

retailers should be invited, but only 'quality' garments should be displayed.

We suggest that some samples be made specially for this event. The event could be organized by P-E Inbucon, as we have experience in this area, and could be hosted by JETRO.

### **3. The U.K. Market for Garments**

#### **3.1 Introduction: The U.K. Market within a World Context**

The world textile industry is the most genuinely international and competitive of all industries. International trade in textiles now amounts annually to about \$130 billion world-wide.

In 1970, the developing countries were still net importers of finished goods, their net exports of cotton goods being counter-balanced by their imports of man-made fibers, yarns and fabrics. Since 1975, however, developing countries have increased their exports by a compound average of 20% annually together with a significant reduction of imports.

Cheap labor and heavy investment in new technology in the developing countries allowed the East to overtake the West in textile production. Now, as their currencies appreciate, the Newly Industrializing Economies (NIEs) — South Korea, Hong Kong, Singapore and Taiwan — are moving away from cheap commodity goods and into the upper-market.

Fluctuating exchange rates determine the direction of the flow of imports. The currencies of the developing countries and NIEs are dollar-linked. When sterling was weak in the early 80s U.K. imports from the EC (which still represent 60% of the total) grew faster than those from the developing countries. Following the recovery of the pound sterling, which favored U.K. manufacturers, there has been a sharp deterioration of trade.

Furthermore, increasing imports and the trend towards bespoke tailoring have forced companies to rationalize their operations. Coral in the East Midlands has withdrawn from knitwear production; Courtaulds Textiles has closed its acrylic mills as a result of a surge in cheap imports from Turkey and Mexico. Multiple retailers and even Marks & Spencer have no choice but to increase their sourcing from abroad.

#### **3.2 Background of the U.K. Market**

Clothing is one of the largest and most diverse areas of British manufacturing. It

includes the giant textile groups like Courtaulds and Coats Viyella, together with the small sweatshops of the impoverished inner cities.

The U.K. industry is dominated by Marks & Spencer which buys a quarter of all the clothing made in Britain. The high volume standardized production requirements of Marks & Spencer, with its strict quality control, have determined the structure of many larger companies. Some, such as Courtaulds, Coats, Alexon and Total set up dedicated production plants to meet Marks & Spencer's orders. The relationships between Marks & Spencer and its suppliers is symbiotic; the repercussions of these relationships can affect the whole clothing industry.

**Table 1. Top 10 U.K. Manufacturers**

Company	Turnover (£M)
Coats Viyella	1,750
Courtaulds (textiles)	1,554
ICI Fibers	681
Total	388
Dawsins International	285
Scapa Group (textiles)	187
John Crowther (est)	184
William Baird	168
Readicut Int	112
Corah	97

Source: British Textile Association

For the rest, there are a number of high quality branded manufacturers and a complex network of contract manufacturers, "middle-men" or wholesalers, who dominate most market clothing production. The U.K. contract manufacturers supply high volumes of garments to mail order catalogs and to main street chains and have benefited from significant investment in modern machinery.

The sweatshops, however, rely on an unofficial workforce of poorly-paid home workers making cheap clothes for market stalls. Despite the difficulty of guessing the size of the sweatshop sector because of the illegality of many operations, it has been estimated that this sector accounts for at least 10% of output.

The U.K. textile industry as a whole has managed to increase output per employee by 40% in the 1980s. Improvements have come from the introduction of the new computer-controlled systems for cutting, garment-handling, warehousing and

distribution.

The more modern plants such as Alexon's in Claremont have increased production by as much as 40% in the last two years. Alexon's production in this plant, which is dedicated to Marks & Spencer, has doubled since the start of the decade. There have also been improvements in the production line. Coats Viyella's Northern Ireland plant, for example, has halved the time it takes to make a shirt over the last three years.

Faster lead times and cost reductions have been some of the ways of countering penetration by overseas competitors. U.K. manufacturers have also concentrated on the "just in time" philosophy or on their ability to supply retailers more speedily than their foreign counterparts.

The export sector is dominated by expensive and less price-sensitive brands which are in "classic" British style.

### 3.3 Size of the U.K. Textile Industry

In 1987 U.K. textile production totalled £13,637m of which the clothing sector accounted for £4,546m. Table 2 below provides a breakdown between the different textile types.

**Table 2. U.K. Production of Textiles 1987**

Type of Textile	£(m)
Wool textiles	1,566
Man-made fibers	969
Knitting	1,835
Home textiles	973
Finishing	619
Cotton textiles	1,120
Clothing	4,546
Carpets	1,071
Miscellaneous	938
Total	13,637

Source: British Textile Confederation

The household textile and "other made-up textile" sectors has increased production by 21% since 1980, compared to the clothing sector which has grown by 11%. These figures illustrate the general trend of the larger textile manufacturers to concentrate on the

manufacture of textiles for household use rather than for clothing.

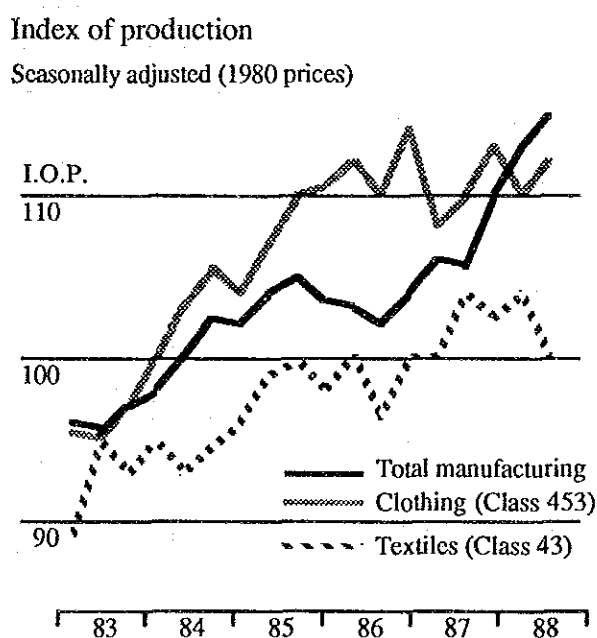
Textile finishing has also increased production by 10% since 1980 (and by 26% since 1982). Downstream manufacturing has grown as a result of the increasing demand for high quality goods with good quality finishing.

**Table 3. Indices of Production 1984 — 1988 (1985 = 100)**

Sector	1984	1985	1986	1987	1988
Clothing	94.8	100.0	101.6	102.4	101.9
Household textiles	99.3	100.0	103.1	113.7	116.1

Source: Central Statistical Office

**Fig. 1**



Source: Business Monitor

Table 4. Production and Deliveries of Textiles

Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<u>Yarns &amp; Staple Fibres:</u>										
Man-Made Continuous										
Filament Yarns	240.5	230.5	162.6	126.3	89.3	102.7	102.5	99.1	100.8	99.0
Cotton System: Single										
Yarns	167.2	164.6	124.0	94.0	94.9	97.3	96.3	99.0	99.9	104.9
Woolen & Worsted System	183.2	174.2	141.0	130.4	114.9	121.2	126.9	133.6	148.1	155.9
Man-Made Staple Fibres	366.6	365.7	287.2	268.4	244.3	286.6	280.9	231.1	187.2	167.7
Textured Man-Made										
Continuous Filament Yarns	76.8	73.7	61.2	44.8	34.5	28.5	26.3	31.8	29.9	29.1
Double Yarns	60.4	58.2	48.9	39.8	34.1	30.5	29.9	32.6	31.9	31.4
TOTAL	1094.7	1066.9	826.7	703.7	612	666.9	662.8	627.2	597.8	588.0
<u>Fabrics:</u>										
Woven fabrics	1246.0	1240.0	998.0	834.0	791.0	745.0	775.0	813.0	813.0	788.0
Knitted Fabrics	586.0	535.0	472.0	388.0	316.0	352.0	1105.0	1173.0	1188.0	1154.0
Others:										
Woven Linen Cloth	25.1	24.8	21.7	16.7	15.4	14.5	15.9	16.2	15.3	15.7
Pile Carpets	169.8	164.9	137.7	130.5	124.2	137.8	132.3	139.1	139.0	146.3
TOTAL	2029.9	1964.7	1629.4	1369.2	1246.6	1249.3	2028.2	2141.3	2155.3	2104.0

Source: Department of Trade and Industry.

It is noticeable that in 1988 cotton spinning and weaving of cotton, silk and man made fibers were all 20% below 1980 production levels and any improvement since 1982 has been negligible. Please see Appendix B.I. for further details.

Sales of textiles amounted to £8,342M in 1980 and had risen to £2,547M by 1986. Table 5 below shows that sales of textiles amounted to £8,471.4 in 1987, up from £6250.4M in 1980.

**Table 5. Estimated Sales of Man-Made Fibers, Textiles, (a) and Household and Other Made-Up Textiles**

Year	Estimated total sales
1980	6,250.4
1981	5,641.0
1982	5,830.1
1983	6,415.0
1984	7,148.0
1985	7,817.3
1986	7,977.7
1987	8,471.4

Source: Department of Trade and Industry

These sales figures are the estimates of total sales of all establishments in the United Kingdom classified to the individual industries on the basis of their major activity.

Appendix C shows estimated total sales by textile category.

### **3.3.1 U.K. Clothing Industry**

#### **U.K. Sales of Clothing**

Estimated sales of clothing reached £4490.3M in 1987 having grown from a total of £3095.8M in 1982. Figures for sales between 1982 and 1987 are contained in Table 6 below.

**Table 6. U.K. Clothing: Estimated Total Sales 1982 - 1987 (£M)**

Category	1982	1983	1984	1985	1986	1987
Weatherproof outerwear						
Men's and Boy's	183.3	190.1	204.6	241.5	285.6	296.2
Tailored outerwear						
Women's and Girl's	405.6	455.8	506.7	569.5	600.0	656.5
Tailored outerwear	447.1	445.3	475.6	538.4	587.6	622.8
Work Clothing and						
Men's and Boy's jeans	259.3	265.6	341.0	357.7	389.0	387.1
Men's and Boy's shirts						
underwear & nightwear	287.8	296.3	322.6	438.4	460.9	485.5
Women's and Girl's						
light outerwear, lingerie						
and infants wear	1157.9	1221.4	1424.2	1551.7	1603.4	1583.7
Dress industries not						
elsewhere specified	354.8	378.8	426.0	450.0	458.6	458.5
Total Made-up clothing	3095.8	3253.3	3700.7	4147.2	4385.1	4490.3
(including gloves, excluding hats')						

Source: Department of Trade and Industry

### Consumer Expenditure on Clothing

Table 7 shows that in 1987 consumer spending on clothing grew at a faster rate than consumer spending overall. The combined retail value of the clothing and household textile market in 1987 was estimated at over £15.8 bn. as opposed to £14.5 bn. in 1986 and £11.9 bn. in 1984.

**Table 7. Consumer Expenditure 1982 — 1987 at 1980 prices**

Category	1982	1983	1984	1985	1986	1987
All Items	100.8	105.0	107.4	111.6	118.3	124.4
Clothing (and						
knitted goods)	102.7	110.4	117.4	125.9	136.2	146.1
Household textiles						
and soft furnishings	100.5	103.7	102.6	103.5	105.8	113.7

Source: Department of Trade and Industry

Customers expenditure on clothes and knitted goods in the U.K. has grown at an average annual rate of 7.3% since 1983, as compared to expenditure on household textiles which has increased by only 2.3% per annum.

Production of clothing (shown in table 8 below) has varied for the different garment categories.

**Table 8. U.K. Clothing Industry Production by Type of Garment,  
1984 - 88**

(Index: 1980 = 100) Product Type	Year					
	1984	1985	1986	1987	1987 1 Qtr	1988 1 Qtr
All clothing, hats and gloves	103.6	110.6	112.2	111.0	107.9	105.5
Weatherproof outerwear	92.9	103.7	115.5	110.8	104.2	117.3
Men's & boys' tailored outerwear	93.2	100.6	103.3	111.9	105.8	107.7
Women's & girls' tailored outerwear	89.6	94.5	97.5	99.7	99.7	79.9
Work clothing & jeans	120.3	118.1	128.1	126.2	124.3	136.0
Men's/boys' shirts						
underwear/nightshirts	106.9	135.4	136.4	134.9	127.6	123.9
Women's/girls' light outerwear & lingerie & infants' wear	110.7	115.9	115.2	109.9	108.9	103.3

Source: Department of Trade and Industry

Production of weatherproof outerwear, which had fallen back in 1987, showed signs of recovery in the early months of 1988. Production of men's & boys' shorts, underwear and nightwear showed signs of dropping back in the same period. Men's work clothing and jeans were running strongly ahead of the levels of recent years at the beginning of 1988. The lowest levels, compared with 1980, were for women's and girls' tailored outerwear. Further data on the garments sector is contained in section 3.5 below.

### **Balance of Trade in Clothing**

Rationalization and greater investment in technology in U.K. manufacturing have protected the industry to a certain extent, but the investment came too late to curb the



surge of imports from countries in the Far East which invested more — and earlier.

In recent years the U.K. has improved its share of intra-EC trade and there is growth in the "upper-market" end of the industry. The U.K. must secure its export market in the future by adhering to a policy of flexibility, prompt delivery and smaller batch manufacturing.

The rise in imports at the expense of domestic production is illustrated by the rise of 46% in consumer expenditure on clothing since 1980, compared with the rise of 0.5% in production during the same period.

U.K. manufacturers have increased their exports considerably since 1980 but at the same time imports have grown faster. Appendix E gives details. Figure 1 charts the progress of both imports and exports since 1971.

Overall consumption figures have consistently shown an upward trend and increased fashion awareness, and changes in lifestyles have contributed to this increase.

In the early part of 1988, imports rose almost twice as fast as in 1987 with a resulting large increase in the negative balance of U.K. trade in the clothing sector as a whole.

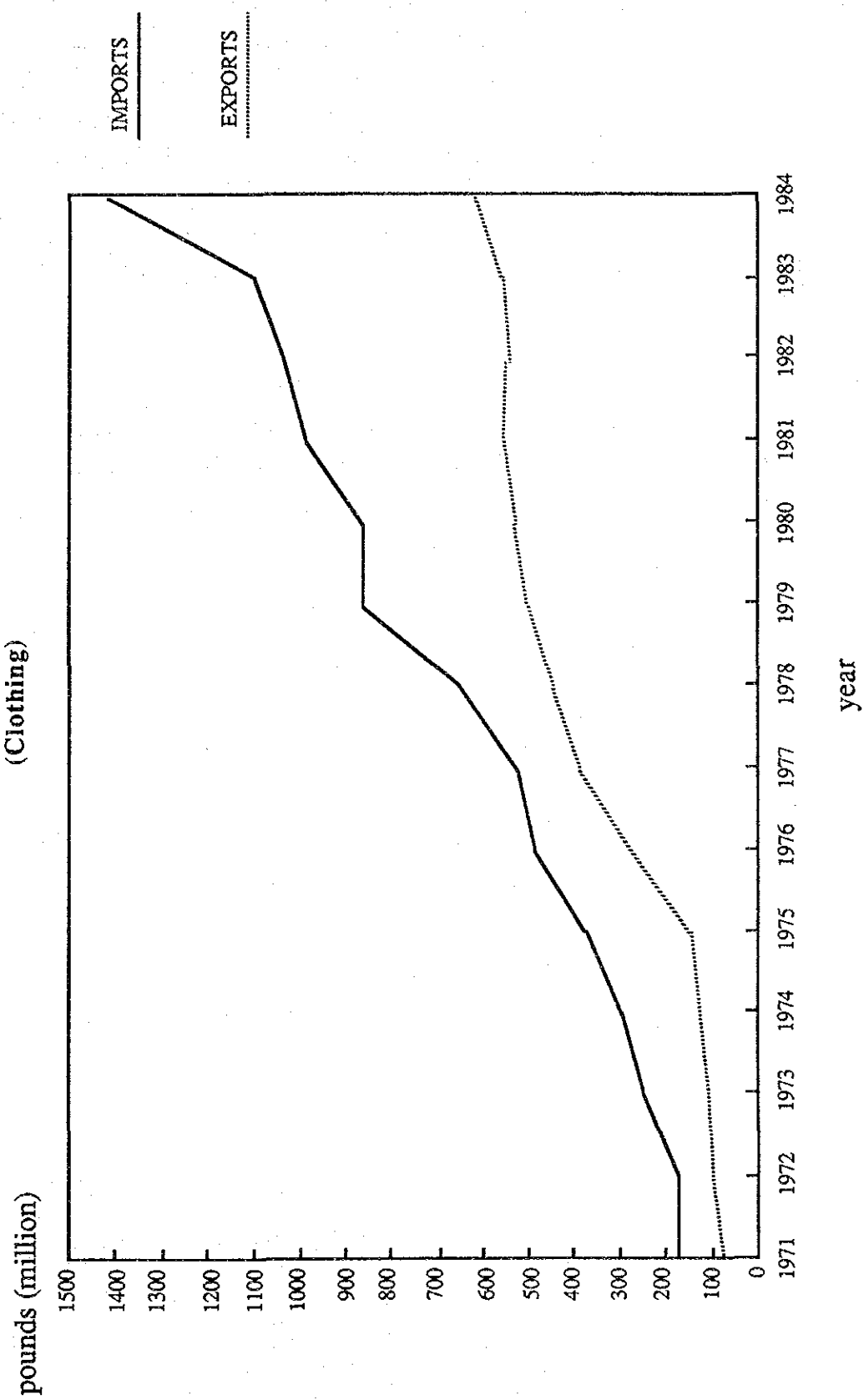
**Table 9. Balance of Trade in Clothing 1984 — 87 (£m)**

	1984	1985	1986	1987
Total clothing imports	2,013.2	2,094.7	2,386.7	2,778.4
Total clothing exports	996.4	1,171.9	1,228.3	1,428.8
Trade balance	-1,016.8	-922.8	-1,158.4	-1,349.6

Source: H.M. Customs & Excise

An increase in exports was achieved in both 1987 and in the early part of 1988 (Table 4) but imports rose more than twice as much, with the result that there was a large increase in the negative balance of U.K. trade in the clothing sector as a whole.

Fig. 2. UK: Basic Trade Data  
(Clothing)



Outside the EC, Hong Kong remained the largest source of U.K. clothing imports with a share of almost 21%. Imports from Hong Kong increased by 20% in value. The second largest non-EC source. South Korea, saw its share fall 1% to 5%. Of particular note among other countries, imports from Turkey and Thailand increased by 114% and 73% by value respectively; both of these countries shares of U.K. total clothing imports were increased by 2-2/1%

For exports of U.K. clothing, the EC has accounted for roughly 60% of both volume and value sales. The largest single market for U.K. clothing outside the EC countries is the U.S.A. Please see table 11 for details

### **Employees in Garment Production**

The high proportion of domestic demand for clothing supplied by overseas producers was reflected in a continued decline in U.K. employment in these sectors. The number of employees in the U.K. clothing and household textile sector was reduced by 5,000 to 234,300 between June 1987 and June 1988.

Table 10. Imports of Clothing (% Share from Key Sources by Value)

Source														
Year	Total EC	Italy	Federal Republic		France	Portugal	Irish Republic	Belgium		Denmark	Spain	Greece		
			Germany	L'bourg				Netherlands						
1986	43.3	12.4	7.5	1.9	4.5	6.1	4.5	1.9	1.6	3.3	0.8	0.6		
1987	40.2	10.5	6.5	2.4	3.9	6.2	4.3	2.4	2.1	3.1	0.8	0.5		
1st quarter of 1987	43.0	11.5	7.5	2.2	5.0	5.8	3.8	2.2	1.8	3.6	0.9	0.8		
1st quarter of 1988	41.6	10.4	8.3	2.6	4.6	5.9	3.7	2.6	2.4	2.3	0.9	0.4		
Outside European Community	Hong Kong	South Korea	India	Israel	Turkey	Thailand	Taiwan	China	Singapore	Austria	Philippines	Cyprus	Pakistan	USA
1986	20.5	7.1	3.0	3.1	1.6	1.4	3.0	1.1	0.5	1.3	0.9	1.0	0.9	0.9
1987	20.0	7.5	4.1	2.6	2.2	1.8	2.9	1.5	1.1	1.2	1.2	1.2	1.0	0.8
1st quarter of 1987	20.6	6.3	4.1	2.6	1.4	1.7	2.6	1.5	1.2	1.2	1.6	1.1	0.8	0.7
1st quarter of 1988	20.8	5.2	4.3	2.5	2.5	2.5	2.3	1.3	1.3	1.2	1.1	1.1	1.1	0.8

Source: Overseas Trade Statistics

Source: Overseas Trade Statistics

Table 11. Exports of Clothing (% Share to Key Markets (by Value)

Year	Source										
	Federal Republic Total EEC	Irish Germany	Republic	France	Netherlands	Belgium/Luxembourg	Italy	Denmark	Spain	Portugal	Greece
1986	53.3	11.7	16.8	9.8	5.2	3.3	2.8	2.5	0.7	0.3	0.4
1987	59.3	13.4	15.9	11.3	6.5	3.8	3.8	2.3	1.0	0.7	0.5
1st quarter of 1987	60.4	13.4	17.4	11.0	7.1	4.3	2.7	2.9	0.9	0.4	0.4
1st quarter of 1988	62.3	16.2	15.8	11.0	7.6	4.4	2.8	2.4	1.1	0.5	0.5
Outside European Community											
	USA	Sweden	Norway	Switzerland	Japan	Hong Kong	Austria	Canada	Finland	Saudi Arabia	
1986	11.7	6.0	3.6	4.3	2.6	1.4	1.3	1.9	0.8	1.7	
1987	10.1	6.0	3.3	3.3	3.3	1.3	1.3	1.5	0.8	1.3	
1st quarter of 1987	8.1	6.0	3.6	4.1	1.9	0.9	1.5	1.3	1.0	1.3	
1st quarter of 1988	8.1	5.8	3.8	3.4	2.5	1.5	1.4	1.3	1.2	0.9	

Source: Overseas Trade Statistics

Table 12. Employees in UK Clothing Production

Industry	1979	1980	1981	1982	1983	1984	1985	1986	1987
All									
Manufacturers	7257	7193	6840	6087	5764	5470	5409	5376	5235
Textiles, leather footwear and clothing	867	842	743	624	587	565	575	590	577

Source: Department of Trade and Industry.

### **3.4 Analysis of Trends in the U.K. Textiles Market**

#### **3.4.1 The Cotton Industry:**

The U.K. cotton industry has managed to grow and make profits within a market which is shrinking in terms of volume by moving away from high volume manufacturing of basic cotton textiles - where import competition is greatest. Instead it is focusing on individual market niches — eg. short run manufacturing, top of the range fabrics, household textiles (where quality is important) and downstream sectors such as finishing where service is vital.

The cotton sector comprises yarns, apparel fabrics, textile rental products, household and contract textiles, surgical textiles and industrial materials. The sector is now dominated by two giants - Courtaulds and Coats Viyella - since Tootal has withdrawn from cotton and spinning and now sources its requirements of basic fabrics from abroad.

The U.K. cotton industry has contracted from 203,000 employees in 1960 to 29,000 in 1987 as a result of rising imports and poor investment, even when compared to other EC countries. 80% of cotton cloth is imported compared to 41% of wool. Low cost countries such as Pakistan, India and China supply grey (loom state) fabrics whilst developed countries such as Japan, Italy and West Germany supply most dyed and printed fabrics.

Import penetration in cotton yarns is lower than in fabrics, largely as a result of manufacturers' characteristics - for example, being stronger in spinning than in weaving, and investing more money in design and re-equipment.

The trend in the household textiles sector currently is to increase investment in spinning and weaving. Coats has invested £24m since 1986, including £6m in its branded household textiles division, Dorma. Courtaulds has recently invested £3.5m on air jet-loom and computer-controlled dyeing and has increased production by 35% over the last year. Courtaulds is also investing in spinning to supply its towelling and knitting operations.

#### **3.4.2 The Knitwear Industry**

The U.K. knitting industry comprises a workforce of 80,000 people in more than 600 companies. However, since 1979, 30,000 jobs have been lost as a result of the impact of imports and, to a lesser extent, of improvements in productivity.

Knitwear production is highly labor-intensive. Despite investment in computer

equipment, the making up is still the most labor-intensive part of production. However, hosiery production has been automated to a much higher degree and Pretty Polly has reduced the length of time taken to knit tights from two minutes per leg in the early 70s to 45 seconds with its most modern machinery to date and the simplification of the production process from eight operations to three.

Hosiery, dominated by BTR's Pretty Polly and Courtaulds Aristoc, has become a fashion item and is thriving. Knitwear is suffering as the trend is more towards tailored clothing and leisurewear.

The sector is also prey to sudden surges of imports in individual product areas which are huge in quantity and priced at a level with which British producers cannot hope to compete. In 1987, for example, 63 million pairs of Chinese Knickers were imported to Britain at 22p a pair less than the cost of the raw materials for a British manufacturer. Once again design, service and quality are the principal weapons against imports and unfavorable exchange rates.

Imports rose by 22% to £1.13bn in 1987 as the dollar fell, together with the Far Eastern currencies which are linked to it. In such a buoyant market the rise in imports likely would have been more significant were it not for the quotas imposed by the MFA on many potential exporting countries. (See section 5.4 below).

### **3.4.3 The Man-Made Fiber Industry**

Since the 1970s, the U.K. man-made fiber industry has been forced to keep pace with refinements in textile products against a background of increasing imports. The need for higher investment in order to hold off competition is threatening the existence of smaller companies with insufficient volume to secure profits. The slide in the dollar has made it easier for Far Eastern, and to a lesser extent U.S. producers, to export their fiber to Europe. This has opened up the U.K.'s traditional customer base, the European textile companies, as they themselves face a surge of low cost imports from the Far East.

Pressure on the industry could be lifted by the imposition of import duties on fibers sold in Europe from South Korea and Taiwan for example. The recent rise in the price of natural fibers such as wool should also be of some benefit.

Of the three major man-made fiber sectors (cellulose, polyester and acrylic), polyester and nylon have the best future because of fashion trends and technical applications. Cellulose is declining in popularity with little room for growth and acrylics producers are fighting against increased competition, particularly from Turkey.



### **3.4.4 Summary of Product Development in the Garment Industry**

Recent noteworthy developments in the U.K. garment market include:—

- the trend away from casual cotton-wear to better quality suits
- the trend away from heavy wools towards smooth, light-weight worsteds
- the greater acceptance of easy-care garments composed of a mixture of natural and artificial fibers
- the emergence of the popularity of viscose, a cellulose-based fiber which combines the qualities of cotton with the flexibility of synthetic fabric
- the consumer's preference towards natural fibers
- the emergence of commodities such as hosiery as fashion garments
- the greater consumer willingness to spend more on fewer garments
- the indigenous manufacturers' specialization in niche markets with high value-added

## **3.5 Analysis of the U.K. Market by Garment Type**

### **3.5.1 Women's Clothes**

The women's clothing sector grew by 14% on average each year from 1981 to 1986 in value terms although volume growth remained static. This is largely because of the upward trend towards higher quality garments and because of women's propensity to spend more on fewer garments. The majority of women's wear is U.K.-produced.

Import penetration has been rising steadily through the 1980s because of the advantageous prices. Some U.K. manufacturers, however, have been successful in identifying niche sectors.

Outerwear:

Growth is currently in the suit and formal skirt sector at the expense of dresses. This is as a result of fashion trends and the increasing number of working women.

**Table 13. Women's Outerwear Sales by Product Type 1986**

Garment Type	£m rsp	% of total
Dresses	1,232	25
Suits, skirts	1,133	23
Knitwear	848	17
Blouses	592	12
Trousers, jeans	493	10
Coats, raincoats	394	8
Jackets	246	5
Total	4,938	100

**Underwear:**

The general fashion trend is towards uppermarket underwear which, like hosiery, has become a fashionable item as opposed to a basic commodity.

Total U.K. manufacturers' output has increased by 30% since 1983. Sales have been buoyant because of the introduction of new ranges and colors and consumers' preference towards natural fiber which is much used by the British manufacturers. According to the trade, however, growth is showing signs of slackening.

Total imports of lingerie into the U.K. have increased significantly since 1985 and this is mainly due to the growth of imported knickers and pants. The growth of imports within this sector may be a significant contributory factor to the increase in sales. Cheaper imported underwear may also have led to a sudden surge in purchases made by the lower end of the market.

**Table 14. Imports of Lingerie 1985 and 1987**

Type of Lingerie	1985 m units	% total apparent sales	1987 m units	% total apparent sales	% change 1985-1987
Bras	15.8	31	15.9	32	+1
Nightwear	7.6	36	6.5	34	-14
Knickers etc	60.3	62	97.6	71	+62
Petticoats, slips etc	2.3	8	2.1	8	-9
Corsets, girdles etc	1.9	16	2.0	14	+5
Total	87.9	42	124.1	50	+40

Source: Overseas Trade Statistics/Mintel

**Table 15. U.K. Manufacturers' Sales of Lingerie by Volume 1983—87**

Type of Lingerie	1983 m units	1984 m units	1985 m units	1986 m units	1987 m units	% changes 1983-87
Vests, slips, petticoats	21.9	24.3	27.8	25.7	23.9	+9
Knickers, pants, briefs (inc support briefs)	28.9	33.6	59.0	58.6	59.5	+106
Nightwear	16.6	15.8	15.9	15.0	14.9	-10
Dressing gowns/housecoats	4.2	3.8	4.0	4.2	4.0	-5
Bras	36.2	38.5	39.6	43.1	38.4	+6
Corsettes, girdles suspender belts and others	8.9	11.6	11.4	12.3	10.9	+22
Total (million units)	116.7	127.6	157.7	158.9	151.6	+30
Index	100	109	135	130		
Total (£m msp)	267.0	295.0	333.0	356.0	355.0	+33

Source: Business Monitor

### 3.5.2 Men's Wear

The U.K. market for men's wear grew by 9% to £4,600m in 1986. Details are given in Table 16.

**Table 16. Men's Wear Market by Value 1986**

Garment Type	£m	% share of total
Shirts, including T-shirts and sweatshirts	820	17
Trousers	800	17
Knitwear	750	16
Jeans	550	12
Jackets	450	10
Suits	400	9
Underwear (vests and pants)	170	4
Socks	170	4
Anoraks	130	3
Overcoats and raincoats	100	2
Ties	90	2
Nightwear (pyjamas and dressing gowns)	70	2
Other items (including hats and gloves)	100	2
Total	4,600	100

Source: Retail Business (Estimated)

Table 17. Apparent Consumption of Men's Wear 1983 — 86

Product type	By Volume — Units (m)			
	1983	1984	1985	1986
Suits				
U.K. Manufacturers' sales	2.0	2.1	2.0	1.6
Exports	0.5	0.6	0.7	0.6
Imports	2.7	2.9	3.1	3.4
Apparent home demand	4.2	4.4	4.4	4.4
Import penetration%	64.3	65.9	70.5	77.3
Shirts (Woven and Knitted)				
U.K. Manufacturers' sales	42.1	46.1	47.1	50.6
Exports	17.2	16.5	15.9	18.3
Imports	114.1	128.4	120.5	131.5
Apparent home demand	139.0	158.0	152.8	163.8
Import penetration %	162.5	162.7	158.9	160.9
Underwear				
U.K. Manufacturers' sales	56.2	56.0	63.8	61.1
Exports	10.5	10.5	11.9	8.8
Imports	26.6	33.3	29.9	35.3
Apparent home demand	72.3	78.8	85.8	87.6
Import penetration %	36.7	42.3	38.8	40.3
Knitwear				
U.K. Manufacturers' sales	32.5	33.3	35.2	37.0
Exports	10.5	11.5	14.1	14.4
Imports	21.2	25.1	25.3	35.6
Apparent home demand	43.2	46.9	46.4	58.2
Import penetration %	49.1	53.5	54.5	61.2
Trousers				
U.K. Manufacturers' sales	20.4	20.7	23.5	23.9
Exports	3.9	4.2	3.7	4.3
Imports	17.5	19.7	20.9	20.6
Apparent home demand	34.0	36.2	40.7	40.2
Import penetration %	51.5	54.4	51.4	51.2
Jackets				
U.K. Manufacturers' sales	2.7	3.2	4.2	4.0
Exports	1.1	1.1	1.4	1.3
Imports	2.6	3.2	3.0	3.1
Apparent home demand	4.2	5.3	5.8	5.8
Import penetration %	61.9	60.4	51.7	53.4

Source: Business Monitor

Table 17a. Apparent Consumption of Men's Wear 1983 — 86

Product type	By Value — £m at msp			
	1983	1984	1985	1986
Suits				
U.K. Manufacturers' sales	84.6	82.3	79.5	77.2
Exports	13.6	17.6	20.6	17.6
Imports	66.8	76.3	77.2	85.9
Apparent home demand	137.8	141.0	136.1	145.5
Import penetration %	48.5	54.1	56.7	59.0
Shirts (Woven and Knitted)				
U.K. Manufacturers sales	163.1	192.5	221.5	236.8
Exports	40.6	44.0	48.2	56.8
Imports	178.0	356.8	145.5	264.7
Apparent home demand	300.5	405.3	418.5	444.7
Import penetration %	130.2	129.7	129.7	128.8
Underwear				
U.K. Manufacturers' sales	62.5	70.3	83.0	80.4
Exports	10.8	12.1	12.9	8.8
Imports	19.0	20.4	19.0	20.2
Apparent home demand	70.7	78.6	89.1	91.8
Import penetration %	26.9	25.9	21.3	22.0
Knitwear				
U.K. Manufacturers' sales	219.8	247.1	296.9	317.8
Exports	92.7	110.8	142.6	151.9
Imports	80.3	100.7	109.1	147.2
Apparent home demand	207.4	237.0	263.4	313.1
Import penetration %	38.7	42.5	41.4	47.0
Trousers				
U.K. Manufacturers' sales	135.2	145.9	168.8	184.6
Exports	20.2	24.8	26.8	30.3
Imports	89.8	109.7	119.4	118.1
Apparent home demand	204.8	230.8	261.4	272.4
Import penetration %	43.8	47.5	45.7	43.4
Jackets				
U.K. Manufacturers' sales	53.7	63.4	91.1	94.3
Exports	13.7	16.6	25.6	24.2
Imports	42.2	47.2	52.0	53.4
Apparent home demand	82.2	94.0	117.5	123.5
Import penetration %	51.3	50.2	44.3	43.2

Source: Business Monitor

There has traditionally been high import penetration in most sectors of the men's wear market. Table 18 below shows the proportion of garments imported by volume and value for 1986.

**Table 18. Import Penetration in Men's Clothing Markets 1986**  
**% Share of U.K. Sales**

Garment Type	Volume	Value
Knitwear	61.2	47.0
Knitted shirts	91.4	77.6
Woven shirts	69.5	51.2
Underwear	40.3	22.0
Socks	28.4	18.4
Suits	77.3	59.0
Jackets	53.4	43.2
Trousers	51.2	43.4
Jeans	62.8	50.1

Source: Business Monitor, Customs and Excise

#### Men's Suits:

The men's suit sector was hit by the recession in the 70s and early 80s, but sales have since recovered with the trend towards more formal clothing. Statistics show that men are buying more expensive suits as fashion items.

Imports in volume terms grew from 66% in 1982 in volume terms to over 77% in 1986. Italy and West Germany are important sources of suits. Future growth, however, is inhibited by the static size of the male population which will actually decline by the end of 1990.

#### Men's Outerwear:

As with suits, men's outerwear is considered to be a market which is retail-led and has grown by 49% since 1980. It is a growing sector.

**Table 19. Men's Outerwear Market Size 1980 — 1986**

Year	£m
1980	2,250
1983	2,510
1984	2,750
1985	3,080
1986	3,360

Source: Mintel/trade estimates

#### Men's Underwear:

Imports of men's underwear tripled in volume and quadrupled in value between 1979-1985. Exporting countries were primarily Portugal, Turkey, Greece, Israel and Hong Kong. Growth of imports is now considered to be stabilizing. The table on consumption of men's wear shows that the U.K.'s exports of underwear are growing in volume terms with sales to the EC and to various other parts of the world.

#### Knitwear

Import penetration in the knitwear sector is high with half the volume consisting of non-fully-fashioned items made of synthetic fiber. Major exporters to the U.K. include Hong Kong, South Korea and Taiwan, however, 40% of U.K.-produced knitwear is exported.

#### Trousers and Jackets

The trouser sector is buoyant. Exports are low in relation to imports, which have now stabilized. Imports are sourced from Israel, Portugal and Finland. Import penetration was reduced from 60% in 1982 to 53% in 1986 and is diminishing further.

#### Shirts:

Shirts comprise 18% of the total men's wear market. Imports in 1986 represented 90% of the domestic market for knitted shirts and 70% for woven shirts. Demand for knitted shirts in volume terms in 1986 remained at its 1982 level but the level for woven shirts rose by 22% during the same period. In volume terms the market has grown by 40% and 50% for knitted and woven shirts respectively.



### 3.5.3 Children's Clothing

The U.K. market for baby and pre-school garments was worth over £400m in 1988 and continues to grow. The manufacture of children's garments is very labor-intensive and, although imports have stabilized in volume, in value terms the rise has been considerable. Imports in 1987 were valued at £180m and increased from 26% in 1983 to 44% in 1987. The sector shows high elasticity of demand though there is a strong continental influence towards co-ordinated fashionable clothing.

**Table 20. Manufacturers' Sales of Baby and Pre-School Clothing**

Product Type	1983	million units		1986	1987 (est)	% change 1983-87
		1984	1985			
Weatherproof outerwear	1.1	1.0	1.0	0.7	1.1	—
Coats — knitted	0.3	0.4	0.3	0.3	0.4	+33
— woven	0.4	0.4	0.6	0.8	0.6	+50
Dresses & suits — knitted	5.4	5.5	6.4	6.0	4.4	-19
— woven	4.4	5.1	6.3	8.6	8.9	+102
Other outerwear	13.0	15.1	13.1	8.4	8.8	-32
Underwear	9.1	11.7	11.5	9.1*	10.7*	-18
Nightwear	4.2	3.9	2.9	4.3	2.7	-36
Total by value						
(£ million msp)	88.0	103.0	110.0	127.0	130.0	+48
Imports						
(£ million msp)	35.0	52.0	60.0	66.0	81.0	+131

Source: Business Monitor/Mintel

\*Estimate

**Table 21. Imports and Exports of Baby Wear**

Value	1983	1984	1985	1986	1987
Imports million units	31.8	41.4	40.2	44.1	44.4
£m msp	35.1	51.9	59.7	65.8	81.2
Exports million units	7.0	7.5	6.6	7.9	10.2
£m msp	11.7	11.3	13.0	14.9	19.2

Source: Customs and Excise

The market for all other children's clothing was worth approximately £1.25 bn in 1987 and is still growing. As with pre-school wear, more money is being spent on children's clothes and the sector has adopted a higher fashion profile.

### **3.6 Fashion's Influence on the U.K. Market**

The metamorphosis of the main street retailers from suppliers of high volume, low margin garments to lower volume, more sophisticated products is largely a result of the NEXT retailing chain which introduced a complete upper-market 'look' at an affordable price. The success of NEXT has encouraged other retailers to follow suit and try to match the quality at a competitive price.

Another contributory factor to this emphasis is the growth of credit facilities and the increasing number of professional women who are prepared to spend more on their wardrobes.

As a result of these trends, retailers are purchasing a wider variety of stock in more colors but in smaller quantities because of the inability to turn over stock as before. One respondent commented that, whereas he was ordering 20,000 shirts at one time a few years ago, he is now purchasing only 6,000 at a time. Retailers are therefore increasing the mark-ups on garments to compensate for the reduced volumes of sales.

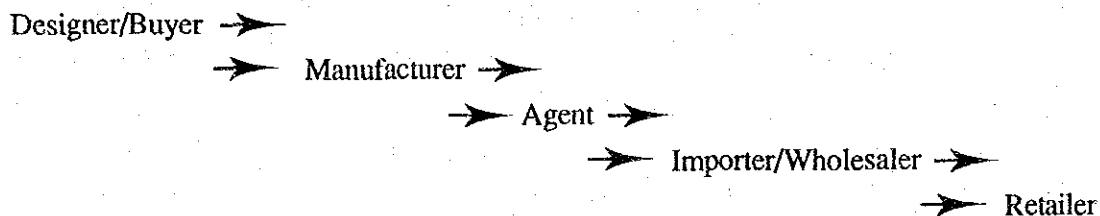
## 4. Structure of the U.K. Garment Market

### 4.1 Introduction

The manufacturing and distribution process involved in bringing the finished garment to the main street outlet is a complex chain which can take anything from six weeks to up to one year to complete.

This chain can be simplified as in the diagram. The role of each participant is described in detail below. It may be that a participant fulfils more than one role.

#### Garment Distribution: Thailand to the U.K.



### 4.2 Roles of Distributors

The role of each type of 'distributor' who might typically be involved in a distribution arrangement between Thailand and the U.K. is described below.

#### 4.2.1 The Designer

The ready-to-wear retail designers base their designs on haute couture/designer fashions for sale the following season.

The designer works closely with the retail buyers and their agents. Often the agent makes available a range of sample garments manufactured and designed in Thailand which are then adapted by the U.K. designer and a line of modified garments can then be run off. Alternatively the designers produce new ranges in concept and invite foreign manufacturers or their agents to tender for the manufacturing contract. Generally they are prepared to travel abroad to look for suitable production facilities.

#### 4.2.2 The Garment Manufacturer

According to respondents, ready-to-wear clothing manufacturers in Thailand range from very small family-run production units with seven or more machines to large

modern, highly automated plants. Roughly 40% of clothing factories in Thailand produce for export.

The manufacturer sources yarn domestically or will import in cases where local production does not suffice or is not available. The necessity to import yarn may lengthen the lead time to final delivery since garments are manufactured to order.

Thailand used to be more favored in the early 80s as a manufacturing country because of significant foreign investment in up-to-date machinery. This could be adapted to work on different cloth types with little inconvenience. This was at a time when investment in new technology in the U.K. garment industry had come to a halt and when labor costs were substantially higher in the U.K. than in the Far East.

Exporting manufacturers will work through an agent or in Hong Kong. Thai agents are concentrated in and around Central Bangkok. They themselves do not send out representatives to the U.K.. They rely on the agents for introductions to new export markets. A factory can expect regular visits from agents and buyers alike who come and check the quality control and production facilities. The manufacturer is also responsible for obtaining quota allowances from the government source if necessary.

All respondents with foreign manufacturing arrangements said they have good relationships with the manufacturers in the sourcing countries and have flexible purchasing policies which enable them to switch to alternative sourcing countries when necessary.

#### **4.2.3 The Agent**

Agents play an important role in liaising between the manufacturer in Thailand and the buyer in the U.K.. Some of the larger retailers in the U.K. will have their own agents for the Far East who are based in Hong Kong. They will liaise either directly with the manufacturer in Thailand or with the manufacturer's agent in Bangkok.

U.K. respondents stated generally that the marketing and promotion in the U.K. by agents representing Thai manufacturers is poor compared to that of the other Far Eastern countries.

In the U.K. there can be four different types of agents involved in the distribution of garments.

- Manufacturer's agent: based in the sourcing country liaising between the manufacturer and the U.K. agent/importer/wholesaler. Resolves any language problems and organizes shipping.
- Retailer's agent: usually based in Hong Kong serving the whole of the Far East, liaising between the U.K. retailer and the manufacturer. Is also

responsible for factory site inspections and quality control.

- U.K. agent: based in the U.K. representing several manufacturers from different countries. Responsible for overseeing import documentation and delivery on behalf of his customers, the wholesalers/retailers. Has knowledge of U.K. market and takes a commission (usually 5%) on retail sales.
- U.K. sales agent: selling in the U.K. on behalf of a foreign manufacturer who is otherwise unrepresented in the U.K.. Garments are often aimed at the top end of the market.

Agents are important in the distribution process and are used for the following reasons:

- they have contacts with the manufacturers and wholesalers.
- they have administrative expertise.
- they are comparatively inexpensive for smaller orders
- they can arrange delivery directly to retailers and will often organize payment in sterling.

Larger retailers, however, buy directly from the sourcing countries because of the financial advantages. They are also large enough to be able to manage the setting up of contracts, shipment and payment themselves.

#### **4.2.4 Importer/Wholesaler**

Importing is often done by the wholesaler if it is not done on behalf of the wholesaler by an agent.

The wholesaler is often given specifications and price parameters by retailers. From these he/she determines how much he/she can afford to pay the manufacturer and sources accordingly.

Wholesalers may sell to both small independent shops as well as to the large chain stores. Large retailers will buy direct for classical/standard designs but will sometimes employ a wholesaler with a design capacity as a consultant if modifications to standard ranges are required to meet high fashion demands.

The importing wholesaler is responsible for all import administration, safe delivery of the goods and will forward payment to the agent/manufacturer on behalf of the retailer.

#### **4.2.5 Retailer**

There are two fashion seasons: spring and autumn. Retailers place orders well ahead so that the products arrive in time for the beginning of each season. It is the retailers' function to think ahead, to design, to forecast demand and to make the task of shopping a pleasurable experience for the customer.

#### **4.3 Choosing Thailand as a Manufacturing Source**

As stated above, U.K. clothing buyers are willing and interested in sourcing from Thailand. The steps which they must take to set up production overseas are described in very simple terms below:

- a. The buyer must locate and approach (or be approached by) Thai manufacturers or their agents.
- b. Once the contact is established, either in the U.K. or Thailand, the designer will ask for quotes for manufacturing the order.  
It is the manufacturer's responsibility to buy additional quotas if needed and to agree with the buyer on any additional expense this might incur.
- c. The order will be placed subject to the production of satisfactory samples and to agreement on price.
- d. Once the order is complete the goods are shipped to the U.K.. The Thai manufacturer will use a shipping agent who will generally not be allowed to dispatch the goods until payment in full has been received by the Thai company.  
The U.K. buyer should make arrangements in advance to set up a letter of credit for payment.
- e. An export licence must be obtained for garments subject to quota and a GSP Form 'A' for goods which are tariff-free.

Once the goods have left the Thai factory, the Thai company no longer has the responsibility for fulfilling the delivery requirements for the U.K. customer.

In all cases where respondents already import garments from Thailand, the sourcing manufacturers were chosen on account of a combination of factors such as established relations, advantageous prices, quality control and their adherence to delivery dates. Manufacturers must be flexible in order to meet the changing specifications of their foreign customers.

Those respondents importing from Thailand said that introductions to Thai manufacturers or their agents happened by chance. Failure to consider Thailand as a

sourcing country was considered to be due to lack of awareness. More emphasis should be placed on marketing and promotions. Two respondents had set up operations with Thai manufacturers through introductions from local agents.

#### 4.4 Prices

Prices of imported garments vary considerably across the range of products available and also according to a number of factors including:

- country source of garment
- type of garment
- fabric content
- market position (high-fashion versus classic)
- exchange rates and inflation
- size of order and therefore freight costs
- tariffs

It is not useful therefore to provide information on prices for typical categories of imported goods as they vary considerably.

Average retail prices for clothing and footwear in the U.K. continue to rise. Relative to other product categories, however, these increases have been small. Details are given in the table below.

**Table 22. General Index of Retail Prices**

Year	All Items	Food	Housing	Fuel and Light	Durable Household Goods	Clothing and Footwear	Transport and Vehicles	Miscellaneous Goods
Annual Averages								
1980	263.7	255.9	269.5	313.2	226.3	205.4	288.7	276.4
1981	295.0	277.5	318.2	380.0	237.2	208.3	322.6	300.7
1982	320.4	299.3	358.3	433.3	243.8	210.5	343.5	325.6
1983	335.1	308.8	367.1	465.4	250.4	214.8	366.3	345.6
1984	351.8	326.1	400.7	478.8	256.7	214.6	374.7	364.7
1985	373.2	336.3	452.3	499.3	263.9	222.9	392.5	392.2
1986	385.9	347.3	478.1	506.0	266.2	229.2	390.1	409.2

Source: CSO — Monthly Digest of Statistics March 1988

Producer prices for all types of textiles and garments rose at similar rates between 1983 and 1987, with the exception of footwear and men's and boys' shirts, underwear and nightwear, which have risen more slowly. Please see Table 23. More detailed producer prices are contained in Appendix G.

#### 4.5 Margins

The research revealed that the typical margins imposed at different stages of the distribution process are those shown in table 24.

Margins throughout the industry will vary and these percentages are given as a guide. For example, a large retail chain with a high volume turnover can afford to tolerate lower margins than the smaller independent outlets can.

**Table 24. Typical Margins Reported — U.K. Distribution Process**

Distributor	Margin
U.K. Manufacturer	10%
Agent	5%
Wholesaler	20%
Retailer	100 - 200%

Source: P—E Inbucon Marketing Research

### 5. Attitudes to Thai-Manufactured Garments

#### 5.1 Types of Garments Sold

Thai manufacturers are currently selling women's, men's and children's clothes in the U.K.. These garments include synthetic knitwear, cotton raincoats, cotton T-shirts and polyester and polycotton separates. Several department stores stock a small range of Thai silk garments. Liberty's, with a large department store in London and a garment manufacturing division, sells the most comprehensive range of Thai silk clothes and cloths although this is small compared to the range of Indian silk on sale. Some small upper-market retailers also sell Thai silk products.

Major retailers currently purchasing Thai garments include Littlewoods, British Home Stores and C & A. According to one importer, a large proportion of imported Thai-manufactured garments are sold through street markets.



## 5.2 Quality Standards

The British Standards Institute (BSI) lays down standards for textiles and garments in the U.K.. These standards are not imposed by law on foreign manufacturers, though it is advisable that they be followed to permit competition on an equal basis with British manufacturers. Some examples of BSI Standards are given below; Appendix H has further details.

Respondents have remarked that the quality of Thai goods is as good as that of some similar priced products from Far Eastern suppliers. Garments from Hong Kong and Japan are superior but also more expensive. Unfortunately, "Made in Thailand" on the label is often regarded by the consumer as synonymous with a cheaper, poorer quality product. Not all retail buyers and importers, however, agree with this.

The quality demanded varies between retailers. Marks & Spencer for example has very, very strict quality control and is unlikely to purchase from Thailand. There are others with less stringent requirements who will be satisfied by the Thai products. Thai cotton T-shirts are considered to be of "adequate quality" although often not colorfast.

Synthetic knitwear from Thailand is supplied to the mass market retailers because the quality and prices are acceptable. Boucle' knitwear made with 95% acrylic and 5% nylon fiber is popular.

Thai cotton knitwear is purchased by retailers supplying the cheaper end of the market. It is not deemed to be of a sufficiently high quality for the more sophisticated purchasers. Good quality knitwear must be manufactured under very clean, dust-free conditions and several retailers commented that factories in Thailand do not meet such requirements. However, one large retailer did say that he was placing a sample order for cotton knitwear with a Thai factory for 1990. Unfortunately the quality is not good enough for Marks & Spencer.

Thai silk garments are high quality products. According to respondents, plain silks are more popular than printed silks and Thai silk is often chosen for bridal gowns. Volumes are not large.

Towelling products are not generally imported to the U.K. from Thailand as the quality is inferior to that produced by Thailand's competitors, (Hong Kong for example). Respondents commented that Thailand does not have the ability to manufacture to the requisite high quality standards.

### 5.3 Potential Problems with Thai Imports

Some respondents commented on problems which have been experienced in dealing with Thailand:

- It is impossible to buy some garments, for example jeans and jackets, for which Thailand has no quotas.
- Delivery is poor. Thailand is often used as a primary source but repeat orders are made with other countries.
- Delivery from Thailand takes 3-4 months — but the acceptable period is often only 2 months for repeat orders. Delays have been blamed on Thailand's export restrictions.
- Incorrect or insufficient documentation which has resulted in delays with the HM Customs in the U.K..
- Quotas prohibiting some products. Quotas have been cited as a barrier. Quotas are based on the previous year's quota, therefore it can be difficult for a new exporter to secure a quota.

Many respondents have never considered sourcing garments or textiles from Thailand. The main reason was because of lack of contact as mentioned above. Respondents also commented on a lack of detailed information from export organizations in Thailand.

It was also reported that several large retailers ceased to import from Thailand a number of years ago as a result of a television documentary on the Thai clothing industry. Whilst not unique, factory conditions and child labor in Thailand were criticized bitterly. Several companies and in particular, the mail order houses, have stated that it is now company policy not to buy Thai garments.

## 5.4 Constraints to Thailand's Penetration of the U.K. Market

The Western nations' textile and garment industries have become increasingly protectionist since the 1970s as they have been subject to recession, adverse exchange rates and strong competition from overseas manufacturers. This protectionism is embodied in the forms of the Multi-Fiber Arrangement (MFA), tariffs, ceilings and the Generalized System of Preferences.

### 5.4.1 MFA

The term MFA is applied loosely to all the EC's clothing and textile agreements and was agreed upon at the end of 1973. The basic objectives of the arrangement were said to be "to achieve the progressive liberalization of world trade in textiles while at the same time ensuring the orderly development of the trade". One of the principal stated aims of the arrangement was to encourage the growth of textile and clothing industries in developing countries.

The first MFA came into effect in 1974 and lasted until 1977. Subsequent MFA's were negotiated and MFA IV, agreed upon in 1986, is in operation until 1991.

A multi-lateral Textile Surveillance Body was established to supervise the functioning of the MFA and to try to reconcile conflicts between suppliers and importing countries. MFA Developing Countries are:

Argentina	Hong Kong	Pakistan
Bangladesh	India	Peru
Brazil	Indonesia	Philippines
China	Jamaica	Rumania
Colombia	Korea, Rep of	Singapore
Dominican Rep.	Macao	Sri-Lanka
Egypt	Malaysia	Thailand
El Salvador	Maldives Islands	Uruguay
Guatemala	Mexico	Yugoslavia

MFA Developed Countries are:

Austria	Germany, Fed Rep.	Sweden
Belgium	Greece	Switzerland
Canada	Ireland	United Kingdom
Denmark	Italy	United States
Finland	Japan	
France	Netherlands	

Appendix I contains a summary of the most significant rulings under MFA I, II and III. The current MFA IV embodies these rulings and, in addition, was extended to cover sisal, jute and ramie.

In the future it has been suggested that the MFA should be concerned with clothes and not textiles in general. This is because the West concentrates on sophisticated fibers suitable for expensive clothing and on new areas such as geotextiles, whilst the East tends to concentrate on long runs of cheap commodity fibers suitable for conversion into cheap clothing and shoes. The products of the East are not a threat to those of the West.

Various respondents stated that the MFA is not without flaws and that it is not as protective as they would like it to be. It has, for example, a generous allowance for growth built in which favors the developing countries. The original tariffs set by GATT were designed to restrict imports indiscriminately but were found to be inadequate. MFA is considered to be the next best thing. Turkey, however, is not bound by the MFA and is exporting aggressively to the U.K..

#### **5.4.2 Generalized System of Preferences (GSP)**

The GSP was instigated in 1964 by the developed countries to allow Third World countries duty-free access to their markets for exports. To claim preferential rates of duty — often total exemptions — the Thai exporter must obtain a GSP Form 'A', (please see Appendix K for example) from his/her local Foreign Trade Department. With a GSP Form 'A', the goods can pass through U.K. customs with the relevant preferential rate of duty. GSP's are reviewed annually and currently all garments manufactured "wholly of silk" and of 100% linen are known to be duty-free.

Otherwise it is not possible to generalize on the rulings for every textile group as they relate to the type of garment together with its exact composition, rather than to only the textile. The same principle applies to the determination of individual tariff rates.

#### **5.4.3. Tariffs**

Tariff rates on textiles may be as low as 10% or as high as 60%. Duty for nearly all types of garments is 60%. Items of apparel fall within sections 52—63. of H.M. Customs tariff. The complete customs tariff is available at local excise offices, major public libraries and from Her Majesty's Stationery Office.

Following the harmonization of HM Customs to bring the U.K. system into line with the other members of the EC, many U.K. tariff codes have been altered and it is

therefore necessary to consult correlation tables (see Appendix L) to determine the individual product code before consulting the old tariff code index.

**Table 25. Examples of Typical Tariff Rates**

Product	Tariff code	Harmonized code	Tariff Rate
Blouses, silk			
Women's and Girls'	6005 210	610 690 300	GSP Free
Anoraks			
Boys' and Men's	6005 790	610 190 100	GSP Free
T-shirts, knitted or crocheted of cotton		610 910 000	13%

Source: H.M. Customs and Excise

Most articles of clothing and textiles from Thailand come under the MFA and are duty free.

#### **5.4.4 Quotas**

Under the MFAs, a system of quotas was established to control the level of exports from developing countries. This includes Thailand.

The EC negotiates as a unit and quotas, once decided, are allocated amongst the seven importing regions according to a number of factors with the past level of actual trade being the most important. In addition, all the EC members of MFA have independent bilateral agreements with the sourcing countries eg. between U.K. and Thailand. These bilateral agreements depend on each individual country's circumstances and policy attitudes and are decided by the EC.

The volume of trade in textiles and garments between Thailand and the U.K. is relatively low because Thailand's allocation under the MFA is small compared with Hong Kong and Taiwan for example. The historical development of the quota allocations within the MFA has not favored Thailand.

In 1974 when quotas were first allocated, the Thai garment industry was not in a position technically nor in terms of quality to produce the standard of exports it can currently sustain. Meanwhile its competitors continue to produce high volumes of exports

and are unwilling to see their quotas reduced in favor of promoting Thailand. Furthermore, the quotas are only allocated every four years (the next review is in 1991). Only at that time may Thailand see an alteration in its favor.

Within Thailand, the quotas are allocated to individual factories. All products manufactured for export to the U.K. and subject to quota must be accompanied by an export licence. Quotas are believed to be strictly controlled in Thailand. Any manufacturers requiring additional quota must apply to the Thai government for an extension. Extensions are only obtained if allowance is made by another factory.

#### **5.4.5 Ceilings**

Imports to the U.K. from Thailand are also subject to "informal" ceilings. These ceilings are limits governing the volume of goods imported and they can be exceeded provided such action does not incite complaint from any third nation which is competing for access to that particular market. If complaints are made, imports of those goods are stopped.

#### **5.4.6 The Future**

If MFA restrictions are abolished or relaxed at the next review in 1991, the quota limitations for Thailand may disappear. Certainly there is currently a perceptible trend towards ceilings on goods manufactured in the Far East — including Thailand.

Appendix M contains what is referred to as the "Importer's Bible". This sets out the following:

- 1) List A: garment categories requiring import licences.
- 2) List B: garment categories not requiring import licences.
- 3) List C: bilateral quota levels for Thailand.

### **5.5 Thailand's Competitors**

The strongest competition for the U.K. textiles market comes from Portugal, Greece, Turkey and other Far Eastern countries.

#### **5.5.1 U.K. Manufacturing**

U.K. manufacturing costs are higher than those in the Far East, Portugal, Greece, Turkey and South America. The quality of the garments can be excellent but is

correspondingly expensive. Prices of jackets, ski-wear, tailored garments and suits manufactured in the U.K. are high. Detailed work carried out in U.K. workshops also makes these products expensive.

Garments from the Far East are often better quality than garments of comparable prices from the U.K.. Far Eastern manufacturers are also more willing to make design modifications than U.K. manufacturers,

Advantages of buying U.K.-manufactured garments, however, include:

- faster delivery
- easier administration
- guaranteed specifications
- guaranteed quantities

Shirts, knitwear, woolen suits and woolen coats are the best buys in the U.K.. Viscose, nylon, polyester, wool and acrylic are also often sourced in the U.K..

### **5.5.2 Hong Kong Manufacturing**

The prices of garments from Hong Kong are acceptable. High quality products are now produced which allow a higher margin. The quality is now superior to most other Far Eastern countries. Hong Kong is noted for its T-shirts, knitwear, raincoats and shirts. Viscose, polycotton and denim are popular textiles,

Many large retail chains source from Hong Kong. They usually use a Hong Kong-based agent and established suppliers. Some have a Hong Kong office.

The advantages of buying Hong Kong manufactured garments include:

- industry agents in Hong Kong
- guaranteed supply, quality and price
- visits from representatives and agents in the U.K.
- discounts for payment within 30 days (about 3-3/4%)
- no language problems
- better understanding of the U.K. market
- excellent quality yarn
- superior technology

### **5.5.3 Japanese Manufacturing**

Improvements in technology have had a great effect on the Japanese textile industry and the Japanese are now involved in bulk textile manufacturing. Japan is noted

for its shirts, women's wear and classical "British" - style garments.

The advantages of buying Japanese garments include:

- good quality control
- reliable delivery
- guaranteed quantities

#### **5.5.4 Indian Manufacturing**

The quality of Indian garments is usually inferior to the quality of other Far Eastern garments — a result of poor quality control. Prices are correspondingly low.

India is noted for its cotton and silk. Viscose from India is also increasing in popularity. Shirts are another expanding item in India.

The advantages of buying from Indian manufacturers include:

- low prices. The Indian manufacturers can undercut other manufacturers by as much as 50% eg. Indian shirts are about £1.50/meter cheaper than Japanese shirts.
- good market information
- regular visits from Indian agents
- good Indian representatives at trade fairs

#### **5.5.5 Portuguese Manufacturing**

Portugal has become the most popular European supplier to the U.K.. Portugal is an important source of T-shirts, cotton knit shirts, towelling, coats and drills.

The advantages of buying Portuguese garments include:

- geographical proximity to the U.K.
- short delivery times
- easier administration
- larger quotas (soon to be abolished altogether)

#### **5.5.6 Sri Lankan Manufacturing**

Sri Lankan twill, poplin and chambray garments are well liked in the U.K.. Much of their fabric is sourced in Hong Kong.

The advantages of sourcing in Sri Lanka include:

- fewer quota problems
- a large shirt quota



- extensive production facilities
- few language problems

### **5.5.7 Other Countries' Manufacturing**

Malaysia, Taiwan, Singapore, China and the Philippines are other major Far Eastern sources. The Philippines is an important supplier of children's garments and Malaysia is an important source of raincoats. The quality of Taiwanese garments is acceptable to U.K. consumers. Taiwan is a significant supplier of T-shirts to the U.K. Market. A recent currency devaluation of 30% may make Taiwan a popular sourcing choice.

Turkey and Greece supply cotton knit shirts, drill T-shirts and towelling garments. The quality is good and prices reasonable.

Italy is another popular source of shirts, separates, dressing gowns and T-shirts. France sells significant quantities of separates to the U.K..

## **6. The Future of the U.K. Textile and Garment Industry**

The U.K. textile industry is emerging from a period of severe rationalization and re-structuring which has been common throughout Europe. This should allow British textile manufacturers to compete effectively in terms of quality and price in world markets and to repel the intrusion of imports into their home market. The garment industry likewise is experiencing a metamorphosis where the trend is to concentrate on niche markets with high added-value, allowing imported goods to take up the slack in the mass-market sectors.

Little is expected to change in the U.K. market vis-a-vis imported goods until the review of MFA IV is carried out in 1991. The general view is that quotas will be replaced by ceilings in more garment sectors thereby relaxing the parameters imposed by the EC and enabling Thailand to improve its exports to the U.K..

The U.K.'s current trade deficit in textiles, which represented roughly 25% of the U.K.'s total deficit in 1987, is an emotional and topical issue. The industry and legislators alike are highly concerned about the "dumping" of subsidized textiles and clothing on the U.K. market by foreign manufacturers in the face of high tariff barriers against British goods, the strength of sterling and the high level of interest rates. The present Conservative government is against discarding the MFA altogether without complimentary liberalization by other countries and the strengthening of GATT rules.

The implications of 1992 and a united Europe are the subject of great speculation.

One respondent anticipated that the U.K. may lose out to its European partners in 1992 as the bilateral agreements between importing and exporting countries are modified. Currently the U.K. is able to pay the cheapest prices for imports from the Far East and if the bilateral agreements are removed, the U.K. will lose its imports to W. Germany, for example, which is prepared to pay higher prices. This may result in competition for the cheapest sources. The removal of trade barriers within the EC is expected to have only marginal affect on intra-European trade flows.

It is anticipated that U.K. textile manufacturing will continue to thrive in the man-made fiber sector while production of labor-intensive clothing shifts further to the low-wage developing countries.

## **7. Conclusion**

This research program shows that there are opportunities in the U.K. clothing and textile industry for Thai imports, providing that the garments are manufactured at a price and level of quality which can match, or even better those from other exporting countries. We recommend that Thailand concentrate on textiles and garments which are not restricted by quota or where competition is limited, eg. ladies' blouses, cotton products, linen and polycotton.

The gradual shift away from the cheaper end of the garment market by U.K. manufacturers has enabled newly industrialized countries like Thailand to enter markets which have been freed up by a lack of capacity.

Thai manufacturers must take advantage of the investment in technology and manufacturing capacity. They must develop a more aggressive marketing stance in order to penetrate markets and indeed to make themselves visible in the U.K. where their capabilities are not well-known.



# **THE GARMENT MARKET IN WEST GERMANY**

Hamburg, 1988, January markt technologie innovation



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## **1. Overview of the Textile Market**

### **1.1 Market Situation and Trends in the Textile and Garment Industry**

#### **Present Situation**

According to recent provisional data, sales in the textile industry will have increased by more than 3% or a total of DM 37 billion in 1988, reaching their highest peak so far. The national association of the garment industry (Bundesverband der Bekleidungsindustrie) also states that 1988 has been an overall satisfactory year for the manufacturers in the garment industry. After a stagnation of sales in 1987, sales last year increased by an estimated 3%, reaching the sum of DM 24 billion. However, domestic production and the number of persons employed have declined. With the beginning of the new year, there are a mere 170,000 persons employed in the garment industry, 8,000 less than in the year before. An approximate 30% of the sales in the garment industry go to exports.

The overall exports of textiles and garments in 1988 increased by an estimated 4% or some DM 4 billion, reaching a record peak of DM 26.8 billion. Imports will also increase once more: at over 4%, growth will presumably be less than 1987 (+7%), but at DM 38.5 billion, the total reached is considerable. There remains an import overbalance of DM 11.7 billion (1987: 11.3).

#### **Development of the Textile Sector**

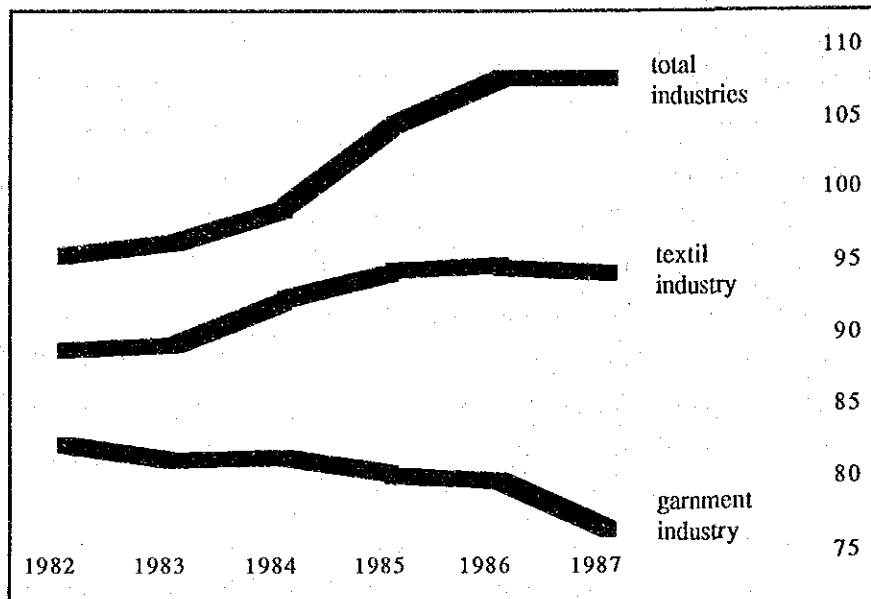
In 1987, for the first time in four years, there was a decline in production. The annual average production level of the textile industry was 1% less than in the previous year. So far production has not reacted to the slightly improved number of incoming orders.

As might be expected, various branches of the textile industry have achieved outcomes at variance with the average. Spinning mills have maintained their production level of the previous year. Weaving mills were unable to reach the production level of the year before (minus 1%). In the home textiles industry, only the curtain manufacturers achieved an increase of 7%, whereas the production of furnishing material and drapery in the carpet industry declined by 4% and 2% respectively. Production also declined in the mesh industry, by 2%.

Production in the garment industry underwent a much weaker development than in the textiles industry (see Fig. 1). It stayed 5% below the level reached in the previous year. What we have here is evidently an increased tendency towards handling a part of the incoming orders through overseas production or through direct imports.



Fig. 1. Production Trends (Index 1980 = 100)



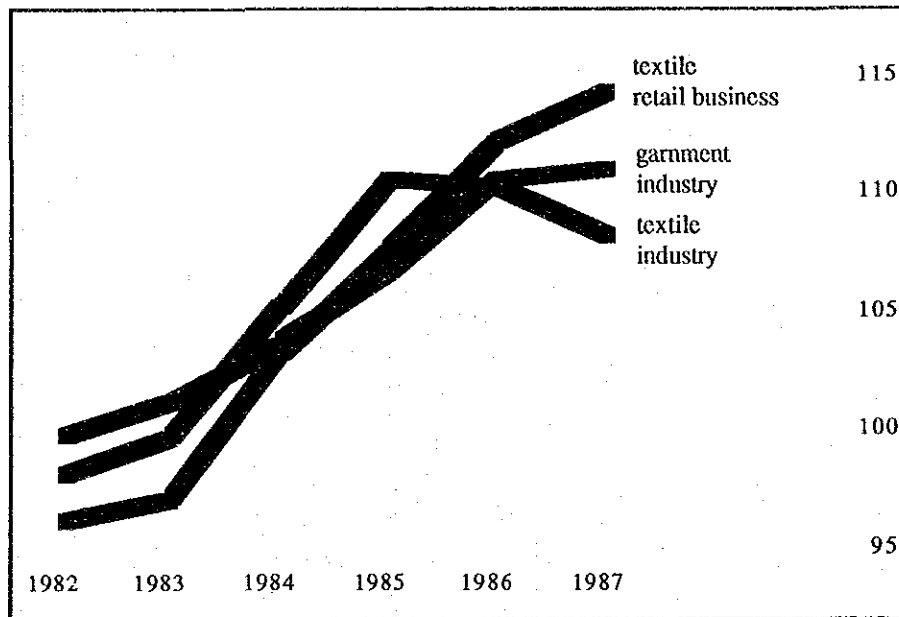
Source: Gesamttextil

Sales in the textile industry decreased by 2% to DM 35.8 billion in 1987. In a period of stable prices this also means a proportionate decline in sales.

Of the total sales DM 26.3 billion went to domestic sales, and DM 9.5 billion to exports. Domestic sales have suffered a decline of 2% and foreign sales went down by 3%. At 26.5%, the proportion of direct foreign sales in the total sales was only slightly less than in the previous year.

Profits in the garment industry were marginally better than in the textile industry. At DM 22.9 billion its sales equalled those of the previous year. Domestic and foreign sales in the garment industry both remained at a standstill. The proportion of direct foreign sales in the total sales was 18.9%. The textile retailing business was able to increase sales by 2% to DM 91 billion. Taking into account an advancement in prices of 1%, this means a quantity surplus of 1%. The small increment in the consumption of textiles was covered completely by imports.

Fig. 2. Sales Trends (Index 1980 = 100)

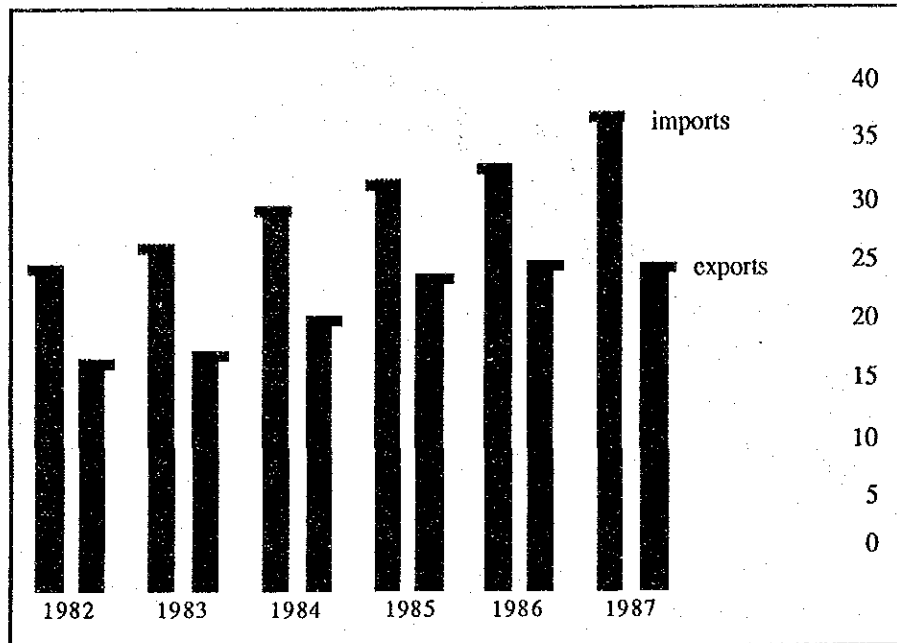


Source: Gesamttextil

Exports declined by 1% to DM 25.7 billion in 1987. Out of that DM 10.6 billion went to finished goods. More than half of West German textile exports, exactly 58%, go to the EC countries. There was a growth of 1% over the previous year. The most important customer country is the Netherlands with DM 4.0 billion. France is second with DM 2.5 billion (minus 2%). Exports to Great Britain sank by 5.5% to DM 2.2 billion. On the other hand, it was possible to increase exports to Italy by 9% to DM 2.1 billion. At a level of DM 1.2 billion exports to Belgium were slightly better than in the previous year.

Exports to the EFTA countries declined by 2% to DM 5.5 billion. Exports to Austria decreased by 2% to DM 2.4 billion. Exports to Switzerland rose by DM 2.0 billion (plus 2%). Exports to other OECD countries declined by 12% to DM 1.4 billion. This includes exports to the U.S.A. which shrank by 17% to DM 0.75 billion. At DM 1.2 billion, sales in the East Bloc countries were slightly better than in the previous year. Sales in the Far Eastern newly developed countries remained at a modest DM 0.26 billion.

**Fig. 3. Foreign Trade with Textiles (raw materials not included) in billion DM**



Source: Gesamttextil

### **1.2 Recent Developments in the Garment Market: General Development**

After a short peak in 1986, incoming orders and production in the garment industry were on the decline again in 1987, decreasing 2.8% and 4% respectively. However, at almost DM 23 billion, sales achieved modest growth (plus 0.8%) — a consequence of the passive processing usual in the trade and of an increase in "full" imports to complement the producers' line of products. The passive processing trade makes use of the advantages in the cost of labor in newly industrialized countries (in this case mainly Eastern Europe) in the following cycle: exports of unfinished products, finishing abroad, and re-importation of the finished goods. At the same time the more favorable costs of production in South East Asian countries such as South Korea, Taiwan, or Hong Kong have led trade increasingly towards turning from the passive processing trade to fully imported goods, where the pre-products also come from Far-Eastern producers.

Lively private consumption and growing interest in fashionable clothing should lead to higher purchases of articles of clothing from domestic production as well, so that there has probably not been a sharper decline in 1988, in spite of the difficult circumstances.

Due to the drastic decline of the U.S. dollar, the gap between exports and imports has widened considerably in favor of imports. At DM 16.4 billion they were 12.3% above the level of 1987, and rising steadily, the excess of imports rocketing by more than a quarter from DM 7 billion to DM 8.9 billion. The low dollar rate also makes German exports more difficult. It may be true that 90% of the goods go to the Western European countries, but in these markets, too, the competition of the low price countries calculating on a dollar basis is to be felt sharply. The garment manufacturers in the Federal Republic have, however, been concentrating on products of superior quality with which they are able to compete on the international market-place. The economic recovery in the neighboring Western European countries has given extra impulses. So even if exports, which in 1987 declined by 1.4%, are not expected to increase in 1988, a further decline is also not expected. With a sum total of DM 6.1 billion in 1987 (approx. 26% of total sales) the Federal Republic of Germany was nonetheless second only to Italy in a European comparison of exports of woven garments.

### **Development in Different Sectors**

The overall difficult state of the economy in 1987 had different effects on the various sectors of the garment industry. The development of individual sectors is increasingly characterized by differing market conditions for individual companies or products.

With sales amounting to DM 11 billion, the strongest sector, ladies' outerwear, was barely able to maintain the previous year's level (minus 2.8%). As a consequence the proportion of total sales achieved by this sector decreased to 48.3%.

Producers of women's outerwear have also had to face a more difficult situation in the foreign markets. Here too, the improved competitive situation of the Far Eastern countries has been noticeable. Almost all European markets registered a strong increase of imports from these countries, to the effect that the exports of West German women's outerwear have decreased both in the EC and in the EFTA countries.

Men's outerwear producers have succeeded in achieving stability at a high sales level. After the encouraging increases in sales in the years 1985 (plus 5.6%) and 1986 (plus 8.6%), stability was ensured by an increase of 1% in 1987, now reaching DM 4.5 billion. Men's outerwear has thus reached 19.6% of total sales.

At an increase rate of 8.4%, exports in men's outerwear have experienced a positive development. For the first time, over DM 1.5 billion worth of goods are being exported, an approximate two thirds of which go to EC countries.

There has been a particularly remarkable increase of exports to Belgium/Luxembourg (14.8%, or DM 202 million), France (17.2%, or DM 150 million),

and Italy (35%, or DM 54 million). These figures are a clear demonstration of the fact that German men's fashions have stood their ground in countries that up to very recently have claimed to be the sole producers of fashion themselves.

A further reason for the positive export figures lies in the innovative efforts of the men's outerwear industry to open up markets outside of the EC.

The West German work clothing/sportswear/leisure wear industry was able to outdo the extraordinary sales increase of 9.6% in 1986 by achieving a 10% increase in 1987, thus becoming the most successful sector of the garment industry. With total sales of DM 2.1 billion this branch has reached 9.2% of total sales in the garment industry.

**Table 1. Sectors of the Garment Industry in 1987**

Garment industry	Sales (in Million DM)	Employees	Businesses
TOTAL	22,853	177,464	21,286
Women's outerwear	11,034	87,445	1,181
Men's wear	4,471	35,648	268
Work, sports, & leisure wear	2,103	15,838	255
Underwear	1,333	8,886	113
Foundation garments	534	4,030	29
Other	3,379	25,617	440

Source: Bundesverband Bekleidungsindustrie

At minus 5.5% the most severe decrease in sales in 1987 was suffered by the producers of underwear. The decrease in employees has slowed down since 1986, but it is still higher than the average figure for the garment industry in total (minus 4.3%). While the production of men's underwear went down by more than 10% in some instances, lingerie and children's underwear fared better: total production was up by almost 30 million, or 6.5%.

With an increase rate of 4.5% the foundation garment industry was able to reach the second best sales results of all the sectors of the garment industry. On the other hand the domestic production of most articles of the foundation garment industry has declined. This has also meant an increase in the reduction of employees as compared with 1986 (minus 9.3%). In total the foundation garment industry has reduced its number of employees by 3,000 (minus 42%) since the beginning of the 1980s — mainly because of increased production in foreign countries.

## **2. Trends of Demand**

### **(1) Imports**

The Federal Republic of Germany is among the world's biggest textile and clothing importers. In 1987 imports rose by 11% to DM 13.6 billion. With this growth the import surplus increased to a record DM 7.5 billion and thereby far outstripped the exports of the German clothing industry.

A fundamental regrouping of the main supplier countries took place in 1987. Among the ten most important importers, Italy (DM 1.82 billion), Hong Kong (DM 1.45 billion), and Yugoslavia (DM 1.27 billion) ranked in the first three places. There was considerable change, however, in the middle ranks: Turkey moved into fourth place with DM 785 million, followed by China (DM 690 million) and South Korea (DM 685 million). China and Turkey, in addition, were the countries which increased their imports far above average, by 52% and 33% respectively. The remaining places were taken by Greece (DM 581 million), France (DM 504 million) and Portugal (DM 455 million).

As before, the majority of imports into the Federal Republic stemmed from countries of the European Community, which had been expanded to 12 member countries through the admission of Spain and Portugal. Whilst imports from these suppliers had continued to increase in the previous year by almost 6%, their growth declined in 1987 by 3.6%, which was below the average rate of increase for total imports in 1987. The EC's total share of world clothing imports into the FRG also decreased by 1.6% to 32.9%.

Of the EC suppliers, the Italian clothing industry was unchallenged in first place and a lonely leader ahead of Greece (DM 581 million), France (DM 504 million) and Portugal (DM 455 million), which hold the following places. The biggest rates of increase were attained by Great Britain, with an increase of 25% to DM 265 million, and by Denmark, with an 18% rise to DM 70 million, although France, the Netherlands and Belgium/Luxembourg also increased their imports.

EFTA countries increased their imports into the Federal Republic by 5%, although at a slower growth rate than the previous year. Austria ranked in first place, as before, once again increasing its exports to DM 490 million, although it fell to second last place among the FRG's worldwide suppliers. Demand for Swiss clothing declined. Scandinavian countries increased their exports in 1987. Finnish clothing exports to the FRG, which grew by 19.6%, totalled DM 58 million; Sweden lifted its exports by 15.8% to DM 29 million.

Imports from the second biggest clothing supplier, Yugoslavia, grew by 4.6%. In the process, Yugoslavia also increased the importance of its passive processing trade. Eastern Bloc countries stepped up their sales to the FRG by 2.6%. Poland was in the

lead, with year-on-year growth of 8.9% ahead of Hungary and Rumania, whose imports were static. Mediterranean countries showed positive results with an increased export total of 18.8% following the growth trend which had taken shape in previous years.

Turkey stood out particularly with a 33% rise in her exports to DM 785 million which makes it the fourth largest clothing supplier.

Taking second place to the EC are the so-called low-cost East Asian countries, with a market share of just under 27%. Of this, Hong Kong alone accounts for one third. This group of countries managed to increase its exports by 15%, from DM 3.1 billion to 3.6 billion. Hong Kong, South Korea and Taiwan profited equally from this growth. India, with an almost 20 per cent increase to around DM 350 million, moved further ahead, whilst the lion's share of the export growth came from Malaysia and Thailand.

Japanese exports to the Federal Republic decreased by 12.9% in the year. A strong increase in Chinese exports pushed up its sales to Germany by 52% to DM 690 million. In the world ranking of garment suppliers, China leapt from ninth to fifth place.

In the appendix, the FRG's imports are fully documented by country and by product group. It must be noted, however, that until 1980 the statistics did not permit a breakdown of clothing imports by product groups according to SITC classification (Standard International Trade Classification). The previous years clothing imports are identified only as a whole. Because the Federal Republic, as one of the biggest importers of clothing, has so many supplier-countries, the following report will concentrate on Thailand.

Between 1970 and 1987 German clothing imports expanded 7.5 times, from DM 1.8 billion to DM 13.6 billion (see table 2). Thailand was able to increase its imports 5.5-fold from DM 29.3 million in 1980 to DM 162.3 million. Between 1980-85 clothing imports from Thailand climbed almost three-fold and in the last three years (1985 - 87) again increased by almost double.

Table 2. Clothing Imports. 1970 - 87

Year	Clothing imp DM m	of which Thai		Women's outerwear	
		DM m	%	DM m	% total clothing imports
1970	1,204.2	n.a.	n.a.	783	43.4
1975	4,205.7	n.a.	n.a.	2,222	46.7
1980	2,171.9	29.2	0.4	3,982	46.2
1985	11,397.3	32.3	0.7	5,566	48.8
1986	12,235.9	98.8	0.8	6,224	50.9
1987	13,562.1	162.3	1.2	6,962	51.4

Source: Bundesverband Bekleidungsindustrie; mti-Berechnungen

The significance of Thai clothing shipments is, however, still modest. In 1987, their value, at DM 162.3 million, represented just 1.2% of the Federal Republic's imports. It should also be noted that Thailand, particularly in the 1980s, has been able, because of a high growth in value terms, to increase its market share from 0.4% (1980) to 1.2%.

Table 3 shows clearly that clothing imports into the Federal Republic are dominated to an ever greater extent by women's outerwear. Whilst in 1970 women's outerwear accounted for 43.4% of clothing imports, by 1987 its share was 51.4%, valued at just under DM 7 billion.

We now consider imports in terms of product groups, as shown in Table 3 (next page). These statistics, based on official federal foreign trade statistics according to SITC classification, differ somewhat from the figures of the Bundesverbandes Bekleidungsindustrie (BBI—German clothing industry association) which appear above. This must be due to differing classification methods.

Broken down into product groups, Thai clothing imports follow the pattern for total clothing imports into the Federal Republic, with a concentration on women's outerwear, the share of which, in 1987, was valued at DM 76.3 million and was 47.9% of Thailand's clothing sales to the FRG. The importance of women's outerwear is, however, declining. The share of women's outerwear in total Thai imports into the Federal Republic was already 53.6% (DM 14.7 million) in 1980. The bigger winner was men's outerwear which lifted its share in the period 1980 - 87 from 25.2% to 43.6%. The other branches of the clothing industry have an increasingly less important role.



Table 3. Clothing Imports (Less Knitwear) by Product Groups, 1970—87

Product group	1970			1975			1980			1985			1986			1987		
	Total \$m	\$m	%	Total \$m	\$m	%	Total DMm	DMm	%	Total DMm	DMm	%	Total DMm	DMm	%	Total DMm	DMm	%
Mens outerwear	na	na	na	na	na	na	2,537.7	7.0	0.3	3,443.7	31.1	0.9	3,261.4	41.5	1.1	4,226.3	69.4	1.6
Womens outerwear	na	na	na	na	na	na	3,510.4	14.7	0.4	5,517.3	44.5	0.8	5,273.4	45.7	0.2	6,479.2	76.3	1.2
Underwear	na	na	na	na	na	na	978.1	1.2	0.1	1,122.8	2.2	0.2	1,163.3	5.4	0.5	1,317.7	6.6	0.5
Textiles, clothing,																		
accessories, nes	na	na	na	na	na	na	592.2	4.6	0.2	816.6	7.1	0.9	823.3	7.3	0.9	220.2	6.9	0.2
Clothing imports	996.7	0.1	0.0	3,667.1	0.2	0.0	7,612.4	27.4	0.4	10,900.8	84.8	0.8	11,721.4	99.9	0.9	12,964.7	159.3	1.2

Sources: Statistisches Bundesamt, Foreign Trade according to SITC (Special Trade), various years. mi-Berechnungen. (For 1970 and 1975 only \$-denominated statistics for clothing as a whole are available)

A good 50 per cent of women's outerwear imports from Thailand in 1987 were concentrated in four product areas (as shown in table next page — compare also with Table 4 in chapter 3 (5) a).

In these product areas Thailand has consistently achieved up to a 5 per cent share of imports into the Federal Republic of the relevant garments.

	Thai imports		Share of total
	DMm	%	Thai clothing imports
1. Parkas, anoraks, wind breakers, etc in man-made fabrics	11.2	5.0	14.7%
2. Suits and trousers in man-made fabrics	10.7	4.5	14.0%
3. Coats and wraps in man-made fabrics	2.6	3.4	11.3%
4. Suits and trousers in cotton	7.7	4.2	10.1%

Source: Statistisches Bundesamt; mti-Berechnungen

## (2) Competition Between Domestic and Imported Products

The Federal Republic has been exposed for a long time to strong import pressure from third world countries. This is due on the one hand to the liberal orientation of foreign trade policy. On the other hand, it is due to the increase in the D-mark's value at the beginning of the 1970s, which led to the disappearance of former competitive advantages which, in the 1960s, resulted from a combination of the fixed external value of the D-mark and low wages and modest price increases. In 1970 the import surplus for clothing was still only DM 0.9 billion and it shot up to its peak of DM 7.5 billion in 1987. This rapid rise in the import surplus also stemmed from the efforts of developing countries to increase their exports of finished products at the expense of pre-products (yarns, woven and knitted fabrics).

In this context, it should be noted that a considerable proportion of imports are made by German clothing industry firms themselves. These are full imports (from foreign subsidiaries or from other production plants) and/or passive processing deal imports. Since both the value of imports from West German-owned production plants and from passive processing deal imports include preliminary work by the FRG's clothing industry (designs, production of pattern cutting instruction drawings, technical supervision, costs

of materials) these had to be deducted from import figures. It should also be pointed out that it is the clothing industry's own extensive imports which go to prove that the Federal Republic's significance in the past in clothing production has lessened more and more.

Resulting from these fundamental development tendencies is variable, marked competition between domestic and imported products in the different branches of the clothing industry. The rate of imports, the proportion of imports to domestic availability (= production minus exports plus imports), has risen constantly in past years. In other words, the share of foreign goods in the Federal Republic's clothing market has continually increased. In the meantime, almost a third of clothing consumption is met by foreign made merchandise. Import penetration is particularly marked in the markets for rainwear, fur clothing, handkerchiefs, neckties, gloves, sports wear and leatherwear, as well as underwear and corsetry (table of rate of clothing imports in appendix gives comparisons). For the last named products, whose production requires no special know-how, West German firms have almost completely pulled out of the middle and particularly the lower priced market segments. In comparison, FRG producers have a relatively strong position in markets which are highly dependent on fashion and seasonability. This is the case, for example, in the women's outerwear sector.

One must not underestimate, however, the fact that foreign producers are offering increasingly high-quality clothing on the German market, in so far as they have not done so already, as have, for example, western European producers. That kind of strategy, of "trading up", has been pursued above all by some of the countries in the EC's Multi-fiber Agreement (MFA).

One of the most important reasons for the growing import pressure to which the FRG clothing market is exposed is the sometimes substantial price differential between domestic and foreign goods. This is not so much the case with articles imported under passive processing trade as with merchandise sold under full import transactions into the Federal Republic. If prices of similar products are compared, imported goods in relation to FRG produced merchandise are from 20 to 40% cheaper.

Additional merchandise bought abroad is offered for sale by most West German clothing producers in a lower price range. Clothing which is made in their own manufacturing plants or which stems from passive processing deals is, on the other hand, mostly included in the middle price range. Nevertheless, foreign-made wear is penetrating increasingly into the higher price range. This goes predominantly for those articles supplied under supervision of FRG clothing manufacturers, in other words, for "own" production abroad, or via finishing contracts.

The main cause of the overall price advantage of foreign-made supplies is the relatively modest burden of wages costs. However, in terms of quality of comparable

products there are sometimes considerable differences between (better) domestic and (poorer) foreign merchandise. These quality differentials naturally result in lower (consumer) prices.

The increasing discrimination of the consumer and the expanding supply of foreign merchandise have forced domestic clothing manufacturers to seek market niches for new products and to make their goods more fashionable, which is possible thanks to the high flexibility of domestic production. The blossoming of fashion creativity is an asset for the West German clothing industry. With its 300 million-plus consumers, the Common Market represents a large marketing base. Nearness to these markets means that the West German clothing industry, like its European competitors, enjoys fundamental advantages over low-wage countries, for example in terms of delivery times. With regard to supplier-reliability, the West German clothing industry should enjoy a big "plus" over its foreign rivals.

The Federal Republic's clothing producers also benefit from their generally extensive knowledge of the European markets, which enables them to adjust speedily to changes in demand. In the clothing industry, which is so dependent on fashion and taste, it is still true that despite the advent of electronic data processing in production planning, this ability is still a deciding factor in a company's success.

If Thai producers wish to increase their exports to the Federal Republic, they must ensure that what they are offering is constantly competitive, in price, quality and fashionability. In addition, a whole set of preparatory considerations and steps is needed and, besides, the West German clothing market is too large to be able to make professional proposals here. In order to do this a deep knowledge of the Thai clothing industry would be needed, of its efficiency, its development potential, as well as of Thailand's export promotion policies and the possibilities of co-operation, for example with Asian or West German partners.

Various strategies are possible. Thailand could build up an autonomous, export-oriented clothing industry. It could encourage foreign producers to locate production in Thailand. It could step up passive processing trade by going into co-operation agreements, for example, with mail order firms and department stores.

When we asked traders which aspects of the Thai market could be improved, the factor they mentioned first of all was an attractive price, particularly for medium and big production runs (for men's and women's outerwear). However, they also specified reasonable quality and, finally, honoring delivery dates. In both men's and women's outerwear Thailand could find opportunities in the trend of other so-called low-cost countries, such as Hong Kong, South Korea and Taiwan, to follow "trading up" strategies which could make it possible for other suppliers to gain a stronger foothold in

the lower and medium price areas. These goods also have to be stylishly up to date, otherwise they will not achieve any individuality in a given sector.

It is also necessary to acquire extensive know-how, not just in relation to production and the innovation process which could be attained, for example, through contracts from other manufacturers for finishing work. It is also necessary to acquire know-how on business accounting practices and on market changes in the Federal Republic that, for example, ought to be followed on the spot from an office in the FRG because they are liable to change rapidly since collections have to be staged twice a year.

If Thai manufacturers of jackets, coats, suits and so forth succeed in achieving a decisive improvement in product quality and offering price competitiveness at the same time, they should be able in the future to consolidate their share of the West German clothing market. This step should also possibly be combined with creation of own label products.

### **(3) Consumer Trends and Major Features of Consumption Patterns**

In the period 1970 - 80 demand for clothing fell sharply and then in 1984 stagnated overall. Since then demand has revived. This development was characterized by different factors, such as signs of saturation in specific sectors and fundamental changes in consumer behavior/reaction. At the same time, buying resistance at the beginning of the 1980s was also cyclically induced.

In the 1970s, expenditure on living accommodation, consumer durables, transport and services gained in importance. In contrast, spending on food as well as textiles and clothing grew at a rate below average. Whilst an average household (four person working family with middle income) still spent 8.6% of its consumption expenditure on clothing in 1970, the proportion was only 6.3% in 1984. By 1987 the figure had reached 6.9%. In 1987 an average middle-income household spent DM 312.16 per month on clothing (see table on next page). Women's expenditure was ahead of men's.

In terms of quality, there is a pronounced trend towards quality goods and the best materials. The corresponding supplies come both from West German manufacturers and from other EC countries, mainly Italy and France. Here natural fibers are used in the majority of cases.

Fashion and design both change constantly. In men's fashion currently shown for winter 1990, felt effects are very popular and velvet is given a new fashionable status, not only for evening wear but also for everyday: velvet insets, velvet waistcoats, or whole velvet suits are a new highlight. There is a bigger variety than ever. This is shown in the many styles of trousers (calf-length, turn-ups, or pleated), in the variations in coats (from

short and sporty to a velvet coaching mantle) and in the new types of waistcoat. Colors for men's fashion are supposed to be brighter than ever. Red and purple were shown in Italy, colored waistcoats with black trousers and jackets, or pale blue, yellow and pink sports jackets. Generally the trend is towards the so-called ginger colors, to warm red and orange. Black, furthermore, continues to be dominant, but combined with bright colors.

Delicate pastel tones prevail in women's outerwear for winter: lilac colored long, full woolen coats, worn with light grey trousers and light grey woolen jackets and angora, or natural wool pullovers with pilgrim collars of wool with mohair, or classic wool mixture twinsets in lollypop colors. Pink is important again. Stronger colors predominate for warm and winter jackets, for example salmon pink, black, green, blue. Most of them have thick wadding, windproof fabrics and fur trimmings. In dresses and blouses, the feminine line is maintained with flowing materials and figure-accentuating cuts. Colors are mostly very varied, design is folkloristic (e.g. Indian, Mexican or Moroccan). Blouses and skirts are made in transparent fabrics. Long skirts are back again, and jackets are narrower. Various styles of waistcoat or gilet figure also in women's outerwear.

#### Monthly Consumer Expenditure on Clothing by Middle-income Households\*

	1984	Average in DM		1987
		1985	1986	
Clothing (less shoes)	180.73	183.64	210.37	212.14
as % private expenditure	(6.3)	(6.4)	(6.9)	(6.9)
of which,				
outerwear	130.37	130.13	130.79	129.96
other clothing	50.36	53.51	79.58	82.20
Household textiles	25.57	29.75	35.58	82.20
of which,				
carpets, mattresses, etc.	10.77	15.16		
household textiles, linen	15.80	14.59		
Total private consumption	2,242.76	2,864.25	3,034.36	3,060.69

\* Four-person, middle-income household. Expenditure for all households not available

Source: Bundesverband Bekleidungsindustrie

It should be pointed out that fashion in the fashion centers of New York, Milan, Paris and Tokyo is "contrived", or to put it another way, the most important, decisive

trends in quality and design are imported. Some West German fashion makers could also attain international profiles, but by going to the fashion centers. Imports from so-called Asian low-cost countries in general, among them Thailand, at present play an essentially passive role in this connection; that means that they have to take these trends on board.

This outline of development is particularly relevant for small and medium runs of men's and women's outerwear. In small and medium runs of underwear and shirts, Hong Kong, in particular, as a supplier of quality goods, has been able to gain in recent years. This sector, however, is not so much concerned with full imports as with contract finishing or passive processing trade.

Clothing manufacturers in the main industrialized countries have for some considerable time had mass produced merchandise made in increasing quantities abroad, whilst at home they manufacture for the sophisticated, up-to-date and fashionable part of the market.

### **3. Distribution**

#### **(1) Major Features and Trends**

The sales system is multi-tiered. Retailers, which have the most significance, have undergone considerable restructuring. Most small and medium size manufacturers, which supply the market through trading, see themselves as increasingly in opposition to the big buyers. The structural changes which have taken place in retailing in the period since 1970 were primarily characterized by a strong advance by the big multiple chains, whose market share increased from 10% (1970) to 15% (1987). Multiple chains modernized their shops in this period — newer figures are not available, however the trend has continued — and expanded themselves into attractive centers.

Mail order trade has also been able to lift its market share a little (from 6.7 to 7.6%) by concentrating more strongly on hitherto inaccessible target groups (e.g. through special catalogues for young people), and also by strengthening their marketing (advertising). Hypermarkets and self-service stores were able to strengthen their position in non-problematic, non-fashion, low-priced small and single items, increasing their market share of textile and clothing retailing from 3.5 to 4.2%. "Non-clothing" retailers (whose main activity is outside the clothing sector) achieved a slightly higher market share (from 2.2 to 3.0%) through higher sales of sports clothing in sports shops. Department stores, on the other hand, had to accept a loss of market share from 20.2 to 16.5%, after some had consciously reduced their textile and clothing ranges in favor of other sectors.

The most significant purchasers of clothing are the specialist retailers whose market share fell from 57.9 to 53.7%. This sector is subdivided into independent traders, whose importance declined from 32.4 to 26.2%, and co-operative traders, which slightly increased their significance through stronger efforts at integration and marketing (for example joint advertising campaigns).

The strong ties of the clothing industry to the relevant specialist traders derives to a considerable extent from the fact that for many firms, more than half of their turnover is based on regular orders. This type of order allocation is very important, particularly in men's and women's outer wear as well as in the underwear industry. About one fifth of the turnover each is generated by follow-up orders ex-stock, extra orders and interim special offers. Reordering from stock is particularly frequent for corsetry and work clothing.

## **(2) Distribution Channels**

Distribution channels in the West German clothing industry have not so far been researched either by the responsible trade association (Bundesverband Bekleidung) or by scientific institutions. According to experts, the current route for importers or domestic manufacturers (1st tier) is via the retailer (2nd tier) to the consumer (3rd tier). West German manufacturers often appear themselves as importers — on enquiry many companies explained that their turnover is made up of approximately 25% of their own imports and 75% of domestic merchandise. Some of the importers are foreign exporters and some are domestic importers for which goods coming from the so-called Asian low-cost countries have a considerable importance.

The role of wholesalers is not quantifiable, although according to expert opinion, it is much smaller than that of retailers. In addition, some big retailers are also direct importers — for example big multiple chains, department stores and self-service and other warehouses. In many cases they have direct representation through their own buying offices, in Hong Kong, South Korea, Taiwan and Singapore, for example. With regard to profit margins for the various tiers of distribution, there are details only for the retailers. Experts consulted estimate that an article of clothing gains in value on the route from manufacturer to end-user by an average of 200 to 300%. The profit margin is generally higher for quality clothing products than for cheaper ones. The retailers' profit margin averages around 40%, slightly higher for men's outerwear than for women's. It is not possible to give further details because the traders and manufacturers interviewed did not want to give any in view of the severe competition from imports.



### **(3) The Roles and General Marketing System of Clothes Importers**

The role of the importer has already been indicated under (1). Distribution agents or dealers overall play a subordinate role when seen in comparison with foreign exporters, some of which can be distribution agents or dealers, and with domestic importers (including retailers and manufacturers' own imports).

### **(4) Typical Marketing Strategy of Major Distributors**

A specialist retailer's marketing strategy would typically include the following:

- Well-aimed assembly and ordering of a range, predominantly regular orders from manufacturers
- Extensive advertising (advertisements, leaflets)
- Clearing out the warehouse through special offers even before the summer or winter clearance sales
- Extra orders and interim special offers to take advantage of contemporary fashion trends
- Monitoring the market (for example through fair visits) and accurate controls on buying and sales.

These marketing strategies are in the main also pursued by warehouses and mail order houses and big multiple chains. The latter, however, thanks to their market strength, also have special buying strategies at their disposal such as direct purchasing in manufacturing countries or negotiating contracts on their own terms.

### **(5) Trends in Processing Deal Contracts**

#### **1) The percentage share of garments supplied on processing deal contracts**

Looked at as a whole, passive processing trade in 1987 was valued at DM 1.9 billion and had achieved a 13.8% share of West German clothing imports (1986 DM 1.8 billion, 14.8%; 1985 DM 1.8 billion, 15.5%). In the last three years the share of passive processing trade has dropped, although it should be noted that in the last 10-year period it has fluctuated between 13.5 and 15.5% (1979 15.0%; 1980 13.6%).

In terms of country categorization, Yugoslavia and other European Eastern Bloc countries have occupied the leading places for many years. Yugoslavia had a 40.4% share of passive processing trade in 1987. The other European Eastern Bloc countries brought the share up to 43.0%. For Thailand, the whole of its passive processing trade is

identifiable (DM 37.1 million) but not the share of its passive clothing processing, which must have been valued at between DM 15 - 20 million. This figure is indeed low, but judging by the statistics this trade only developed in the 1980s.

For the most important clothing sector, the women's outerwear industry, we have compiled the following table. The biggest import shares of passive processing are taken by woolen trousers (41.0%), woolen jackets (37.5%) and woolen coats (33.7%). What individual share Thailand's passive processing has is not covered by statistics (see table 4 on next page).

2) Method for and major considerations in getting garments produced under processing deal contracts

The reason for the relatively high share of passive processing in the clothing industry is to be found above all in costing calculations. Articles of clothing made from EC pre-products, but finished abroad under passive processing deals, particularly in Yugoslavia and the Eastern Bloc countries, are relieved in cost terms through differential customs treatment (customs duties may be up to 15% lower than for full imports.) This allows firms a mixed calculation so that they are able to compensate for their higher domestic unit costs. In the 1960s and at the beginning of the 1970s, basic quality goods were produced via passive processing deals, and West German firms were able to augment their range with cheap goods. In the meantime, passive processing trade is no longer limited to basic quality goods. Instead a growing quantity of medium and sophisticated merchandise is being manufactured. This trend is due partly to the fact that activities relevant to development and sales which are still domestically based have evolved more strongly because of the powerful impetus of fashion. Activities carried out abroad within passive processing trade are, in comparison, confined to cutting, sewing and pressing.

In every case, production abroad — in all countries — is overseen constantly by qualified employees from the Federal Republic. Utilization of passive processing trade brings savings on wage costs amounting to approximately 10 to 30% against the wage costs for the corresponding home manufactured article.

**Table 4. Women's Outerwear — Import Development and Passive Processing, 1987**

Outerwear for women girls and children	Imports DM m	After passive Processing DMm %		Imports from Thailand DM m %	
Coats and jackets					
Parkas, anoraks, windbreakers, etc.					
- in synthetic/artificial woven fabrics	224.6	27.4	12.2	11.2	5.0
- in cotton	196.4	25.2	13.2	2.9	1.4
- in other woven fabrics	5.7	1.2	20.7	—	—
Jackets					
- in wool	175.2	65.8	37.5	—	—
- in synthetic/artificial woven fabrics	207.5	54.5	26.3	2.4	1.2
- in cotton	225.5	31.9	14.2	2.2	1.0
- in other woven fabrics	29.4	6.2	21.0	—	—
Coats and wraps					
- in wool	216.2	72.9	33.7	—	—
- in synthetic/artificial woven fabrics	255.9	59.6	23.3	2.6	3.4
- in cotton	127.0	41.7	22.3	3.1	1.6
- in other woven fabrics	4.7	0.5	10.2	—	—
Suits and trouser suits					
- in wool	47.7	7.7	16.1	—	—
- in synthetic/artificial woven fabrics	237.3	30.5	12.9	10.7	4.5
- in cotton	159.4	9.3	5.8	7.7	4.2
- in other woven fabrics	13.8	1.6	11.5	—	—
Dresses					
- in silk	17.2	0.2	1.3	0.1	0.7
- in wool	34.1	6.1	18.0	—	—
- in synthetic woven fabric	236.9	45.4	19.1	1.0	0.4
- in artificial woven fabric	52.1	8.8	17.0	—	—
- in cotton	212.9	20.2	9.5	1.4	0.7
- in other woven fabrics	7.2	0.7	10.1	—	—
Skirts					
- in wool	121.0	25.2	20.8	—	—
- in synthetic/artificial woven fabrics	353.1	52.4	14.9	0.3	0.1
- in cotton	316.8	26.9	8.5	3.9	1.2
- in other woven fabrics	26.3	2.4	9.2	0.2	0.4
Trousers					
- in wool	47.4	19.5	41.0	—	—
- in synthetic/artificial woven fabrics	170.4	33.0	19.3	0.5	0.3
- in cotton	727.5	41.3	5.7	3.9	0.5
- in other woven fabrics	112.2	0.9	7.1	—	—
Blouses					
- in silk	82.2	1.7	2.1	0.1	0.2
- in synthetic woven fabric	395.2	57.2	14.5	2.9	0.7
- in artificial woven fabric	155.7	35.2	23.0	0.2	0.1
- in cotton	395.7	77.0	15.5	1.5	0.3
- in flax or ramie	8.8	0.8	9.2	—	—
- in other woven fabrics	9.7	1.5	15.3	—	—

Source: Statistisches Bundesamt; mti-Berechnungen

Passive processing trade is used predominantly for clothing made in medium and large production runs, particularly in sectors with little fashion modification (manufacture of underwear and shirts). But there are big differences between firms. MVG Aktiengesellschaft für Internationale Mode, Sindelfingen, an important producer of women's outerwear, dispenses with its own production to a great extent, but has its collection designed by computer at its Sindelfingen headquarters and manufactured, some of it under passive processing contracts, in countries with more favorable wages levels in Europe and Asia. Quality standards and delivery dates are supervised by MVG staff on the spot. MVG at present has offices for buying and production in Hong Kong, Portugal, Turkey and Greece.

Klaus Steilmann GmbH & Co., KG, Bochum-Wattenscheid, which claims to be Europe's biggest women's outerwear producer, likewise uses mixed calculations. The increasing pressure of cheaper imported merchandise from East Asia is combated mainly by quick reaction to fashion trends. This is done by using new, fashionable materials, not offered by the low-wage countries. Cutting and sewing are carried out predominantly through passive processing arrangements.

The FRG's "number 1" in men's outerwear manufacture, Hugo Boss AG, Metzingen, has recently invested mainly in new warehouse capacity, expansion of EDP and in automation of production (Europe's biggest electronic measuring and drawing machine). Boss has had cutting done in Greece and Yugoslavia for years. In Hong Kong, shirts are sewn.

The important underwear producer, Schiesser AG, Radolfzell, far and away Europe's "number 1", has a high proportion of activities in the framework of passive processing trade. For many ranges practically all production-relevant activities (cutting, sewing, pressing) are carried out abroad.

The companies farm out mainly those articles whose production can be standardized relatively easily such as women's coats, shirts, men's trousers and suits, and work clothes. Important criteria for the award of contracts in passive processing are: adequate technical equipment and sufficiently qualified workers, capacity to maintain the required quality and delivery times, and, of course, the price for the work demanded.

The West German manufacturers award their processing contracts predominantly to Yugoslavia and Eastern Bloc countries and that, according to experts, is unlikely to change in the future. The grounds for that opinion are on one hand transport costs and on the other the markets' proximity to the Federal Republic. Since such processing work is constantly supervised, and because there is often the need to react fast to fashion trends, proximity is a considerable factor. Finally, there is also another reason: Yugoslavia and the Eastern Bloc countries have no marketing systems of their own and therefore have an

interest in making use of full machine capacity through processing contracts. That is different in Hong Kong and South Korea, for example, where homegrown fashion is being developed. Developing indigenous fashion can be financially rewarding; the price structure of companies in low-wage countries taking on processing contracts is totally dependent on their (West German) clients.

All the companies interviewed said it was very unlikely that extensive contracts for processing would go to Thailand.

In contrast to the manufacturers' practices, it should be pointed out that production contracts made in East Asian countries, above all by the big department stores and warehouses, such as Karstadt, Hertie, Quelle, Otto, Neckermann, are not comparable with passive processing.

#### 4. Trends in Domestic Production and Exports

##### (1) Changes in the Value of Production and Exports Since 1970

The trend towards shrinkage which began at the beginning of the 1970s has continued in the 1980s. Even though production in the garment industry nominally increased by 27% between 1970 and 1980, what we have in view of the 50% increase of industrial producers' prices is in effect a decline. As can be seen from Table 5, there has also been a nominal decline in production since the beginning of this decade at the rate of an average 1% per year from DM 17.5 billion (1980) to DM 16.2 billion (1987). The 1987 decline in production was particularly severe for the producers of women's outerwear.

**Table 5. Production and Exports of Garments**

Year	Production (million DM)		Exports (million DM)	
	Total Clothing	Women's outerwear	Total Clothing	Women's outerwear
1970	13.756	4.397	886	535
1975	15.891	6.231	1.810	1.012
1980	17.468	7.252	3.263	2.230
1985	16.609	7.612	5.715	3.578
1987	16.205	6.861	6.050	3.767

Source: Bundesverband Bekleidungsindustrie

At the beginning of the 1970s, the garment industry was still completely orientated towards the domestic market. The export rate was 6.4%, and DM 886 million worth of goods were exported. Since then however, foreign trade in the garment sector has strongly intensified. While the import rate in the time period in question has almost quintupled (from 12.6% in 1970 to 57.2% in 1987), exports in 1987 were almost six times as high (37.3%) as at the beginning of the period.

In the 1980s the garment industry has suffered a greater surplus of imports compared to the textile industry which has also been more successful in expanding its export position. Only in part was it possible for the garment industry to make up for the losses in domestic sales through sales in other countries. It is however necessary to make distinctions within this overall picture by looking at various branches of garment producers. After all, the women's outerwear industry is the largest exporter in the world. Furthermore, there recently seems to be a general tendency among garment producers to increasingly deal with incoming orders through production in other countries or through direct imports.

## (2) Export Prices in Selected Product Categories

In 1987 export prices for textiles were 1% lower than in the previous year. Export prices for clothing, however, increased by 3% (see Table 6). For German garment producers the down-fall of the dollar has also meant harsher competition on the foreign markets with those low cost countries that calculate on a dollar basis. Trade with the U.S.A. is of lesser importance where the weakness of the dollar is concerned.

**Table 6. Index of Export Prices (1980 = 100)**

Year	Textiles				Clothing		
	Total	groups			Total	groups	
		yarns	fabrics	text. floor coverings		outerwear	underwear
1981	104.7	107.2	104.3	104.7	104.7	103.9	105.7
1982	109.1	116.5	107.0	112.6	109.0	107.2	113.8
1983	111.0	115.9	109.4	114.5	111.4	108.9	118.8
1984	114.2	120.2	112.2	116.0	115.4	111.7	123.1
1985	117.7	124.1	116.7	120.8	120.6	116.4	127.3
1986	117.1	121.6	116.8	124.8	123.9	120.8	129.6
1987	115.6	115.7	115.2	128.0	127.0	112.9	130.6

Source: Gesamttextil

While the overall level of export prices for clothing has gone up by 27% since the beginning of the decade, the export prices for outerwear have stayed clearly below the average development. Export prices for underwear on the other hand have increased faster than the average.

In spite of a strong tendency towards specialization it has so far hardly been possible to make use of the advantages of mass production. The reasons for this lie in the facts that the process of sewing has not yet undergone automation, and that the demand for garments is highly diversified. That is why partial relocation to other countries continues to play such an important and still growing role within the adaptation strategies of the producers.

The textile and the garment sector have developed different strategies concerning product innovation. Most recently, the orientation towards new end-product markets has been playing a more and more important part in the technical textiles sector (canvasses, filter fabrics, etc.). This possibility of creating new products is not open to the garment sector, unless, of course, you wish to call the creation and utilization of new fashion trends product innovation.

What is remarkable, are the marketing strategies that have been conceived instead. For instance it was possible to create a big new market with sports and leisure wear within a very short time period. This is the sector where eight years ago GoreTex began its market success. An exemplary success in market penetration are membranes in men's outerwear, with GoreTex in an easy first position. These expensive garments (coats, jackets, etc.) have been selling extremely well since 1987. They are also becoming remarkably successful with producers of headgear and individual producers of women's outerwear. GoreTex is not only known as a perfect example of successful product innovation, but also for consistent textile marketing.

The shortened fashion cycle has also led to a more lively demand. This dynamization of fashion does mean added requirements in the flexibility of production because of smaller lot sizes, but on the other hand direct market accessibility once again becomes an essential criterion of location for the production of highly fashionable goods. Besides the effect in demand mentioned above, the following trend is to be observed: standardizable mass production is relocated to developing countries; special high quality products are produced domestically in immediate contact with the quality-oriented consumers. In a comment on the business year 1988, Europe's largest garment manufacturer, Klaus Steilmann GmbH & Co. KG, remarked that the Steilman companies had been able to make use of their chances on the market despite the pressure of cheap imported goods from South East Asia by speedily recognizing developments in fashion

and using fashionable fabrics which were not immediately on offer from the low cost countries.

In summary, it may be stated that the garment industry has so far compensated for the impediments to rationalization mentioned above mainly through location innovation, but also by producing with intensive use of capital, i.e. following a strategy of rationalization wherever the standardizability of a product has made automation or even the installation of sewing transfer production lines (Nähtransfer-sträßen) a possibility (jeans or underwear respectively).

From the point of view of their technical potential, it seems clear that in the long run the garment industry will be using robots. A significant decline of production abroad is, however, not to be expected for the 1990s. On the contrary, it seems that there are real possibilities for growth here.

Assuming that a revolution of the production technology in the textile industry is as far away as a fundamental departure from the traditional product line and the customary consumers' behavior patterns, the clothing industry is currently primarily propagating the utilization of established production and information technologies. The catchword "Quick Response" describes a concept whereby the producers are able to satisfy market demands for special products quickly without increasing warehouse stocks significantly. The declared main goal is the strengthening of the domestic producers against foreign sellers with comparable qualifications. Up-to-date marketing information systems are also being introduced, as is CAD in the field of pattern and stencil production.

#### **(4) Typical Overseas Market Development and Marketing Activities**

Compared to other industrial sectors, direct investments have little significance for the garment industry. The largest portion of capital exports goes to other industrialized countries to secure or expand market positions there. Sales-oriented direct investments are explained by the assumption that within company expansion policies, production plants in other countries are a more suitable instrument than traditional exports, not least because of the possibility of circumventing trade barriers. A poll among companies in the outerwear industry has shown that production in other countries is mainly geared towards serving foreign markets, i.e. towards sales.

The market leader in the men's outerwear sector, Hugo Boss AG, founded an import and marketing firm in New York in order to facilitate intensive sales on the U.S.-market. The Schiesser AG, by a wide margin the largest producer of underwear in Europe, after a phase of stagnation has also improved its presence through (among other measures) a newly founded marketing firm in New York. The aim of this firm is the



distribution of women's, men's, and children's underwear of the highest quality through a chain of businesses that is being built up step by step.

According to the association, opening up new markets outside of Europe makes large investments necessary, demanding an investment rate of at least 2.5% of sales. Since this is not affordable for the mainly medium-sized German clothing producers alone, it is thought necessary to form pools analogous to those formed in the Italian or British clothing industries. The associations are demanding offensive foreign marketing extending to the internationalization of exports. In this context they are supporting joint exhibitions in Europe, the Near East, in the Comecon-Countries and in South East Asia.

## **5. Textile Industry Protection Policy**

### **(1) Effects and Impacts of the MFA**

International restraints on the textile and clothing trade generally predate World War II. As tariffs and restrictions came down generally after the war, bilateral restraints were negotiated by West Germany with Japan, India, and Pakistan in the 1950s. It was at the same time that the U.S. desired the restriction of Japanese exports of cotton textiles to its domestic market. The textiles industry was the first to become competitive in the developing countries and had benefitted from quite high protection in the industrialized countries. Numerous other bilateral restraint agreements were negotiated by West Germans within the multilateral framework provided by the STA (Short-Term Arrangement Regarding International Trade in Cotton Textiles) from 1961 to 1962 and in the first two phases of the LTA (Long-Term Arrangement Regarding International Trade in Cotton Textiles), 1962 - 1967 and 1967 - 1970 respectively. The import restrictions had two characteristics in common: they covered only cotton products and they were negotiated in West Germany rather than by the EC. The latter changed in 1970, the year the LTA was extended for the second time. The EC officially took over commercial trade policy for all of its members, thereby causing a gradual phase-out of previously negotiated bilateral agreements starting in 1971. The import restraint agreements subsequently negotiated by the EC were characterized by global EC-wide quotas that were distributed among member countries according to some unwritten principle of "burden sharing", a principle carried over to the MFA of 1974 and its four extensions in 1978, 1982, and 1986. Starting with LTA III (1970 - 1973) it became clear, however, that several national quota allocations were rather low compared to domestic demand, thus leading to a diversion of imports that legally entered the EC in one member country to the more restrictive countries. Reacting to this undercutting of import restrictions from within

the Community, France and the Benelux countries stand out in that they have frequently resorted to Article 115 of the EEC treaty. In practice this has meant that they obtained the authorization not to apply Community to products in free circulation among other member countries (The trade in domestically produced substitutes cannot be restrained, however.) In contrast, West Germany has been among the EC countries using the most restraint with regard to Article 115. (In fact, in 1973, still under LTA III, the German government even requested a substantial increase in West Germany's EC quota allocations.)

Starting in 1974, import protection for clothing and textiles took on a new dimension with the introduction of the MFA and its four subsequent prolongations. First and foremost, the MFA has meant an extension of protection to fibers other than cotton, initially to synthetics and wool (MFA I). Secondly, the country coverage of import restrictions was greatly expanded so that by the middle of the 1980s almost all exporting countries with the notable exception of industrialized countries are subject to non-tariff export restrictions.

Although in West Germany some segments of the administration, in particular the Ministry of Economics, seem to be in favor of reducing protection on textiles and clothing, there are strong opposing forces at work; both unions and employers' associations as well as some fellow member countries of the EC are vigorously opposed to any lessening of the protectionist grip in textiles and clothing. This helps to partly explain the staying power of the MFA in spite of its often mentioned temporary nature. The element of discrimination inherent in the MFA has added to its political appeal and staying power. Since the import restrictions are not directed against fellow industrialized countries, there is no fear among restricting countries of retaliation from a potent trading partner, an important factor normally helping to keep protection in check. In these circumstances, it is difficult to identify any significant domestic or foreign pressure that politicians who decide on protectionist legislation in industrialized countries would have to reckon with, except perhaps the People's Republic of China. On the domestic side, it seems worth bearing in mind that the agency with broad interests to defend, the Ministry of Economics, seems liberal minded.

It is believed that the MFA has not blocked structural change in the West German textiles and clothing industry. Quite to the contrary it has adapted to global economic changes more easily than the textiles and clothing industry of other important industrial countries, for example through the massive utilization of the passive processing trade. From the point of view of the Federal Republic, the attitude towards a long-term switch to GATT is therefore much more favorable.

## **(2) Import Quotas**

In short, the MFA means a limitation of the quantitative growth of the exports of textiles and clothing from certain low price countries to the industrial countries. The MFA includes about one third of the world trade in textiles and clothing. For West Germany those treaties made by the EEC with the supplying countries are authoritative (according to MFA that includes 15 developing and six Comecon Countries). In these so-called self-limiting treaties, the supplying countries agree to limit the growth of their exports of various groups of goods to the Community to certain average rates of growth.

The distribution of maximum amounts among the member countries, as well as the goods categories for which these maximum amounts are effective, are published by the EC in decrees on joint import regulations for individual textile goods coming from third countries. These decrees ("Amtsblatt der Europäischen Gemeinschaften") are enclosed in the analysis. They show the import quotas for the time between 1983 - 1991 for individual groups of goods and supplying countries.

Table 7 shows the maximum amounts for imports of textiles from Thailand to the Federal Republic of Germany for the years 1988 - 1991 (MFA IV).

**Table 7. Maximum Amounts for Imports of Textiles From Thailand to the  
Federal Republic of Germany, 1988 - 1991**

Cat. No.	CN-Code	Description	Units	Maximum Quantities January - December			
				1988	1989	1990	1991
2	5208, 5209 5210, 5211 5212	Cotton fabrics, other than twisted fabrics, looped fabrics, ribbons, velvet, plush, etc.	tons	3,618	3,729	3,844	3,940
2a		a) out of these: other than raw or bleached	tons	923	933	945	956
31	5512, 5513 5514, 5515	Fabrics of synthetic spun fibers other than ribbons, velvet, plush, etc.	tons	5,808	5,975	6,133	6,335
3a <sup>1</sup>		a) out of these: other than	tons	1,493	1,516	1,539	1,565
4 <sup>2</sup>	6105, 6109 6110	Shirts, T-shirts, undershirts (not made of wool or fine animal hair), vests, etc, knitted articles	1,000 pieces	2,513	2,604	2,699	2,842
5	6101, 6102 6110	Pullovers, slipovers, Twinsets, cardigans; anoraks, windbreakers and the like, knitted	1,000 pieces	2,594	2,668	2,739	2,823
6	6203 6204	Shorts and other short pants, (except bathing trunks) and long trousers, for men and boys, long pants made of woven fabrics, for women and girls, wool, cotton, other synthetic or man-made spun fibers.	1,000	698	718	741	758
7	6106	Blouses, shirts for women and girls (knitted, made of wool, cotton, or synthetic pieces or man-made spun fibers	1,000	1,045	1,068	1,091	1,112

8	6205	Men's and boys' shirts (knitted, made of wool, cotton, etc.)	1000 pieces	506	522	541	553
22	5508, 5509	Yarn made of man-made spun fibers	tons	464	489	515	540
12	6115	Stockings, panty hose and other knit articles	1,000 pairs	4,522	4,568	4,620	4,693
21	6201 6202	Parkas, anoraks, windbreakers and such not knitted, made of wool, cotton, or synth. or man-made spun fibers.	1,000 pieces	1,096	1,160	1,231	1,303
24 <sup>3</sup>	6107, 6108	Nightgowns, pyjamas and such for men and boys	1,000 pieces	1,248	1,259	1,268	1,280
26	6104 6204	Dresses for women and girls, made of wool, cotton, synth. or man-made spun fibers	1,000 pieces	805	836	877	920
73	6112	Jogging suits, knitted, made of wool, cotton, or synth. or man-made spun fibers	1,000	383	419	459	493
10	6111 6116	Knitted gloves	1,000 pairs	3,166	3,278	3,385	3,493

Notes: <sup>1</sup> The maximum quantities mentioned apply to woven cotton fabrics of category 2 or 2a

<sup>2</sup>. Additionally there has been an agreement on the following maximum quantities (tons) for goods on CN-Codes 61051000, 61052010, 61052090 and 61059010: 269 275 279 286

<sup>3</sup>. The mentioned maximum quantities do not include the goods of CN-Code 61072100 and 61072200.

Source: Amtsblatt der Europäischen Gemeinschaften, L 84, 29 March 1988 (please find enclosed).

## **6. Related Regulations**

### **(1) Related Legislation and Standards**

Generally stated, the textiles and clothing sector in the Federal Republic of Germany is influenced to a high degree by state intervention. Besides the quantitative limits, there are subsidies and a range of other non-tariff trade impediments. However, not even 1% of the officially identified subsidies go to the textiles and clothing industry. Seen before this background, it is not at all surprising, that in the Uruguay-round the textile association advocates a much clearer formulation of the Anti-Subsidy-Code of GATT according to article 14.

The German textile and clothing industry complains bitterly about what they call "Musterklau", pattern stealing, and the production of pirated copies (e.g. by countries such as Turkey or Thailand). As of July 1, 1988 a new protection of design patent law has come into effect, which is intended to allow an effective fight against pirates. According to the law, there will be central registration for patterns in the German patenting office (deutsches Patentamt). Photographs of the garments to be thus protected only have to be publicized 18 months after the pattern application has been announced, so that it will be possible to protect patterns more efficiently. Furthermore, the time span of protection is increased from 15 to 20 years.

### **(2) Import System and Tariff Rates**

With the harmonized system for naming and codifying goods that has been in effect since the beginning of 1988 have come far reaching changes in the regulation of tariffs for groups of goods. It is not possible to enumerate here the customs tariffs for the hundreds of different import goods.

Stated generally, there are no import duties for Thailand as a country of preference, as long as the import quotas are not fully exhausted. After quotas are exceeded, a variety of measures are taken. For example, there is an import duty of 14% on coats, jackets, parkas and women's suits.

Imports after passive processing receive special treatment by special customs laws. The duty to be paid for the imported products is diminished by the fictitious sum which would be due for the pre-product exported for processing, if it had been produced abroad ("Differenzverzollung").



**THE FURNITURE MARKET  
IN THE UNITED STATES**





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## 1. Market Size

### (1) Production of Wooden Furniture

In 1988, the value of U.S. shipments of wooden furniture rose just 0.5 percent from the previous year to US\$6.2 billion. The forecast for shipments in 1989 is for a decline in production (Table 1), reflecting the continuation of sluggish consumption by the consumer from 1988.

**Table 1. Trends and Forecasts: Household Furniture**

	(Unit: \$ million)				
	1985	1986	1987	1988 <sup>E</sup>	1989 <sup>F</sup>
Value of shipment (1982\$)	14,002	14,883	15,553	15,675	15,360
Wooden furniture (Household)	5,556	5,823	6,230	6,260	6,135
Upholstered furniture (House)	3,952	4,261	4,640	4,710	4,615
Metal furniture (Household)	1,753	1,762	1,822	1,805	1,750
Mattresses & boxsprings	2,051	2,098	2,100	2,140	2,120

Source: U.S. Dept. of Commerce

E, F: Estimates and Forecasts by ITA

In the past one or two years, there have been worrying signs of a business recession, but analysts generally are of the opinion that in the long term, the maturation of the demography of the U.S. will have a beneficial effect on the growth of the furniture market.

### (2) Current State and Future of U.S. Furniture Industry

The U.S. wooden furniture industry is currently structured as shown in the following figure. The industry may be roughly divided into U.S. manufacturers and importers.

In terms of the demography of the U.S. consumer market, the U.S. is entering a period of maximum consumption forecast in the early 1980s, i.e., the gradual maturation of the 25 to 40 age strata and a shift to a 35 to 55 age strata.

Along with this, consumption in the furniture market is entering a turbulent period of change. In addition to this, many U.S. furniture manufacturers, in particular small and medium sized manufacturers, lack the leeway in funds for new modernization and rationalization and are being squeezed by the low price competitiveness of importers and the rough wave of mergers and acquisitions (M&A) of large U.S. manufacturers. The U.S. manufacturers are in a period of consolidation of companies. Due to this trend, (1)

the market for low and medium retail price products is being left to imports and (2) medium and high class furniture is being strengthened.

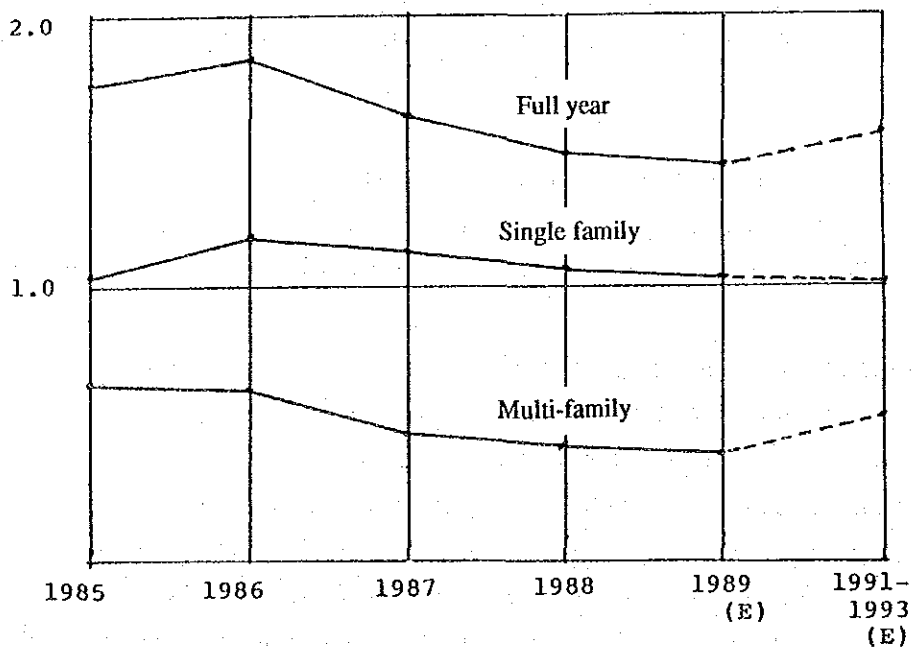
Of course, (3) the retreat of manufacturers from the low and medium price market means the market is being abandoned, which in turn has placed it in the spotlight as a growth market for imports. In particular, Thai products are superior due to the low price even compared with other Asian products, so it is necessary to aggressively seek to expand Thailand's market share by picking up this abandoned share.

Consumption is tending to lean toward quality furniture with good purchase prices, so the ready-to-assemble (RTA) market is coming under attention as one of the growth fields of the wooden furniture market and is beginning to grow.

Furniture demand is largely influenced by trends in new housing construction, which as shown in Fig. 1 is suffering from a continued slump. The number of new housing starts dropped 8 percent from the previous year to 1.48 million. Projections are for an upsurge after 1989.

**Fig. 1. New Private Dwelling Units Started**  
(Seasonally adjusted annual rate)

(Unit in million)



Source: U.S. Dept. of Commerce

## **2. Import Trends**

### **(1) State of Imports, by Product, of Wooden Household Furniture**

The total value of imports of wooden household furniture by the U.S. in 1987 rose 11.7 percent from the previous year to US\$2.3 billion.

Imports have shown steady growth overall, but a look at the growth rates for each year shows a 35.9 percent increase in 1984 from the previous year, a 35.5 percent increase in 1985, 17.5 percent in 1986, and 11.7 percent in 1987. The growth rate of imports has therefore been dropping since peaking in 1985 (Table 2).

**Table 2. U.S. Imports of Wooden Household Furniture & Parts**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88(1-10)
of Wood:						
Bentwood Furniture	16,137	17,730	15,254	12,316	11,803	7,084
<b>Chairs</b>						
Director's Chairs, Folding	10,037	11,267	8,149	7,220	5,874	4,539
Other Folding Chairs	11,509	14,039	15,270	14,921	12,759	8,484
Chairs, of Teak Wood	15,544	22,290	25,775	14,591	21,349	14,788
Other Chairs	195,191	249,133	305,599	340,741	422,983	355,813
<b>Other than Chairs</b>						
Convertible Sofas, etc.	1,845	3,605	8,695	15,102	19,541	16,926
Desks & Desk Extensions	--	58,528	84,547	101,088	110,017	74,249
Dining Tables	--	40,052	63,589	81,177	94,485	77,366
Other Tables	--	138,304	221,442	302,211	377,948	280,168
Beds & Headboards	--	38,849	60,430	81,372	95,517	72,679
Bedroom Furniture	--	56,674	87,824	123,027	146,815	107,329
Wall Systems	--	268,943	427,735	496,663	530,073	388,468
Book Cases						
China Cabinets						
Other Cabinets						
Shelving	--	6,794	9,238	8,652	12,597	9,796
Other Furniture	610,053	232,499	244,571	275,124	296,584	219,629
<b>TOTAL</b>	<b>860,316</b>	<b>1,158,707</b>	<b>1,578,118</b>	<b>1,884,205</b>	<b>2,158,345</b>	<b>1,637,318</b>
Furniture Parts	92,180	135,342	175,634	177,125	144,869	116,978
<b>GRAND TOTAL:</b>	<b>952,496</b>	<b>1,294,049</b>	<b>1,753,752</b>	<b>2,061,330</b>	<b>2,303,214</b>	<b>1,754,296</b>

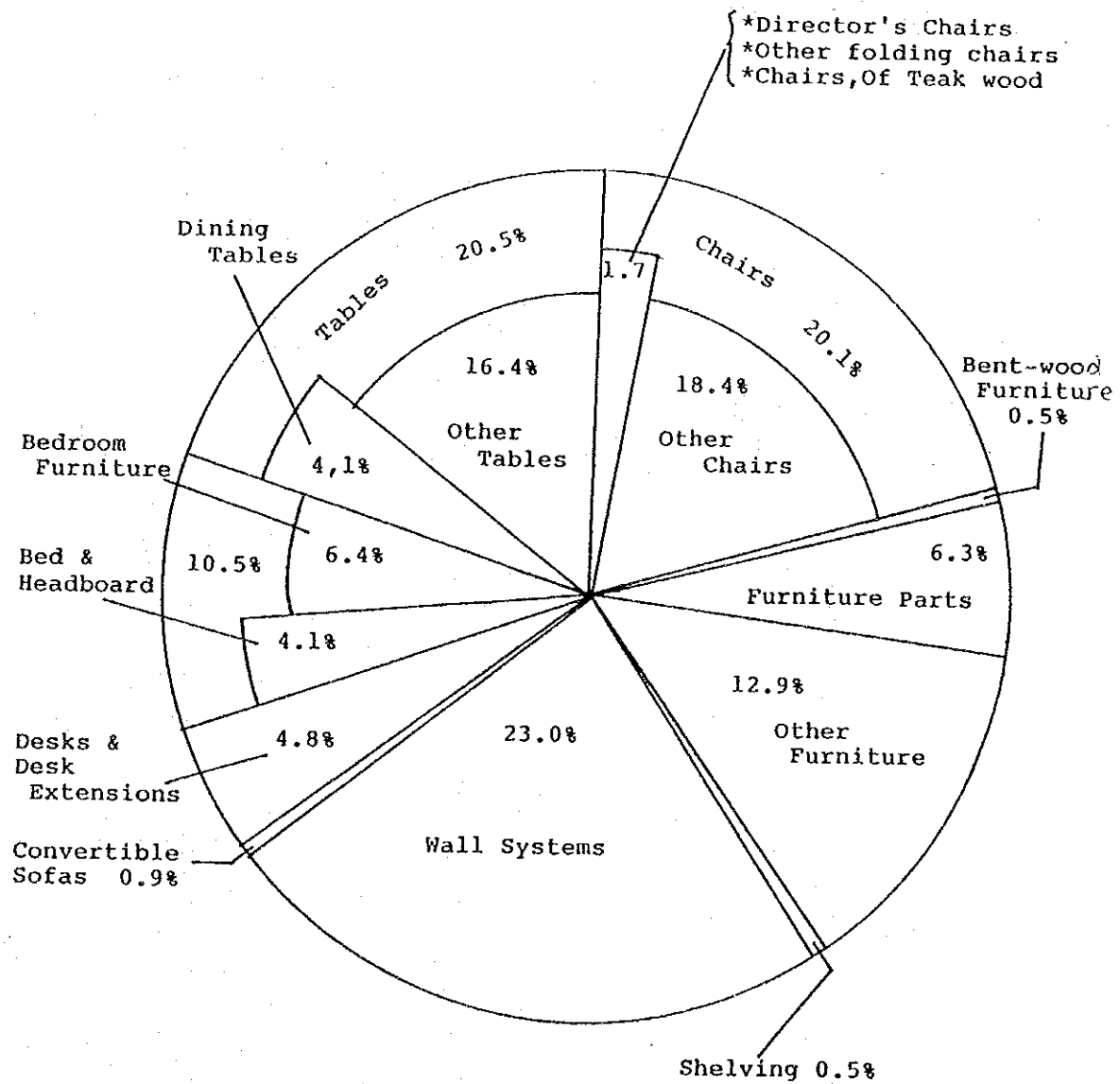
Source: U.S. Dept. of Commerce

## (2) Products Most Imported

Next, a look by product shows the following wooden furniture as accounting for the largest shares of imports.

On a value base (1987), the products accounting for the largest shares of imports are shown in Fig. 2:

Fig. 2. Share, by Product, of Imports of Wooden Furniture in 1987





### (3) Imports by Country of Origin

A look at imports of wooden furniture in 1987 by value shows the following.

A look at the imports by country of origin shows Taiwan accounting for 32.3 percent of the same, an overwhelmingly large share, followed by Canada at 12.3 percent, Italy at 8.8 percent, Denmark at 7 percent, Yugoslavia at 6.9 percent, and then Western Europe.

Among Southeast Asian countries, Singapore ranks in 9th place with 2.4 percent, South Korea in 10th place with 2.4 percent, and Thailand in 11th place with 1.9 percent, or about US\$43.7 million (Table 3).

**Table 3. 1987 Imports of Wooden Furniture (Household) by Country**

(Value: \$ million)

Rank	Countries	Value of Imports	%
1	Taiwan	\$743.8	32.3
2	Canada	283.3	12.3
3	Italy	202.1	8.8
4	Denmark	161.5	7.0
5	Yugoslavia	158.9	6.9
6	FR Germany	102.8	4.5
7	Mexico	77.3	3.4
8	United Kingdom	66.3	2.9
9	Singapore	56.3	2.4
10	Korea	54.6	2.4
11	Thailand	43.7	1.9
12	Sweden	33.8	1.5
13	Rumania	33.4	1.5
14	Spain	23.0	1.0
15	Brazil	21.6	0.9
16	Hong Kong	21.1	0.9
17	France	18.8	0.8
18	China	16.3	0.7
19	Japan	16.0	0.7
20	Israel	13.0	0.6
21	Belgium	11.2	0.5
22	New Zealand	9.4	0.4
23	Philippines	9.2	0.4
24	Finland	5.1	0.2
25	Malaysia	3.9	0.2
26	Norway	3.8	0.2
27	Poland	3.6	0.2
28	Indonesia	2.8	0.1
29	Chile	1.8	0.1
30	Czechoslovakia	1.5	0.1
Total		\$2,303.2	100.0%

Source: U.S. Dept. of Commerce

(4) Trends in Furniture Imports by Product as Seen by Statistics

1) Bentwood - Furniture and Parts (#727.1500)

Imports of this product have been declining each year as a general trend since the 1984 peak of US\$17.7 million and no signs of recovery are seen.

In terms of import shares, Taiwanese products once accounted for a large share of 33.5 percent in 1983, but this fell to 16.7 percent in 1987. Western Europe accounts for 77.7 percent of total imports (Table 4).

**Table 4. TSUSA No. 727.1500 - Bentwood Furniture and Parts**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88(1-10)
Czechoslovakia	1,244	1,444	1,790	1,515	1,564	700
Poland	2,869	3,269	3,727	3,870	3,606	2,602
Yugoslavia	2,254	2,679	3,574	1,507	2,159	1,915
Romania	3,816	5,660	3,094	1,276	1,838	945
Thailand	--	--	--	--	--	3
Taiwan	5,411	3,836	1,866	2,831	1,979	600
Others	543	842	1,203	1,317	657	319
Total	\$16,137	17,730	15,254	12,316	11,803	7,084

Source: U.S. Dept. of Commerce

2) Director's Chairs (#727.2300)

This product is overwhelmingly imported from Southeast Asia, primarily Thailand.

However, the value of imports has been increasingly falling each year as a general trend after peaking at US\$11.3 million in 1984.

In 1987, it plummeted 18.6 percent to US\$5.87 million.

A look at the import shares by value shows that in 1983 Taiwan accounted for the largest share, 36.4 percent, followed by Thailand in second place with 24.9 percent.

The situation was reversed in 1987, with Thailand in the lead with 33.5 percent followed by Taiwan at 30.5 percent. However, imports of this product are falling as a general trend and therefore imports from Thailand also dropped 21 percent in the same period (Table 5).

**Table 5. TSUSA No. 727.2300 - Director's Chairs, Wooden, Folding**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88 (1-10)
Thailand	2,500	3,433	2,221	1,802	1,968	2,131
Singapore	912	821	841	129	--	--
Philippines	125	--	--	--	--	--
China	1,931	1,026	430	1,236	1,436	735
Hong Kong	455	732	400	183	114	43
Taiwan	3,656	4,529	3,357	3,310	1,792	1,379
Others	458	729	900	560	564	251
Total	\$10,037	11,267	8,149	7,220	5,874	4,539

Source: U.S. Dept. of Commerce

### 3) Folding Chairs (#727.2500)

This product has been showing signs of a slump since 1985 and 1986.

A look at import shares shows Thailand and China expanding their shares and Taiwan and Rumania decreasing theirs.

Even so, Taiwan still holds the largest share, 30.7 percent in 1987, followed by Italy with 18.6 percent, Rumania with 12.6 percent, China with 8.3 percent, and Thailand with 7.7 percent (Table 6).

**Table 6. TSUSA No. 727.2500 - Folding Chairs, Wooden, NSPF**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88 (1-10)
Italy	829	1,389	2,054	2,448	2,327	1,875
Yugoslavia	360	759	2,346	873	536	426
Rumania	1,911	3,844	1,964	1,392	1,608	301
Thailand	248	229	218	533	985	791
Singapore	232	172	218	--	137	186
China	709	791	314	548	1,061	779
Hong Kong	207	105	276	233	234	116
Taiwan	5,490	4,941	4,647	5,233	3,916	1,855
Japan	--	--	--	128	76	12
Others	1,523	1,809	3,233	3,533	1,879	2,143
Total	11,509	14,039	15,270	14,921	12,759	8,484

Source: U.S.Dept. of Commerce

4) Chairs, of Teak Wood (#727.2700)

This product has been declining each year as a general trend since peaking at US\$25.8 million in import value in 1985.

A look at import shares shows Denmark with 50 percent, Thailand with 16.8 percent, Singapore with 8.7 percent, and Norway with 7 percent.

Among these countries, those which have increased their share since 1983 are Thailand, Norway, and Taiwan and those which have been losing their share are Singapore and Malaysia (Table 7).

**Table 7. TSUSA No. 727.2700 - Chairs, Of Teak Wood, NSPF**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88 (1-10)
Norway	508	752	999	1,121	1,484	1,024
Denmark	7,955	12,045	14,476	13,693	10,683	5,595
United Kingdom	97	279	626	753	965	984
Thailand	793	1,364	1,720	1,645	3,595	3,280
Malaysia	724	669	196	91	--	--
Singapore	4,025	5,062	4,286	3,928	1,849	1,675
Taiwan	446	655	730	776	841	374
Others	996	1,464	2,742	2,584	1,932	1,856
Total	15,544	22,290	25,775	24,591	21,349	14,788

Source: U.S. Dept. of Commerce

#### 5) Other Chairs (#727.2900)

This category has shown an increase in imports with each year as a general trend and rose 24.1 percent in 1987 from the previous year, on a value base, reaching US\$423 million.

A look at import shares shows Taiwan at 33.8 percent, continuing to hold the largest share, Yugoslavia at 20.1 percent, Italy at 13.6 percent, and Canada at 5.8 percent.

Western Europe accounts for the overwhelming percentage of imports. Thailand accounts for 1.4 percent (Table 8).

**Table 8. TSUSA No. 727.2900 - Other Chairs, Wood, NSPF**

	1983	1984	1985	1986	1987	(Value: \$1,000) '88 (1-10)
Canada	10,603	14,966	17,477	21,028	24,642	24,309
Mexico	3,756	4,179	4,696	5,361	9,356	8,360
Brazil	1,316	1,843	3,420	2,371	2,216	1,965
Sweden	731	1,275	1,879	1,941	2,185	1,748
Norway	914	1,917	2,941	2,377	2,291	1,345
Denmark	4,885	6,868	9,214	9,425	7,812	5,505
United Kingdom	5,674	6,566	7,768	7,593	7,509	4,751
France	1,860	2,776	4,145	4,247	4,151	2,710
FR Germany	1,373	2,985	7,007	7,015	7,048	4,370
Spain	4,091	6,617	9,709	11,412	13,173	11,453
Italy	15,367	33,246	55,140	59,337	57,529	43,947
Yugoslavia	41,170	56,332	73,332	72,753	84,913	67,357
Rumania	5,440	5,527	6,922	6,010	5,399	3,742
Thailand	525	796	1,339	2,236	5,758	9,488
Malaysia	591	271	518	1,363	1,338	3,840
Singapore	15,168	16,038	17,352	12,083	14,868	14,810
Philippines	899	1,568	2,083	2,192	2,699	2,241
China	805	1,010	1,090	835	1,741	1,574
Korea	4,317	4,192	4,905	7,404	10,844	10,209
Hong Kong	1,853	2,716	3,710	2,897	3,257	1,820
Taiwan	67,917	71,560	62,264	91,202	143,057	99,352
Japan	1,514	1,225	1,063	1,091	683	454
Others	4,422	4,789	7,625	8,568	10,514	30,463
<b>Total</b>	<b>195,191</b>	<b>249,133</b>	<b>305,599</b>	<b>340,741</b>	<b>422,983</b>	<b>355,813</b>

Source: U.S.Dept. of Commerce

6) Convertible Sofas, Etc. (#727.3520)

This product has been growing with each year and rose 29.4 percent in value in 1987, compared with the previous year, to reach US\$19.5 million.

A look at import shares shows Canada at 54.1 percent, accounting for an overwhelmingly large share, followed by Italy at 9.3 percent, Brazil at 5.1 percent, and Taiwan at 4.7 percent.

With the exception of Denmark, all countries grew in import value. Thailand also began increasing its sales starting around 1987. As of 1987, Thailand accounted for 0.6 percent of imports (Table 9).

**Table 9. TSUSA No. 727.3520 - Convertible Sofas, Sofa Beds, and Similar Dual-Purpose Furniture, Wood**

	1983	1984	1985	1986	1987	(Value: \$1,000) '88 (1-10)
Canada	662	826	3,222	8,383	10,565	10,593
Mexico	106	176	238	254	510	661
Chile	135	--	--	--	801	78
Brazil	--	--	284	523	998	237
Denmark	116	446	578	771	508	286
Italy	97	820	1,851	2,317	1,813	1,479
Thailand	--	--	--	--	116	196
Malaysia	--	--	--	--	816	764
Taiwan	292	122	478	563	922	1,137
Others	467	1,215	2,044	2,291	2,492	1,525
<b>Total</b>	<b>1,845</b>	<b>3,605</b>	<b>8,695</b>	<b>15,102</b>	<b>19,541</b>	<b>16,926</b>

Source: U.S. Dept. of Commerce

# 7) Desks and Desk Extensions (#727.3525)

The value of imports increased 8.8 percent in 1987, compared with the previous year, to reach US\$110 million.

Imports have been increasing as a general trend since 1984, but the rate of increase has been slowing down, with the recent growth having been 8.7 percent compared with the 23.4 percent rate of increase as of 1985.

In import shares, Taiwan stands as the place of origin with the largest value at 33.7 percent, Canada has 27.5 percent, and Denmark has 12.1 percent. Singapore and Indonesia have been suffering from declines in their shares, while Thailand has been increasing its own. Thailand raised its share from 0.9 percent in 1987 to 3.2 percent in 1988 (October) (Table 10).

**Table 10. TSUSA No. 727.3525 - Desks and Desk Extensions, Of Wood**

					(Value: \$1,000)	
	1983	1984	1985	1986	1987	'88 (1-10)
Canada	--	21,185	25,047	28,303	30,235	22,580
Mexico	--	1,559	1,927	1,397	2,332	3,894
Sweden	--	1,590	3,314	4,248	4,604	3,939
Finland	--	685	598	515	694	319
Denmark	--	13,910	16,626	14,134	13,269	7,857
United Kingdom	--	1,908	3,030	2,544	2,456	1,530
FR Germany	--	3,440	5,130	6,048	4,073	2,296
Hungary	--	--	--	487	487	212
Spain	--	514	363	460	553	456
Italy	--	1,932	2,854	3,277	2,439	1,765
Yugoslavia	--	371	803	809	1,273	883
Rumania	--	1,843	724	478	518	263
Thailand	--	--	542	563	1,007	2,357
Singapore	--	207	952	1,161	931	784
Indonesia	--	--	620	180	132	177
Philippines	--	--	147	181	83	131
China	--	--	117	123	163	186
Korea	--	1,050	1,422	2,887	2,542	1,787
Hong Kong	--	277	361	414	622	473
Taiwan	--	10,470	14,679	27,279	37,080	18,811
Japan	--	129	282	263	289	168
Others	--	7,458	5,009	5,587	4,237	3,381
Total	--	68,528	84,547	101,088	110,017	74,249

Source: U.S.Dept. of Commerce



# 8) Dining Tables (#727.3530)

The value of imports rose 16.4 percent in 1987, compared with the previous year, to reach US\$94.5 million, thus showing steady growth.

A look at the import shares shows that, on a 1987 basis, Taiwan accounted for an overwhelming 50.3 percent, followed by Denmark at 10.8 percent, Singapore at 6.9 percent, and Italy at 7.1 percent.

Thailand accounted for a 2.8 percent share. In 1987, it displayed sudden growth, rising 275 percent (Table 11).

**Table 11. TSUSA No. 727.3530 - Dining Tables, Wooden**

	1983	1984	1985	1986	1987	(Value: \$1,000) '88 (1-10)
Canada	--	733	825	995	1,551	1,646
Mexico	--	1,704	1,017	475	937	1,239
Sweden	--	130	283	456	699	899
Finland	--	107	248	257	653	332
Denmark	--	10,241	13,169	11,486	10,220	5,564
United Kingdom	--	2,734	3,409	2,901	3,109	2,052
FR Germany	--	240	908	1,304	844	448
Italy	--	2,012	5,438	7,294	6,726	5,397
Yugoslavia	--	560	2,169	3,256	4,187	4,016
Rumania	--	719	1,503	419	1,039	178
Thailand	--	355	807	713	2,678	7,310
Singapore	--	4,956	6,384	5,622	6,489	6,504
Philippines	--	138	238	254	226	62
China	--	115	277	253	425	442
Korea	--	901	1,203	756	1,708	1,043
Hong Kong	--	1,030	1,229	1,215	1,549	1,183
Taiwan	--	11,019	20,913	39,930	47,554	36,258
Japan	--	78	133	89	133	61
Others	--	2,280	3,569	3,591	3,758	2,732
Total	--	40,052	63,589	81,177	94,485	77,366

Source: U.S. Dept. of Commerce

9) Tables, NSPR (#727.3535)

Imports have been steadily rising each year. In 1987, imports rose in value 25.1 percent from the previous year to US\$377.9 million.

Taiwan held the number one position in import shares, accounting for 60.3 percent of total imports.

Following this were Canada with a 4.8 percent share, Italy with 4.2 percent, Denmark with 4.2 percent, Singapore with 4.1 percent, Thailand with 3.9 percent, and South Korea with 3.8 percent (Table 12).

**Table 12. TSUSA No. 727.3535 - Tables, NSPF, Of Wood**

					(Value: \$1,000)	
	1983	1984	1985	1986	1987	'88 (1-10)
Canada	--	8,775	12,717	16,112	18,294	15,189
Mexico	--	2,533	1,594	2,169	9,817	10,164
Brazil	--	1,008	2,544	2,676	1,340	941
Sweden	--	862	1,293	1,504	1,329	1,327
Finland	--	282	429	461	841	419
Denmark	--	16,644	18,510	16,772	15,895	9,405
United Kingdom	--	5,891	8,036	7,996	9,307	6,280
France	--	1,735	2,506	2,992	3,165	2,211
FR Germany	--	691	2,521	3,684	2,794	1,678
Spain	--	1,288	1,712	2,445	2,655	1,616
Italy	--	6,379	15,245	20,476	16,032	11,134
Yugoslavia	--	2,738	4,961	3,819	3,029	1,780
Rumania	--	5,586	4,900	6,112	4,604	1,633
Thailand	--	934	2,261	4,454	14,805	156,445
Malaysia	--	--	--	70	239	1,411
Singapore	--	5,070	11,268	13,225	15,353	13,507
Indonesia	--	--	--	185	364	2,150
Philippines	--	911	1,327	2,176	1,900	1,549
China	--	1,381	1,548	1,511	2,474	2,187
Korea	--	6,157	7,738	11,857	14,342	11,474
Hong Kong	--	2,221	3,079	2,660	3,447	2,021
Taiwan	--	63,348	110,878	171,578	228,019	161,123
Japan	--	547	605	550	494	531
Others	--	3,323	5,770	6,729	7,409	3,993
Total	--	138,304	221,442	302,211	377,948	280,168

Source: U.S. Dept. of Commerce

# 10) Beds and Headboards (#727.3545)

These products have been in an upward climb each year. In 1987, the value of imports rose 17.4 percent from the previous year to US\$95.5 million.

The countries accounting for the largest shares of imports were Italy at 16.9 percent, Denmark at 16.2 percent, Canada at 14.5 percent, Taiwan at 13.3 percent, and Mexico at 11.4 percent (Table 13).

**Table 13. TSUSA No. 727.3545 - Beds and Headboards, Wooden**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88 (1-10)
Canada	--	4,825	6,040	10,652	13,805	14,507
Mexico	--	3,653	6,832	8,893	10,875	12,027
Brazil	--	--	4,674	4,846	3,378	2,459
Sweden	--	808	1,354	1,588	1,186	797
Denmark	--	11,972	16,357	15,802	15,453	9,144
France	--	971	1,191	1,835	2,044	1,845
FR Germany	--	642	2,616	3,619	2,670	1,078
Italy	--	3,458	8,154	15,343	16,170	11,709
Yugoslavia	--	1,339	1,134	752	848	822
Thailand	--	--	--	--	181	142
Malaysia	--	--	--	--	313	419
Singapore	--	536	530	962	1,185	792
Philippines	--	180	258	196	158	187
China	--	--	--	80	90	119
Korea	--	292	1,276	2,423	3,292	2,456
Hong Kong	--	119	339	129	277	170
Taiwan	--	2,646	3,236	7,237	12,738	8,301
Japan	--	--	--	--	125	7
New Zealand	--	--	132	423	4,229	319
Others	--	7,408	6,310	6,592	6,500	5,379
Total	--	38,849	60,430	81,372	95,517	72,679

Source: U.S. Dept. of Commerce

# 11) Bedroom Furniture (#727.3550)

Imports of this product have been continuing to climb. In 1987, imports rose 19.3 percent from the previous year to reach US\$146.8 million.

At look at the import shares shows Italy with the largest share, 19.8 percent, followed by Canada at 14.8 percent, Denmark at 14.0 percent, Taiwan at 11.8 percent, and FR Germany at 8.5 percent, with Western Europe accounting for most of the imports overall (Table 14).

**Table 14. TSUSA No. 727.3550 - Bedroom Furniture, Wooden, NSPF**

	(Value: \$1,000)					
	1983	1984	1985	1986	1987	'88 (1-10)
Canada	--	8,135	11,094	16,218	21,707	20,558
Mexico	--	917	4,587	7,463	8,151	10,440
Sweden	--	1,134	2,301	4,724	4,556	3,539
Finland	--	490	973	1,209	1,733	1,272
Denmark	--	16,228	22,017	22,515	20,509	13,850
United Kingdom	--	7,899	9,731	8,567	8,237	5,242
FR Germany	--	1,409	5,099	14,480	12,476	4,279
Italy	--	5,471	12,365	21,862	29,003	21,690
Yugoslavia	--	936	1,651	2,539	2,882	1,479
Thailand	--	147	--	155	309	568
Singapore	--	917	716	971	1,615	901
Philippines	--	--	107	134	155	117
China	--	632	173	118	214	299
Korea	--	368	489	2,366	2,640	1,808
Hong Kong	--	439	567	430	1,107	609
Taiwan	--	5,153	5,997	8,056	17,372	11,916
Japan	--	821	217	157	245	73
New Zealand	--	--	--	268	1,113	--
Others	--	5,578	9,740	10,795	12,791	8,689
Total	--	56,674	87,824	123,027	146,815	107,329

Source: U.S. Dept.. of Commerce

12) Wall Systems, Etc. (#727.3555)

In 1987, imports rose 6.7 percent in value from the previous year to US\$530 million.

A look at the import shares shows Taiwan at 26.1 percent, Canada at 14.3 percent, Denmark at 9.0 percent and West Germany at 8.9 percent. Imports from the Southeast Asian countries were comparatively small in value (Table 15).

**Table 15. TSUSA No. 727.3555 - Wall Systems, Book Cases, Shelf Units, Credenzas, Buffets, Servers, China Cabinets and Other Cabinets**

					(Value: \$1,000)	
	1983	1984	1985	1986	1987	'88 (1-10)
Canada	--	39,852	57,747	61,661	75,967	75,340
Mexico	--	7,830	10,686	12,559	22,085	23,554
Chile	--	78	--	142	879	1,561
Brazil	--	3,200	5,714	4,717	4,397	3,359
Sweden	--	4,813	8,204	7,451	9,197	6,947
Denmark	--	50,631	67,522	60,119	47,606	31,743
United Kingdom	--	11,618	16,393	14,079	16,125	10,462
Belgium	--	7,790	14,847	16,763	11,208	6,199
France	--	3,860	6,211	6,814	5,105	4,998
FR Germany	--	24,491	48,084	56,530	46,980	28,580
Italy	--	15,054	29,719	41,040	35,319	21,326
Yugoslavia	--	22,597	29,391	27,954	34,969	22,679
Rumania	--	2,703	4,367	7,461	14,335	11,012
Israel	--	5,320	7,505	9,916	10,332	7,795
Thailand	--	262	923	2,436	3,947	3,007
Singapore	--	6,664	8,955	8,688	7,863	7,869
Philippines	--	147	418	934	563	335
China	--	1,969	2,160	2,178	3,956	3,388
Korea	--	4,223	5,762	9,938	10,437	8,375
Hong Kong	--	2,755	3,821	3,462	5,389	3,282
Taiwan	--	30,382	63,494	110,101	138,297	81,576
Japan	--	9,460	13,172	3,652	2,063	892
Others	--	13,244	22,640	28,068	23,054	24,199
Total	--	268,943	427,735	496,663	530,073	388,468

Source: U.S.Dept. of Commerce

13) Shelving (#727.3560)

In 1987, imports rose 45.6 percent in value from the previous year to reach US\$12.6 million, with the pace of growth thus speeding up.

A look at the import shares shows Brazil at 22.8 percent, Canada at 14.0 percent, Israel at 9.9 percent, and Taiwan at 9.3 percent. There were only slight imports from Thailand, but imports are gradually increasing (Table 16).

Table 16. TSUSA No. 727.3560 - Shelving of Wood

	1983	1984	1985	1986	1987	(Value: \$1,000) '88 (1-10)
Canada	--	942	1,361	1,643	1,761	1,237
Mexico	--	100	--	--	436	49
Ecuador	--	--	--	--	118	24
Chile	--	--	--	111	135	288
Brazil	--	96	580	737	2,874	1,608
Sweden	--	155	205	421	623	334
Denmark	--	497	556	343	370	280
FR Germany	--	333	752	620	317	435
Italy	--	238	267	316	457	172
Rumania	--	171	510	--	--	--
Israel	--	--	--	82	1,244	737
Thailand	--	--	--	--	194	332
Malaysia	--	119	155	--	--	--
Singapore	--	512	555	1,293	1,046	1,424
China	--	88	71	--	224	203
Taiwan	--	1,423	2,735	1,521	1,166	1,135
Japan	--	738	218	--	281	11
Others	--	1,482	1,273	1,565	1,351	1,527
Total	--	6,744	9,238	8,652	12,597	9,796

Source: U.S.Dept. of Commerce

#### 14) Furniture of Wood, NSPF (#727.3590)

In 1987, imports rose 7.8 percent in value from the previous year to reach US\$296.6 million.

A look at the import shares shows Taiwan at 23.6 percent and Canada at 21.6 percent - overwhelmingly large shares (Table 17).

**Table 17. TSUSA No. 727.3590 - Furniture of Wood, NSPF**

	(Value: \$1,000)					
	1983(*)	1984	1985	1986	1987	'88 (1-10)
Canada	85,236	40,414	42,550	48,483	64,147	61,475
Mexico	12,255	2,833	2,694	2,809	3,571	4,796
Brazil	5,149	1,759	2,421	2,861	3,222	2,116
Sweden	7,942	3,812	2,996	3,813	5,489	3,287
Finland	3,790	1,017	1,315	1,316	1,187	707
Denmark	99,093	29,617	18,514	15,946	14,441	9,404
United Kingdom	44,244	17,219	17,163	16,902	18,597	11,664
France	10,271	5,475	4,851	5,278	4,298	3,511
FR Germany	26,093	8,875	10,038	14,246	18,156	14,963
Spain	3,780	2,167	2,408	3,193	4,139	2,671
Italy	30,893	17,589	21,531	25,180	22,516	20,603
Yugoslavia	23,638	5,889	5,760	6,366	7,044	3,701
Rumania	15,343	1,854	1,053	2,098	4,228	2,007
Israel	5,066	646	1,652	1,167	1,532	876
Thailand	1,521	744	1,135	3,217	5,077	6,871
Malaysia	326	--	--	--	166	409
Singapore	20,298	3,852	1,111	853	2,197	1,954
Philippines	1,824	888	635	822	1,223	884
China	9,883	6,763	4,768	4,041	4,650	3,710
Korea	17,939	4,705	3,075	5,389	8,036	5,858
Hong Kong	9,284	4,748	3,522	4,771	5,497	3,922
Taiwan	140,564	65,262	59,266	67,258	69,884	39,076
Japan	10,006	12,782	22,514	23,344	11,368	6,093
New Zealand	1,377	582	523	2,855	4,104	177
Others	24,292	13,007	13,076	12,916	11,815	8,894
Total	610,053	252,499	244,571	275,124	296,584	219,629

Note: (\*)1983-Tsusa No.727.3540 (Furniture of Wood, NSPF)

Source: U.S.Dept. of Commerce

# 15) Furniture Parts (#727.4040)

The number of cases of imports of parts as such has been declining in general. In 1987, imports fell 18.2 percent from the previous year to US\$144.9 million.

In import shares, Taiwan accounted for 26.9 percent, Canada for 14.1 percent, Yugoslavia for 11.8 percent, and Italy for 8.2 percent. Thailand accounted for 2.1 percent (Table 18).

**Table 18. TSUSA No. 727.4040 - Furniture Parts of Wood, NSPF**

	(Value: \$1,000)					
	1983(*)	1984	1985	1986	1987	'88 (1-10)
Canada	7,632	9,236	12,441	17,763	20,456	20,542
Mexico	2,985	3,007	4,657	8,815	9,237	8,796
Honduras	971	1,824	4,657	8,815	9,237	8,796
Brazil	1,398	1,487	1,830	2,280	2,283	1,931
Sweden	192	1,487	2,019	3,881	3,219	3,352
Denmark	1,107	3,440	3,775	4,621	4,651	3,813
FR Germany	3,209	4,626	5,551	6,480	7,252	6,686
Spain	2,132	4,090	3,671	2,562	2,399	1,433
Italy	5,062	8,118	8,403	11,939	11,941	9,668
Yugoslavia	31,947	34,610	32,250	24,362	17,124	10,493
Thailand	--	189	770	675	3,037	4,532
Malaysia	687	209	550	502	1,065	1,495
Singapore	3,182	2,873	3,469	2,670	2,832	2,220
Indonesia	--	340	819	918	2,304	1,118
Philippines	712	1,304	740	929	2,153	1,623
Korea	285	377	369	672	980	836
Taiwan	26,916	53,184	84,982	74,966	38,913	29,180
Japan	154	366	477	187	294	173
Others	3,609	7,577	6,977	9,284	10,333	5,211
Total	92,180	135,342	175,634	177,125	144,896	116,978

Source: U.S.Dept. of Commerce



(5) Imports from East Asia and Southeast Asia

A general review was made of the wooden household furniture imported by the U.S. (in fiscal 1987) from East Asia and Southeast Asia.

This enabled a grasp of the competition among these countries and the state of production in these countries by item. As will be clear from Table 19, Taiwan accounted for over three-fourths of the total imports from these countries. Figure 3 to Fig. 13 show product breakdowns of imports from 10 countries. Further, Table 20 shows a product breakdown of total imports from these 10 countries as a whole.

**Table 19. Rank of Imports from East Asia and Southeast Asia  
by Country (Area) in 1987**

Rank	Tables, NSPF	1987 Value (\$ Mill)	%
1	Taiwan	743.8	76.9
2	Singapore	56.3	5.8
3	Korea	54.6	5.6
4	Thailand	43.7	4.5
5	Hong Kong	21.1	2.2
6	China	16.3	1.7
7	Japan	16.0	1.6
8	New Zealand	9.4	0.9
9	Philippines	9.2	1.0
10	Malaysia	3.9	0.4
11	Indonesia	2.8	0.3
	Total	967.7	100.0%

Fig. 3. U.S. Imports from Taiwan (1987) — \$743.8 million

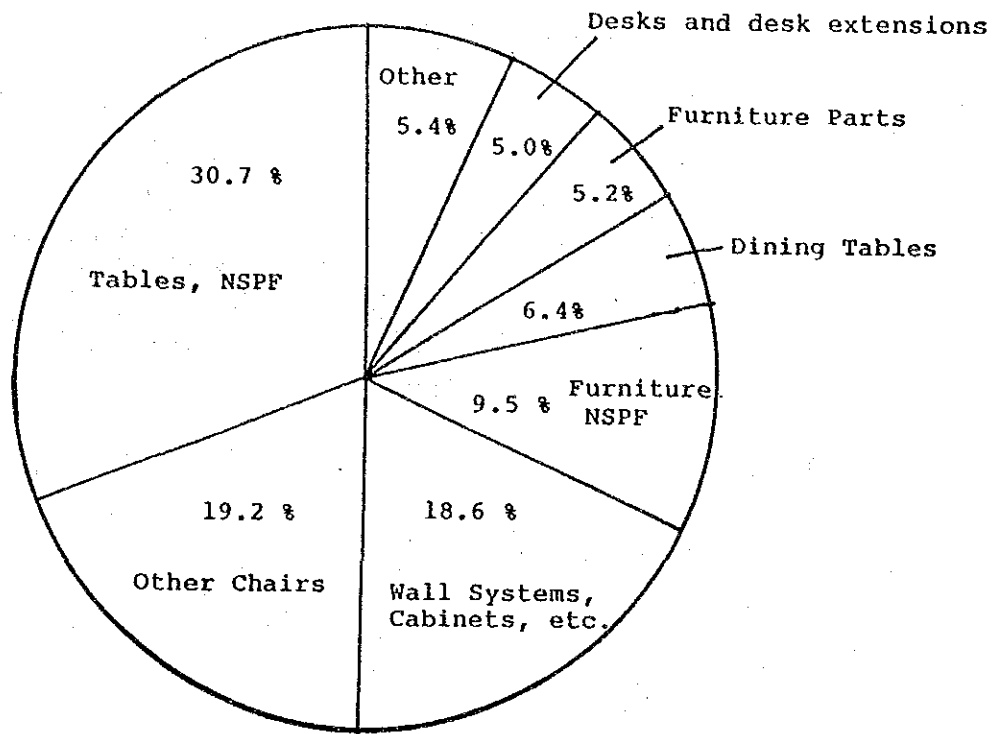


Fig. 4. U.S. Imports from Singapore (1987) — \$56.3 million

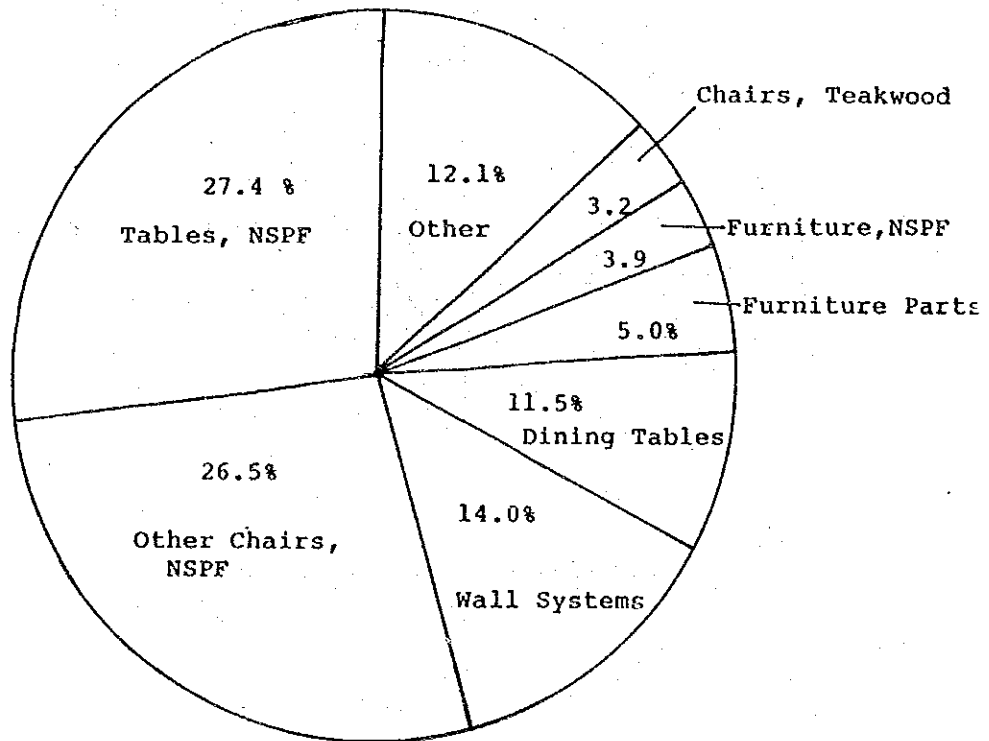


Fig. 5. U.S. Imports from South Korea (1987) — \$54.6 million

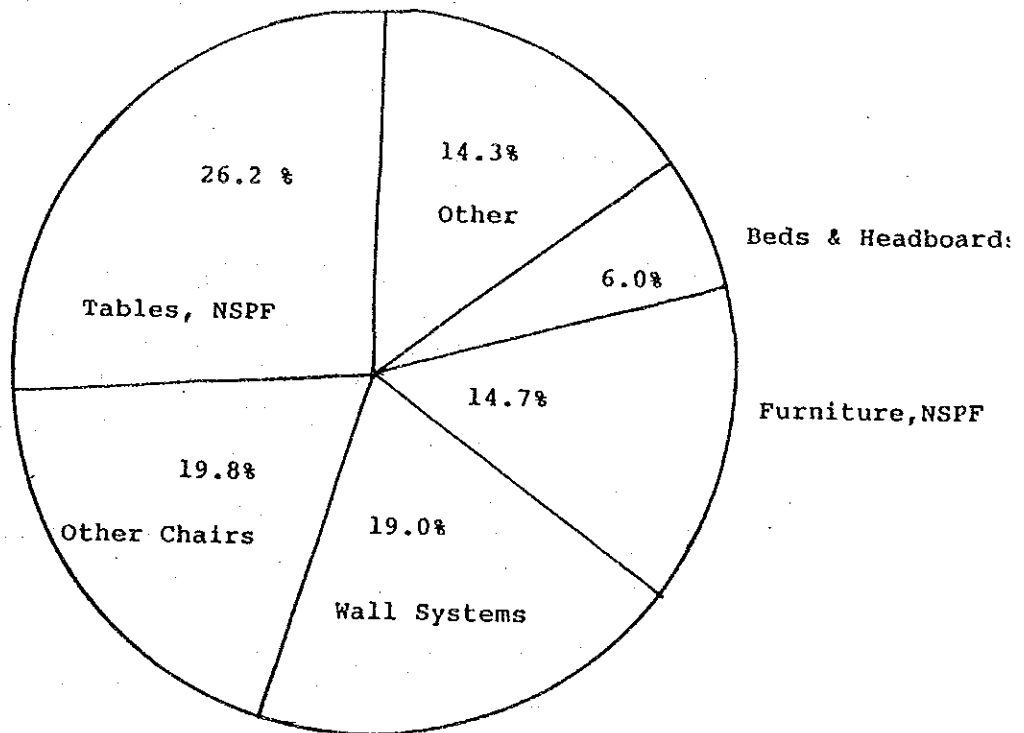


Fig. 6. U.S. Imports from Thailand (1987) — \$43.7 million

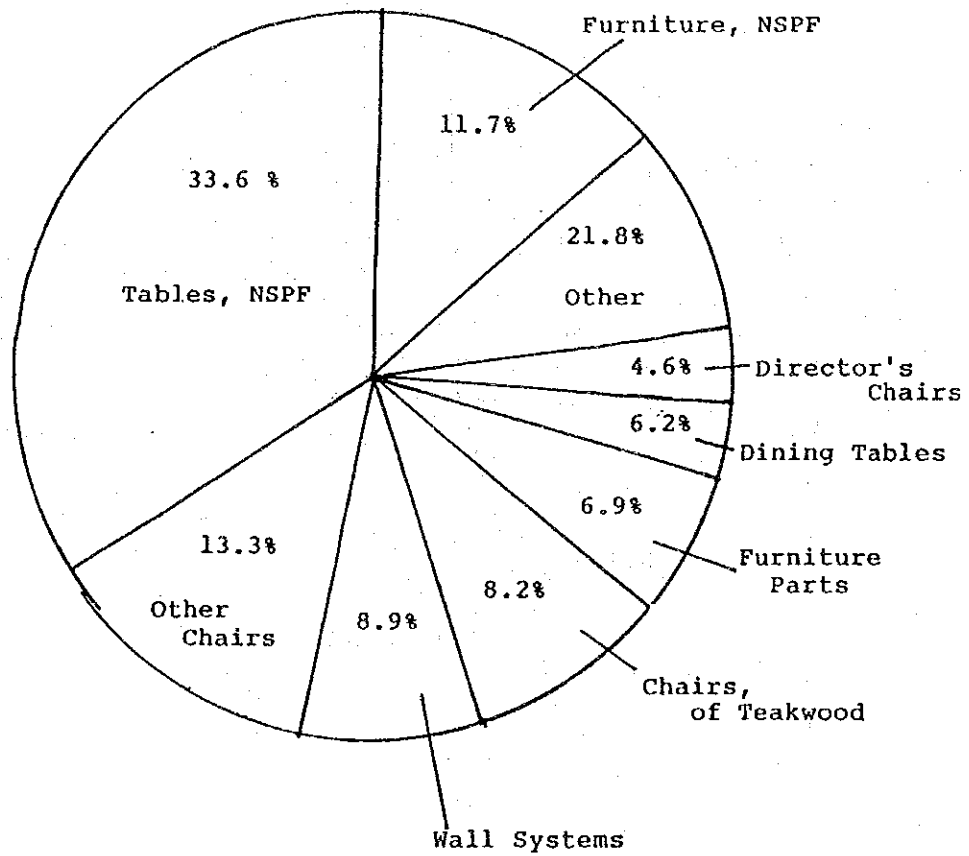


Fig. 7. U.S. Imports from Hong Kong (1987) — \$21.1 million

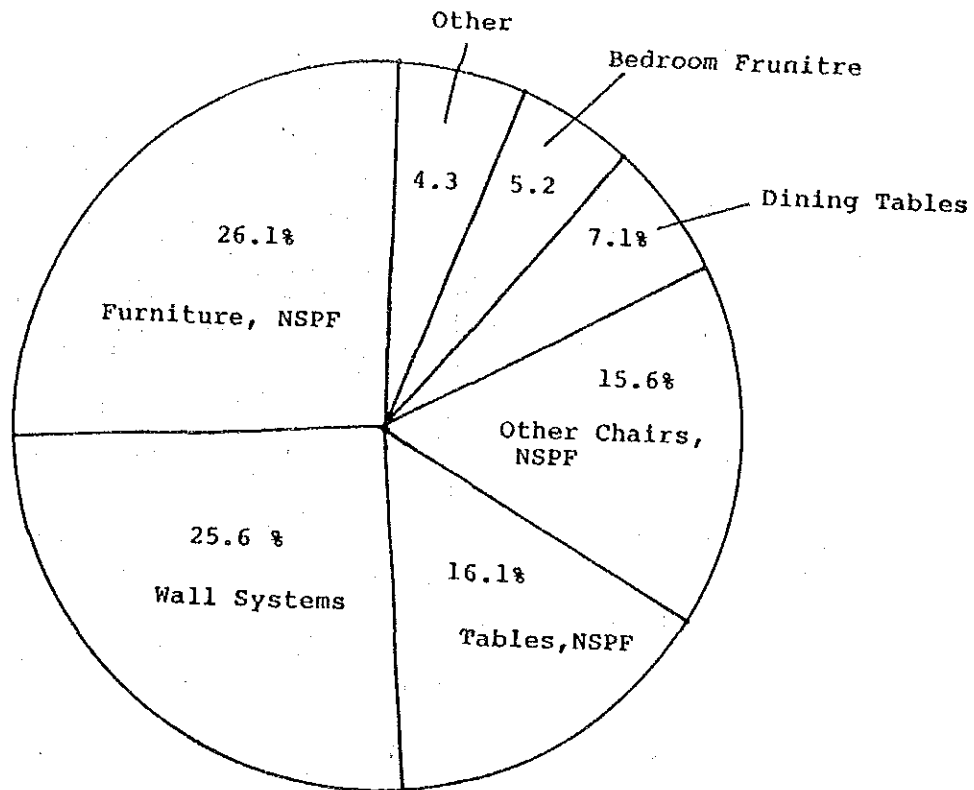


Fig. 8. U.S. Imports from China (1987) — \$16.3 million

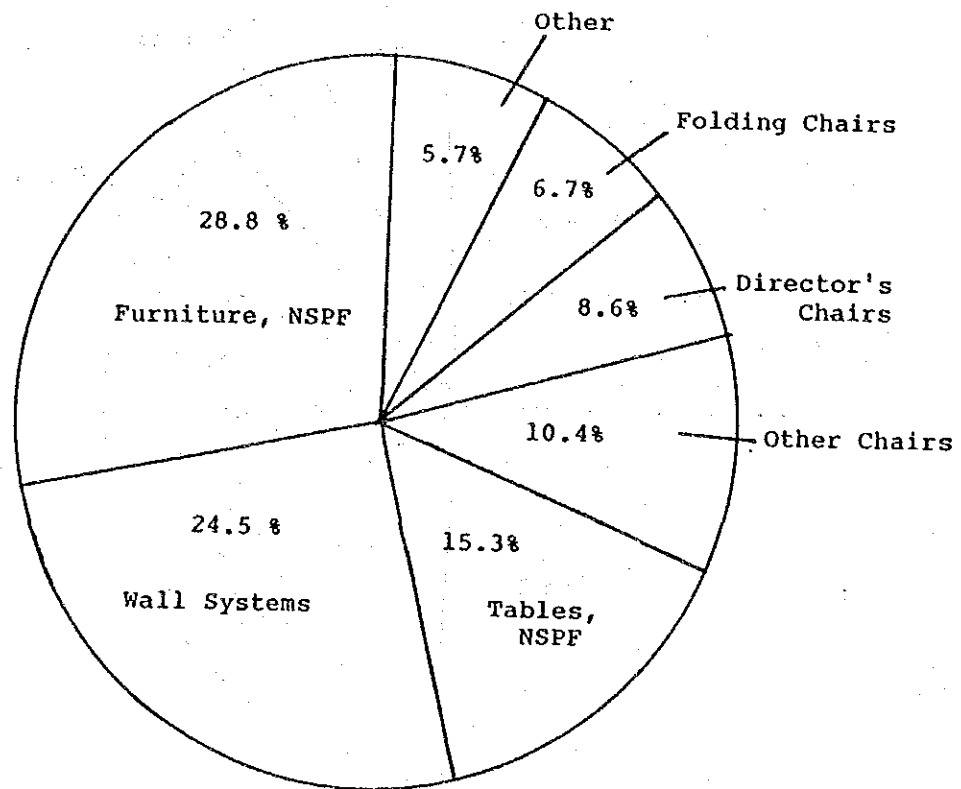
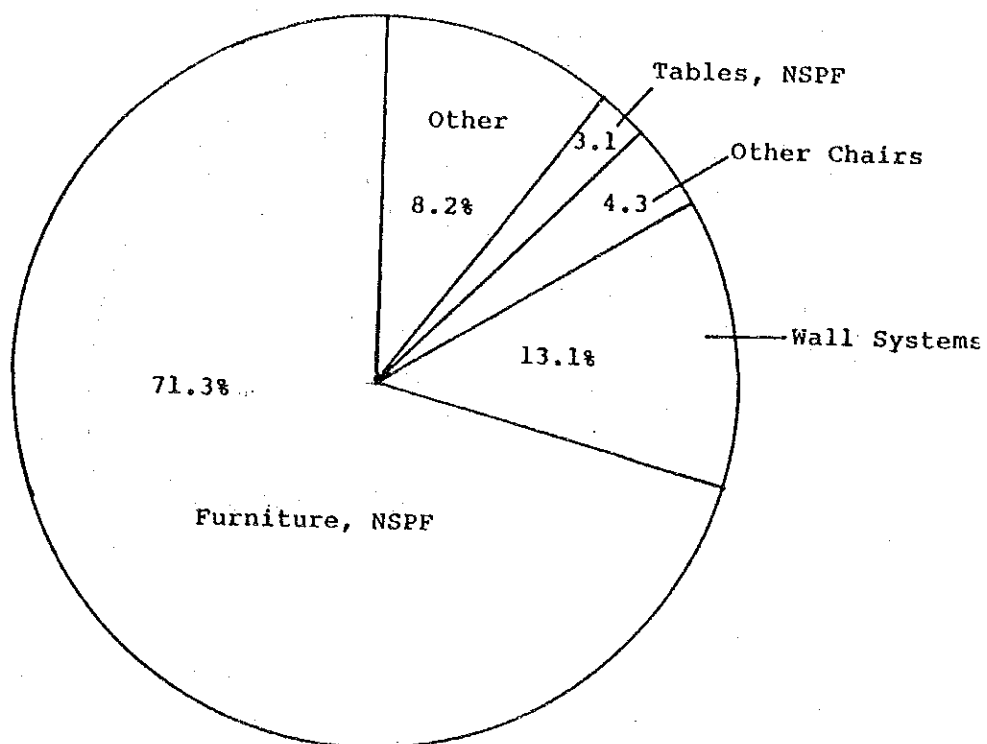


Fig. 9. U.S. Imports from Japan (1987) — \$16.0 million





**Fig. 10. U.S. Imports from New Zealand (1987) — \$9.4 million**

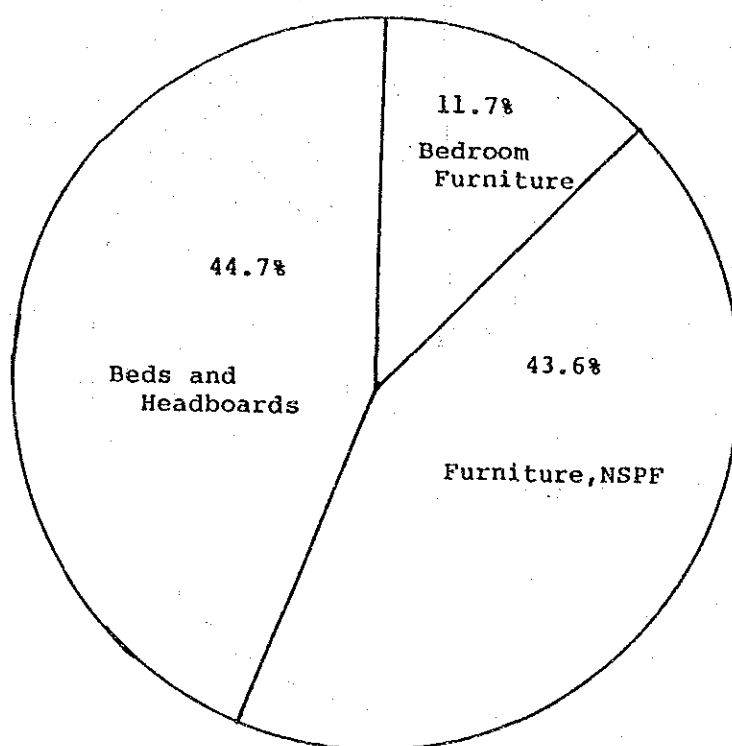


Fig. 11. U.S. Imports from Philippines (1987) — \$9.2 million

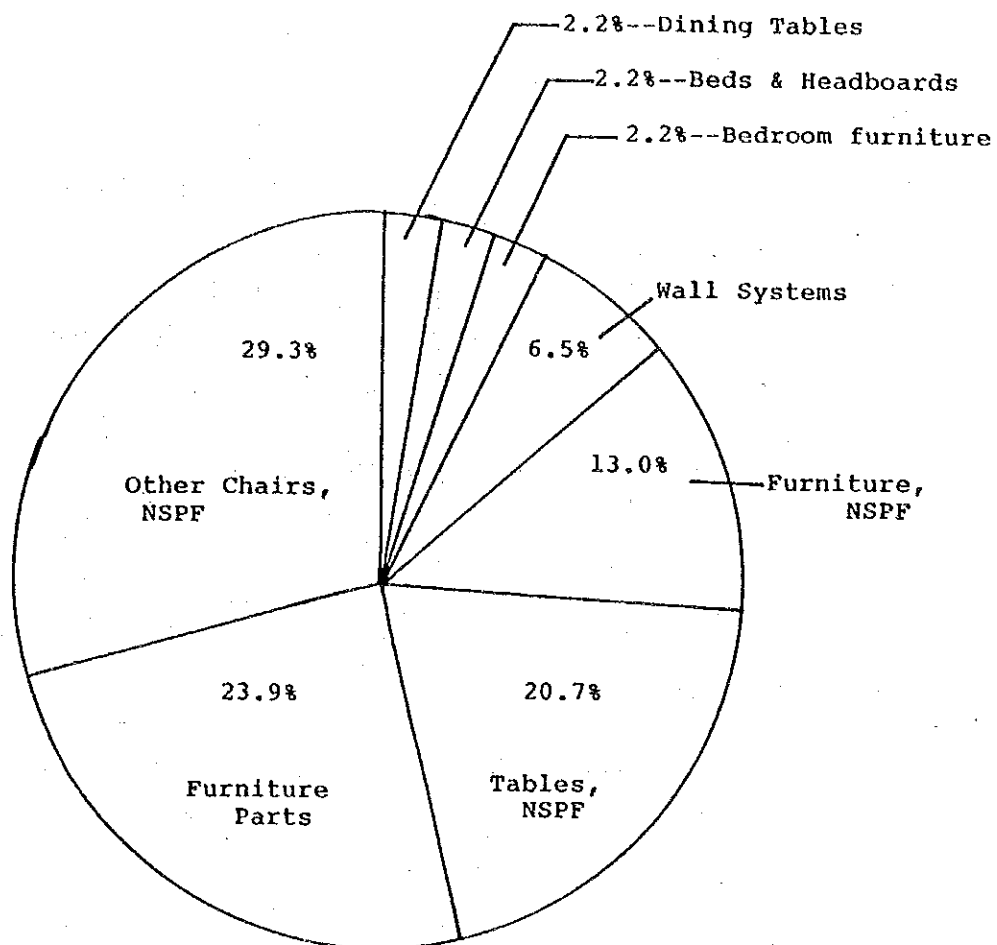


Fig. 12. U.S. Imports from Malaysia (1987) — \$3.9 million

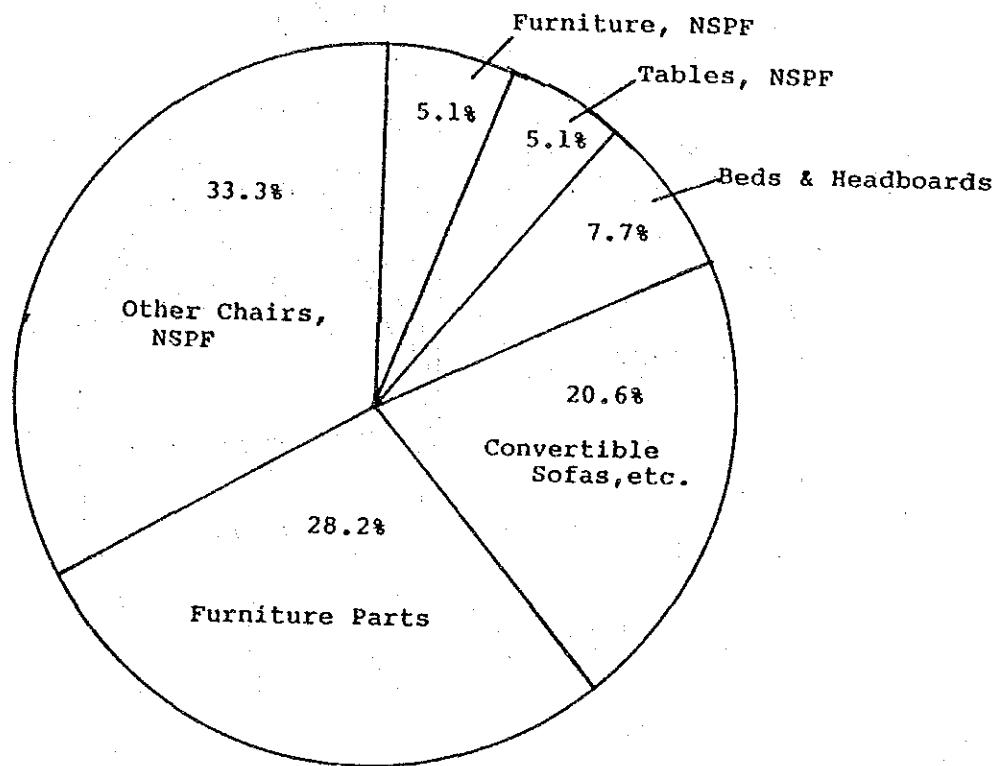
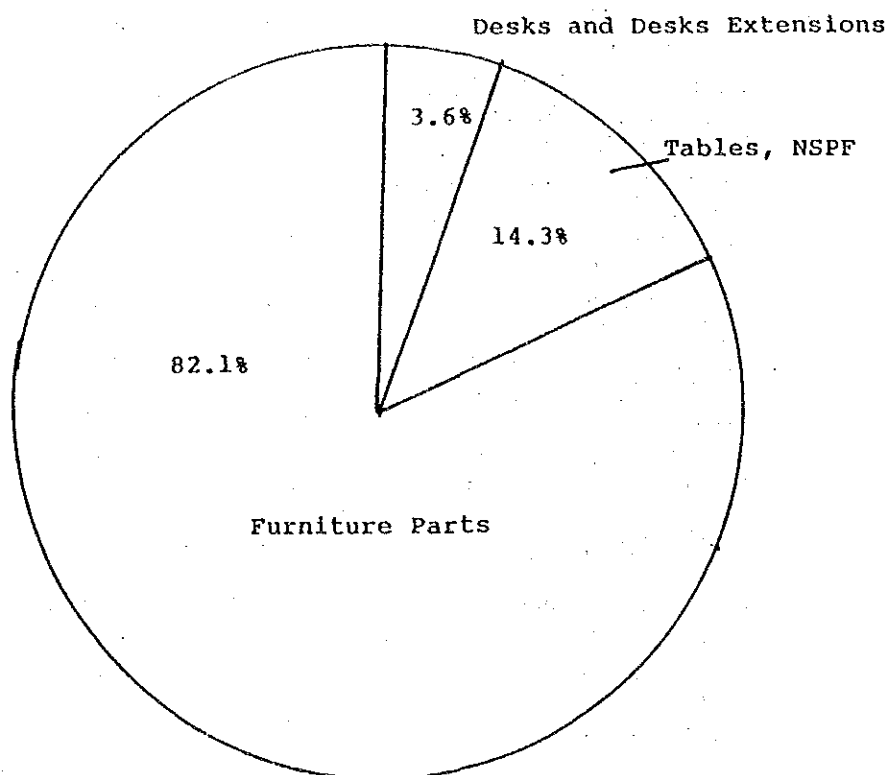


Fig. 13. U.S. Imports from Indonesia (1987) — \$2.8 million

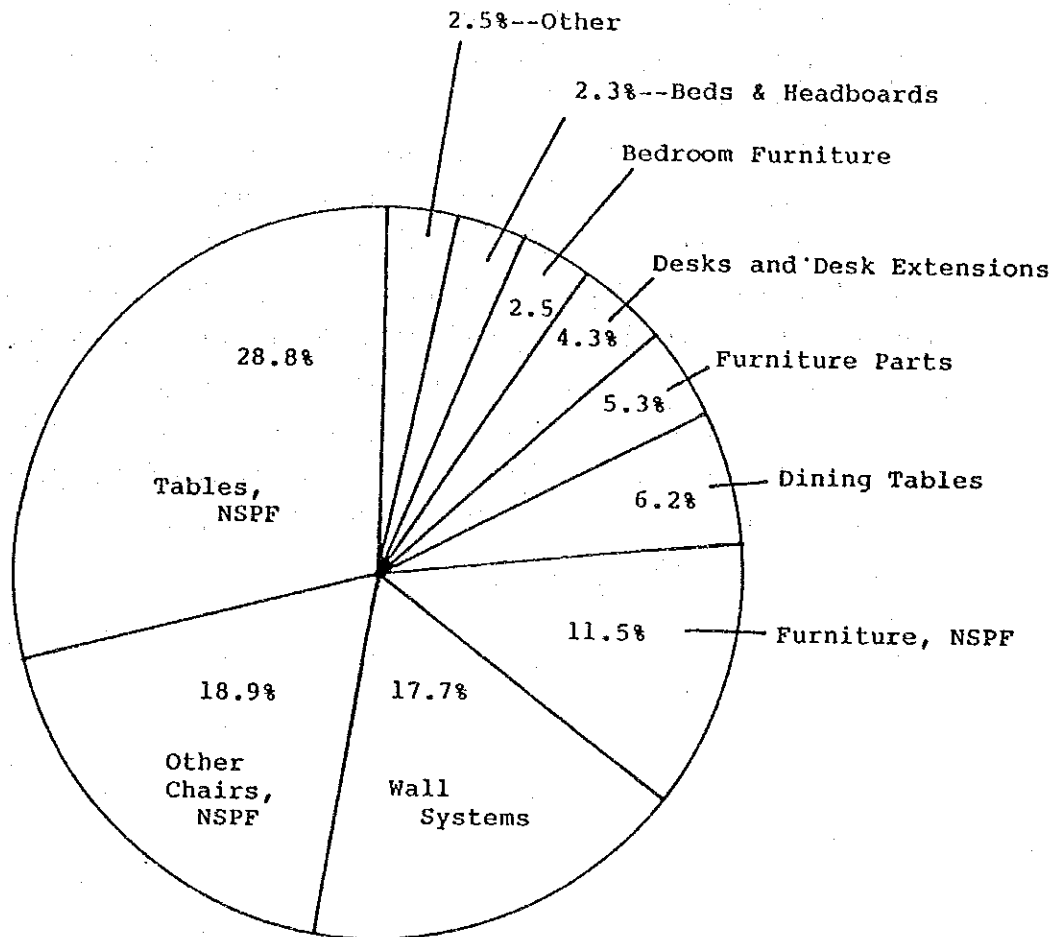


**Table 20. Breakdown of Wooden Furniture Imported by U.S.  
from East Asia and Southeast Asia**

Rank	Wood Furniture	1987 Value (\$ Mill)	%
1	Tables, NSPF (#727.3535)	281.4	28.8
2	Other Chairs (#727.2900)	184.3	18.9
3	Wall Systems, Book Cases Shelf Units, Credenzas, Buffets, Servers, China Cabinets and Other Cabinets (#727.3555)	172.6	17.7
4	Furniture, NSPF (#727.3590)	112.3	11.5
5	Dining Tables (#727.3530)	60.7	6.2
6	Furniture Parts, NSPF (#727.3900,4040,4140)	51.6	5.3
7	Desk & Desk Extensions (#727.3525)	42.5	4.3
8	Bedroom Furniture (#727.3550)	24.7	2.5
9	Beds & Headboards (#727.3545)	22.6	2.3
10	Chairs of Teak Wood (#727.2700)	6.4	0.7
11	Folding Chairs (#727.2500)	6.0	0.6
12	Director's Chairs (#727.2300)	5.2	0.5
13	Shelving (#727.3560)	3.0	0.3
14	Bentwood Furniture (#727.1500)	2.0	0.2
15	Convertible Sofas, Sofa-beds, and Similar Dual-Purpose Furniture (#727.3520)	1.8	0.2
Total		\$977.1	100.0%

Source: U.S. Dept. of Commerce

**Fig. 14. Breakdown of Wooden Furniture Imported by U.S. from East Asia and Southeast Asia**



Source: U.S. Commerce Department

#### (6) Growth Markets, by Product, of Imports

A look was taken at imports of wooden furniture by product with the aim of determining which markets (products) have seen the highest growth. The results are illustrated as follows:

First, Table 21 shows the value of imports by growth indexes obtained by conversion using 1983 as 100 or 1984 as 100.

As understood from this, the following may be predicted looking into the future of products drawing rising curves (Fig. 15).

1. There is domestic demand (including consumption booms)
2. Imports are superior price-wise to production in the U.S.
3. Promising future products (products which should be worked on)

A look at the above by a graph shows that extremely fast growth is being shown by convertible sofas etc. Other tables, dining tables, etc. are promising with their rising curves, but bentwood, director's chairs, etc. are clearly failing products.

Numbers indicating the order of import value were appended for each Thai product handled. This gives an indication as to which products and markets are promising among products imported by the U.S. It would be best to work on future growth products as much as possible.

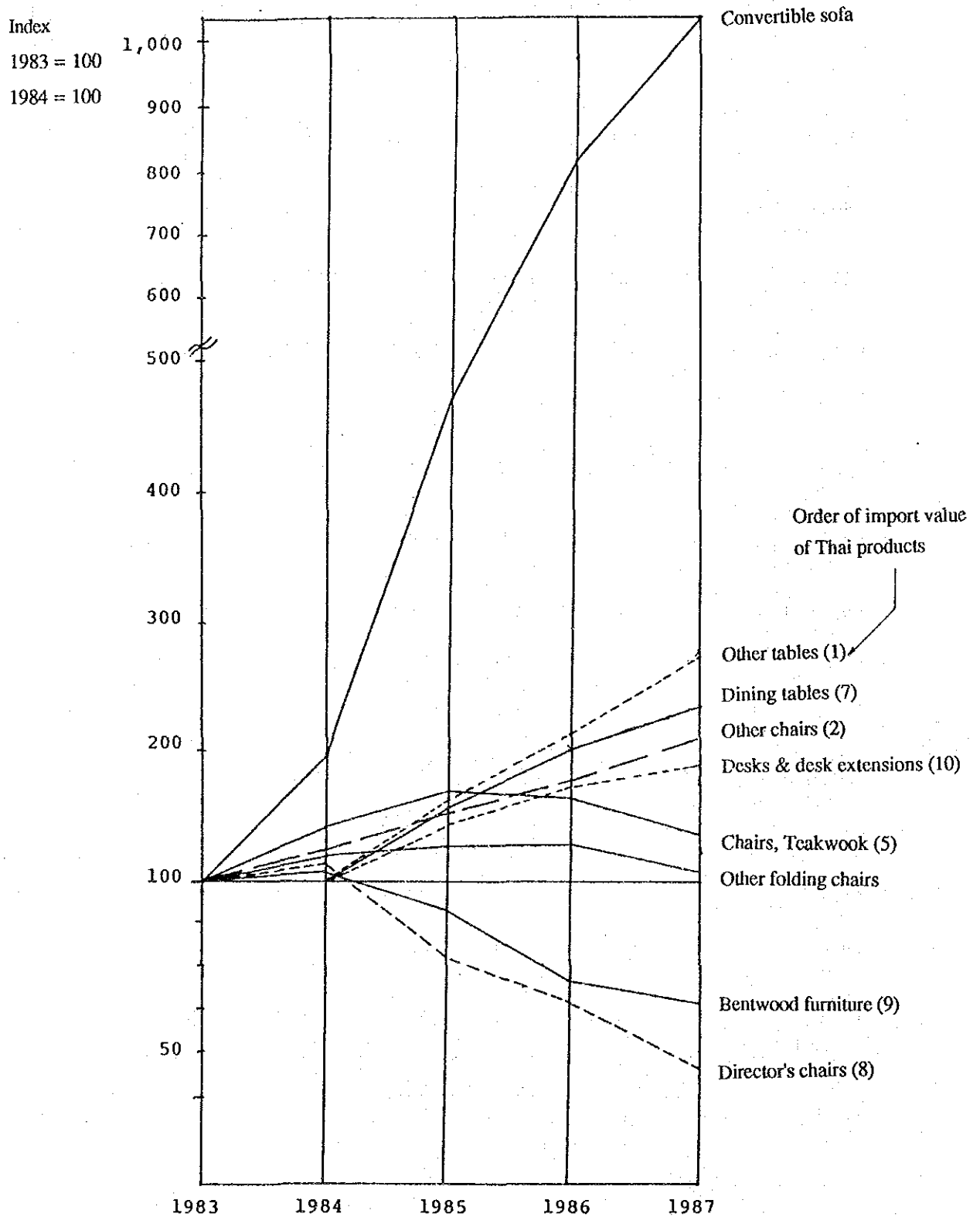
**Table 21. Growth Indexes by Product**  
(Calculated Using Import Value as 100)

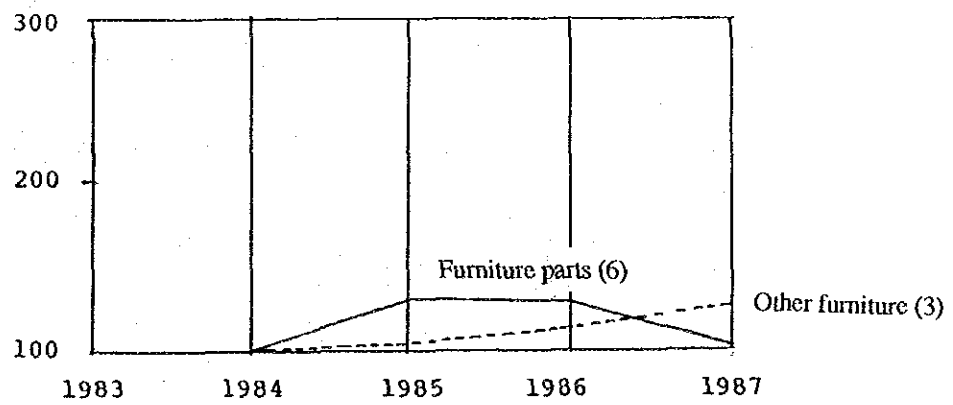
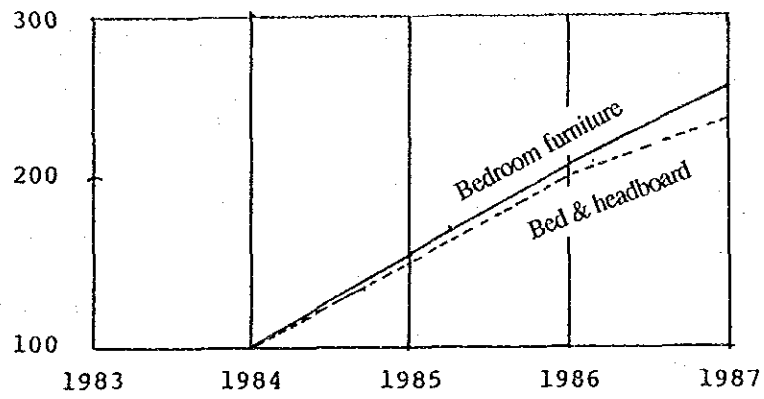
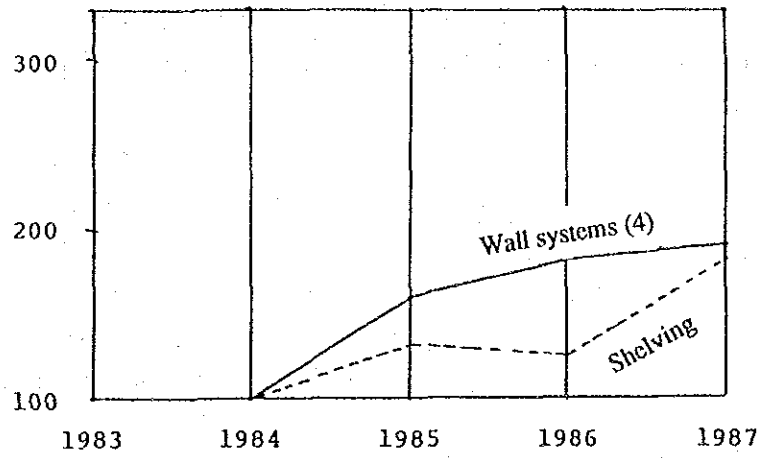
	1983	1984	1985	1986	1987	'88(1-10)
of Wood: Bentwood furniture	100	109.9	94.5	76.3	73.1	43.9
<b>Chairs</b>						
Director's Chairs,	100	112.3	81.2	71.9	58.5	45.2
Other Folding chairs	100	122.0	132.7	129.6	110.9	73.7
Chairs, of Teak Wood	100	143.4	165.8	158.2	137.3	95.1
Other Chairs	100	127.6	156.6	174.6	216.7	182.2
<b>Other than Chairs</b>						
Convertible Sofas, etc.	100	195.4	471.3	818.5	1,059.1	917.4
Desks & desk Extensions	--	100	144.4	172.7	188.0	126.9
Dining Tables	--	100	158.8	202.7	235.9	193.2
Other Tables	--	100	160.1	218.5	273.3	202.6
Bed & Head- boards	--	100	155.6	209.5	245.9	187.1
Bedroom Furniture	--	100	155.0	217.1	259.1	189.4
Wall Systems	--	100	159.0	184.7	197.1	144.4
Shelving	--	100	136.0	127.3	185.4	144.2
Other Furniture	--	100	105.2	118.3	127.6	94.5
Furniture Parts	--	100	129.8	130.9	107.0	86.4
<b>Total</b>	<b>100</b>	<b>135.9</b>	<b>184.1</b>	<b>216.4</b>	<b>241.8</b>	<b>184.2</b>

Source: U.S.Dept. of Commerce



Fig. 15. Trends in Growth Indexes of Imports by Product





### 3. State of Demand and Competition

#### (1) State of Demand

Domestic demand in the U.S. for wooden furniture is as shown in the following table. There are only very slight exports of wooden furniture from the U.S. percentage wise, so it is possible to view the total of U.S. shipments and imports as the apparent domestic consumption (demand).

In 1987, the apparent domestic consumption rose 10.7 percent from the previous year to US\$9,717 million. In 1986, consumption rose 9.5 percent, so demand may be said to be increasing every year as a general trend.

However, the increase in demand is proportional to the increase in imports. Domestic shipments therefore conversely appear to be losing their market share. The share of imports rose from 21.9 percent in 1985 to 23.7 percent in 1987 (Table 22).

**Table 22. U.S. Market of Wooden Household Furniture**

	\$ Million			
	1985	1986	1987	1988
US Shipments	6,263	6,714	7,414	7,812
Imports	1,754	2,061	2,303	1,754*
Total: (Apparent Consumption)	\$8,017	\$8,775	\$9,717	NA
US Shipments	78.1	76.5	76.3	NA
Imports	21.9	23.5	23.7	NA
Total	100.0%	100.0%	100.0%	100.0%

Source: U.S. Dept. of Commerce

(\*) Jan.-Oct., 1988

#### (2) State of Competition, by Product, for Wooden Furniture Imported from East Asia and Southeast Asia

Tables 23 to 27 show the competitive relationships with Asian countries (10 countries) for wooden furniture imported from Asia by product.

The products covered were the five main products from Asia with the largest import value listed in the order of value.

**Table 23. Tables, NSPF — No. 727.3535**

Rank	Tables, NSPF	1987	%
		Value (\$ Mill)	
1	Taiwan	228.0	81.0
2	Singapore	15.4	5.5
3	Thailand	14.8	5.3
4	Korea	14.3	5.1
5	Hong Kong	3.4	1.2
6	China	2.5	0.9
7	Philippines	1.9	0.65
8	Japan	0.5	0.18
9	Indonesia	0.4	0.1
10	Malaysia	0.2	0.07
Total		\$281.4	100.0%

**Table 24. Other Chairs, NSPF — No. 727.2900**

Rank	Other Chairs, NSPF	1987	%
		Value (\$ Mill)	
1	Taiwan	143.1	77.6
2	Singapore	14.9	8.1
3	Korea	10.8	5.9
4	Thailand	5.8	3.1
5	Hong Kong	3.3	1.8
6	Philippines	2.7	1.5
7	China	1.7	0.9
8	Malaysia	1.3	0.7
9	Japan	0.7	0.4
Total		\$184.3	100.0%

**Table 25. Wall Systems, Book Cases, Shelf Units Credenzas, Buffets, Servers, China Cabinets and Other Cabinets — No. 727.3555**

Rank	Wall Systems, etc.	1987	%
		Value (\$ Mill)	
1	Taiwan	138.3	80.1
2	Korea	10.4	6.0
3	Singapore	7.9	4.6
4	Hong Kong	5.4	3.1
5	China	4.0	2.3
6	Thailand	3.9	2.3
7	Japan	2.1	1.2
8	Philippines	0.6	0.4
Total		\$172.6	100.0%

**Table 26. Furniture, NSPF — No. 727.3590**

Rank	Furniture, NSPF	1987	%
		Value (\$ Mill)	
1	Taiwan	69.9	62.2
2	Japan	11.4	10.2
3	Korea	8.0	7.1
4	Hong Kong	5.5	4.9
5	Thailand	5.1	4.5
6	China	4.7	4.2
7	New Zealand	4.1	3.7
8	Singapore	2.2	2.0
9	Philippines	1.2	1.1
10	Malaysia	0.2	0.1
Total		\$112.3	100.0%

**Table 27. Dining Tables — No. 727.3530**

Rank	Dining Tables	1987	%
		Value (\$ Mill)	
1	Taiwan	47.6	78.4
2	Singapore	6.5	10.7
3	Thailand	2.7	4.4
4	Korea	1.7	2.8
5	Hong Kong	1.5	2.5
6	China	0.4	0.7
7	Philippines	0.2	0.3
8	Japan	0.1	0.2
Total		\$60.7	100.0%