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Textiles Committee
Working Group on Adjustment Measures
Technical Sub-Group

REPORT BY THE WORKING GROUP ON ADJUSTMENT MEASURES

Addendum

Communications from Hungary and Singapore

The attached communications have been received from Hungary and Singapore in reply to the questionnaires GATT/AIR/1611 and 1612 sent out by the Technical Sub-Group.

HUNGARY

Information for the GATT Textiles Committee

In compliance with what was stated in our detailed information of last year, reconstruction in Hungary - now at its tenth year - with some Ft 16-17 thousand million investment, has been aimed at the modernization of the means of production, at establishing up-to-date equipment, and to a lesser extent, at creating new capacities in the textile and clothing industry. In the mid-seventies, however, the labour force decrease speeded up to an unexpected degree, amounting to a yearly ratio of 1-1.5 per cent; in one of the biggest centres of the textile industry, Budapest, the labour force decrease was well over 5-6 per cent a year. As a result of this, new capacities in many instances served to make up the lacking manpower.

In reconstruction, with the original objectives of increasing the volume of production, there has come a change as from 1978 that attaches special importance to the improvement of efficiency and change of production pattern. The state of production value and that of major products, as well as dynamics in the annual development of the volume of production in certain sub-branches are figuring in Tables Nos. 1, 2 and 3.

The amounts allocated for investments had essentially been exhausted up to the end of 1978 and in the first half of 1979. Due to unfavourable tendencies on the world market, profits of producing enterprises have decreased, thus for further development these enterprises dispose of lesser funds of their own.

Internal and external factors alike induced a shift towards a more rational production system and products pattern, thus, as compared to 1975, the output of the cotton industry is expected to have been decreased by more than 10 per cent by 1980.

As to the global production of the textile industry, a decrease, or stagnation, respectively, is reckoned with, if the output of 1980 is compared with that of 1979. Out of this, the cotton industry has a 2.5-3 per cent share in the decrease, while the haberdashery and hosiery industry has a 3-5 per cent increase; in the ready-to-wear industry, a 1-2 per cent increase is to be expected.

In the linen and hemp industry, the processing of natural fibres is decreasing, due to insufficient crops in agriculture, and partly because the labour force is scarce in the field of producing natural fibres. These traditional branches of plant cultivation are losing their importance more and more, and at an increasing pace there is a switch-over to the processing of synthetic fibres - Polypropilene - thus making production more effective, through the introduction of additional and new profiles.

The search for new profiles, utilization of new primary materials is specific to other sub-branches as well, e.g. for the production of woollen cloth, basic materials containing woollen and viscose fibres are used; in the silk and hosiery industry the utilization of cotton yarn is increasing; there has been a change-over to producing more profitable ladies' blouses and dresses from shirt production.

However much the results are considerable in the change of production structure, they are of no sufficient degree. Fast, dynamic changes are hampered to a great extent by the lack of liquid assets on the home market.

Reconstruction in the textile industry cannot be taken as completed, for different reasons, such as, the allotted amounts due to price increase concerning equipment have proved to be insufficient. During the past five years, the production of the clothing industry has increased by 1 per cent yearly.

The share of textile and clothing industry in national economy

In Hungary, out of the global production value of the industry, the textile and clothing industry have a 9 per cent share and 16.8 per cent of those employed in the industrial sphere work in the textile and clothing industry. About 50 per cent of finished goods serves internal consumption, satisfying some 80 per cent of the demand in clothing. The quality of home clothing provision has gradually improved, new, up-to-date products have been put on the market, choice has enlarged, however, foreign suppliers still have a good chance to sell their products on the Hungarian market, as economies of scale do not make possible the home production of many items. The other half of finished goods is exported, in almost equal proportion to rouble and non-rouble areas.

Exports to rouble areas are realized in the frame of long-term inter-state agreements which ensure security of production on the one hand and relatively high economies of scale, on the other. The profitability of our sales does not exceed the average. As to our exports to convertible currency areas, the major market for us is Western Europe, with special regard to the EEC; also the overseas developed market economy countries have a considerable share. Lately, the proportion of developing countries has decreased to about 20 per cent in our exports to convertible currency areas.

Export markets for textile and clothing industry

Markets of the EEC with a 50 per cent share of our exports to convertible currency areas are looked upon as of decisive importance also in the future. We have got traditional business relations, which, in most cases, imply more than mere business transactions. Our customers, agents, joint companies research and convey the demands of markets to be expected, changes in fashion, as well as they point out the required trends in the development of production. Our expansive relations in the field of co-operation have got a beneficial affect on export structure, the state of quality and turnover also in the long run.

Commission work activity[1] implies a great many technical advantages, however, it may block capacities, as it makes production depend on the customers' demands, thus bringing about insecurity. A more dynamic increase in this respect is not deemed advisable.

As for our exports to the United States markets, the application of the most-favoured-nation treatment has considerably improved our tariff positions and retail prices attainable on the markets, however, due to other factors - e.g. the increase of shipping expenses - the expected rise of turnover has failed to ensue.

Essential criterion of development: rentability of production

In the fixing of prices attractiveness, fashion hits, touches of novelty and "human capital" accumulated in technology are a decisive factor rather than traditional index-numbers, that is why production and sales costs should be co-ordinated so that they actually be recovered.

Our objectives in developing production are that the goods we supply contain higher level of values of intellectual and servicing character. In various fields of our textile and clothing industry, possibilities of co-operation are being searched for. There is a basic necessity to develop preparing capacities for cotton and woollen fibres, as well as finishing capacities, and special attention is attached to buying know-how and production pattern.

There is no central planning for the development of the textile industry. In factories working individually, there is but one criterion of the development of production and export: rentability. It is the Ministry of Light Industry to guide and control the individual sub-branches, as to the various scales of developing or reducing production. At present rentability and profitability are decisive factors, thus less efficient sub-branches and enterprises are granted no credits or any other means of support; this brings about a regression of production.

Trends to be expected in the development of production structure in the textile industry

Cotton industry: development is aimed at producing coloured woven heddle fabrics, corduroy, cotton, burberry, twill, duffel, different sorts of poplin, with a view to producing basic materials for leisure garments.

[1]travail à façon

In the silk industry progress is to be expected in producing up-to-date lining materials; the production of coloured woven bulk yarn will be increased, partly for home consumption and partly for export markets.

Goods made of pure wool being most in demand, in the wool industry development is tending towards the processing of natural basic materials in the case of worsted fabrics and carded materials alike.

As to linen and hemp industry, household textiles, technical fabrics, polyolein fibres, strings, ropes, sacks are planned to be produced of synthetics for the most part, in addition to linen damask, jacquard fabrics and fashion textiles.

It is advisable for the haberdashery industry to make progress in producing accessories for ready-to-wear industry and also in producing curtains and sanitary products.

Knitting industry: as far as can be foreseen, fashion varies towards preferring flat-, circular- or chain-knitted fabrics. However, a shift to utilizing non-synthetic basic materials is to be expected also in this field.

Summary: It is the "microstructure" of the individual enterprises where the development of Hungarian textile industry is going on; it also affects the flexibility of enterprises in adapting their production to the changing demands of market, through increasing efficiency.

Production value /in million Ft./

Table No. 1

/Branches/

Special branch	1975. actual	1976. actual	1977. actual	1978. actual	1979. actual	1980. expectable	Index % 1980./1975. expectable: actual
Cotton industry	15.312	15.131	15.778	16.129	16.391	15.110	98,7
Linen and hemp industry	3.786	3.870	4.110	4.379	4.422	4.340	114,6
Wool industry	8.099	8.800	9.345	9.412	9.551	8.030	99,1
Silk industry	2.446	2.514	2.582	2.491	2.378	2.340	95,7
Haberdashery industry	2.621	2.749	2.942	3.032	3.153	3.160	120,6
Knitwear industry	6.196	6.741	7.176	7.424	7.805	7.970	128,6
Textile industry - global	38.460	39.805	41.933	42.867	43.700	40.950	106,5
Textile clothing industry	13.390	13.813	14.315	15.263	15.975	15.170	113,3

Production of major products

Table No. 2

/Branches/

	M.e.	1975. actual	1976. actual	1977. actual	1978. actual	1979. actual	1980. actual	Index% 1980. / 1975.	expectable actual
nitation leather including textiles	mill.m2	28,4	28,2	29,2	31,4	30,7	32,2	113,4	
cotton fibres	thousand tons ezer to	67,6	65,2	66,3	69,6	67,5	67,5	99,9	
woollen fibres	ezer to	22,0	23,4	25,1	25,7	25,5	25,8	117,3	
finished cotton fabrics	mill.m2	352,1	352,9	366,2	365,3	348,8	336,0	95,4	
finished linen and hemp fabrics	mill. m2	24,4	23,0	20,6	20,2	19,1	19,0	77,9	
finished woollen fabrics	mill.m2	39,0	41,3	43,0	42,8	41,0	41,0	105,1	
finished silk fabrics	mill.m2	54,7	57,1	57,0	62,3	57,3	55,0	100,5	
knitwear /under and overgarment/	thousand tons	14,5	15,5	15,6	15,3	15,0	16,2	111,7	
clothing industry branch	at current price Ft	13.035	12.840	13.560	14.510	15.210	15.220		

Table No. 3

/Volume index %/

/Branches/

Special branches	1976. actual / 1975. actual	1977. actual / 1976. actual	1978. actual / 1977. actual	1979. actual / 1978. actual	1980. expectable / 1979. actual	1980. expectable / 1975. actual
Cotton industry	98,9	102,1	96,1	94,6	97,6	89,6
Linen and hemp industry	101,6	102,4	101,2	98,9	101,8	106,0
Wool industry	110,7	104,6	106,7	108,8	100,8	135,5
Silk industry	103,2	103,0	96,5	92,6	100,5	95,5
Haberdashery industry	104,6	106,2	103,0	103,2	103,0	121,6
Knitwear industry	107,6	104,6	100,9	101,6	105,0	121,1
Textile industry /global/	103,7	103,4	100,1	99,6	100,6	107,5
Textile clothing industry	101,2	100,2	101,4	101,0	101,8	105,7

SINGAPORE

Facts of Figures of Textiles & Clothing Industry, 1978

Industry Group	No of Establishment	No of Workers	Output (S$ Million)	Employees' Remuneration (S$ Million)
Textiles & Textile Manufacturers	80	9,808	352.9	54.7
Wearing Apparel	345	28,994	633.6	118.1
TOTAL	425	38,802	986.5	172.8

Source: Report on the Census of Industrial Production 1978

Note : Only establishments engaging 10 or more workers are included