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Textile Policy Advisory Services to Thailand

CONSOLIDATED REPORT ON FINDINGS AND RECOMMENDATIONS*

Prepared by
the Textile Industry Division, Department of Industrial Promotion,
Ministry of Industry
and
the Regional and Country Studies Branch, UNIDO

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Introduction

1. OBJECTIVES OF THE PROJECT

The basic objective of the project Textile Policy Advisory Services has been to assist the Government of Thailand, through technical advice, in its efforts to promote the further development of the textile and garment industry sector, being the country's major manufacturing sector as well as export earner, by improving the capability for policy- and decision-making of the government and the industrialists, based on sound and reliable information bases.

Specifically, the task was to advise on the creation of a tool for government policy-making [as pursued at that time by the National Textile Policy Committee] as well as for industry's corporate planning, which would facilitate a systematic assessment and monitoring of the competitiveness of Thailand's textile industry in national and international markets and key factors affecting it and future demand requirements in national and international markets with particular emphasis on their implications for small and medium-sized enterprises.

2. IMPLEMENTATION

The advisory services under the project were implemented in stages through missions of three international textile policy/information experts. Focus was given on improving the capabilities for policy- and decision-making of the Thai Government and the industrialists against the background of the policy and corporate planning experiences in the field of textile industry restructuring and development in Japan, Hong Kong and EEC countries, respectively, and the implications of this experience for Thailand. In doing this, particular attention was given to various institutional arrangements to implement modernization programmes and monitor the restructuring process, including the setting up of an effective information system, relating to the textile/garments sector.

The timing of the field missions carried out was as follows:

Masayuki Yoshioka, 23 December 1987- 9 January 1988 and 5-12 March 1988;
Lawrence Mills, 14-27 February 1988 and 20 June-2 July 1988;
Peter J.B. Steele, 7 November - 10 December 1988.

Following special technical reports on these missions were submitted to the Textile Industry Division, Department of Industrial Promotion, Ministry of Industry:

- Masayuki Yoshioka, "Final Report on Textile Policy Advisory Services Project", October 1988;
- Lawrence Mills, "The development of the Hong Kong textiles industry and its relevance to the textiles industry in Thailand", July 1988;

- Peter J.B. Steele, "Report to the Government of Thailand on Textile Policy Advisory Services Project: (i) Review of US and European experience of government policies in restructuring of the textile industry sector and (ii) Information and analysis requirements supportive of a restructuring and further development of the Thai textile industry", January 1989.

The present report which incorporates in consolidated form findings and conclusions of the mission reports of the three above-mentioned experts, has been prepared on basis of detailed discussions in the final phase of the Textile Policy Advisory Services held in December 1988 and February 1989 between Nils Ramm-Ericson, Regional and Country Studies Branch, UNIDO and Ms. Prani Obhasanond, Director, and Mr. Pramode Vidtayasuk, Head, Textile Policy and Planning Sub-division of the Textile Industry Division as well as with officials of other concerned government offices and representatives of the Thai textile industry, e.g. the National Federation of Thai Textile Industries and its member Associations.

Furthermore, an observational study tour on information systems in Hong Kong and the Republic of Korea was carried out under the project on 29 March-7 April 1989 by two officers of the Textile Industry Division, Mr. Pramode Vidtayasuk and Arthit Wuthikaro.

Chapter 1. The Thai textile and garments industry - basic features

The textile and garments industry is by far the largest manufacturing activity in Thailand in terms of production, employment and foreign currency earnings. This means that the Thai economic and social development is very much influenced by the progress of the Thai textile/garments sector and by the policy-making and promotional activities in that connection. In earlier years the policies were often somewhat of a stop-and-go nature. Actual internal and international techno-economic conditions necessitated policies and measures to be made in a short term.

Today, however, the Thai textile industry has advanced to a highly competitive level so as to give a very strong pressure to supply textile products to domestic and overseas markets. Indeed, it is increasingly being recognized by policy-makers as well as potential investors that the country's textile/garments industry has strong competitive advantages over a number of international competitors, as it has:

- a significant domestic market (and interesting immediate potentialities in neighbouring countries' markets);
- a proven ability to compete in overseas markets in a number of products;
- a large reservoir of trainable labour force;
- a traditional well-established silk industry; and
- promising indigenous fast-developing design capabilities.

A clear and forward-looking textile policy is needed to enable industry to chart out its prospective development in the medium- and long-term.

In these endeavours particular attention is to be given to the implications for Thailand presently occurring technological and organizational changes in the global textile/clothing system. In a recent UNIDO policy paper^{1/}, it is suggested that the assessment of these implications following aspects be taken into account:

- First, technological change has clearly already had a major impact on international competitiveness in the textile sector.
- Second, there is no way of knowing how quickly the systemic innovations that are beginning to emerge in the North will actually diffuse, nor how quickly these will further enhance developed countries' ability to compete internationally. This may occur more rapidly than in the past - or conceivably more slowly; good arguments can be mounted for both viewpoints.

^{1/} Kurt Hoffman, "Technological and organizational change in the global textile-clothing industry", paper presented at "Expert Group Meeting on Prospects for Industrialization Policies in Developing Countries taking into account the Impact of Developments in the field of New and High Technologies", Vienna, 4-7 April 1989.

- Third, there is no doubt, that further, technology-driven changes in the determinants of international competitiveness will come to the textile sector.

SOME BASIC DATA

The importance of the textile/garments industry for the national economy is evidenced by some basic data such as:

- the share of the textile/garments industry has since 1975, increased from 21 to 26 per cent of total manufactured value added (MVA) (see Table 1).
- in 1988 the textile/garments industry accounted for 30 per cent of all persons employed in the manufacturing sector, nearly 800,000 persons (whereof about 560,000 in garments^{1/}) in a total workforce in manufacturing of about 2.7 million persons.

Table 1. Share of textile/garments sector of GDP
(million of baht, constant 1972 prices)

	1975	1980	1985	1987	1988 ^{2/}
GDP	203,500	299,472	394,113	411,893	495,374
Manufacturing sector	36,800	64,984	81,463	97,971	114,038
Textiles/garments subsector	7,800	15,303	19,733	25,539	29,261
Share in manufacturing sector (%)	21.2	23.5	24.2	26.1	25.7
Employment ('000)					
Total manufacturing	1,336	1,793	2,067	2,438	2,682
Textile/garments subsector	432	526	623	722	794
Share in manufacturing sector (%)	32.3	29.3	30.1	29.6	29.6

^{2/} NESDB estimates.

Sources: (a) NESDB and Thai Textile Manufacturing Association.

(b) Industrial Restructuring in Textile Industries, report by Juanjai Ajanant, Suvit Thanayavarn and Luigi Spreafico, (UNDP/UNIDO-NESDB Industrial Restructuring Project), IMC, 30 April 1985.

^{1/} Note that employment in textile/garments manufacture covers only enterprises registered with the Department of Industrial Works, Ministry of Industry, which have more than 20 sewing machines. (It is estimated that a few 100,000 or more persons are employed in enterprises with 20 or less sewing machines and mainly working under subcontract.

- in 1987 the export trade earnings from Thai textile products were 48,655 million baht and are in 1988 estimated to total 58,000 million baht. [The 1987 textile products exports represented 16.2 per cent of total Thai exports, being by far the country's biggest export earner, well before rice, tapioca and rubber - see Table 2].

Table 2. Principal exports
(in millions of baht at current prices)

	1982	1983	1984	1985	1986	1987	1988
1. Textile products	14,005	14,351	19,155	23,578	31,268	48,535	58,379
2. Rice	22,510	20,157	25,932	22,524	20,315	22,703	34,636
3. Tapioca products	19,752	15,387	16,600	14,969	19,086	20,661	21,685
4. Rubber	9,490	11,787	13,004	13,567	15,116	20,539	25,100
5. Integrated circuits	5,930	5,829	7,352	8,248	12,818	15,179	18,664
6. Precious stones	4,671	6,214	6,129	6,350	8,150	11,550	13,772
7. Canned fish	1,665	2,116	3,969	5,204	8,495	9,516	...
8. Sugar	12,932	6,338	5,222	6,247	7,271	8,573	9,788
9. Jewellery	578	1,028	1,254	2,168	5,014	8,257	...
10. Footwear	1,340	1,743	2,052	2,368	3,185	5,915	...
11. Prawns	2,764	3,164	2,799	3,439	4,391	5,749	9,458

Source: Customs Department.

Chapter 2. Textile data and analytical services requirements for Thai policy-making and corporate planning, e.g. the demand side

Crucial for the future development of the Thai textile/garments industry sector is the ability to determine the most effective use of economic resources to that end, by the government and by the industry itself. Areas of particular concern in this connexion have been suggested as follows:

- information about the textile industry relative to the specific needs of the Thai industry;
- the structure of the industry and government policies in this regard and supplies of raw materials to the industry;
- effects on textiles exports due to the quota control system and potential maximum utilization of quotas. [Defensive: To ensure the satisfaction of the Thai industrial establishments' basic requirement. Offensive: Expansion of markets.]
- tariffs and taxation (in particular regarding the VAT, to be applied in 1990);
- the distribution of responsibilities for textiles within the government structure.

It has been stressed that the most immediate and, perhaps, most important concern because of its relevance to others, is the matter of information about the textiles industry, or, rather, the lack of such information.

Such information is, indeed, of basic importance for the industry's own corporate planning as well as for the Government's effective support of the country's textile/garments industry. Clearly, whatever policy and planning decisions that are made, the Thai Government will be in a better position to formulate, monitor and develop its decisions if it has access to an appropriate measure of information with a reasonable degree of accuracy. The ideal is to achieve the right balance between quantity and quality of information.

The textile information and analyses which will be required may be expected to relate, in the first instance, to the following purposes:

- (a) Formulation of government policy with regard to the development of the textile industry covering both economic and technical aspects;
- (b) Support for textile product manufacturers and traders in developing policy on matters ranging from raw material procurement to overseas markets. [This should cover macro- as well as micro-economic data and aspects of overseas markets.];
- (c) Provision of information about the Thai textile industry for those supplying it, trading its products and contemplating investment;
- (d) Monitoring of technical developments relating to the textile/garments industry world-wide with reference to technology, capital equipment, the organization of production, new products, etc.

The requirements for textile information and analysis for the purpose of policy-making have in the recent past been given particular attention. The Textile Policy Committee - since November 1988: the Textile Development Committee^{1/} - and its sub-committee have been primary users of textile information and analyses.

The competitiveness of the Thai textile industry in the international market was achieved not only through low cost of labour but also, for instance, to important extent due to a relative up-to-date technological level, in particular at the export oriented plants. Both Government policy-makers on the one hand and private sector company executives have in the past been very active and much concerned with the potentials and problems affecting the textile sector so that measures conducive to its prospective highly competitive development could be taken. Thus, for instance, in the mid-1970s when a slowdown and stagnation was experienced which affected both exports and the domestic markets, the private sector reacted by reducing prices. At the same time the Government, to avoid surplus production prohibited the expansion of the installed capacity. Modernization was, however, allowed on the basis of replacing one old production unit by one modern unit. This allowed for some production increase through higher machine productivity to cope with the growth of the market. [Some restrictions to expansion are still in force - spinning and weaving establishments are still subject to specific controls.]

Of basic importance for the policy-making is the availability of detailed information on the local industry. Regular industry surveys which collect standard economic data on firm size, output, employment, investment, productivity, profitability, etc., are, or should be, an essential precondition for effective policy making.^{2/}

In many countries, such surveys have been carried out perfunctorily, on an ad-hoc basis and with only partial coverage. Government policies for the sector were often equally superficial, with the government's main policy concern usually being to secure the maximum degree of trade concessions from the importing countries and then to allocate these among local producers. Competitiveness on the part of the local industry was automatically assumed.

^{1/} See further Chapter 4.

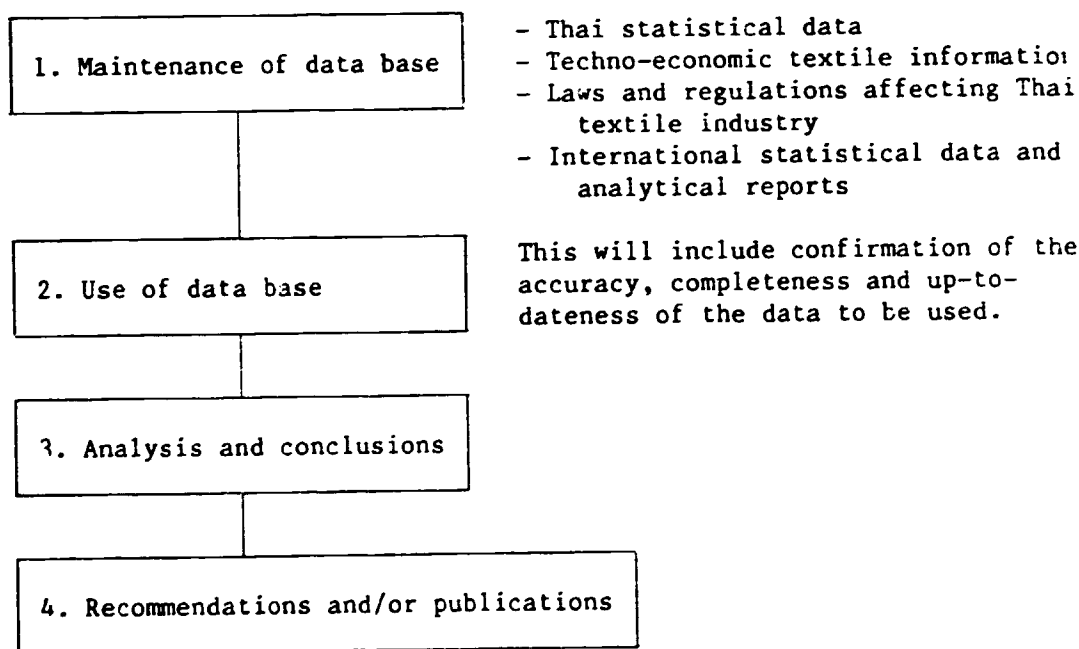
^{2/} The data compiled may cover following specific aspects:

- firm product and marketing strategies;
- firm sources of knowledge and information;
- distribution of firms (by size) across product categories;
- nature of customers and their previous purchasing patterns;
- raw material availability and fabric finishing capabilities;
- firm performance in lot size, delivery and lead times;
- factory layouts, stock levels and work-in-progress inventories;
- management structure, capabilities and perspectives;
- numbers, quality and pattern of deployment of designers;
- educational and skill level of managers, technicians and workers;
- transport and communication availability and requirements;
- sector wide availability of specialist sources of know-how.

In the above-mentioned UNIDO paper^{1/} it is argued that this assumption is no longer valid and the change in perspective this implies needs to be reflected in a government's approach to sectoral development and support. This is necessary in all countries but is particularly critical in the many developing economies where the sector is a major employer and where clothing exports account for a large share of current and planned manufacturing sector foreign exchange earnings. Strategic planning in relation to the short- and long-term development of this sector is now a necessity. OECD governments and clothing firms are investing considerable resources in information generation activities to support their strategic planning efforts precisely because conditions are changing rapidly and new perspectives are called for. Developing countries, like Thailand, need to do the same if they want to stay in the game.

(i) The data base - basic considerations regarding quantity and quality of collected information

The following chart [developed within the Planning Sub-division of TID] illustrates the functional stages of textile data and analytical services, to be provided to meet the requirements of the government's policy-making and the Thai industry's corporate planning.



It is very important to ensure that information collected is what is actually required (the quantity), and that it is frequently checked for accuracy and constantly updated (the quality). If either of them is ignored, the information is not only useless and the effort in collecting it wasted, but intelligence derived from inadequate, inaccurate and out-dated information must make decisions based on it, suspect.

^{1/} Kurt Hoffman *ibid.*

In order to know what information to collect, it is essential to identify the purposes for which intelligence is required. The full extent of this can only be determined case-by-case, but good textile intelligence will certainly concern one or more of following areas, namely:

- the technical development of the textile industry;
- the local and overseas marketing of its production; and
- the effective discharge of Thailand's international obligations, and the upholding of its international rights in the textiles field.

This production and marketing intelligence will be invaluable in the initiation, implementation, maintenance and monitoring of textiles policy plans by the Government in these areas, as well as for the industry's corporate planning.

Given the importance of the textiles industry to Thailand, any government policy plan or decision as regards textiles should be arrived at on the basis of the best available information. Consequently, particular emphasis should be placed on its collection and collation. In this regard, Government policy-making entities branches will best know what information they will need and in what form they wish to have it presented (such as level of detail and up-to-date requirements).

However, two points can usefully be made at this juncture:

- first, the once-only collection of desired information for a particular purpose takes time, delays work on a project as a consequence, and may be incomplete because it lacks comparative and historical information;
- secondly, the systematic collection and up-dating of information ensures the immediate availability of data, enables comparisons to be made, and provides a much wider base for the same basic source information, used in different combinations, can assist in the consideration of a diverse range of policy plans and decisions.

(ii) Converting information into intelligence

Information should not be collected just for the sake of collecting it: There has to be a purpose. That purpose is to create detailed intelligence relating to any particular issue, of such scope and accuracy that sound conclusions can be drawn from it in the formulation of policy planning and decisions.

The creation of good intelligence is not difficult: It is achieved by taking reliable information, studying and understanding it, and then using common sense to interpret it, and present the results in a form that those who have to use it can readily understand. The recipients should be given a clear statement of the issues before them, the options that are open and the likely consequences of each option if selected.

Good, reliable intelligence relating to the Thai textile industry and its domestic and overseas markets, can be of assistance in a number of areas, including:

- what the industry makes,
- what it costs to make it,
- where it gets its raw materials from and at what cost,
- where it sells its production,
- how it makes its goods, using what machinery, of what type and what age,
- its machine capacity and utilization, and its potential for expansion and diversification,
- the industry's response time to new market opportunities,
- its exploitation of current opportunities,
- what incentives are necessary or can be safely withdrawn,
- the impact of tax law on production, efficiency and competitiveness,
- opportunities for import substitution,
- removal of disincentives,
- training needs for industry,
- keeping markets open
- opening up new markets,
- trade negotiations,
- maximizing opportunities in restrained markets,
- placing the textile industry in the context of the country's overall economic performance and development plans,
- encouragement of technology transfers and identifying if and where they are needed,
- import profiles,
- market profiles, etc. etc.

(iii) Suggested areas for techno-economic research and analytical services

On basis of the UNIDO missions' discussions with policy-makers, researchers and industrialists a number of areas may be suggested as potential immediate topics for techno-economic analysis and research. These would include:

- Comparative costs of open-end spinning;
- Comparative costs of use of shuttleless looms;
- Potential for establishment of a central CAD unit to work on commission basis for small-scale garment producers for export markets;
- What are the obstacles, bottlenecks for Thai garment producers to move up market to high value items in the context of, say, product development, technology problems, market acceptance and identification of 'niches';
- Setting up of finishing facilities for work on commission basis combined with effective links with market intelligence on new trends in finishing, printing, etc.;
- Assessment of new trends towards natural materials, including natural dyes;

- Product development and design on basis of traditional skills and patterns for overseas markets;
- Potential for silk knitwear products;
- Potential ASEAN co-operation in R&D (e.g. fibre utilization) or special areas of finishing (commission work).

The earlier mentioned UNIDO-paper on technological and organizational change in the global textile and clothing industry^{1/}, lists a number of possible market-oriented or other specialist services which may be carried out in order to meet the specific needs of firms to respond to the new competitive conditions now facing them:

- the carrying out of joint export marketing for local firms;
- the operation of a CAD bureau to service local firms and provide training on, and exposure to, this critical technology;
- the compilation of a register of local and international designers willing to work with domestic firms and/or to act as the focal point and conduit for the development of local design capabilities;
- the provision of advice and information on technology availability, costs and benefits and support for its introduction;
- the enforcement of agreed industry standards on quality, reliability and delivery;
- the focus for other industry initiatives in areas such as raw material acquisition and fabric finishing or the setting up of just-in-time supply relations between buyers and suppliers;
- the provision of centralized and/or in-house training facilities for management, technicians, supervisors and production workers;
- the provision of consultancy services for factory layout, design of incentive systems, organization of the delivery network, reorganization of the workforce into groups, etc.

^{1/} Kurt Hoffman, *ibid.*

Chapter 3. The supply of textile intelligence

The supply of required textile intelligence involves three basic functions, the collection and organization of data in a regularly updated data base, the analysis of the material in the data base as a basis for decision-making and the dissemination of intelligence to appropriate parties.

(i) The data base

The data base used would include: Series - i.e. material presented in regular formats, constantly updated. Such material includes both statistical reports on various aspects of the Thai industry and the economic environment in which it operates in Thailand and overseas and non-statistical material; and ad hoc material in the form of books, articles, reports by Thai commercial representatives overseas, etc.

With regard to the data-series, some material will be received in convenient formats which require no further processing. Thai trade statistics are likely to fall into this category. Much of the data received, however, will be in inappropriate formats which require reorganization or even completely "raw" and needing to be collated before they can be presented. Returns supplies by textile producers in Thailand are examples of this latter category of material.

It has to be borne in mind that the information in the data base, whether statistical series or literature sources, is not intelligence until it has been analyzed with a view to shedding light on particular matters of concern to the industry and making recommendations as to policy. It is, rather, merely the raw material from which intelligence is generated.

Major data series: Consideration of the intelligence requirements outlined in Chapter 2 and the information available to governments elsewhere suggests that a Thai textile information service would need to dispose of economic and market data relating to:

(a) The structure of the Thai textile industry, i.e.:

- Numbers of plants in the spinning, weaving, finishing, knitting and garment-making sectors. Some consideration might be given to further breakdowns by categories of products, particularly in the knitting and garment-making sectors - e.g. in the knitting sector, knitted fabrics, women's hosiery, other hosiery, knitted underwear, and knitted outerwear and in the garment-making sector, men's, women's and children's outerwear and underwear, etc. (It is appreciated that, because Thai garment-makers are largely contractors, a plant may engage in the manufacture of a number of categories of garment at different times);
- Numbers employed in each sector, detailing such matters as male/female employment in the managerial, technical, administrative and operative roles;

- Production costs in each sector detailing such items as payroll, materials, etc.;
- Average hours worked in each sector;
- Average hourly earnings of production workers in each sector;
- Numbers of main types of machines employed in each sector, detailing such matters as proportion of open-ended spindles, shuttleless looms, on-line computers, import tax paid on machinery;
- Volume [and value] of fibre, yarn and fabrics purchases;
- Volume [and value] of sales of main categories of product by each sector [information covering different stages of processing will be possible to obtain in connexion with the introduction next year of the value-added-tax system.];
- [Profits and] capital investment in each sector;

(b) Foreign trade, i.e.:

- Production, imports and exports of major fibres, yarns and fabrics in main producing and consuming countries;
- Cotton and synthetic fibre price trends^{1/} and tax rebate "(on import surcharge) on synthetic fibres;
- Production, imports and exports of garments in major markets for Thai products, particularly the USA and the main EEC member states. These series should seek to compare Thailand with other sources of supply in respect of major categories;
- Packaging cost for exports;
- Thai performance regarding export quotas in main markets;
- Macroeconomic data relevant to markets for textile products - particularly garments - in main markets, e.g.:
 - ° Movements in international exchange rates of major currencies relative to SDRs and each other;
 - ° Trends in personal consumption expenditure in total and on apparel in current and constant price terms;
 - ° Short-term predictions (up to three years) of per capita consumption expenditure on apparel using simple models.

^{1/} The imported cotton could conceivably be replaced by local production through the expansion of the cultivated area only if alternative crops are not more profitable. Importing cotton has the advantage of allowing for better choice of the staple quality required for each specific product.

(c) Other non-statistical data, e.g.:

- Basic data on Thai textile product producers, i.e. name, address of head office and main plant, main product categories, etc.;
- Major measures of structural change in overseas textile industries, including both government and autonomous industry measures, the implementation of these and their effectiveness.
- Technical developments relating to the textile industry;
- Details of MFA and bilateral textile trade agreements, particularly those entered into by the USA and the EEC; consultation "calls" issued by the USA and the EEC and the outcome of such calls; and
- References to the GATT Textile Surveillance Body and outcomes.

(d) Consideration has been given to whether the textile data collected might also cover fashion trends in the developed overseas markets. [It is recommended by the consultant Mr. Steele that this matter should not be included in the remit, partly because of the nature of the relationship of the Thai industry to its overseas markets, partly because of the difficulty of doing anything useful in this respect.]

The main role at present of the Thai industry in respect of the overseas developed markets is to execute orders to specifications regarding style, fabric, cut, colour, etc. which are, essentially determined by the buyers in the light of their own assessment of trends in their domestic markets. Buyers consider that they are far better placed than producers based in distant countries to make such assessments and they are reluctant to surrender this responsibility. In other words, the Thai industry is, essentially a contracting industry in respect of production for the mass-market garments which constitute the bulk of its output.

This is not to deny the possibility of Thailand developing its own couture with manufacturers able to produce their own lines and market them overseas. This will, however, presuppose the emergence of local designers with direct experience of the Western fashion trade such as are, indeed, beginning to emerge in Thailand as well as in Hong Kong, Japan and other garment producing countries in the Far East.

It would certainly also be helpful to Thai producers to have good foreknowledge of broad fashion trends, partly for marketing purposes - i.e. so that samples are broadly in line with what buyers have in mind and producers can play a larger role in settling the final specifications using computer-aided design technology. In addition, it would speed the production process if they were better able to anticipate material requirements in terms of fabric types and colours, trim and findings. This type of knowledge cannot, however, be derived merely from a study of literary sources, but requires constant exposure to the development of fashion trends in the West from the original shows by haute couturistes to the appearance of new lines in the major retail outlets. Only producers (or groups of producers) with active sales offices overseas are in a position to achieve such awareness.

Chapter 4. Institutional arrangements

In view of the very important role played by the textile and garment industry sector in the Thai economic progress, particular attention is given to the provision of institutional arrangement to foster its efficient development, among others, through the activities of the Textile Development Committee. The composition of the Textile Development Committee is as follows:

Chairman: Minister of Industry

Vice Chairmen: Two Deputy Ministers of Industry

Members: Permanent Secretaries of Ministry of Industry
 Ministry of Finance
 Ministry of Commerce
 Ministry of Agricultural
 Ministry of Foreign Affairs
 Secretary General of Board of Investment
 Governor of Bank of Thailand
 Secretary General of NESDB
 Secretary General of Thai Industrial Standards Institute
 Director-General of Department of Industrial Works
 Presidents of Thai Textile Manufacturing Association
 Thai Synthetic Fibre Manufacturers' Association
 Thai Weaving Industry Association
 Thai Garment Manufacturers' Association

Secretary: Director-General of Department of Industrial Promotion

Assistant Secretaries: Director of IID
 Director of IEPD.

The private sector is organized in five associations under the National Federation of Thai Textile Industries (NFTTI). These associations are: Thai Textile Manufacturing Association, Thai Weaving Industry Association, Thai Silk Association, Thai Synthetic Fibre Manufacturers' Association and Thai Garment Manufacturers' Association. Recently agreements have been reached that the textile/garments sector be formally represented in the Federation of Thai Industries (FTI) by two groups, the Textile Group and the Garment Manufacturers Industry Club.

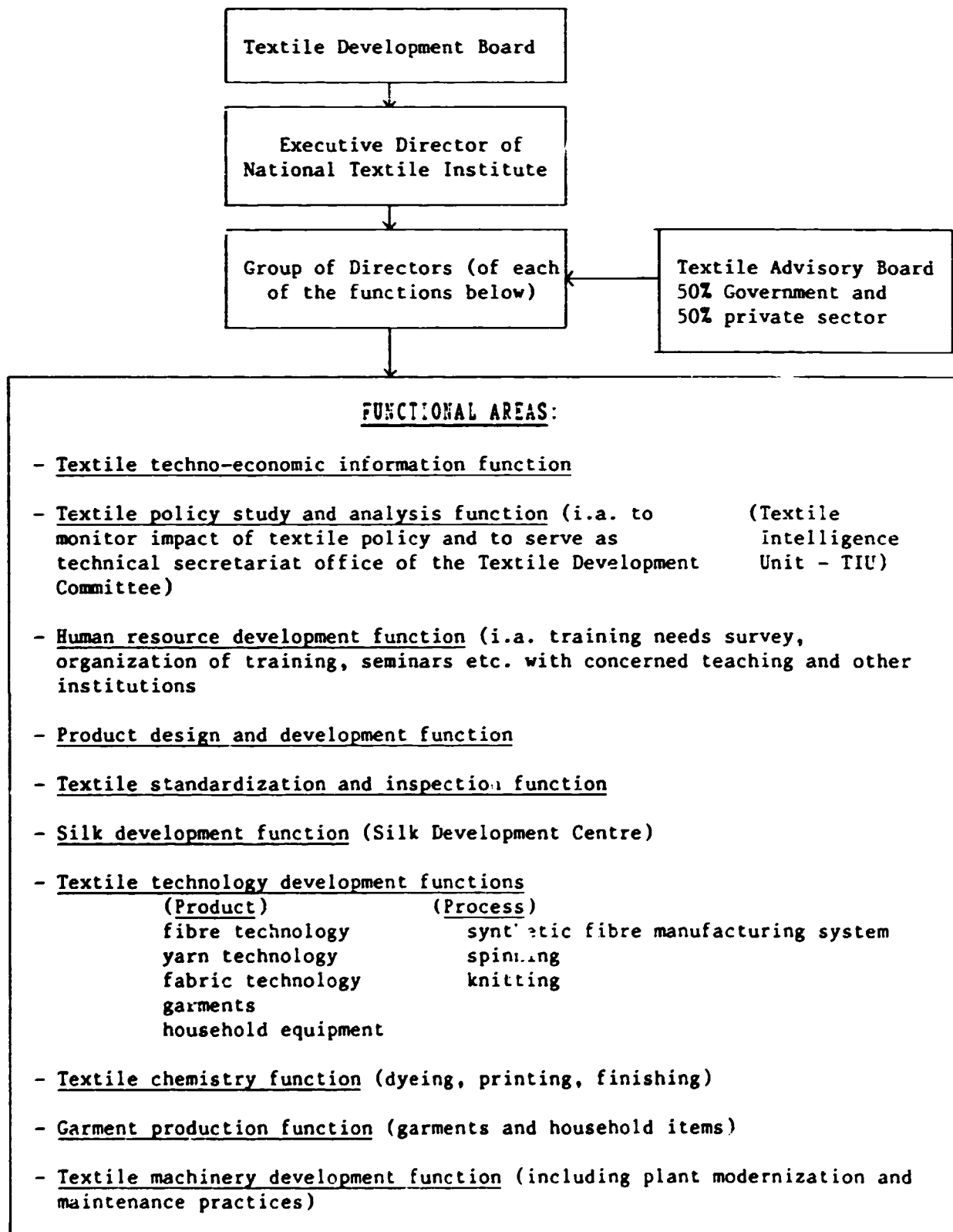
In order to provide best possible techno-economic basis to ensure envisaged future progressive development of the textile and garment sector suggestions have been put forward for the establishment of a National Textile Institute based on collaborative efforts of the Government and the private sector industries concerned. Such a National Textile Institute would, inter alia, include the functions of the perceived textile intelligence unit (TIU) (see further below) which functions have been subject to close attention under the present Textile Policy Advisory Services project.

The programme of work of the National Textile Institute may initially encompass following categories of activities (or specific activities):

1. Education, training, seminars and exhibitions (to be specified)
2. Secretariat office of the Textile Development Committee
3. R&D in
 - 3.1 Textile processes
 - wet
 - dry
 - 3.2 Textile products
 - raw materials
 - intermediates
 - final products
 - 3.3 Energy conservation
 - 3.4 Pollution
 - 3.5 Textile machinery and plant modernization.
4. Textile testing and inspection; control of standard and quality of textile products
5. Advisory services
 - 5.1 Management
 - 5.2 Investment
 - 5.3 Technology
 - 5.4 Policy and regulations
6. Planning, surveys, studies, co-operation activities, monitoring and evaluating national textile development
7. Textile techno-economic data and information: Compilation, analysis and provision of data services.

A possible model for the envisaged National Textile Institute would be as follows:

NATIONAL TEXTILE INSTITUTE



The two functional areas "Textile techno-economic information function" and "Textile policy study and analysis function" and would in effect encompass the activities of a textile intelligence unit (TIU) as it has been envisaged. Indeed, it is recommended that the compilation and dissemination of textile industry data and the provision of techno-economic analyses in that field be carried out in a concerted manner and through close co-operation between concerned government organs and industry associations. The following is an effort to present the possible evolution, in the context of the country's present institutional set up, of such textile techno-economic data and analysis functions.

As indicated in Chapter 2 it is envisaged that the textile techno-economic data and analysis functions within the institutional framework of a textile intelligence unit (TIU) would provide data and analyses relating to

- government policy-making with regard to economic and technical aspects of the textile industry;
- corporate planning by textile product manufacturers on matters ranging from raw materials procurement to product development and marketing in the domestic as well as in export markets;
- provision of information about the Thai textile industry for those supplying it, trading in its products and contemplating investment;
- monitoring of techno-economic developments relating to the textile industry world-wide with reference to technology, capital equipment, the organization of production, new materials and products, etc.

The purpose of a TIU in Thailand would be to promote the development of the country's textile industry by helping to determine the most effective disposition of economic resources to that end by the government and by the industry itself. It would pursue this objective by carrying out reviews analysing the technical and economic environment in which the Thai textile product industry operates, both in Thailand and overseas; by making appropriate recommendations as to policy and specific action by public and private sector agencies in Thailand in the light of those reviews; and by promoting an understanding of the circumstances of the Thai industry.

The pursuit of these objectives would require TIU to carry out the following main functions:

- The collection and organization of information relating to the industry and the national and international technical and economic environment in which it operates;
- The provision of intelligence, by which is meant the analysis of available information relating to the industry as a basis for policy-making and action by interested parties; and
- The dissemination of information and intelligence relating to the industry both in Thailand and overseas.

One important function of a TIU would be to provide data and analytical support as required to the secretariat of the Textile Development Committee (formerly the Textile Policy Committee) and its sub-committee(s), as well as for the Thai Silk Trade Promotion Committee.

It is recommended that in carrying this role the TIU should be regarded as an essentially technocratic arm of the government working in direct collaboration with the industry. By this is meant that in the deliberations of TIU should not be seen as activities for justifying pre-determined government policy, but as providing objective technical advice on matters relating to the development of the textile industry in the light of its assessments of the advantages/disadvantages of various options. It should, in other words, be political and ideologically neutral. On the other hand, in making its assessments of the conditions in which the Thai textile industry operates and formulating its recommendations it will, of course, need to take account not only of the overall economic objectives of the government but also those of other bodies within Thailand and overseas wherever these bear upon the development of the Thai industry. (Overseas bodies whose policies and actions will be particularly significant in this regard include the textile industries in major importing countries and the governments of those countries, and international agencies such as those concerned with the operation of the MFA.)

On basis of these envisaged functions and activities of a TIU, institutional arrangements along following lines may be considered. The tasks of the TIU would initially be expected to focus on:

- (a) Establishing a work plan for its work as secretariat office of the Textile Development Committee (TDC) (formerly the Textile Policy Committee) and sub-committee.
- (b) Responding to requirements of the Textile Development Committee and prepare analyses and reports with options and alternatives relating to issues under consideration.
- (c) Responding to ad hoc requirements of Thai industry for textile data and issue-related analyses.
- (d) Following up the consequences of the national textile policy in relation to the world textile situation and making condensed reports for TDC and decision-makers.
- (e) Developing a standard format for the data to be collected from the Thai industry (in co-operation with concerned industry association or the National Federation of Thai Textile Industries).

A TIU, established within the envisaged National Textile Institute [or alternatively within the Textile Industry Division of the Department for Industrial Promotion, Ministry of Industry] is proposed to comprise following entities:

- Advisory Committee, composed of senior officers DIP and TID and from private industries;

- Planning and Developing Section;
- Information Centre;
- Textile Economic Research Section;
- Textile Technical Research Section;

The involvement of trade and industry in the TIU could be achieved through the establishment of an Advisory Committee comprising leading representatives from each sector of the industry and trade, as well as of the leading textile associations, and appropriate government departments.

The specific tasks of the Planning and Development Section would be:

- (a) To evaluate types of statistical information needed by decision makers from both private sectors and Government institutions;
- (b) To make the analysis and research of techno-economic situation, and also tendency of national and international textile industry situation;
- (c) To set up working plans and implementation;
- (d) To follow up, monitor and evaluate degree of achievement of working plan and implementation, difficulties and problems. To make the analysis of these resources and render the recommendation to adjust working plan;
- (e) To co-operate with local and international Textiles Associations, Federations and related institutions in order to exchange statistical data and information,
- (f) To extend the result of the analysis and research in terms of meetings, seminars, circulation and others to the public.

The specific tasks of the Information Centre would be:

- (a) To survey, collect and exchange local and international techno-economic statistical data and information. To investigate and check the availability of existing data and information and also make confirmation; (incl. rules and regulations)
- (b) To design programmes and systems of collection, evaluation, dissemination and to update statistical data and information in forms of paper, files and computer disc;
- (c) To set up computer linking system among the related institutions.

The specific tasks of the Textile Economic Research Section would be:

- (a) To study and make analysis and research of the past and present national and international textile economic situation such as local and international demand and supply, competitiveness, marketing, comparative advantages, costing in comparison, tax system in order to point out weakness, difficulties and problems;
- (b) To render suggestion and recommendation on promotional activities, development direction, policy and measurement and strategy and future economic prospect in order to secure the existing opportunity and maintain the comparative advantages in the world market.

The specific tasks of the Textile Technical Research Section would be:

- (a) To make analysis and research of the past and present national and international textile technical situation such as local and international progressive level of technology, product development, production capacity and capability, machinery modernization, absorption capability and needs of technology transfer, product design and utilization, productivity, efficiency and performance of existing production technology in order to point out weakness, difficulties and problems;
- (b) Rendering suggestion and recommendation on promotional activities, development direction, policy and measurement and strategy for future technical prospect in order to secure the existing opportunity and maintain the comparative advantages in the world market.

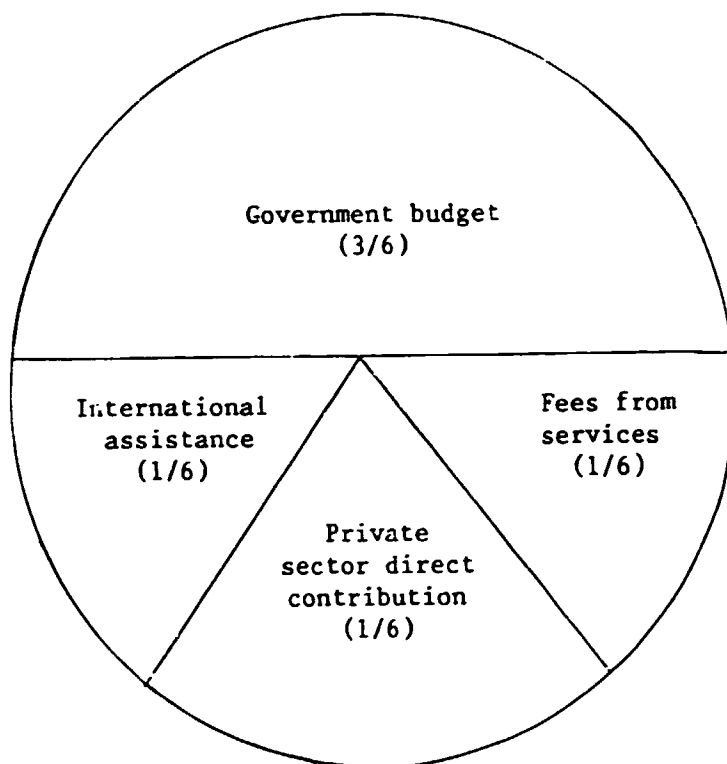
The role of the textile associations

The textile associations have a crucial role to play in the work of the TIU. If their members are, initially, reluctant to provide data directly to the TIU, each association could set up its own small unit. This would collect and compile information in a way suitable for storage in the TIU data bank. Each association would aggregate and protect its information to ensure that no single company could be identified, before passing it on to the TIU.

The textile associations should also be encouraged to use the services of the TIU for promoting the interests of their members.

Concept for possible funding of the National Textile Institute (NTI)

The initial funding of the (including the textile techno-economic data and analysis - TIU - functions elaborated in this report) the National Textile Institute) might be covered through a contribution of public and private sources as illustrated by following figure:



ANNEX 1Annex Table 1. Thai external trade in textile products, 1983-87

(by value, million baht, current prices)

	1983	1984	1985	1986	1987
<u>Cotton</u>					
Imports	3,604.5	4,305.2	4,724.7	4,474.5	6,903.8
Exports	85.3	55.0	78.0	21.0	3.8
<u>Man-made fabrics</u>					
Imports	783.7	1,088.8	1,062.2	988.1	1,478.6
Exports	166.1	176.3	307.1	132.8	245.3
<u>Cotton yarn</u>					
Imports	60.9	128.9	153.4	425.0	762.6
Exports	119.1	243.2	593.8	1,083.6	1,675.4
<u>Silk yarn</u>					
Imports	...	...	...	194.3	274.6
Exports	...	...	...	0.02	1.6
<u>Man-made fibre yarn</u>					
Imports	768.2	781.1	596.1	1,181.3	2,235.5
Exports	851.3	1,079.9	1,548.8	1,826.2	1,878.1
<u>Cotton fabrics</u>					
Imports	756.9	904.0	850.8	982.1	1,980.1
Exports	1,304.4	1,575.0	2,092.0	2,430.4	3,439.2
<u>Silk fabrics</u>					
Imports	...	...	...	1.7	3.3
Exports	...	...	...	251.8	317.3
<u>Man-made fibre fabrics</u>					
Imports	1,771.4	2,225.7	2,003.2	2,438.3	3,306.8
Exports	3,038.8	3,798.3	4,309.7	5,344.6	5,214.3
<u>Knitted fabrics</u>					
Imports	513.8	565.2	586.7	941.6	1,117.6
Exports	1.0	4.8	6.5	35.1	80.1
<u>Garments</u>					
Imports	33.1	61.6	34.6	60.2	97.5
Exports	8,865.8	12,283.9	14,731.5	20,461.4	36,349.4

Source: The Thai Textile Manufacturing Association.

Annex Table 2. Thai external trade in textile yarn and fabrics, 1983-87
(by volume)

	1983	1984	1985	1986	1987
<u>Cotton yarn</u>					
Imports ('000 tons)	0.7	1.1	1.6	5.3	10.5
Exports ('000 tons)	1.3	2.8	7.7	15.7	20.4
<u>Silk yarn</u>					
Imports ('000 tons)	...	...	...	2.2	0.5
Exports ('000 tons)	...	...	...	...	0.02
<u>Man-made fibre yarn</u>					
Imports ('000 tons)	10.1	12.3	6.0	14.4	31.4
Exports ('000 tons)	16.9	18.4	21.7	26.3	23.2
<u>Cotton fabrics</u>					
Imports (mn sq.yds)	27.1	28.8	22.6	29.4	76.0
Exports (mn sq.yds)	136.1	158.2	169.8	210.0	248.7
<u>Silk fabrics</u>					
Imports (mn sq.yds)	...	...	...	...	...
Exports (mn sq.yds)	...	...	...	1.1	1.5
<u>Man-made fibre fabrics</u>					
Imports (mn sq.yds)	108.5	115.5	99.7	158.0	213.5
Exports (mn sq.yds)	287.4	340.4	352.6	380.4	355.2
<u>Knitted fabrics</u>					
Imports (mn sq.yds)	22.0	19.1	17.1	24.1	33.2
Exports (mn sq.yds)	...	0.2	0.2	1.1	2.6

Source: Department of Business Economics, Ministry of Commerce; The Thai Textile Manufacturing Association.

Sources of data⁴

The domestic industry: Data relating to the internal structure of the Thai industry could only be secured by active and passive surveys of industry members. For long-running series which should be updated at regular intervals - or even continuously - passive surveys involving regular returns on special pro forma are the only practical means of securing the raw data. [The development of such pro forma in formats precisely designed to elicit the material required and decisions as to how often the various data should be sought would be one of the earliest tasks].

Information of Thai taxes, incentives, rules and regulations affecting the textile industry should be compiled. Information regarding new investment (in respect of firms applying for promotional privileges) is with the Board of Investment.

Thai import and export data should be secured from the Customs Department. In order to ensure that series are as up-to-date as possible it is suggested that an arrangement be made with the Department for a special report on textile product categories in commodity/country formats updated monthly with comparable data for the previous year. It is understood that such reports could be made available within six to eight weeks of the end of the latest month. [Agreement with the Customs Department on the establishment of a system to supply this data would be another early function.]

An additional source of trade data would be reports on performance with regard to quotas established under Thailand's bilateral textile trade agreements. These reports are produced by the Foreign Trade Department of the Ministry of Commerce and are available in respect of each product under quota as well as those under consultation under agreements with the USA. The information supplied would, of course, refer to aggregated national shipments (not data relating to shipments by individual quota-holders).

It is understood, however, that the Foreign Trade Department of the Ministry of Commerce has some difficulty in preparing these reports, particularly as regards shipments to the USA where problems arise in reconciling Thai accounts of the volumes shipped with those prepared by the US Department of Commerce. For this reason, inter alia, it is proposed that the duty of preparing statistics of exports of products under quota should be transferred from the Department of Commerce to a specialist textile statistical agency.

Foreign trade: A proper understanding of overseas markets requires data on the foreign trade of Thailand's major trading partners, particularly their imports from that country and other major sources and also on internal developments which influence trends in foreign trade. Detailed statistical reports on foreign trade by the USA, the major EEC member states and other developed country markets on a commodity/country basis are usually available within two months of the end of the latest month covered. The material can be

⁴ Extracts of the technical report by Peter Steele prepared under the project.

secured in the form of computer printouts from customs departments or from government statistical offices. It can also be acquired in computer-readable form from commercial agencies within a few days of it emerging from the official sources. A number of companies now produce detailed trade statistics for major economies in computer-readable form. One such is D-S Marketing Ltd. based in London which produces the Tradstat World Trade Statistics Data base covering all the major OECD economies. [In view of the great number of categories under which trade in textile products is classified, and the manpower implications of this for the data-entry process if a manual system is utilized (as well as the high risk of errors occurring) it is recommended that serious consideration be given to acquiring the data already in this form.]

All the countries which constitute the major markets for Thai textile products have either now adopted or are about to adopt the Harmonized System of Tariff Nomenclature. Such statistics give the most detailed breakdown of trade available from official sources in both volume and value terms. It would be possible for the data base programme to be written in such a way as to aggregate the various headings into broader, more manageable categories for reporting purposes - for instance those used in the Thai bilateral textile trade agreements.

An alternative source of trade data for the US and EEC markets are the series published by the Department of Commerce in the USA known as "Major Shippers Reports" and by the Co-ordination Committee for the Textile Industries in the European Economic Community (COMITEXIL) which is based in Brussels. These use the categories used by the USA and the EEC in bilateral textile trade agreements, whether or not these are concluded under the MFA. This means that they can be correlated with data relating to exports of products under quota produced by Thailand.

Export performance data for the USA's trading partners for categories under quota and "consultation" are published by the Department of Commerce on a monthly basis within two months of the latest month covered, under the title "Current Performance Reports" and performance in completed agreement periods are covered in "Expired Performance" reports. The Department of Commerce also publishes "Name-sake" reports giving details of visas issued by the Thai Ministry of Commerce. These series are already used by the Thai Ministry of Commerce. These series are already used by the Thai Ministry of Commerce chiefly for checking its own record of export shipments. The EEC does not publish similar performance reports. Under its textile trade agreement with the EEC, however, the Thai Government can request that it be supplied with such information on a regular basis.

The advantage of these statistics lies in the use of MFA categories which facilitates the process of monitoring export performance under Thailand's textile trade agreements. Information is, however, only published in volume terms as importers are mainly interested in import penetration in quantitative terms. For purposes of market analysis comparable value data would be required. In view of this it would probably be more appropriate to access these data in the original HS format, if necessary programming the data base system to aggregate them into MFA categories using correlations published by the EEC and the US Department of Commerce. Performance data under MFA headings could then be requested from Thailand's trading partners for auditing purposes.

Overseas production/sales statistics: The USA and the UK publish fairly detailed reports on sales by domestic producers.

In its series "Current Industrial Reports - Apparel" the US Department of Commerce, Bureau of the Census indicates production volumes of a large number of Standard Industrial Classification categories. These are published quarterly and appear within seven months of the end of the latest period covered. The annual figures for the latest year therefore appear in July in the following year. This particular edition also gives the value of shipments and contains a correlation of production and trade classification numbers for broad categories. This source, combined with the trade data, probably allows for the most detailed breakdown of the US market in both value and volume terms.

Similar information is provided quarterly under the UK "Business Monitor" series, but not in such great detail. There is, however, no equivalent to these series for the other EEC member states. The most detailed industrial production series available for the EEC countries on a common basis are the Eurostat "Industrial Production Quarterly Totals" which are published by the Statistical Office of the European Communities in Brussels. This uses the NACE European industrial classification system and, again, a correlation with trade series is possible, although there are no value data. This series can also be accessed in computer-readable form from the Eurostat CRONOS data base.

Information on fibres and fabrics: Information on world market prices for cotton fibres and cotton-type man-made fibres are published weekly by Cotton Outlook Ltd. in a magazine of that name. This also covers yarn prices. The company is based in Liverpool.

The most convenient source of information about international production of and trade in spun yarn and fabrics is the "Quarterly Statistical Review" of the Textile Statistics Bureau. This is a unit of the UK Textile Employers' Federation which is based in Manchester.

General economic data: The most convenient sources of statistics for the main markets of interest to the Thai industry are the "International Financial Statistics" published monthly by the International Monetary Fund. This is available in computer-readable form, but the volume of data to be extracted each month - i.e. exchange rates, GDP, industrial production, industrial and consumer price trends - is so small as to render its acquisition in this form hardly cost-effective.

Information on consumer expenditure on apparel and all items is available in the US Department of Commerce's "Survey of Current Business", which is published monthly, and in similar statistical digests produced by government statistical offices in the European countries under consideration.

Economic forecasts: Econometric forecasts of textile market trends in the OECD countries are not available on a regular basis. Estimates would have to be prepared to assist producers in market planning. For this purpose a simple projection of consumer expenditure over three years is likely to prove most useful. Such an exercise might perhaps be carried out on an annual basis. The model should probably be based on a regression analysis of consumer expenditure on apparel with trends in Disposable Personal Income over the five most recent years - these factors are usually found to correlate

fairly closely. There are numerous sources of forecasts of disposable personal income in the industrialized economies which might be fed into the model. These regularly published by the OECD in its Economic Outlook series are probably most convenient.

In addition, a subjective short-term assessment of consumer purchasing intentions would be useful. Such an exercise is undertaken by Kurt Salmon Associates and the NPD Group in respect of the US market using a Purchase Panel comprising 19,500 households which report monthly purchases of selected apparel products. There is, apparently, no similar exercise undertaken on a regular basis in respect of the European markets.

Structural changes: There is no machinery for regularly reporting on structural changes in the OECD countries' textile industries in the process of adjusting to competitive conditions. Specific reviews of the process have been undertaken by the GATT secretariat in Geneva and are likely to be published in 1989. Further developments in this respect can be tracked through the technical literature considered below and statistics relating to numbers of plants, employment and employee remuneration which are published in the general sources identified above.

Technical developments: The most systematic source of references to technical literature relating to the textile industry is "World Textile Abstracts" published twice a month by the Shirley Institute based in Manchester. The abstracts give digests in English of the scientific, technical and techno-economic literature of the world which is relevant to fibre forming polymers, the textile and related industries and the application of fibrous and textile materials in conventional textile products and in various branches of engineering and elsewhere. The Shirley Institute also undertakes to supply the full text of any of the items abstracted.

Textile trade agreements and consultation calls: All textile trade agreements entered into under the MFA have to be reported to the GATT Textile Surveillance Body which then prepares a description for general publication under the COMTEXT/SB series. Consultation calls made by importers will come to the attention of GATT when the parties cannot agree on measures to resolve the perceived market disruption. The reports issued by the TSB of its findings are, however, usually uninformative.

Literature sources: Apart from the technical digest indicated above, there is no abstract digest relating specifically to the textile industry. There are, however, a number of abstract digests covering the economics field, but probably the most comprehensive is "Economics Titles/Abstracts" produced by the Netherlands Foreign Trade Agency. This is an overall review of available literature pertaining to foreign trade: material relating to the textile trade is included.

The textile trade associations in the countries under consideration also publish yearbooks. In the USA the Fibre, Fabric and Apparel Coalition for Trade (FFACT) and in Europe COMITEXIL act as lobbyists for their respective industries and provide occasional briefings for officials and legislators on matters relating to international competitiveness - largely to justify demands for more protection. Although these are, by their nature, tendentious, they usually contain much useful information.

The modus operandi of the Textile Intelligence Unit and its
constituent parts^{1/}

It is important not to confuse the processes needed to get the TIU set up and running with its day to day operation once it is properly organized. The next several paragraphs deal with the organization appropriate for its day to day operations. How it might be set up is discussed later.

It is proposed that the TIU should be based on the system used in Hong Kong's Economic Information Centre (EIC) and structured by reference to work flow rather than subject matter. This is because there is a finite number of operations that will need to be carried out, whilst the number of subjects it may be called upon to deal with is infinite. Nonetheless those subjects can be grouped under two main headings.

the Textiles Intelligence Unit can be conveniently divided horizontally into three broad levels of responsibility and activity:

- (a) Level I - initial assessment, final clearance and recommendations;
- (b) Level II - conversion of information into intelligence;
- (c) Level III - data collection and supply,

with Level III, incorporating the Data Bank (similar to Hong Kong EIC's registry), divided vertically into two broad areas of subject matter:

- (a) Production;
- (b) Marketing,

with each broken down into further subject headings.

Although further elaboration is necessary of the various levels of operation, Level III in particular, briefly, at Level I there will be a need to make an initial assessment of the task and to provide guidance as to how it should be handled. Later, at the same level, there will be a need to finalize the response with appropriate recommendations. This will be work for the most senior management staff.

At Level II there will be a need to draw up a work plan in accordance with the guidelines handed down, to determine what information is needed in connection with the task, and to call for that information. Later, at the same level, there will be a need to draft appropriate papers relevant to the task, that is to say convert the information into intelligence, and to make suggestions as to the line to take. This will be work for the middle management staff.

At Level III there will be a need to collect, collate and supply the requested information with some indication as to its age and reliability. At this level is the heart of the TIU, the Data Bank, with facilities for collecting, storing, retrieving, updating and auditing information. This will

^{1/} Extracts from the technical report of Lawrence Mills prepared under the project.

be work for less senior but, nonetheless, management staff. Although the work at Level III can be handled at a lower management level, because of its particular importance and the need to ensure that the Data Bank maintains a high level of competence and reliability, it is recommended that an officer of Level I rank, and authority should be designed as Head of Level III. This responsibility would be in addition to other responsibilities he might have at Level I.

An organizational and processing flow chart of the TIU is at Annex Figure 1, while the following paragraphs consider each level's activities in greater detail.

Level III - The Data Bank

Level III has three broad activities: Input, processing including the Data Bank, and output, and as the home of the Data Bank, needs special attention.

The input activity

The input activity comprises three operations:

- (a) identification of sources;
- (b) collection of information;
- (c) preliminary collation of information.

Identification of sources

The identification of sources of information relating to a number of subjects predetermined in terms of perceived policy needs is an essential first step. Initially, the subject matter will have to be based on intelligent guesswork, but as indicated later, a number of areas like to be of use readily suggest themselves. As expertise in the collection and use of the information builds up, so it will be possible to prune or expand the list of subjects as necessary. In any case, the subject list should be reviewed annually to ensure that it continues to be relevant - a reflection of the point not to collect information for its own sake - and that all potential sources of information are being tapped.

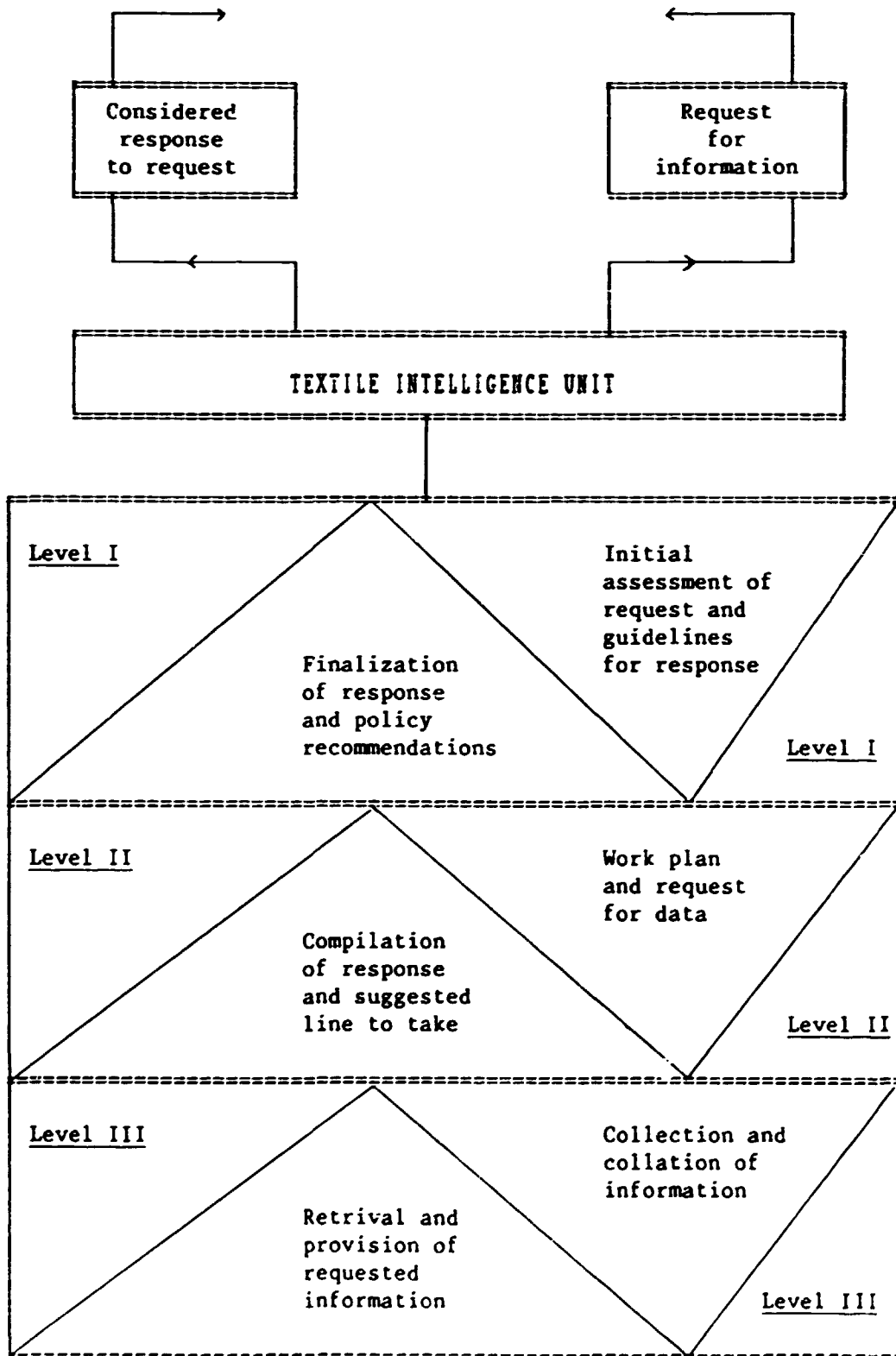
Collection of information

The collection of the information is the next step. This can both be positive collection - officers going out to factories etc., to obtain it - and passive collection, that is to say, factories being required to submit information, and the trawling of potential sources such as technical and specialist magazines, newspaper clippings, government reports, trade statistics, etc.

Preliminary collection of information

The preliminary collation of the information, that is to say, a primary sorting into the two broad vertical subject groups of Production and Marketing is the final step of the input activity.

Annex Figure 1. Textile Intelligence Unit:
Organizational and processing flow chart



Processing

The second activity of Level III, is processing which comprises five operations:

- (a) sorting incoming information;
- (b) auditing;
- (c) up-dating;
- (d) indexing;
- (e) storing information in the Data Bank.

Sorting incoming information. The sorting of incoming is the first step of the processing activity. This involves an understanding of the material collected and its sorting into discreet bundles of information relative to subject matter. It requires appropriate cross-referencing and copying; in other words, one piece of information could be sorted under a number of subjects and/or cross-referred to a number of others.

Auditing and up-dating. The auditing of the information is the next step in the processing activity. Poor quality data is useless and can lead to serious mistakes. So, overlaying the whole sorting and storage system there has to be a continual auditing process to ensure the highest possible degree of accuracy. Whenever possible or when staff have any spare time it should be used to check and recheck the accuracy of the information in the Data Bank. In many cases it will be desirable to go back to the original sources for confirmatory information.

Up-dating. Information that is out of date (as opposed to historical) is useless and it takes up valuable space. Important information should be reviewed as frequently as possible and necessary to ensure that it is as up-to-date as possible. Different types of information, such as quota records, should be up to the minute; other facts should be as recent as possible.

To some extent this is an ideal rather than a practicality. To help in this regard, Hong Kong uses what it calls the STDP system on its papers. Under the STDP system, each document or the initials of the drafting officer, the Time (T) it was created or received, the Date (D) it was created or received and the Place (P) where it originated or was handed over. The STDP system has proved invaluable on a number of occasions and gives the user some idea of the sequence of a series of papers and how up-to-date the papers are. It also encapsulates essential information for quick reference purposes.

Indexing. It is obvious that data is only valuable if you can get at it. There must, therefore, be a master index which is easy to understand and easy to use to direct enquirers to the information they require. Some indexes seem to be designed to prevent people finding anything. They contain so much information that the trees frequently obscure the wood. Easily remembered combinations for reference numbers are desirable and similar subjects should be given related reference numbers.

The Hong Kong EIC references on a region by subject basis, that is to say there is a mini data bank in respect of each trading partner and within each such mini-bank, a number of subject headings. These subject headings are

referenced identically for each subject. For example, the reference for the subject "Tariff Schedules" might be 123 and this number will be used to indicate the tariff schedules for each country. So, if the reference number for the USA is 100 and for the United Kingdom 200, the tariff schedules for each would be indexed as 100/123 and 200/123 respectively.

Another important point about indexing is that it should be done at once. There is a tendency to let indexing work pile up and to try to do it all at one go. usually it just piles up. It should be an inviolable rule that no information should be stored in the Data Bank before it has been properly cross-referenced and indexed.

Storing information in the Data Bank. The storing of the sorted information in the Data Bank is the final step. This involves physically locating the information in a form and place suitable for easy and speedy retrieval. There are a number of sophisticated data storage and retrieval systems available. Hong Kong uses a mixture of old and new. Information likely to be required frequently, that has to be completely up-to-date and have a high degree of accuracy, is fully computerized - company textile quota records, for example; information on markets, production capacity, etc., which can just as easily be referred to by looking up a file or a printed table, is held in files and "weeded" from time to time. Whatever the form of storage, however, it is essential to have a good, reliable, and up-to-date index which leads an enquirer both to the subject matter and to the physical location of the information.

Output

The third level of activity concerns the output, that is to say the retrieval and supply of information. This has two distinct operations.

Retrieval

The first is the retrieval of information. This, as the name implies, entails selecting the right information from the storage system. But it means much more than that for it assumes:

- (a) that all reasonable sources of information have been culled to obtain appropriate data inputs;
- (b) that all information is accurate, has been audited and is up-to-date; and
- (c) that all necessary cross-referencing and copying has been done.

It demonstrates, also, the inter-linking between the three levels of activity, how each depends on the other and how a weakness at any one level or in any one operation within a level can have repercussions throughout the entire process.

Finally, it highlights the need for a detailed index to the contents of the data bank to ensure that all aspects of the subject have been covered.

Supply of information

The final stage in the operation of Level II is the supply of the information.

This is more than bundling a few files together with a couple of computer printouts and passing them on for someone else at the next level to sort out.

It requires the provision of the requested information in a form that can be used immediately at the next level, together with any additional facts and figures which, even though not asked for, Level III officers judge may be of relevance or assistance to those at the next level with the task of converting it into intelligence.

Subject inputs into the Textile Intelligence Unit's Data Bank

As has already been mentioned, vertically, the TIU's Data Bank can be divided into two broad groupings of production and marketing.

Production information

A significant amount of information will be needed if the Thai Government is to continue with its modernization and development plans for the textile industry.

First, it is essential to have accurate and timely knowledge of the current structure of the industry, broken down in a number of ways.

For example, information will be needed regarding:

(a) Sectors of industry:

- fibre production (silk, cotton, etc.)
- spinning (cotton, mmt, etc.)
- weaving (cotton, silk, etc.)
- knitting (piece goods, fully-fashioned knit pieces, etc.)
- household textiles (bedsheets, pillow cases, etc.)
- garments (types of garments by silk, cotton, mmt, etc.)
- other sectors, etc. etc.;

(b) Machinery and equipment by sector:

- Spinning (number and type of spindles, their age, country of origin and replacement cost, capacity and utilization, etc.)
- weaving (number and type of looms, their age, country of origin and replacement cost, capacity and utilization, etc.)
- knitting (similar information)
- garments (types of garments by fibres, etc.)
- other sectors (similar information);

- (c) raw materials used by each sector broken down by type of materials, sources of supply: domestic or imported and from which countries, comparative costs of raw materials to end users, etc.
- (d) manpower:
 - numbers employed, broken down by skill levels;
 - pay bands at different skill levels;
 - vacancies and match/mismatch between people available for jobs and jobs available for people; etc.
- (e) location and infrastructure:
 - where different sectors of industry are located and why;
 - current locations related to production for domestic and export markets; etc.
- (f) finance, investment and taxation as it affects manufacturing:
 - sources of finance and cost of money;
 - investment incentives;
 - current tax systems and structure, drawbacks, rebates etc.;

Other information on latest types of machinery available, what they can do, how much they cost and where they can be obtained should also be collected.

This list is far from complete but gives some indication of the type of information that should be available to policy makers for planning and decision purposes connected with the technical development of the textile industry.

Marketing information

The second major subject area is marketing information, including the need to have information to help Thailand in its commercial relations with other countries.

The principal purpose of the technical development of the textiles industry is, by definition, to create or respond to buyers' demands for the products of the industry.

This means that steps need to be taken to promote the end products and to market them effectively. This should be the prime responsibility of the manufacturer, dealer and exporter, but most governments play a significant role, either directly or indirectly, in this area and serve as a focal point which brings together and reinforces the efforts of the individual.

The key to success in this field is market intelligence derived from sound information. This is especially true in respect of export markets which will almost certainly have marketing needs and practices different from those appropriate for domestic sales.

(The most instructive example of this is Japan which has successfully learned how to market its products overseas. Few overseas, however, have succeeded in adapting their marketing methods to the requirements of the Japanese system - or even troubled to find out what is required. Some have even attempted to force their own marketing methods on the Japanese, which, surely, must be the wrong way to go about things and, in the long run, counter-productive.)

It is necessary, therefore, to have detailed information relating to the markets where the industry's principal customers, both domestic and overseas, are to be found. This is especially important for overseas markets: the very fact that trouble has been taken to collect it, is in itself, a marketing point, for it demonstrates commitment to the market and to the needs of the customer.

Such information should include:

- (a) detailed trade statistics, by product, by market;
- (b) comparable information from other suppliers. (It follows from this that trade statistics should be compiled using an internationally accepted classification (Thailand now uses the Harmonized System) to allow direct comparisons to be made);
- (c) duty rates applicable to products on import, and any concessions attached thereto, e.g. GSP or other preferences; as well as similar information relating to other suppliers;
- (d) details of any restraints on exports (or measures taken at the point of import) together with similar measures applied by or taken against other suppliers;
- (e) details of imports from principal export markets (a useful negotiating tool if it can be shown that by restricting exports, an importing country would be limiting its own sales potential);
- (f) details of the political and economic systems in the export markets, the relationships one with the other, the influence of lobbies for protection and free trade; details of possible sympathizers with the exporting countries' concerns;

Again this listing is illustrative. Indeed, it is almost impossible to compile a comprehensive list since the more that is known about the export market, the better the chance of establishing and maintaining a position in it.

Market information about domestic sales is also important but its collection and collation is more properly the task of the manufacturer, dealer and salesman rather than the government.

Information to assist with discharging Thailand's international obligations and upholding its rights in the textiles field

For the better or worse, trade in textiles is one area of activity upon which many governments focus. The advent of MFA IV has virtually completed a process begun in the late 1950's, and it has arbitrarily divided the textiles

world into "importers" and "exporters", and "developed" and "developing", and, more recently, into "newly industrialized countries" (NIC's), as well.

That these divisions are arbitrary and misleading has had little influence in deterring "importing" "developed" countries from taking action to restrict access to their markets for textiles.

Hong Kong is a good (or, depending on one's point of view, bad) example of the effects of these arbitrary labels. Hong Kong is the world's largest exporter of garments and has a network of restraints on them. It is occasionally displaced in terms of garment exports by Italy, a "developed" "importing" country but no restrictions are placed on Italy's exports! Hong Kong is the world's third largest importer of fabrics and imposes no restrictions on them. Its own exports of fabrics, however, are severely restrained.

The fact is that any "developing" "exporting" country is likely to be approached by a "developed" "importing" country for restraints on exports. Information is an essential weapon in dealing with these approaches and in ensuring that one's full rights can be exercised when such approaches are made.

An obvious but sometimes overlooked piece of vital information is to know precisely which products are being exported in what quantities, in order to ensure that both parties are talking about the same thing. It is also important to have comparative figures, so that each country's exports can be set in the context of total imports of the products to establish what position each exporting country (including "developed" countries!) holds in the import market.

Other essential information includes production statistics in the importing country (if production is increasing, it is difficult to argue that the importing country's industry is suffering) and the importing country's own export performance (if the importing country is exporting a major part of its production, this could explain why its domestic market is attracting a lot of imports without necessarily disrupting the market. Hong Kong and Italy again serve as good examples of how imports supply all or some domestic needs while the domestic industry manufactures for export).

Information on domestically produced and imported products is also essential as an indication of whether domestic and imported products are catering for different segments of the market.

All this information helps to construct a profile of the situation in the market place and determine whether market disruption exists or is threatened and, if it is, by whom.

There is no doubt that much of Hong Kong's success in textile negotiations under the MFA and before, has been due to good intelligence built on accurate information. As a consequence, restraint limits have been increased, and, in some cases, restraints have been avoided altogether.

Similarly, Hong Kong's detailed knowledge of what is going on in the importing country has enabled it to contain restraints within the textile area and keep open the channels of trade for its manufacturers in other areas.

Special attention therefore needs to be given to this particular aspect of marketing information.

A schematic diagram showing the organization and processing flow of the Level III activities is at Annex Figure 2.

Level III - Converting information into intelligence

Activity at Level II of the TIU is crucial, for here the information received from Level III is converted into intelligence.

The aim should be to present Level I with a draft paper or a brief which explains the background to an issue, the considerations that need to be taken into account, the options that are open with argument and statistics to support each one, and a description of the likely consequences of each option if selected. In so doing, Level II officers may point to those options which appear, to Level II, to offer greater advantage or pose greater risks than others.

Level I - The finished product

This is the most senior level of the TIU. It is the final arbiter of what information and intelligence passes out from the TIU, and since decisions are to be based on it, its importance goes without saying. The reputation and continuing success of the TIU depends on the quality of work at this level. Like any product, if the quality is good, the customer will come back for more. If it is not, business will fall away.

Other benefits of proposed organization

A valuable spin-off from this type of organization is that it provides a reasonable career structure for staff in the TIU with each level of activity providing on-the-job training and experience for the next higher level of operation.

Furthermore, it allows for inputs from "experts" outside the TIU if and when required as well as for growth laterally at each level as the number and variety of tasks expands. In this regard it is proposed that the TIU should have a core of permanent staff at each level which can be supplemented by "experts" from outside from time to time. The permanent staff can be increased as work increases and (budgetary constraints allow).

It will be clear from the nature of the work involved at all levels that suitably qualified and experienced staff are required, and that they should have a good knowledge of government policy and procedures.

Annex Figure 2. Textile Intelligence Unit: Schematic diagram showing organization and work flow at Level III (Data Base)

