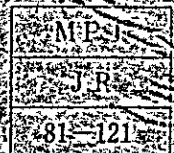


THE MASTER PLAN STUDY REPORT
ON
THE TEXTILE INDUSTRY DEVELOPMENT
IN
THE REPUBLIC OF PARAGUAY
(SUMMARY)

July 1981

JAPAN INTERNATIONAL COOPERATION AGENCY

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国際協力事業団

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1. The Present State of the Textile Industry

(1) Production of Raw Cotton

Raw cotton is the biggest export commodity of Paraguay. In 1979, 230,000 tons of seed cotton and 73,000 tons of lint cotton were produced, and of this amount more than 90 percent were exported.

(2) Domestic Market

About 6,000 tons of cotton goods were marketed in Paraguay in 1979, and of this amount two-thirds were produced in the country and one-third was imported.

(3) Production of Cotton Goods

The present annual production of cotton yarn is estimated at 5,700 tons. In 1979, 20,252,000 meters of cotton cloths were produced. The production of cotton cloths were produced. The production of cotton cloths has showed no marked fluctuations during the past ten years.

(4) Textile Companies

There are five companies which have integrated equipment for producing cotton yarn and cloths and for finishing and dyeing. Representative companies are Pilar and America Textil. At all the textile companies the obsolescence of equipment and low labor productivity are generally noticeable.

2. A Need for Rehabilitating Existing Textile Companies

- (1)** With regard to the two major companies, there is a possibility of activating them by rehabilitation.
- (2)** Rehabilitation alone is insufficient in the case of the three small companies. It is necessary to improve their structure such as by rationalization and joint production.

3. Export Possibility

- (1)** Quality-wise raw cotton has competitive power.
- (2)** It will be difficult to export cotton goods to European markets.
- (3)** There is a possibility of exporting cotton goods to neighboring Argentina and Bolivia.



4. Basic Development Conception

(1) Basic Strategy for Development

The basic objectives of development is promotion of the textile industry by making efforts to produce import substitutes first and then by switching over from import substitutes to export substitutes. For these the following strategy is conceivable.

- 1) Enhance the functions of Instituto Nacional de Tecnología (I.N.T.N.) gradually and make efforts to raise the technical level of the textile industry by standardizing cotton goods, inspecting export goods and providing the industry with technical service.
- 2) In order to produce import substitutes, the following measures are conceivable with regard to the existing companies.
 - a. Rehabilitation of the two major textile companies.
 - b. Rationalization of the small textile companies and establishing a joint production set-up (10,000 spindles, 48 looms and one set of dyeing and finishing equipment).
- 3) In order to produce export substitutes, establishment of a new integrated mill equipped with 20,000 spindles, 200 looms and one set of dyeing and finishing equipment is indispensable.

(2) Future Structural Image of the Textile Industry

By executing the strategy mentioned above, the structure of Paraguay's textile industry will be as shown in Chart 1.

At that stage the annual production of cotton yarn would be 10,242 tons and that of cotton cloths would amount to 28,092,000 meters.

1) Cotton yarn

New mill	2,470 tons/year
Existing mills	7,772 tons/year
Total	10,242 tons/year

2) Cotton cloths

New mill	6,924,000 meters/year
Existing mills	21,168,000 meters/year
Total	28,092,000 meters/year

(3) Development Program

- 1) As shown in Table 1, the textile industry would be developed in three phases – 1982–1986, 1987–1991 and 1992–1996.
- 2) In developing the textile industry, it would be necessary to take the following promotion measures.
 - a. Preferential treatment with regard to taxation and financing.
 - b. Market development.
 - c. Building up infrastructure.
 - d. Manpower development.
 - e. Establishment of textile trade association.

(4) Feasibility of Business

Small scale textile enterprises and newly established textile enterprise are planned to begin operations newly, and the operational and economic feasibility of these enterprises are as follows:

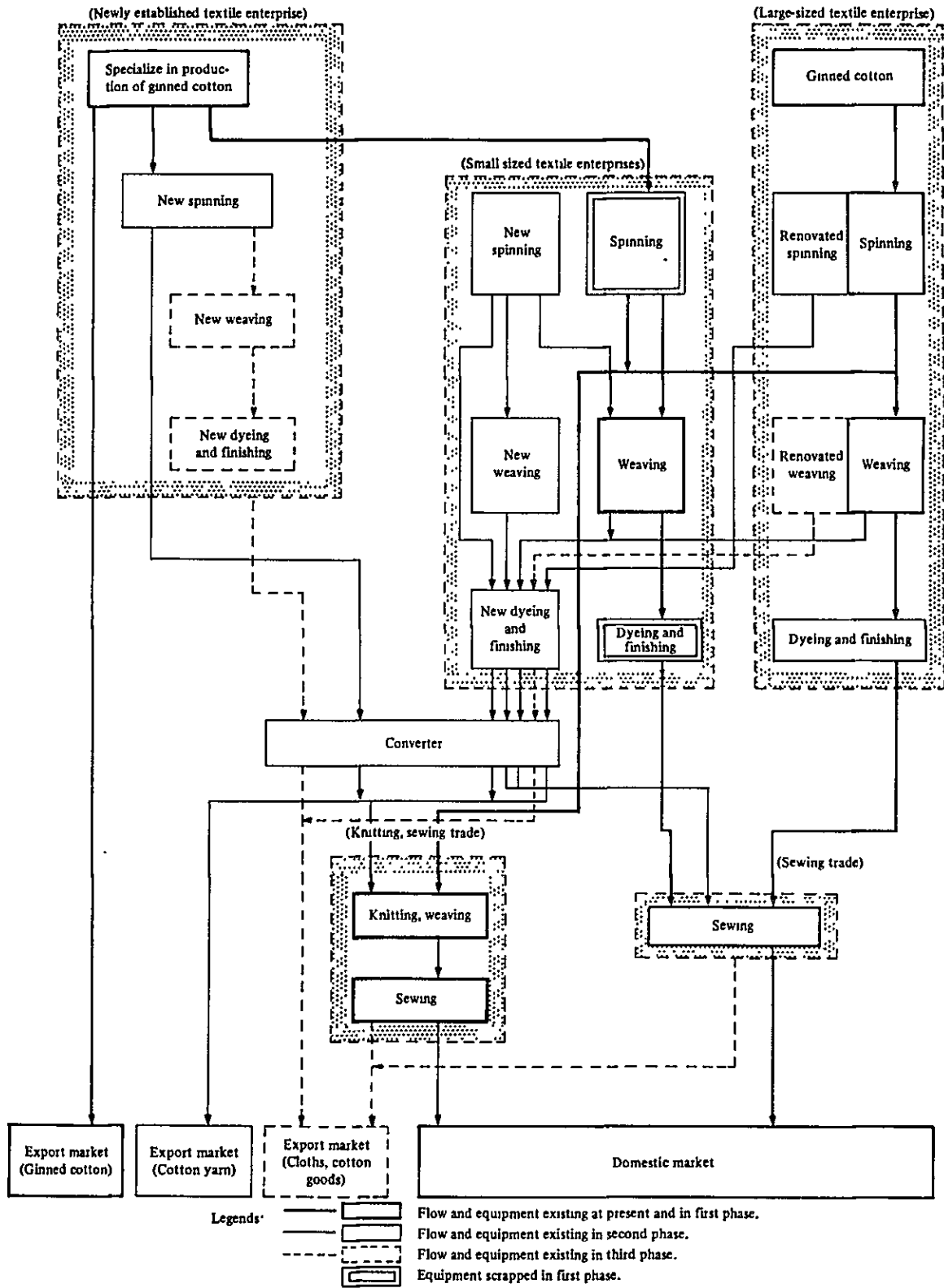
1) Small scale textile enterprises

I.T.A.S.A.'s mill would be utilized and new equipment only would be installed with a total investment of 2,106 million G. Their business economy, as shown in Table 2, would be high and this would be due to an anticipated increase in selling prices and light depreciation burdens.

2) Newly-established textile enterprise

A spinning mill would be built in the first stage and a weaving mill and a dyeing and finishing mill in the second stage with a total investment of 6,406 million G. Its business economy, as shown in Table 2, would not be so high. Much effort in management will be needed when the mills start operating.

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Note: In the flow from the spinning section to the weaving section, yarn dyed is to be included in the spinning section.

Chart 1. Structural Plan of Textile Industry

Table 1. Programs for the Textile Industry Development in Paraguay

Item	Schedule	Phase 1 (1982-1986)	Phase 2 (1987-1991)	Phase 3 (1992-1996)	Remarks
I.N.T.N. 1. Revision of law 2. Training of personnel 3. Expansion of equipment 4. Guidance in and supervision over textile enterprises			p		Compulsory identification of quality begins in 1987 Installation of testing and inspecting machines
Large textile enterprises 1. Rehabilitation 2. Import substitution 3. Export					Cotton yarn 5,520 t/y Fabric 14,820,000 m/y
Small textile enterprises 1. Renewal of equipment 2. Import substitution					Equipment investment (first investment: spinning 5,000 sp looms 48 units, dyeing and finishing) (second investment: spinning 5,000 sp added) Cotton yarn 2,252 t/y (first investment 1,126 t/y) Fabric 4,822,000 m/y
Newly established textile enterprise 1. Construction of new factories or expansion 2. Guidance in operation 3. Spinning 4. Weaving and finishing					Equipment investment (first investment: spinning 20,000 sp) (second investment: looms 200 flats dyeing and finishing) Cotton yarn 2,470 t/y Fabric 6,924,000 m/y
Social and economic effects 1. Savings in foreign currency 2. Earning of foreign currency 3. Employment					US\$3,627,000 US\$8,424,000 US\$16,932,000 Employment in the direct production departments remains at the same level because 700 workers lose and get a job at the same time. Employment will increase if workers employed in the indirect production departments are included.

Note: The scheduled periods will be shortened if the plan is carried out smoothly.

Table 2. Feasibility of Business

Item \ Business	Small textile enterprises		Newly-established textile enterprise	
	First phase	Second phase	First phase	Second phase
Sales	1,151 million G	1,637 million G	1,112 million G	2,235 million G
Profit	355 million G	523 million G	2 million G	202 million G
Rate of profit on sales proceeds	30.8%	32.0%	0.2%	9.0%
Rate of return on investment	39.7%	37.4%	14.2%	15.4%

5. Future Advancement

Promoting the development of the textile industry is very important from the standpoints of increasing exports, accelerating the industrialization of Paraguay, and stabilizing the national economy. To materialize the textile industry development program, it is necessary to push forward the following two points:

- (1) Enhancing the overall functions of I.N.T.N. (manpower, technology, etc.)
- (2) Execution of feasibility studies concerning the following projects:
 - 1) Joint production of the small textile enterprises.
 - 2) Establishment of a textile enterprise devoted to production of goods for export purpose.

ANNEX

- 1. Members of the Japanese Team**
- 2. Schedule of the Japanese Team**

Annex-1: MEMBERS OF THE JAPANESE TEAM

A. MEMBERS OF THE STUDY TEAM

Mr. Mayuki TAKENO	Team Leader
Mr. Akira MORI	Sub-Team Leader Weaving and Knitting Expert
Mr. Makio HATTORI	Spinning Expert
Mr. Yoshimitsu ISHII	Dyeing and Finishing Expert
Mr. Keiji MATSUMOTO	Accountant
Mr. Nobuyuki YASHIRO	Industry Researcher
Mr. Koji ONO	Marketing Researcher
Mr. Kazuo ITO	Economist

(Advisory Team)

Mr. Kengo IHARA	Project Planner
Mr. Toshio NAMAI	Coordinator

B. JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

Mr. Kenji YAMAMOTO	Funcionario de JICA en Asunción
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Annex-2: SCHEDULE OF THE JAPANESE TEAM

Date	Schedule (Place of Visit)
Nov. 15 (Sat.)	Lv. Tokyo
16 (Sun.)	-----
17 (Mon.)	J.I.C.A. Office, Japanese Embassy
18 (Tue.)	Meeting with M.I.C. and I.N.T.N.
19 (Wed.)	Meeting with Presidencia de la República, Secretaría Técnica de Planificación. Showing of Movie and Slides on Japanese Textile Industry at I.N.T.N.
20 (Thu.)	Visiting Pedro Genovese e Hijos S.B.L., and Textil Paraná S.A.
21 (Fri.)	Visiting Textil Algolana Industrial y Comercial S.A.
22 (Sat.)	Visiting Centro de Entrenamiento Vocacional Presidente Carlos Antonio López. Lv. Asunción (K. IHARA and T. NAMAI, members of Advisory Team)
23 (Sun.)	Making a report
24 (Mon.)	Visiting Forno y Valle S.A., Market Survey
25 (Tue.)	Visiting Industria Textil Asuncena S.A. Market Survey
26 (Wed.)	Visiting Algodonera Guaraní S.A. (ginnery) Arriving at Pilar
27 (Thu.)	Visiting Manufactura de Pilar S.A. Arriving at Asunción
28 (Fri.)	Visiting Algodonera Ybycuí S.A.C.I. (ginnery)
29 (Sat.)	Making a report
30 (Sun.)	Same as above
Dec. 1 (Mon.)	Visiting America Textil S.A. Market Survey

Dec.	2 (Tue.)	Meeting with O.F.A.T. and C.E.P.E.X. Visiting America Textil S.A. (ginnery) and Head Office of Algodonera Ybycuí S.A.C.I. (ginnery)
	3 (Wed.)	Meeting with Banco Nacional de Fomento and M.A.G. Visiting Tricotex Industrial y Comercial S.R.L., Cooperativa Militar y Naval Ltd.
	4 (Thu.)	Meeting with Banco Central del Paraguay, UNIDO Visiting Fénix S.A. (sewing)
	5 (Fri.)	Meeting with Presidencia de la República, Secretaría Técnica de Planificación and M.I.C. Visiting C.A.P.S.A. (ginnery)
	6 (Sat.)	Making a report
	7 (Sun.)	Same as above
	8 (Mon.)	Making a Interim Report
	9 (Tue.)	J.I.C.A. Office
	10 (Wed.)	Meeting with M.I.C. and I.N.T.N., Japanese Embassy
	11 (Thu.)	Meeting with M.I.C. and I.N.T.N.
	12 (Fri.)	J.I.C.A. Office Lv. Asunción
	13 (Sat.)	-----
	14 (Sun.)	Ar. Tokyo



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