179	182	185
France	90	92	94					96
Italy	14	17	20					23
Benelux	25	28	31					35
UK	26	31	36					41
Ireland	1	1	1					1
Denmark	34	34	34					34
Greece	4	5	6					7
Total	370	387	404					422

Category	Tariff Numbers	Product	Units	Country	1983	1984	1985	1986
16	6. 01	Outerwear: men's and boys' suits	pcs 000	W Germany	112	116	121	126
				France	47	52	57	63
				Italy	14	17	19	21
				Benelux	27	30	33	36
				UK	164	165	167	169
				Ireland	1	1	1	1
				Denmark	37	37	37	37
				Greece	4	4	4	4
		Total		406	422	439	457	
24	60.04	Underwear - knitted pyjamas night-dresses.	pcs 000	France	180	189	198	208
73	60.05	Outerwear - sportswear, jogging suits.	pcs 000	W Germany	290	292	294	296
				France	93	98	104	110
				Italy	44	48	52	56
				Benelux	94	95	96	97
				UK	130	136	142	148
				Ireland	3	3	3	3
				Denmark	10	11	12	13
				Greece	11	12	13	14
		Total		675	695	716	737	
Group IIIA 52	55.05	Cotton yarn put up for retail sale.	t	Italy	58	61	64	67
Group IIIB 67	60.05 60.06	Other knitted goods.	t	W. Germany	278	279	281	282
				France	43	48	53	59
				Italy	36	40	44	49
				Benelux	24	28	31	34
				UK	55	61	68	75
				Ireland	3	3	3	3
				Denmark	25	25	25	25
				Greece	4	5	6	7
		Total		468	489	511	534	
67a	60.05.97	Sacks etc.		France	21	22	23	24
				Italy	18	19	20	21
				Benelux	12	13	14	15
				UK	35	37	39	41
				Total	86	91	96	101

APPENDIX C

Figure C1 EFC country imports from Yugoslavia of sensitive products - 1982 and 1984 showing direct imports (actual imports, quota and quota utilization) and TPP

55.05 Category 1 Cotton yarn - not put up for retail sale (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	2877	2767	104		2848	2790	102	
France	153	201	76		183	214	86	
Italy	4310	4304	100		4248	4346	98	
Holland		119	0		3	123	2	
Belgium/Luxemburg	63	119	53		127	123	103	
United Kingdom	125	135	93		163	149	109	
Ireland		49	0		49	49	100	
Denmark	85	32	266		56	32	175	
Greece	90	170	53		81	171	47	
Total EEC	7708	7777	99		7758	7874	99	

55.09 Category 2 Cotton woven fabrics (other than terry, plush, chenille, tulle and narrows) (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	634	1901	33		1608	1940	83	
France	666	849	78		788	867	91	
Italy	4162	4776	87		4672	4786	98	
Holland	58	512	11		112	519	22	
Belgium/Luxemburg	55	512	11		18	519	3	
United Kingdom	490	1066	46		1158	1083	107	
Ireland		12	0			12	0	
Denmark	139	133	105		89	134	66	
Greece	52	108	48		90	201	45	
Total EEC	6261	9357	67		8535	9542	89	

55 09 Category 2a: Cotton fabrics (other than ecru, bleached and those included in category 2 above) (tonnes)	1982			1984		
	Direct Imports		TPP	Direct Imports		TPP
	actual imports	quota	% utiliz.	actual imports	quota	% utiliz.
W. Germany	236	578	41	476	586	81
France	161	182	88	182	186	98
Italy	210	745	28	288	747	39
Holland	4	130	3	50	132	38
Belgium/Luxemburg	37	130	29		132	0
United Kingdom	10	137	7	192	140	137
Ireland		5	0		5	0
Denmark	135	73	193	70	73	96
Greece	56	21	267	88	151	58
Total EEC	849	1871	45	1346	2020	67

56.07 Category 3: Synthetic staple fibre fabrics. (tonnes)	1982			1984		
	Direct Imports		TPP	Direct Imports		TPP
	actual imports	quota	% utiliz.	actual imports	quota	% utiliz.
W. Germany	45	62	73	85	82	104
France	52	58	90	58	70	83
Italy	6	425	1	75	430	17
Holland		29	0	23	33	70
Belgium/Luxemburg	56	29	193	2	33	6
United Kingdom	7	55	13	89	63	141
Ireland		5	0		5	0
Denmark	41	173	24	22	173	13
Greece	1	6	17	4	6	67
Total EEC	205	813	25	358	862	42

60.04 Category 4 Knitted shirts, underwear, T shirts (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota (basket)	% utiliz.	
W. Germany	434	1657	26	1161	3122	(318)	982	1723
France	161	1348	12		797	(208)	385	
Italy	24	198	12		75	(168)	45	
Holland	15	574	3	19	132	(117)	113	
Belgium/Luxemburg	6	574	1	-	2	(117)	2	
United Kingdom	38	527	7		716	690	110	
Ireland		17	0					
Denmark	1	55	2		5	-	-	
Greece		20	0					
Total FEC	670	4396	15		4849	650 (1139)		1723

60 05 Category 5: Knitted outerwear, pullovers, sweaters, cardigans, etc. (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	744	590	126	838	945	675	146	1219
France	332	282	118		291	327	89	4 84
Italy	32	60	53		121	87	139	
Holland	144	147	98	1	169	161	105	
Belgium/Luxemburg		147	0		2	161	1	
United Kingdom	116	190	61		145	221	66	
Ireland		5	0			7	0	
Denmark	4	26	15		7	31	23	
Greece		15	0			19	0	
Total EEC	1372	1315	104	839	1511	1528	99	

61.01/61.02 Category 6: trousers shorts (woven fabric) (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	715	213	336	3029	1556	226	688	4268
France	34	34	100		3	46	7	
Italy	24	24	100		20	34	59	
Holland	47	122	39	455	73	126	429	58
Belgium/Luxemburg	30	122	25	36		126	0	
United Kingdom	38	212	18		122	224	54	1
Ireland		2	0			2	0	
Denmark	9	12	75	9	8	12	67	
Greece		10	0			10	0	
Total EEC	897	629	143	3529	1782	806	221	4327

60.05/61.02 Category 7: ladies' and girls' blouses (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	257	190	135	2663	529	196	270	2667
France		28	0			32	0	
Italy		28	0			30	0	
Holland	11	52	21	261	13	53	25	84
Belgium/Luxemburg		52	0		7	53	13	1
United Kingdom	3	28	11		8	31	26	
Ireland		1	0			1	0	
Denmark	3	8	38		1	8	13	
Greece		9	0			9	0	
Total EEC	274	344	80	2924	558	413	135	2752

61.03 Category 8: men's and boys' woven shirts (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	1026	93	1103	4206	2216	993	223	5169
France	222	212	105	1	266	267	100	
Italy	132	158	84		209	198	106	
Holland	350	308	114	1470	891	333	268	1124
Belgium/Luxemburg	388	308	126	412	271	333	81	445
United Kingdom	502	484	104		713	543	131	
Ireland	1	9	11			11	0	
Denmark	2	24	8		30	31	97	
Greece		20	0			42	0	
Total EEC	2623	1616	162	6089	4596	2751	167	6738

55.08/62.02 Category 9: household textiles of cotton (terry towels, tea towels, table linen, bed linen, curtains etc.) (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	121	270	45		270	282	95	
France	102	178	57		169	185	91	
Italy	4	26	15		33	35	94	
Holland		18	0		26	25	104	
Belgium/Luxemburg	1	18	6			25	0	
United Kingdom	38	65	58		36	87	41	
Ireland		1	0			1	0	
Denmark	28	27	104		26	29	90	
Greece		3	0		1	4	25	
Total EEC	294	606	49		561	673	83	

60.03 Category 12: Socks stockings (excluding ladies' tights and stockings) (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	2033	915	222	6116	4496	1045	430	13357
France	2382	1833	130	19	1174	2010	58	
Italy		213	0		97	235	41	
Holland	346	316	109		322	361	89	
Belgium/Luxemburg		316	0			361	0	
United Kingdom	3	178	2		72	229	31	
Ireland		7	0			10	0	
Denmark	46	159	29		14	162	9	
Greece		20	0			23	0	
Total EEC	4810	3641	132	6135	6175	4436	139	13357

61.02 Category 15b: Ladies' raincoats (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	81	158	51	761	419	179	234	1028
France	8	95	8		11	92	12	
Italy		16	0			17	0	
Holland	2	25	8	65	7	28	25	69
Belgium/Luxemburg	33	25	132	39	64	28	229	12
United Kingdom	4	26	15		9	31	29	
Ireland		1	0			1	0	
Denmark	12	23	52	18	6	34	18	
Greece		4	0			5	0	
Total EEC	138	373	37	883	516	415	124	1109

61.01 Category 16: Men's and boys' suits. (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	86	103	83	304	258	116	222	286
France	31	42	74		15	52	29	
Italy		11	0			17	0	
Holland		24	0	39	11	30	37	79
Belgium/Luxemburg	19	24	79	6	6	30	20	
United Kingdom	93	161	58		158	165	96	41
Ireland	1	1	100			1	0	
Denmark	21	37	57	3	8	37	22	3
Greece		4	0			4	0	
Total EEC	251	387	65	352	456	452	101	409

60.04 Category 24 Men's and boys' knitted pyjamas (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	31	76	41	22	780	0		27
France		56	0		6	0		
Italy		43	0			0		
Holland		379	0		114	0		
Belgium/Luxemburg		379	0			0		
United Kingdom		64	0			0		
Ireland		4	0			0		
Denmark		9	0			0		
Greece		10	0			0		
Total EEC	31	517	6	22	900	0		27

60.05 Category 73: Knitted outer sportswear (jogging suits) (pcs 000)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W Germany	225	245	92	22	310	292	106	38
France		88	0		58	98	59	
Italy	7	42	17		13	48	27	
Holland	28	89	31		27	95	28	
Belgium/Luxemburg	3	89	3		10	95	11	
United Kingdom	13	123	11		21	136	15	
Ireland		3	0			3	0	
Denmark		9	0			11	0	
Greece		10	0			12	0	
Total EEC	276	609	45	22	439	790	56	38

55.06 Category 52: Cotton yarn (for retail sale) e.g. sewing thread tapestry yarns or spools) (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	12	65			207	(20)	1035	
France		33	0			(13)	0	
Italy	24	55			62	61	102	
Holland		12	0			(7)	0	
Belgium/Luxemburg		12	0			(7)	0	
United Kingdom		27	0			(16)	0	
Ireland		2	0			(1)	0	
Denmark		4	0			(2)	0	
Greece	1	2	50			(1)	0	
Total EEC	37	200	19		269			

60.05/60 06 Category 67: Other knitted goods (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	327	263	124		253	279	91	1
France	47	41	115		23	48	48	
Italy	6	34	18		6	40	15	
Holland		22	0			28	0	1
Belgium/Luxemburg		22	0		12	28	0	
United Kingdom		52	0			61	0	
Ireland		3	0			3	0	
Denmark	8	8	100		2	25	0	
Greece		4	0			5	0	
Total EFC	388	449	86		296	517	57	

60 05/60 97 Category 67a: (tonnes)	1982				1984			
	Direct Imports			TPP	Direct Imports			TPP
	actual imports	quota	% utiliz.		actual imports	quota	% utiliz.	
W. Germany	145	0	-		66	0		
France	64	0	-		16	22	73	
Italy						19		
Holland						13		
Belgium/Luxemburg	7	0	-		12	13	92	
United Kingdom						37		
Ireland								
Denmark								
Greece								
Total EFC	216	0	-		94	104	90	

APPENDIX D

Figure D1 EEC import quotas for TPP exports (outward processing, goods made on commission, CMT) from Yugoslavia 1983-1986 and utilization 1984 (shown in brackets as %age) (pcs 000)

Category	Product	Year	Total EEC	of which W Germany	Italy	Benelux	Denmark	France	UK Ireland Greece
5	knitted outerwear	1983	1893	1623	70	200			
		1984	1995	1713 (71%)	74 (5%)	208 (4%)			
		1985	2103	1803	78	222			
		1986	2217						
6	trousers and shorts	1983	4558	4005		553			
		1984	4845	4270 (100%)		575 (10%)	100		
		1985	6571	5823		648			
		1986	n/a						
7	blouses	1983	3093	2823		270			
		1984	3198	2923 (91%)		275 (31%)			
		1985	4316	3878		438			
		1986							
8	shirts	1983	10119	6881		3238			
		1984	10463	7175 (72%)		3288 (48%)			
		1985	10459	6776	100	3338		245	
		1986	11187						
12	socks, stockings, (excluding ladies' tights, stockings in fine denier)	1983	5283	5233	50				
		1984	5758	5704 (234%)	54 (0%)				
		1985	6277	6218	59				
		1986	6841						
15b	ladies' raincoats	1983	2062	1902		160			
		1984	2268	2092 (49%)		176 (46%)			
		1985	2495	2310		194			
		1986	2745						
16	men's suits	1983	1069	809	50	180	30		
		1984	465	882 (32%)	54 (0%)	196 (40%)	33 (9%)		
		1985	1270	962	59	213	36		
		1986	1384						
73	training/jogging suits	1983	120	100	20				
		1984	128	107 (36%)	21 (0%)				
		1985	137	114	23				
		1986	146						

APPENDIX E

Figure E1: Import quotas into other countries

Country	Category Number	Product	Year	Units	Quantity
Austria (gentleman's agreement)	7 (60.05/61.02)	ladies' blouses	1985	pcs	745223
	8 (61.03)	men's shirts	1985	pcs	286624
Norway (direct exports only)	1	woven jackets	1985	pcs	26000
		blazers parkas	1986	pcs	26130
		anoraks	1987	pcs	26261
	2	woven trousers	1985	pcs	26000
		slacks. jeans	1986	pcs	26130
	7	bed linen	1987	pcs	26261
			1985	kg	13000
		1986	kg	13065	
		1987	kg	13130	
Sweden	8	woven trousers	1982	pcs	254898
	7	suits			
	13	bed linen	1982	kg	95000
	rest group		1982	kg	170805
	1				
	2	shirts			
	5				
6					
9					
14	towels				

Figure E2 Swedish Textile Imports - 1984

Category	Item	Total imports volume	From Yugoslavia	
			volume	% of total
6582	tarpaulins, sails	1206	11	0.9
6583	travelling rugs, blankets	592	0	0
* 6584	bed linen and other household textiles	8003	169	2.1
659	floorcoverings	30963	32	0.1
84	clothing	54228	854	1.6
8421	men's overcoats, etc.	298	27	9.1
* 8422	" suits	338	115	34.0
* 8423	" trousers	4609	96	2.1
8424	" jackets, blazers	2529	93	3.7
8429	" other outer garments	1966	38	19.3
8431	ladies' coats, jackets	2879	96	3.3
8432	" suits	568	8	1.4
8433	" dresses	654	9	1.4
8434	" skirts	1243	19	1.5
8435	" blouses	1484	12	0.8
8439	" other outer garments	8267	33	0.4
844	undergarments	2145	82	3.8
* 8441	men's shirts	1955	82	4.2
845	knitted garments	11613	207	1.8
8451	knitwear	7802	56	0.7
8452	ladies' knitted dresses, skirts	718	4	0.6
8459	knitted other outer garments	3093	147	4.8

Footnote: * indicates quota under bi-lateral agreement 1985.

APPENDIX F : THE MAN-MADE FIBRE SECTOR

1. The Present Position:

1.1 Companies: The man-made fibre sector comprises 24 companies of which 7 are listed as part of the textile industry and 17 are part of the chemical industry. The sector employs a total of 14427 persons.

1.2 Products: The sector products include all of the classical man-made fibres with the exception of secondary acetate and tri-acetate. Figure F1 shows the production by product for the period 1981-1984.

The planned capacity for 1985 will not be achieved as the investment conceived in 1980 has been cut back overall. For individual fibres, e.g. acrylic and polypropylene, actual production in 1984 has exceeded the anticipated capacity.

1.3 Apparent consumption: The apparent consumption of synthetic fibres increased by 45% to 113390 t during the period 1980-1984. Production doubled over the same period to represent 88% of consumption by the industry in 1984 (figure F2). Synthetic fibre exports increased by 330% in this period.

The consumption of cellulosic fibres fluctuated between 1980 and 1984 and represented some 80% of production (figure F3).

1.4 Foreign trade: The trade balance favours imports in the case of synthetic fibres and exports for regenerated cellulosic fibres (figure F4). Whilst synthetic fibre production has increased by 96% in the last 4 years and consumption by 45% only a limited reduction in imports has been possible as exports have increased very markedly.

Local consumption of regenerated cellulosic fibres has drifted down slightly between 1980 and 1984. Although production has increased by 14%, the surplus has been placed in the export markets which has shown growth of 150%. Local demand for viscose tyre cord yarns runs at a fairly constant level (contrary to international experience) as no polyester tyre cord is yet produced in Yugoslavia.

Figure F1: Man-made fibre production 1981-1984
and capacity planned 1983 (according
to the 1980 sector study report)
(thousands tonnes)

	Production				Planned capacity
	1981	1982	1983	1984	1985
. acrylic	16.7	25.0	26.7	26.4	25.0
nylon 6/6.6	7.1	8.4	14.3	17.0	41.7
. polyester	23.4	24.8	25.0	43.7	62.0
polypropylene	3.8	2.9	8.2	12.8	9.0
viscose staple (cotton type)	33.3	35.0	30.5	36.5)
. viscose staple (woollen type)	16.1	15.7	13.3	14.6	) 85.0
. viscose filament	8.0	8.1	8.1	8.0)
. viscose type cord	7.6	7.3	7.2	6.5)
Total	116.0	127.2	133.3	165.7	222.7

Figure F2 Synthetic Fibre (staple and continuous filament)
production, import, export and apparent consumption
1980-1984 (thousand tonnes)

Categories: 266.21.10/23.10

	1980	1982	1984	% change 1980-1984
production (st. & c.f)	50.98	61.17	99.90	+ 96
import: st	22.02	20.72	18.52	- 16
c.f	8.50	12.16	8.39	- 1
export: st	2.86	4.75	12.32	+ 331
c.f	0.23	0.96	1.10	+ 378
apparent consumption	78.41	88.34	113.39	+ 45

Figure F3 Cellulosic Fibre (staple and continuous filament)
production, import, export and apparent consumption
1980-1984 (thousand tonnes)

Categories: 266.31.10/32.10

	1980	1982	1984	% change 1980-1984
production (st & c.f)	57.40	58.77	65.7	+ 14
import: st	0.24	6.22	4.58	+
c.f	7.10	9.12	4.87	- 32
export: st	8.29	31.53	20.89	+ 150
c.f	0.01	-	0.08	-
apparent consumption	56.44	42.58	54.18	- 4

Figure F4 Foreign trade balance: man-made fibres (staple and filament)

	Synthetic fibre		Regenerated cellulosic fibre	
	1980	1984	1980	1984
import	30520	26910	7340	9450
exports	3090	13420	8300	20970
balance	(27430)	(13490)	960	11520

1.4 The main export markets are:-
cont.

Synthetic fibres - Iran, China, Czechoslovakia,
Iraq

Cellulosic fibres - Algeria, China, Iran, Iraq,
Bulgaria, Czechoslovakia

The main import sources are:-

Synthetic fibres - Austria, France, Italy, USA,
Germany, Switzerland, UK

Cellulosic fibres - Austria, USA, Germany,
Switzerland

1.5 Quality: Synthetic fibre quality is generally considered acceptable for most end-uses. Regenerated cellulosic fibres as continuous filament yarns are generally of low quality as a consequence of old technology, semi-obsolete machinery and a shortage of spare parts to maintain the machines adequately. Cellulosic staple fibre quality is acceptable.

1.6 Raw materials: For synthetic fibres, the raw materials are imported as intermediates. For viscose staple production, 90% of raw materials are indigenous but for viscose filament only 15%-20% of raw materials are locally available.

1.7 Price: Some synthetic fibre users spoke of locally produced polyester being 60% higher than international market prices.

2. Opportunities:

2.1 General. Although consumption of synthetic fibres has increased during the past 4 years, the cotton and wool sectors continue to have high shares of natural fibre consumption that are noticeably higher than in the industry of other countries. Most of the natural fibres consumed (wool, cotton and bast fibres, etc.) are imported and whilst efforts are made to grow finer wool fibre and some cotton in Yugoslavia, by far the major part of the natural fibre demand is likely to be met by imports. Domestically produced man-made fibre - especially synthetic fibres - could be used as

Figure F5: Actual and planned production capacity of man-made fibres:
1978, 1984 and 1985

Fibre	Form	Company	1978 capacity	1985 planned	1984 production
Viscose	staple	Viskoza - Loznica	33000 )		) 51157
		Incel	23000))
Viscose	filament	Viskoza - Loznica	8000)	8500	8025
)		
Viscose	tyre-cord	Viskoza - Loznica	7000)		6545
Polyester	filament	Incel - Banja Luka	5000)		
		Progress - Prizren	6000)		
		Hemteks - Skopje	2000)	62000	
Polyester	staple	Hemteks - Skopje	12000)		
Acrylic	staple	Ohis	15000	25000	26441
Polyamide	filament	Progress - Prizren	3000))
"	fine	Jugotekstil	1100)	41650	) 17039
"	heavy	Jugotekstil	1200))
Polyamide	staple				
Polypropylene	staple	Dunar	1000))
"	"	Ivo Loca - Odjaci	2500)	9000	) 12798
"	filament	Ivo Loca - Odjaci	2500))
Total, all mmf. tonnes			12230	222650	167000

2.1 cont. substitutes for imported cotton and wool to some degree if they were available at world prices. It seems strange that at this time when synthetic fibres continue to be imported in large quantities, that exports have increased so markedly in recent years.

2.2 Viscose staple: for spinning on either cotton or worsted systems. Demand is buoyant in both the domestic and export markets. Demand is regulated by the relative prices of cotton and viscose. End uses in trousers, dresswear and furnishings - production capacity world-wide is limited.

An interesting product for the industry as most raw materials consumed are indigenous.

2.3 Viscose filament: the garment sector demand for lining fabrics is frustrated by too limited a local supply of quality material. Lining fabrics are imported to meet the need of direct exporters of outerwear in addition for TPP work. There is considerable scope for import substitution if the capacity for quality filament yarn production were increased.

Production is less attractive than staple as only 20% of raw material input is indigenous.

2.4 Viscose tyre cord: present production of 7000 t per year exceeds the declining demand for viscose tyre cord yarns. Viscose tyre cords are used still in Jugoslavia because it is still produced!

2.5 Polyester filament: these yarns find many end-uses - apparel, industrial and in high performance fabrics, e.g. umbrellas, computer tapes, tarpaulins, etc. Whilst demand is increasing for these fabrics both nationally and internationally, there are many producers around the world offering these quality yarns at very competitive prices. We do not believe that a new plant for pe. filament yarns should have priority consideration for the industry.

There is an opportunity for a pe. tyre cord plant on the basis of import substitution.

- 2.6 Polester staple fibre in spite of the increased local capacity, pe. staple continues to be imported. This fibre is critical to the textile industry generally for the production of pe./cotton and pe./wool yarns. As there is no significant production of natural fibre in Jugoslavia as yet, the opportunities for pe. staple are considerable. The opportunities are initially in terms of import substitution and secondly for export provided prices are competitive.
- 2.7 Acrylic staple: the knitting sector is committed to acrylic fibre either the 100% yarn or in mixtures with wool or polyester. This demand will continue to grow. In woven fabrics, acrylics are used increasingly for apparel and furnishings. There is a frustrated world demand for acrylic knitting yarns.
- 2.8 Polyamide filament: in fine deniers demand is increasing for apparel (panty hose, socks) and warp knitted outerwear. In woven fabrics there are increasing opportunities in apparel (anoraks) and high performance technical fabrics. Price competition world-wide is very keen.
- Heavy denier filament yarn has opportunities in carpet tufting (BCF yarns).
- 2.9 Polyamide staple: only very limited growth is envisaged.
- 2.10 Polypropylene filament: multifilament yarn. The growth outlets for these yarns until now has been as pile yarns in tufted carpets. Future growth is expected in knitted apparel (underwear, outerwear, sportswear).
- As extruded split-film mono filament yarn, pp is finding increasing application in many technical end-uses, e.g. carpet backing, narrow fabrics, geotextile containers and the like.
- 2.11 Polypropylene staple: the fibre is being used increasingly in carpet deniers spun on the semi-worsted system.

3.0 Texturized filament yarns.

3.1 Production: the official production statistics show only that on a product group basis that texturized filament production in Yugoslavia increased by 47.2% between 1980-1984 (figure F6).

Figure F6: Textured yarn production 1980-1984
(000 t)

Filament yarn	1980	1981	1982	1983	1984	% change 1980-84
nylon 6)						
nylon 6.6)						
polyester)	10.1	11.4	10.6	12.1	14.8	+ 47
other)						

There is no further analysis by fibre, yarn count or end-use. It is, therefore, not possible to establish from this data if the growth has been, for example, in fine denier hosiery yarns or in heavy BCF yarns for carpets.

APPENDIX G : THE CARPET AND FLOOR COVERING SECTOR

1. The Present Position.

- (i) Companies. The carpet and floor covering sector comprises 24 companies (36 business organizations of associated labour) and employs 10147 persons (1984). Some companies include up to 5 business organizations, whilst a few, especially in the hand-weaving sector of Macedonia, are single organizations employing up to 200 persons each. One company has the facility for printing carpets.
- (ii) Products. The sector includes machine woven and machine tufted carpets as well as the traditional hand-woven carpets for wall-coverings and hand-knotted carpets, in classical patterns. The sector also includes needle-felt production and linoleum type based on textile substrates.
- (iii) Production. In common with woven carpet capacities in many other countries, the production of woven carpets has declined in parallel with a reducing demand (figure G1).

It is reported that the installed capacity is under-utilized. As production has been maintained at constant levels during 1983-1985, stocks have increased as both the domestic market and export market demand has declined.

Steps are being taken at the end of 1985 to cut-back production in order to clear excessive stocks.

The production of linoleum type floorcoverings, (with a textile base) has fluctuated during the 1980s (figure G2). Domestic market demand appears to be increasing as these products offer a floor covering at less cost than carpets.

- (iv) Specialities. The carpet companies have a specialization in classical hand-knotted carpets and hand-woven wall coverings. These products are demanded still in the local market as well as in the markets of Eastern Europe and the Middle East. The demand in Western markets is small.

The machine woven and machine tufted carpets offered are of standard design and quality. The needle-felt carpets do not offer any specialization.

Figure G1: Evolution of carpet production and market distribution - 1980-1984
(mn. square metres)

Activity	Type	1980	1981	1982	1983	1984
Production	machine woven and hand-knotted	7.43	7.71	7.01	6.37	6.85
	machine tufted	12.75	13.48	9.98	11.26	10.55
	needle-felt	6.00	5.11	3.88	4.43	5.14
	Total	26.18	26.30	20.87	22.06	22.54
Exports	all carpets	4.45	6.73	4.49	2.98	1.58
Imports	all carpets	0.13	0.08	0.08	0.07	0.07
Apparent consumption		21.86	19.65	16.46	19.15	21.03
Increase in stocks		-	-	-	1.20	2.68
Domestic market supply		21.86	19.65	16.46	17.95	18.35

Footnotes: 1. Exports and imports have been converted into square metres at an average weight of 1750 gms (square metre).
2. Hand-woven carpet production statistics are not available.

Figure G2: Evolution of other floorcoverings production and market distribution
(mn. square metres)

	1980	1981	1982	1983	1984
Production	25.90	29.40	26.35	23.60	33.51
Export	11.40	14.17	11.96	9.67	10.16
Import	0.02	-	-	-	-
Apparent consumption	14.52	15.23	14.39	13.93	23.53

(v) Competition. Carpet producers have little foreign competition in the domestic market although some imports of woven patterned squares are to be found in some stores. Competition overseas is especially strong in the convertible currency markets and less so in Eastern Europe and the Middle East.

(vi) Markets. The domestic carpet market demand has declined by some 20% in the last 3 years. Prices in the domestic market have been reduced in order to clear stocks but these continue to run at very high levels. This is of special concern to the industry when bank interest rates are at 84% per annum.

Sales into the export markets have collapsed over the past 4 years and this is of great concern to carpet producers (figures G3 and G4). Hand knotted carpet export sales in 1984 were only 45% of the 1980 sales level. Export sales of machine woven wool carpets in 1984 reached only 17% of the 1980 export sales whilst exports of woven and tufted carpets made from man-made fibres reached only 35% of the 1980 export sales volume.

The export markets are very limited in number (figure G3). Eastern Europe represented 76% of export by value in 1982. Iraq represented a further 5%. The convertible currency markets represented less than 20% of export sales value and probably only 10%. On linoleum type floor coverings, Eastern Europe together with Iraq represented at least 99% of the total export sales value in 1982.

(vii) Channels of distribution. In the domestic market there are three usual channels of distribution:

	Share of Trade
. producer - wholesaler - retailer - consumer	70%
. producer - retailer - consumer	20%
. producer - consumer (via own shops)	10%

The main wholesalers are Ateks, Belgrade; Tekstil, Belgrade; Nama, Zagreb and Robna Kuca, Belgrade. Since the liberalization of prices some 2-3 years ago, manufacturers have been able to determine the selling prices to the consumer for themselves.

Figure G3: Yugoslavia - Carpet and Floor Covering Exports 1984 by country of destination (mn. dinars)

Country	Type of Carpet				other floor coverings
	knotted	woven	other *	total	
Austria			35.80	35.80	
UK		3.05		3.05	
Bulgaria	20.90	30.15		51.05	
Czechoslovakia			30.15	30.15	
Hungary			92.90	92.90	
USSR	224.77	1117.47		1342.24	1091.61
Iraq	74.35	20.31		94.66	23.85
other, including Australia	74.76		265.88	340.54	9.9
Total	394.78	1595.71		1990.49	1125.36

Footnote: * includes tufted and needle-felt carpets

Source: Foreign Trade Statistics, ZIT

Figure G4: Yugoslavia - Carpet and Floor Covering Exports 1980-1984 (tonnes)

Carpet type		1980	1981	1982	1983	1984
657.50.10	hand-knotted - wool	203	146	61	16	30
657.50.50	hand-knotted - other	1726	2131	1381	482	891
657.60.20	machine woven - wool	957	1187	699	175	162
657.60.90	machine woven - other	4903	8312	5709	4546	1689
657.70.10	hand woven	1	2	-	1	2
657.80.10	plaited vegetable	416	310	312	644	701
	All carpets	8206	12088	8162	5864	3475
647.42.10/ 48.50	pvc/linoleum type with textile base	11404	14176	11960	9890	10267

(vii) The wholesaler margins (22%) and retailer margin (16%) are fixed percentages of the producers' prices.

In certain instances, carpets are placed with wholesalers and retailers on a consignment stock basis so that payment is made only when carpets are sold. For the most part, however, the terms of payment to wholesalers and retailers is 60 days.

Jugoslav trading houses represent the channel of distribution for export market sales. Centrotexil, the largest trading house, is especially strong in the markets of Russia, Eastern Europe, Iran and Iraq but it also has some sales into the Western markets. More recently, three carpet producers in Sarajevo have formed their own trading house (Sib, Sarajevo) in order to promote sales directly to the Western markets.

(viii) Market information. Carpet producers' knowledge of the export markets is reported to be limited. Although they visit the major fairs (Heimtex and Leipzig) and are knowledgeable of the latest designs on offer, the manufacturers do not exhibit themselves nor do they meet customers directly. The trading houses do exhibit and act - between customers and producers. When export sales were buoyant a few years ago, producers accepted this distant relationship with customers. Today, they want to be much more involved in export selling in order to be in control of their own destinies. Trading houses do not have long term contracts with carpet producers and operate solely on ad-hoc bases.

(ix) The current situation for the carpet sector is less than satisfactory.

. the installed capacity is under-utilized. New investments are being made to modernize ageing plant.

. domestic market demand and export market sales are declining. In machine made carpets the sector has no special feature to offer the export markets and can sell only on the basis of price.

. 95%-99% of the raw materials (at least as fibre) are imported. Raw material prices are high, and forced even higher by bank interest rates, so that the sector finds it increasingly difficult to be competitively priced in the world markets. In the

(ix) convertible currency markets price competitiveness
cont. is critical.

. The quality of yarns and backing fabrics is mixed and also represents a disadvantage in export selling.

. the industry has a significant lack of knowledge of the export market requirements.

BUT

. the sector has a tradition for hand-knotted and hand-woven carpets.

. producers are very flexible with their production programmes.

APPENDIX H : THE CONFECTION SECTOR

1. Size of the Sector

The Confection Sector employs the largest number of persons in the textile industry in 264 companies or 450 basic organizations of associated labour (BOALs).

Figure H1: The Confection Sector and Company Size.

Number of Companies	Employees per Company	% share persons employed (approx.)
6	more than 4000	15
3	3000-4000	5
8	2000-3000	10
10	1500-2000	7
22	1000-1500	16
22	750-1000	10
49	500-750	18
43	350-500	9
60	150-350	7
41	less than 150	3
264	158000	100

Source: Association of Confection Companies

The largest 27 companies (10% of the confection sector companies and 25% of the BOALs in the sector) represent 47% of the labour force. The sector labour force represents more than 50% of the industry personnel.

2. Structure of the Sector.

The confection Sector is structured in 4 groups:-

Group 1 : tailored outerwear confection including suits, coats, jackets, trousers, raincoats, blousons, anoraks, raincoats, skirts and sportswear.

This group employs 76.5% of the personnel of the Confection Sector (119,900). (1982=110,001). The companies within the group 1 often operate vertically within the product

Group 1 group but do not also cover groups 2, 3
cont. and 4.

Companies have a high degree of specialization with very limited flexibility. Group 1 companies, e.g. Beko, Varteks, Kluz etc. in many cases have their own network chain of retail shops across the country.

Group 2 : tailored underwear confection including blouses, shirts, pyjamas and nightdresses (light confection). This group employs 17.4% of the personnel of the Confection Sector (27378). (1982=25871).

The companies within the group are very highly specialized and do not function vertically either within the group 2 products or in other product groups.

Group 3 : household textiles sector including bed-linen, table linen, curtains, kitchen textiles, etc.

This group employs 3.6% of the personnel of the Confection Sector (5706). (1982=5353). Household textiles confection companies are almost totally part of vertically structured, cotton textile companies.

Companies' products are specific to the style of fabric weaving and are specialized.

Group 4 : heavy textiles sector including tents, canopies, tarpaulins, TIR tilts etc. This group employs 2.5% of the personnel of the confection sector (3932, 1982=3795).

3. Business base:

The Confection Sector is largely export oriented (80%) and is especially strong in selling to the markets of Eastern Europe. It is understood that Yugoslav clothing exports represent 7% of Russia's clothing imports, 40% of Czechoslovakia's clothing imports and 30% of East Germany's clothing imports. In the case of East Germany the clothing imports include both direct (classical) exports as well as TPP (outward processing) exports from Jugoslavia.

3. The two major convertible currency country
cont. importers are West Germany (Chapter 5.2) and
Holland (Chapter 5.5). The majority of these two
specific country clothing imports are on the TPP
basis. Most other western countries accept
outward processed articles only in place of direct
export quota and not as extra quantities.
However, TPP is not restricted to quota items.

Growth of the TPP based clothing business has
taken place for a series of reasons:

- . the delivery times of locally produced fabrics
were - and remain - extended and unreliable.
- . the quality of domestically made fabrics and
other garment components were inconsistent. This
problem continues with fabrics poorly processed so
that they often have no lively characteristics.
- . fashion - locally made fabrics did not keep pace
with the dynamic situation in the fashion market.
- . price - fabrics produced in Yugoslavia are
offered at prices in excess of world prices.

Some 10-15 years ago, fabric producers were able
to sell into the domestic market at prices 60%-90%
higher than they could obtain for exports. Today,
when the domestic market is depressed (demand is
down at least 30% compared with 1980), the export
prices are 20% higher than domestic market prices
(due in part to exchange rate changes) so the
fabric producers are now keen to sell into the
export markets, including indirectly through the
confection companies. But they remain
non-competitive because of:

- . the high cost of raw materials
- . low inactive utilization
- . low labour productivity
- . lack of flexibility in production scheduling
- . poor quality of fabric processing
- . weak marketing skills

The present position of the Confection Sector is
that exports are increasing in total but that:

- . direct (classical) exports have stabilized
- . TPP (outward processing) exports are showing
growth

3.
cont

The Sector's target is to increase sales to the convertible currency markets generally and of direct exports particularly.

Market	1984	of which TPP	1990-1995	of which TPP
Domestic	30%		20%	
Eastern Europe	27%	20	40%	0
Convertible currency markets	43%	80	40%	50

A further breakdown of the 1983 value of exports of the Confection Sector is:

mn \$	Convertible currency markets	Other markets	Total - all markets
. direct exports (of which cost of work)	140.7 (56.3)	153.1 (61.2)	293.8 (117.5)
. TPP (of which cost of work)	125.0 (125.0)	15.8 (15.8)	140.9 (140.9)
. Total (of which cost of work)	265.7 (181.3)	168.9 (77.0)	437.7 (257.9)

The work cost (labour, electricity, transport, depreciation and other overheads) of all exports. 257.9 mn. \$ represents 59% of the total export value. 70% of the total cost of work is associated with the convertible currency markets. Further, although direct exports to convertible currency markets (140.7 mn \$) has a value higher than the TPP work, in terms of garments to these markets the ratio of TPP to direct exports is 2.2 to 1 (125.0 to 56.3 mn \$ or approximately 69% to 31%).

4. Opportunities

There are opportunities for the Confection Sector to have export lead growth in certain product groups (Chapter 5). This growth will not necessarily be based on Yugoslav made fabrics but it could be if these fabrics are as competitive as from world sources. At least one large and successful garment company in Yugoslavia buys-in all its fabric requirements from the Far East, converts the fabrics into garments and re-exports. These fabrics are bought-in at 50%-67% of the cost of local fabrics; the company would not continue in business if it were dependent on local supplies.

The growth will also be based on working closely - very closely - with buyers to exploit the niche opportunities that there are in the Western markets.

APPENDIX I : THE KNITTING SECTOR

1.1 Position of the Sector.

There are some 120 companies in the Knitting Sector with some 80,000 people. Companies in the sector tend to be vertically structured (not including spinning) with knitting, processing and making-up. Some vertical groups also have their own texturizing operations as shown:

Company activity			
1. synthetic filament yarns	2. cotton yarn	3. wool type yarn	4. hosiery
texturizing knitting dyeing printing finishing confection	knitting dyeing printing finishing confection	knitting confection	knitting dyeing finishing confection

In addition there are some independent knitting companies.

1.2 Modernization.

Investment in modern plant by all companies has been very limited in recent years. Some companies have added some new machines but generally the sector is in need of much modernization.

1.3 Products.

The installed plant includes types of knitting machines for the production of:

- . sportswear : circular knit and warp knit
- . lingerie : warp knit and raschel lace
- . underwear : briefs, vests
- . sophisticated as well as basic T shirts
- . knitted outerwear : jumpers, sweaters etc.
 - wool, wool/viscose and acrylic

1.4 Markets.

The domestic market is most important with prices across a very wide price range. Fashion demand is high for young peoples' garments and many are highly priced with exclusive designs. Demand is high for the expensive and cheaper products; demand is lower for the medium price band. Sportswear, including swimwear, is in high demand and especially items carrying international brand names.

Distribution in the domestic market is through knitting company shops (about 10% of companies have their own shops), trading houses and other retailers.

The East European and Russian markets are significant export markets both for compensation and normal cash contracts. The importing states prepare lists of the items they require and these are bid for by the trading houses as well as the Knitting Association itself. The Association makes a collection from members' ranges over a 6 months period and shows the collection to potential buyers. (The trading houses operate similarly.) For example, the Czechoslovak buyer selects models from the collection and the Association with Jugotextil discuss prices on behalf of all knitters. One price is agreed for a specific product whether it is made by knitter A, B or C, etc. The competition is high with imports also from France and Italy with high fashion content.

The Developing Countries are import markets for low priced knitted outerwear, underwear as well as fabrics offered through the trading houses.

The Convertible currency markets are small export markets that many knitters are targeting on now that they need to earn hard currency (for raw materials and machine parts) and following the decline in demand of the domestic market. Exports fall into two categories : direct exports and TPP. The latter is taken up by W. Germany, Holland and the USA.

These markets are supplied by the trading houses rather than by the knitting companies directly. The companies often do not know who the customer in a particular country is and therefore are unable to design products specifically for target customers or price points. Although a number of

1.4 cont. knitted products are covered by MFA quotas into the market, in a number of instances the quotas are not utilized. In addition, many products are not covered by quota.

Exports to these western markets have increased by 40% in the past two years.

1.5 Fashion and price.

The sector produces some garments that are very fashion oriented. These sell into East and West European markets at similar price levels because of their quality and fashion content.

In basic underwear the sector is not competitive with the lower-cost global sources.

1.6 Trading houses.

Until recently, the trading houses were able to generate volume business with Eastern Europe and preferred to avoid the fragmented business from the West. This policy has now changed as their suppliers had to begin to earn their own hard currency through the trading houses.

Some trading houses facilitate a dialogue between the knitting sector and the western buyers; others do not. The trading house, however, administers the sales contract at prices agreed by the supplier. The trading house has the responsibility for ensuring delivery schedules and quality levels are maintained.

However, the medium and larger sized companies are showing a preference to sell directly themselves.

2. The key factors.

The knitting sector market is very competitive in the western countries. A successful supplier needs to have:

- . an efficient, modern production plant
- . production to international standard of machine and labour productivity
- . direct selling to buyers in order to establish longer term business relationships
- . a commitment to the markets
- . product innovation with customers

2. . the confidence of the buyer for quality and
cont. delivery
. competitively priced products based on an
understanding of the markets
. high ability of management

3. Opportunities.

If the key factors listed above are taken on board by the knitting companies, they will find the niche in the middle market segments where they will be successful.

Direct selling by individual companies need not be a problem. Some re-structuring of companies may be necessary as individually they may be less than an economic size to support a marketing organization. Companies may choose to merge entirely in order to meet the economic size or, alternatively, they may decide to establish a group marketing and selling organization whilst retaining independence of their manufacturing facilities.

There may not be the opportunity for all knitting companies to sell into the western markets. But then some companies have skills that may be easily adapted to match the demands of these markets; other companies' skills are more closely allied to the volume Eastern markets and should not be deflected from exploiting those opportunities.

APPENDIX J : THE COTTON SECTOR

1. The Structure of the Sector.

The Cotton Sector is predominantly a number of vertically structured spinning, weaving and processing groups with confection departments attached.

	Number of companies	Number of independent companies	Total
Spinning	32	8	40
Weaving	40	6	46
Processing	40	0	40

As the 8 independent spinning companies have good connections with particular weaving and knitting mills, they can be considered as effectively being within vertical groups.

2. Yarn sub-sectors.

The spinning mills vary in size from the largest mill with 110,000 spindles to the smallest mill with 15,000 spindles. The average mill has 36,250 spindles. The combined sector ring spinning capacity is 1.45 mn. spindles. The 8 independent spinning companies represent about 40% of capacity.

In addition there are 50,000 open-end rotors in the sector and two companies have DREF machines also.

The average ring spun yarn count is 50 Nm. Most companies spin 100% cotton as well as some cotton mixtures with 67% cotton on average.

The fibre consumption of the cotton and wool sectors combined in 1983 was: (000 t)

Fibre type	weight	%
. cotton	38.1	43.1
. wool	5.3	6.0
. bast	3.2	3.6
. cellulosic	15.3	17.3
. synthetic	25.0	28.3
. other	1.4	1.7
. Total	88.3	100.0

2. cont. Yarns are imported, as carded yarns, only if the contract can be arranged on the basis of exchange of goods. Payment by cash is not permitted. Some units offer carded yarns on the western export markets at non-competitive prices. For these products, Yugoslavia cannot match the lower prices of the cotton growing countries.

3. Fabric sub-sector.

The number of installed looms is large with a variety of widths according to the end-use product. However, whilst the looms may provide fabrics of a satisfactory width for the domestic and East European markets, many are unsuitable for the western markets where apparel cloths are invariably required on 150 cms and for bed sheeting on widths of 400 cms and higher.

Fabric production in Yugoslavia amounts to 350 mn. square metres per year and imports are some 50 mn. square metres per year. The weaving sector is protected so that imports (for domestic usage) are limited to a maximum of 15% of fabric production. Imports are restricted also by \$ availability.

4. Processing sub-sector.

The processing sub-sector is accommodated only within vertically structured, company groups. This is in contrast with the industry in most other countries where independent commission processing companies are very active within the textile industries. This sub-sector has difficulties in terms of low capacity utilization and old plant. Many buyers in the western markets consider that the quality of fabric output is poor with special difficulties in colour matching and colour uniformity and with fabric handle and other physical characteristics not optimized by many companies. The availability of machine spare parts is a major problem for the sub-sector. The economic utilization of capacity is also a major problem.

5. Raw materials.

Whilst an increasing part of the synthetic fibre requirement is now produced domestically and most of the regenerated cellulosic fibre is also locally made, almost all of the cotton and at least 80% of wool fibre is imported. Some 75000 tonnes of Russian cotton fibre is imported that is

5. suitable only for carded yarns. A further 40,000
cont. tonnes of cotton is imported from the USA, Egypt
and other longer staple growing countries, to
produce combed yarns. Wool fibre is imported
mainly from Australasia.

There are 8 organisations responsible for
importing cotton of which the largest are
Centrotexil, Textilzagreb, Jugotexil and Intex.
These organisations are able to obtain some 98%
of the industry's needs. There are some problems
however:

- . buying the correct grade of fibre on behalf of
each company's needs
- . buying at the seasonal time with hedging rather
than spot purchases
- . buying and paying 6 months ahead of usage when
bank interest rate is around 80% and inflation
is at a similar high level.

Apart from the high import dependency for fibres
the industry is also dependent on imports for all
of its dyestuffs and much of its chemicals. In
this respect also there is a close similarity with
Portugal, where labour costs, as in Jugoslavia,
are at a medium level.

Footnote: Before 1939, Jugoslavia had a cotton
crop of 10-15 thousand tonnes. In 1985, the crop
is likely to be between 200 and 300 tonnes.

6. Raw materials quality.

The industry is tied into using Russian cotton (as
the USSR is their major customer) but the quality
of the cotton fibre is very limiting.

The locally produced cellulosic fibre also gives
rise to quality problems in weaving and dyeing.
As the price is similar to that of cotton,
spinners and weavers have no price advantage in
using viscose and prefer to use cotton for which
the market is always more receptive. These
quality problems are a disadvantage in the export
markets.

Synthetic fibre produced in Jugoslavia and offered
to the local industry is available at prices far
higher than on the world market. It is reported
that polyester fibre is available at a price 60%
higher (including final costs) than the fibre is
obtainable from Italy.

7. Investments.

A 'national' decision was taken in the late 1970s not to invest in additional yarn spinning capacity. Some investments have taken place in the interim period by some of the large combinats to modernize and to balance plant. This modernization has led inevitably to a small increase in capacity for the same number of spindles.

During this period there has also been a move to finer counts of spun yarns and particularly of combed yarns for which provision has been made with investments in new combing plants.

In general terms many companies have not made new investments recently in high capital cost machinery so that an increasingly large part of spinning and weaving machines and especially of processing plant is becoming obsolete. Companies have preferred to make more manageable investments in lower cost machines on which a return could be more easily seen. This policy has helped to fuel the expansion of the knitting and confection sectors.

The costs of investment are reported to be higher in Yugoslavia, after financial charges, than for the same investment in Western Europe. Some trading houses, for example, Unitex in Ljubljana, are helping some of their supply companies to modernize by investing in those companies for a limited time period at preferential rates of financing.

8. Labour cost.

Jugoslavia has a medium hourly rate labour cost:

. average take-home pay per month (168 hours), no deductions	\$110.00
. plus extra costs, e.g. pensions, hospital	\$100.00
. taxes, social charges, rent, etc.	\$157.00
Total	<hr/> \$367.00
- which is equivalent to an hourly worker cost of	<hr/> \$2.18

This hourly cost is about 27% of that in the USA, 25% of that in Belgium and 29% of that in West

Germany. It is higher than in Portugal (+ 50%), Turkey (+ 83%) and similar to that in Nigeria, Argentina and S. Korea (+ 15%).

However, as much of the industry is operating at low machine utilization levels on old machinery and with lower labour productivity than international standards, the effective labour cost per hour per unit of output is higher than in other countries and seriously disadvantages the Yugoslav industry in international competitiveness.

9. Opportunities.

There are niche opportunities for the cotton (and wool) sector companies to exploit in the western markets. With the labour cost structure and the dependency on imported raw materials, these opportunities cannot be in basic products such as ecru carded cotton yarn (Nm 20/1), nor in plain ecru cotton fabric (60/60, 20/20) or even in simple household textiles in which the cotton growing countries of Pakistan, Turkey or Thailand will always be more successful.

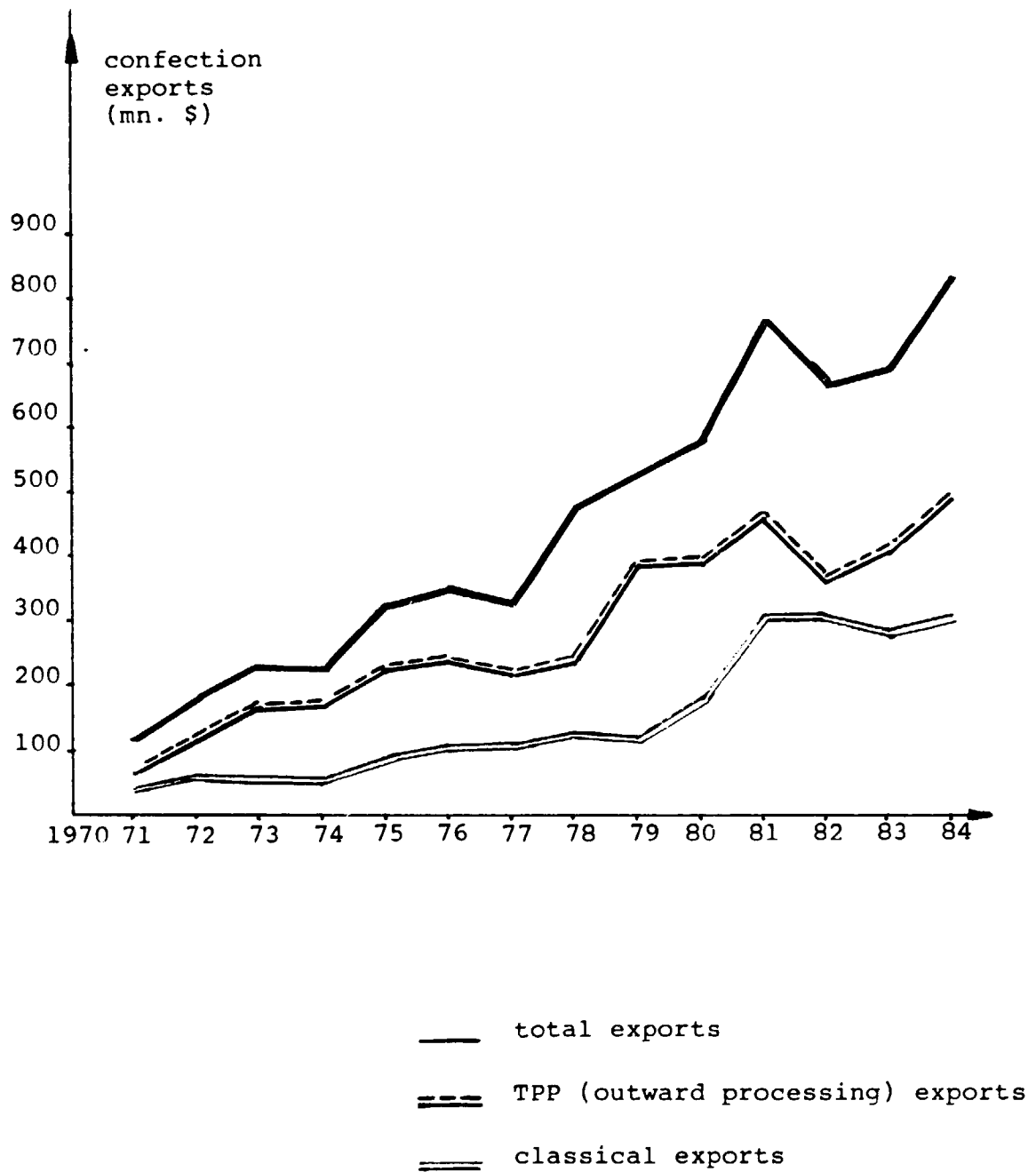
The opportunities for Yugoslavia will be in more specialized, added value products, in which high costs of conversion can be recovered. Such niche opportunities may be in combed yarns, dyed yarns, (acrylic, cotton or wool), dyed and printed fabrics, flannelette sheets, baby clothing, ladies' dresses and leisure-wear in addition to the established tailored outerwear fabrics and garments. There are other product opportunities that are illustrated country by country in Chapter 5.

The requirements to exploit these product opportunities are:

- . marketing; to understand fully the customers' needs.
- . direct selling; working with customers to provide him with exactly what he wants
- . credibility in terms of quality consistency, prices and delivery schedules

This will require investments by companies but not only in machines and management training. Investments will be needed in know-how and also to enable companies to co-operate in shared investments in high cost plant, marketing and selling activities.

APPENDIX K: JUGOSLAV TEXTILE CONFECTION EXPORTS;
1971-1984



APPENDIX K : JUGOSLAV TEXTILE CONFECTION EXPORTS - 1971-1984

Figure K1: Jugoslav Textile Confection Exports : 1983 and 1984
- all countries (mn. \$)

Main product group	1983			1984		
	total	classical	TPP	total	classical	TPP
. outerwear	554.7	219.2	335.5	673.1	257.6	415.5
. underwear	82.7	39.3	43.4	95.3	42.1	53.2
. other garments	59.2	35.3	23.9	60.3	38.6	21.7
Total	696.6	293.8	402.8	828.7	338.4	490.3
% share	100%	42.2	57.8	100%	40.8	59.2

Figure K2: Jugoslav TPP Textile Confection Exports : 1983 and 1984
- by country. (mn. \$)

Country group	Country	1983		1984	
		value	% share	value	% share
EEC	Belgium/Luxemburg	16.5	4.1	18.6	3.4
	France	0.6		0.9	
	Denmark	1.8		1.1	
	Holland	35.3	8.8	35.5	7.2
	Italy	1.2		3.4	
	Ireland	0		0	
	West Germany	290.2	72.1	329.0	67.1
	United Kingdom	4.6		3.9	
	Greece	2.3		0.3	
	sub-total	352.5	87.6	392.7	80.1
EFTA	Sweden/Austria/ Switzerland	24.6	6.1	22.9	4.7
USA		5.0	1.2	20.1	4.1
East Europe		20.7	5.1	54.6	11.1
Total		402.8	100.0	490.3	100.0

Figure K3 Jugoslav Classical (direct) Textile Confection Exports :
1983 and 1984 - by country (mn. \$)

Country group	Country	1983		1984	
		value	% share	value	% share
EEC	Belgium/Luxemburg	5.0		4.0	
	Denmark	4.4		3.6	
	France	2.5		3.4	
	Holland	1.4		2.6	
	Italy	2.2		5.1	
	Ireland	0		0.1	
	West Germany	28.6	9.7	30.3	9.0
	United Kingdom	7.9	2.7	8.9	2.6
	Greece	1.0		0	
		sub-total	53.1	18.1	57.9	17.1
EFTA	Austria	8.5	2.9	12.0	3.5
	Norway	0.8		0.7	
	Switzerland	14.0	4.8	12.6	3.7
	Sweden	4.6	1.6	5.0	
	sub-total	27.9	9.5	28.3	8.4
other European	Finland	0.1		0.1	
	Andorra	0		0	
	Lichtenstein	0.1		0.1	
	Monaco	0		0	
	sub-total	0.2	-	0.2	-
America	USA	11.9	4.1	23.0	6.8
	Canada	0.9		0.1	
	sub-total	12.8	4.4	23.1	6.8
other hard currency markets	Japan	0		0	
	Australia	0		0.1	
	New Zealand	0		0	
	Kuwait	0.1		0.1	
	Saudi Arabia	0		0.2	
	sub-total	0.1	-	0.4	0.1
East Europe		175.2	59.7	176.0	52.4
Developing countries		24.5	8.3	52.5	15.5
	Total	293.8	100.0	338.4	100.0

Figure K4 Jugoslav Textile Confection Exports by country : 1983 and 1984
Total, classical and TPP (mn. \$)

Country	1983				1984			
	total	classical	TPP	% TPP	total	classical	TPP	% TPP
Belgium/Luxemburg	21.5	5.0	16.5	76.7	22.6	4.0	18.6	82.3
Denmark	5.0	4.4	0.6	12.0	4.5	3.6	0.9	20.0
France	4.3	2.5	1.8	41.9	4.5	3.4	1.1	24.4
Holland	36.7	1.4	35.3	96.2	38.1	2.6	35.5	93.2
Italy	3.4	2.2	1.2	35.3	8.5	5.1	3.4	40.0
Ireland	0	0	0	0	0	0	0	0
West Germany	318.8	28.6	290.2	91.0	359.3	30.3	329.0	91.6
United Kingdom	12.5	7.9	4.6	36.8	12.8	8.9	3.9	30.5
Greece	3.3	1.0	2.3	70.0	0.3	0	0.3	100.0
sub-total	405.5	53.0	352.5	80.9	450.6	57.9	392.7	87.2
USA	16.9	11.9	5.0	29.6	43.1	23.0	20.1	46.6
Canada	0.9	0.9	0	0	0.1	0.1	0	0
Austria	8.5	8.5	0	0	12.0	12.0	0	0
Norway	0.8	0.8	0	0	0.7	0.7	0	0
Switzerland	27.2	14.0	13.2	48.5	25.9	12.6	13.3	51.4
Sweden	14.9	4.6	10.3	69.1	13.6	5.0	8.6	63.2
sub-total	69.2	40.7	28.5	41.2	95.4	53.4	42.0	44.0
Total - major hard currency export markets	474.4	93.7	381.0	80.3	546.0	111.3	434.7	79.6
other markets	222.2	200.1	22.1	9.9	282.7	227.1	55.6	19.7
Total confection exports - all markets	696.6	293.8	402.8	57.8	828.7	338.4	490.3	59.2

Figure K5: Jugoslav TPP Textile Confection Exports : 1983 and 1984
- by product (mn. \$)

Product Category	Product	1983		1984	
		value	% share	value	% share
841.11.1	men's coats (excl. raincoats)	26.3		30.9	
841.11.2	men's suits	124.3		156.5	
841.11.9	men's outerwear, other	16.9		18.6	
841.12.1	ladies' suits, coats	71.9		88.7	
841.12.	ladies' blouses, dresses, skirts	96.2		120.9	
	sub-total : outerwear	335.6	83.3	415.6	84.8
841.13.1	men's shirts, mmf	15.3		13.4	
841.13.2	men's shirts, cotton	25.1		36.9	
841.13.9	men's underwear, other	0.2		0.3	
841.14.2	ladies' underwear	2.7		2.6	
	sub-total : underwear	43.3	10.7	53.2	10.9
656.31.1	household textiles	1.8		1.4	
841.25.9	garters, bras	20.1		15.5	
899.41.1 etc.	others	2.0		1.9	
	sub-total :	23.9	5.9	21.5	4.4
	Total :	402.8	100.0	490.3	100.0