(2) Problems to be dealt with

From the aspect of marketing, "the product story," "emphasizing the specific character of its materials," and "planning" are the problems that must be dealt with.

1) The product story (the Uruguay identity)

For example, the well-known uruguayan resort of Punta del Este could be the centerpiece of the story and the image of it. Thus the could be built around products Uruquayan ofserve to enhance the image Uruquayan identity would Uruguayan products.

2) Emphasizing materials specific to Uruguay

Uruguayan wool is world renowned. Its thick low count must be taken advantage of to emphasize the special nature of Uruguayan wool.

3) Product planning

The composition of product lines must be carefully planned. For example, the following lines may be considered for differentiation.

a) Typically Uruguayan : High class product line which accentuates the Uruguayan flavor.

b) Modern Uruguay : Product line designed to fit the targeted importing country. Middle class line for mass sale.

Part II has summarized the current state of affairs in the uruguayan garment industry together with third countries (U.S.A., Germany, Spain, Japan) based on information gathered in the filed survey.

II-126

Part III shall outline an action plan intended to promote development of the Uruguayan garment industry with emphasis on the promotion of exports, together with comments.

PART III THE PROBLEMS AND THE REFORM MEASURES OF GARMENT INDUSTRY

In Part III, the current problems facing the Uruguayan garment industry shall first be identified, then targets to be achieved by the Uruguayan garment industry shall be set forth, along with the recommendations on how to meet them.

Chapter I Problems by Which the Uruguayan Garment Industry is Confronted and Future Targets to be Achieved

1-1 Current State of Affairs

The quality of products ranks no better than the middle or lower part of the mediocre spectrum on a global scale, with the exception of certain hand-knit garments, while the price of garments is somewhat higher, relatively, than other consuming products in Uruguay. Export of garment products is lagging.

1-1-1 Internal problems in the Uruguayan garment industry

The problems by which the Uruguayan garment industry is confronted are identified below.

(1) Raw materials

- Locally produced wool is of low-count fiber diameter which does not fit the global trend of demand for lighter, finer and softer texture textiles.
 - (Background) Although Uruguay has more than thirty million head of sheep and ranks seventh in the world in terms of wool production, the majority of sheep are of the Corriedale species (wool fiber diameter: 28 microns on average), which differs from the Merino species (wool fiber diameter:

about 20 microns on average) bred in Australia and other wool producing countries.

2) The price of woolen textiles in Uruguay is high in spite of the fact that Uruguay is a wool producing country.

(Background) The garment industry purchases wool at a price close to the export price.

- 3) The price of cotton fabric for the manufacture of cotton garments is relatively high.
 - (Background) Uruguay is not a cotton producing country. All imported. to be Uruquayan cotton has enterprises obliged to pay 6 USS/ka are freight and import duty while including enterprises in cotton producing countries pay 3 US\$/kg.

(2) Mechanical Production Facilities and Technology

 Most mechanical production facilities currently owned by wool wear, denim wear and knitwear manufacturers are outdated. The number of CAD/CAM and other automated high technology machines is much less than those owned by businesses in NIEs countries, Southeast Asian countries and Caribbean countries.

(Background) * No active capital investment was made in renovation even during the peak of production and export in 1989.

> lack a perception of the need to * Managers added products for manufacture high value the need to restructure the export, and for small lot, large variety industry production.

> * Plant owners now identify a need to renovate

production facilities. However, capital is not readily available for the required investment, partly because low interest rate financing program is not enough.

* The general mentality of plant owners is rather conservative with respect to capital investment due to the high rate of inflation, the unstable economy, and uncertain prospects for the future following the inauguration of MERCOSUR.

2) The technological level is not high enough for small quantity, large variety manufacture of high value added products on short delivery notice, although, it is sufficient for the manufacture of conventional woolen wear, denim wear and knitwear.

(Background) * There are few high technology machines and few operators capable of operating such machines.

* No system exists to train operators to use high technology machines.

* The need to manufacture large varieties of high value added products in small quantities for short notice delivery is not generally recognized.

(3) Quality

1) While Uruguayan garments for export are provided with quality markings in accordance with the instructions of buyers, no quality marking labels such as fiber composition information, illustrated handling instructions or country of origin, which are standardized in advanced countries, is attached to products destined for local consumption.

(Background) * While the perception is not yet strong of the to protect consumer interests, the need need manufacturers to make efforts, with the for the cooperation of consumers, to upgrade of identified, quality of products has not been or at least been less aware of.

- industry has been heavily dependent on The subcontracting for export and has been less sensitive to the local market.
- 2) An overseas market survey conducted in the United States of America, Germany, Spain and Japan (hereinafter referred to as "overseas market survey") has confirmed that Uruguayan the rank no better than the middle or lower portion of garments the mediocre in quality spectrum, with the exception of certain items of hand knitwear.

(Background) * Raw materials are not compatible the with towards lighter and softer worldwide trend textures.

- * The industry is not fully tuned to manufacture high value added products meeting world market demand. It has no high technology production or technology facilities production \mathbf{as} for the manufacture of high value required added products.
- Product planning capability and information are not sufficient to cope with market needs.
- heavily enterprises * Most Uruquayan are dependent upon subcontracting for export and lack the will to improve product quality on their own.
- * Sewing technique is not good enough for woolen

111-4

garments. Similarly, knitting technique needs refinement and upgrading.

Businesses in general are not fully conscious of the need to pay greater attention to the quality of auxiliary materials such as lining and buttons.

(4) Productivity

1) The high production costs of Uruguayan garments are partly due to high material costs, but more to the fact that productivity is lower in Uruguay than in competing countries.

(Background) * Outdated production facilities require more labor and more working time.

- * Production control, quality control, process control and facility control are insufficiently thorough (Part III Chapter 3 for details).
- * Consciousness of the need for production improvement is lacking within both management and labor. In other words, both managers and workers are not fully educated in production control.

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- * The importance of reject control is not well recognized.
- (5) Will to work

 Labor costs are relatively higher in Uruguay than in neighboring countries and newly developed garment manufacturing countries (Asiatic countries, Caribbean countries, etc.). Yet laborers are not satisfied with their wages. (Example)

People's Republic of China: About 55 US\$/month (Average wage)

Brazil : About 70 US\$/month (Minimum wage) Uruguay : About 90 US\$/month (Minimum wage)

- (Background) * Adjustment of wages for inflation is delayed - 3 months resulting in loss by 2 net of wages.
 - * The minimum wage in the garment industry and the textile and spinning industry, which is about US\$ 120/month, is lower than the one in the other industries.

2) Laborers lack company loyalty.

(Background) * Wages and bonuses are fixed at the time an employee joins the company and are not subject increase other than adjustment for to inflation. Profits of the enterprise are not reflected in a bonus for laborers. Longer service is not rewarded by a wage increase or. bonus. Laborers are therefore easily tempted to hunt for jobs with better wages.

- * No system exists to encourage laborers to propose improvements to production control and There is practically no quality control. for for laborers nor reward incentive improvement.
- * There is practically no training program for laborers in enterprises.
- edify * Laborers are poorly motivated to themselves.

(6) Subcontracted export

The Uruguayan garment industry in general has been dependent upon the subcontracted export and is not structured to successfully deal with requests from overseas buyers for high value added products at lower prices and with short delivery times due to their higher labor costs and lack of high technology production machines.

(Background) * Plant owners have been over-optimistic about future world demand.

have indulged themselves in * Plant owners subcontracted export which allowed them to make profits for the time being. In other lacked plant owners long term words, а business strategy (in terms of marketing strategy and education).

- (7) Association with Other Industries, Coordination within the Industry
- 1) Association with the spinning and weaving industries is not strong enough.

(Background) * 80 - 90% of woolen textile is for export and the woolen textile industry has little dependence upon the garment industry.

> * No regular periodic meeting is held by and between the Associacion de Industrias Textiles del Uruguay, Camara Industrial de la Vestimenta (CIV) and Punto Industrial Uruguayo (PIU).

> * While Japan's spinning and textile industries have penetrated the garment industry, Uruguay's spinning and textile industries did

not endeavor to penetrate the domestic garment industry because of its relatively small local 3 million people and the risk market of While industries in Japan involved. are vertically integrated, the Uruguayan spinning industries have always been and textile in parallel with the garment positioned industry.

- 2) The garment industry in Uruguay as a whole is not of such a mentality as to encourage coordination within the industry.
 - (Background) * As the Associacion de Industrias Textiles del Uruguay, CIV and PIU admit, Uruguayans on the whole are quite individualistic. However, recent changes in the environment seem to have cultivated the germ of the spirit of cooperation within the industry.

1-1-2 External environments surrounding the garment industry

External environment facing the Uruguayan garment industry are as follows.

(1) Uruquayan garments on overseas markets

1) The United States of America

The United States of America is still the largest export market for Uruguayan garments, though exports fell by 34% in 1990 when compared to the previous year. the According to overseas market survey, the total value of woolen garments imported by the United States of America amounted to US\$ 2.4 billion out of which imports from Uruguay accounted for US\$ million, only 1.7% of the total. Similarly, total U.S. 41 cotton garment imports were worth US\$ 1.2 billion out of which Uruguayan imports represented US\$ 11.4 million, less small its share may be, а decline in than 1%. However

exports to the United States of America has a serious impact States of Uruguayan garment industry. The United on the imposes import quotas on 7 categories of Uruquayan America none of which has been fully reached. In other garments, words, the Uruguayan garment industry is not capable of fully utilizing its export quota.

Nevertheless, consumption of garments in the United States is expected to grow by 4 - 6% annually until the mid 1990s, and imported garments are lower priced and offer wider of styling and coloring than locally manufactured varieties then import is also increased. In other words, garments, provided that coordinated nationwide efforts are made, the Uruquayan garment industry has a good opportunity to recover recently lost volume of export to the United States of its America.

(Background) * Labor

Labor costs in Uruguay are higher than in newly developing garment manufacturing countries, while productivity in Uruguay is lower, resulting in higher production costs. The cost of shipping is higher for Uruguayan garments than for garments from Mexico and Caribbean countries.

- * Uruguayan garments are mostly subcontracted by overseas buyers and have little originality.
- * The limited volume of information and absence of a merchandising strategy make it difficult for Uruguayan businesses to have sufficient knowledge of the needs of US buyers and consumers. Market research is not adequate.

* Because the Uruguayan garment industry does not aggressively participate in advertising or fashion fairs in the United States, Uruguayan products are not known to the general public.

Contacts with powerful buyers and specialized stores are not strong enough.

* The number of Uruguayan companies capable of responding properly to the demand for high fashion products and wide variety production in smaller quantities with short delivery time is very limited, in terms of possessing the requisite high technology production machinery and sewing technique.

A 5 - 21% import duty is applicable to Uruguayan garment imports while garments imported from Mexico and Caribbean countries, which are within the economic sphere of the United States, are duty free or subject to a much lower import duty rate.

2) Germany

Germany ranks second to the United States as an export market in terms of the amount spent for garments, which increased by 13% annually from 1986 till 1989. Expenditure for garments is expected to increase by 6 - 9% annually from now on.

In spite of the growth of the German garment market described above, imports from Uruguay have been declining since 1986 in terms of both quantity and value. Germany does not impose an import quota on Uruguayan garments because of their small volume of import.

(Background) * Background listed under export to the United States apply equally here except for import duty. Other factors are as follows.

> * A 14% import duty is applicable to Uruguayan garments. Current import duty rates

applicable to EC countries and certain African countries under the protection of the EC are lower.

* The German market is more sensitive to design and quality than the United States market.

3) Spain

The Spanish garment industry is design oriented and targets high class products while the low priced segment is likely to be covered by imports.

Expenditure for garments has been increasing in Spain at an annual rate of 18% since 1986 and is expected to continue to increase at an annual rate of 12% over the next few years.

While the value of garments imported during 1986 was no more than 8% of the total expenditure for garments in that year, it is expected to increase at an annual rate of 18 - 25% over the next few years.

Two-thirds of imports come from EC countries while imports from Latin America make up no more than 1%. Imports from Uruguay in 1989 were valued at about US\$ 50,000.

No import quota is imposed on Uruguayan garments, just as in Germany.

(Background) * Background listed under the United States apply equally to Spain except for import duty. Other factors are as follows.

* A 14% import duty is applicable to Uruguayan garments, similarly to Germany.

* The Uruguayan garment industry is handicapped geographically compared to Portugal and other

Mediterranean countries with respect to the ability to respond quickly to fashion trends and changes in popularity.

* Certain Spanish buyers consider Latin American suppliers unreliable with respect to delivery.

4) Japan

Total textile imports during 1989 were valued at $\frac{1}{2.2}$ trillion (about US\$ 17.54 billion) out of which garment imports represented about $\frac{1}{21}$ trillion (about US\$ 7.69 billion).

As for Uruguayan garments, only a small quantity of knitwear is being imported.

(Background) * Background listed under the United States apply equally to Japan except for import duty. Another factor is as follows.

> * Because the country of Uruguay is located almost exactly on the other side of the globe from Japan, it is among the countries least known to the general Japanese public.

(2) Formation of regional blocs

is being restructured into several regional world The blocs such as the EC, NAFTA, MERCOSUR and so on, within each of which industries are protected from outside, but subjected more intense level of internal competition. The to а Uruquayan garment industry will be likewise subject to an intensified level of competition within MERCOSUR.

(Background) * The EC was originally organized to bring lasting peace to Europe, which had been torn apart by World War II, and to develop it into

a third party that could stand up the to United States of America and the USSR by establishing a common market with a population of 200 million. As time has gone by, the EC become more and more focused on economic has issues, as typified by the unified currency issue, in order to establish itself as a force able to stand against the economic bloc of the United States of America on the one hand and the Asian economic bloc including Japan on the other. Similarly, NAFTA, as indicated by its name, is intended as a North American economic bloc. Likewise, MERCOSUR has been established for the purpose of promoting joint development of member countries, since member countries have become convinced that their development would be limited if left on their own without an organization of this kind.

Uruguay is dependent upon Argentina and Brazil for 40% of its external trade, and participation in MERCOSUR will have a significant impact on the Uruguayan economy.

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Insofar as the Uruguayan garment industry is concerned, it is expected that the level of competition will intensify for woolen garments and knitwear with Argentine industry with respect to quality of raw materials, and for denim garments with Brazilian industry with respect to cost of raw materials and labor.

(3) Export promotion by foreign governments

The NIEs countries, Asian countries including the People's Republic of China and Caribbean countries, etc. are promoting export expansion of garment products under the auspices of their governments. The government of Uruguay,

however, is not taking any action as part of a national policy to promote export of Uruguayan garment products.

(Background) * The government of Uruguay is taking a stance of restricting itself to policies not exceeding macro-economics, and does not intend to adopt any policy which would favor a particular industry unfairly.

(4) Taxes

Taxes imposed by the Uruguayan government are higher than those in other member countries of MERCOSUR.

(Background) * The Uruguayan government is obliged to increase its revenues in order to reduce its financial deficit by keeping high tax rates in force.

Tax rates are as follows for reference.

- Corporate tax: 30% (1991)

III-14

- Value added tax: 22% (basic tax rate, 1991)
- Import tax: minimum 10%, maximum 30% (1991)
- Commission for the Bank of the Republic:
 - 0.5% for export, 1.0% for import

- Other taxes: commodity tax, wealth tax, real estate tax etc.

* An internal MERCOSUR commission is studying reform of public service commission systems and tax systems which are considered to be within the control of the government.

1-1-3 Analysis of causes

(1) Classification of causes

The causes of the problems listed in the preceding section have been examined from diverse aspects and can be classified under the categories of cost, quality of products, market, industry and government.

(Remark: Certain causes which are related to 2 or 3 categories are classified under the one in which their greatest influence is felt.)

1) Cost

- (1) Higher raw material cost for woolen and cotton fabrics
- (2) More labor and time required due to outdated production facilities
- (3) Lack of recognition by plant owners of the need to upgrade productivity. (Suggestions for the cost reduction and the improvement of productivity are often proposed by production lines.)
- (4) Individualistic character of Uruguayans. (Has impact on cooperation within the industry.)
- (5) Over-dependence on subcontracted export. (It is not possible to compete with developing countries due to higher production costs.)
- (6) Intensified level of price competition with Brazilian industry in preparation for the inauguration of MERCOSUR

2) Quality

(1) Conservatism toward capital investment for facility

renovation in view of high rate of inflation, unstable economy

- (2) Lack of recognition by plant owners of the need for higher value added products and production of wide varieties in smaller quantities
- (3) Lack of high technology production machines and competent operators
- (4) Lack of recognition of the need to improve product quality in harmony with the actions of consumers (Insufficient protection of consumers' interests)
- (5) Lack of recognition of the importance of auxiliary materials
- (6) Quality control, process control and facility maintenance are not sufficiently thorough
- (7) Lack of recognition of employee's self enlightment
- (8) Product planning capability is not sufficient
- (9) Intensified level of quality competition with Argentine industry in preparation for the inauguration of MERCOSUR (woolen textiles and knitwear)

3) Market

- (1) Raw wool materials are of low count (opposite to the global trend of demand)
- (2) Lack of recognition by plant owners of the need for long term management strategy
- (3) Higher product prices than developing garment manufacturing countries

- (4) Lack of design originality
- (5) Lack of overseas market research
- (6) Insufficient advertising targeting the overseas market
- (7) Contacts with overseas buyers are not strong enough
- (8) Lack of information, weakness in responding to market demand due to insufficient number of high technology production machines
- (9) Tariff barriers

(10) Long shipping distance to Europe, North America and Japan

(11) Low profile of Uruguayan garments

- (12) Distrust of certain European buyers toward Uruguayan suppliers (in particular with respect to delivery commitments)
- 4) Industrial associations, government
 - (1) Low interest rate financing is not sufficient

 - (2) Net wage losses due to delayed adjustment for inflation
 - (3) Minimum wage lower than other industries
 - (4) Wage system which does not reflect business profits and length of service
 - (5) Education of employers and employees
 - (6) Support for participation in overseas fashion fairs by businesses

- (7) Review of taxes, social security charges, public service charges in preparation for the inauguration of MERCOSUR
- (8) Bridging across Associacion de Industrias Textiles del Uruguay and garment industry

(2) Analysis of causes

Most of the causes classified above, which have resulted in the current stagnation of the Uruguayan garment industry, in particular its ability to export, are understood to dwell in a lack of effort on the part of individual businesses and lack of recognition of the actual state of affairs. That. a is to say, dependence on subcontracted export and the lack of long-term business strategy based on the future market trend incapability of producing higher value added resulted in and production system of wide varieties in smaller products It also caused decline of labor incentive to quantities. improve higher production costs and quality because of lack of recognition regarding quality control.

However, there exist causes beyond the control or reach of individual companies, such as the lack of a low interest rate financing program, poor education of managers and employees, need for review of the taxation system, lack of support for participation in overseas fashion fairs, and a need for services by the Associacion de Industrias Textiles del Uruguay, which require the cooperation of industry and government to remedy.

1-2 Establishing Targets to Achieve and Reform Measures

So far we have looked at the problems facing the Uruguayan garment industry and their underlying causes have been looked at. A set of targets to be achieved by the Uruguayan garment industry in order to overcome its problems, on the premise that the Uruguayan garment industry and government will closely cooperated and make a joint effort will now be laid out after future perspectives are considered.

1-2-1 Short-term, medium-term and long-term perspectives

In this section, perspectives on conditions, problems and recommended courses of action are described from short-term (up to the time Uruguay is scheduled to join MERCOSUR at the end of 1995), medium-term (the period from 1996 to 2000) and long-term (beyond 2000) perspectives.

(1) Short-term perspective (1992 through 1995)

The value of woolen wear, cotton wear, and knitwear exported during the period beginning in 1988 and ending in 1991, as recorded by the CIV and PIU for their member companies, is shown in Table III-1-1.

1) Value of exports

Table III-1-1 Value of woolen and cotton wear and knitwear exported by members of CIV and PIU

[unit: US\$ 1,000]

| Item | Woolen | Cotton | Knit | Total |
|------|-------------------|------------------|---------|---------|
| Year | wear | wear | wear | |
| 1988 | 30,073 | 18,594 | 19,980 | 68,647 |
| 1989 | 43,113 | 21,453 | 31,700 | 96,266 |
| | (+43.4) | (+15.4) | (+58.7) | (+40.2) |
| 1990 | 32,068 | 13,306 | 23,900 | 69,274 |
| | (-34.4) | (-61.2) | (-32.6) | (-39.0) |
| 1991 | 37,455 (+16.8) | 13,999 (+5.2) | N.A. | |

(): % increase/decrease in comparison with the previous year Remark: Leather and fur products are not included.

Sources: Data provided by CIV and PIU (as of May 1992)

The value of exports reached a peak in 1989 and declined There was an overall decline of about 40% in thereafter. 1990, for member enterprises as a whole, primarily due to the recession in the United States of America. The decline in more significant for cotton garments, which exports was marked more than a 60% decline in 1990, and amounted to US\$ 4.5 million worth less in 1991 than in 1988, in spite of a Similarly, woolen garments marked an slight recovery. increase of 17% in 1991 but the total was still more than US\$ 5.6 million less in 1991 than the peak in 1989. The situation is much the same for knitwear which marked more than a 30% decrease in 1990. Though no statistics are yet

available for knitwear export in 1991, it is suspected that the figure will not meet the 1990 total of US\$ 23,900,000.

2) Value of imports

Recent figures for the value of garment imports are summarized in Table III-1-2.

Table III-1-2 Value of imported woolen, cotton and knit wear

| Item | Woolen | Cotton | Knit | Total |
|------|----------------|------------------|---------|---------|
| Year | wear | wear | wear | |
| 1988 | 131 | 473 | 2,900 | 3,504 |
| 1989 | 239 | 389 | 3,750 | 4,378 |
| | (+82.4) | (-21.6) | (+29.3) | (+24.9) |
| 1990 | 400 | 1,951 | 3,200 | 5,551 |
| | (+67.4) | (+401.5) | (-17.2) | (+26.8) |
| 1991 | 499 (+24.8) | 1,612 (-21.0) | N.A. | · _ |

[unit: US\$ 1,000]

Sources: Data provided by CIV, PIU (As at May 1992)

Import of garments into Uruguay is steadily increasing primarily due to the increase of imports from Asian countries.

Imports from the People's Republic of China marked a sudden increase from US\$ 190,000 in 1989 to US\$ 2.7 million in 1990, while imports from the Republic of Korea also increased from US\$ 0.72 million in 1989 to US\$ 1.4 million in 1990.

These increases are a clear indication that garments imported from Asian countries have been found to be better in quality and lower priced than locally produced garments. Consumers are always attracted to better and cheaper merchandise.

The sudden increase in cotton garment imports is worth notice, while import of woolen garments, the market segment in which Uruguay is believed to be strong, is also increasing steadily. Import of knitwear is equivalent of 12 - 13% of exports.

3) Recommended actions

current trend in Uruguay, for garment exports to The decrease while garment imports increase, should be considered seriously not only by the Uruguayan garment industry but also In addition, the Uruguayan government ought by CIV and PIU. to take notice of the problem and take the necessary action: promote import alternatives. Basically, promotion of import solving the problems the begin with alternatives must with, industry is confronted and Uruguayan garment The the industry. the basic strength of reinforcing industry should be guided to qive more Uruquayan garment the needs of local consumers; to offer local attention to lower prices than quality products at better consumers in order to recapture the local market. imports competing important consideration here is how to encourage local the to pay more attention to the quality and price of consumers merchandise offered.

It is necessary to let consumers understand what garments are made from, and how they should be cared for. A fashion ought also to be organized to attract more interest on fair part of the general public. When consumers become more the interested in the quality of garments, they will begin to that the Uruguayan garment industries more pay demand attention to improving the quality of their products. This is why it is said that improvement of product quality is a process that involves consumers.

The Uruguayan garment industry must of course become more about reducing production costs in order to compete serious with imports, which manage to sell for less in Uruguay even though their retail prices have to cover shipping and import duties in addition to production costs. To begin with, there room for Uruguayan enterprises to cut their be should production costs, and cooperation to this end ought to be within the Associacion Industrial de la established Vestimenta and with the Uruguayan government.

The quickest and most effective way of reducing production costs would be through cooperation and coordination within the Uruguayan garment industry, and joint efforts between its members.

In addition, efforts must be made to educate and train the talented personnel required to create products which will be favorably evaluated in the global market, and who can manage the merchandising of a wide variety of high value added products.

It is therefore considered imperative to expand an institution for the proper education of personnel to work within the industry.

(2) Medium-Term perspective (1996 - 2000)

1) Import alternatives

It should be assumed that the recent surge of garment imports from Asiatic countries will not decrease significantly within a short period of time even if joint and coordinated efforts are made by Uruguayan companies, CIV, PIU and the Uruguayan government. Such an import surge cannot be stopped quickly. However, efforts to stop it will eventually help Uruguayan industry to increase its share of the market, hence accelerated promotion of import alternatives is greatly desirable.

2) Impact of participation in MERCOSUR

Uruquay will be open to greater competition when Brazil. Argentina and Paraguay mount an accelerated export drive as soon as Uruguay begins entering substantially into MERCOSUR If the Uruquayan garment industry would not exert 1996. in survival industry would have not chance of in itself, the a massive export drive by other MERCOSUR competition with The level of competition between companies member countries. member countries will accelerate and any Uruquayan all in company which may have failed to endeavor to improve product quality and reduce production costs will be forced out of The most serious impact on Uruguayan denim garment business. manufacturers may come from their counterparts in Brazil. Uruguayan garments should strive to survive and be successful MERCOSUR market before attempting to penetrate the in the advanced countries' markets in the long run. Success in the MERCOSUR market would be the basis for eventual success in the advanced countries' markets.

Serious efforts are needed to improve quality (coordinated efforts with consumers, internal efforts within individual enterprises) and to reduce production costs (promotion of inter-enterprise cooperation and association, efforts within individual companies, cooperation by and between the Associacion Industrial de la Vestimenta, PIU and the Uruguayan government).

3) Toward Long-Term Targets

The Uruguayan garment industry should be prepared to face new hurdles should it hope to achieve any penetration of the advanced countries' garment markets, even after it has succeeded in promoting import alternatives and exporting to

MERCOSUR countries.

example, higher added value would be required and For adequate collection and analysis of market and technological Such requirements are information would be imperative. beyond the reach of individual businesses, so creation of a fashion resource center to perform such tasks as collection and analysis of information useful for garment manufacturers, planning and development of products, development of human resources and general promotion of the industry is greatly desirable. However, it must be kept in mind that creation of such an institution would require substantial time and capital investment, so planning must be undertaken with extreme prudence.

(3) Long-Term Perspective (beyond 2000)

should the Uruguayan garment industry succeed in Even promoting import basic strengths, their reinforcing alternatives and expanding exports to MERCOSUR members as proposed under the short-term and medium-term outlooks above, still not be at all easy to penetrate the garment it will markets of advanced countries. It should be remembered that their competitors in Asia, Mexico, the Caribbean region, Indochina, Eastern Europe and the Mideast are all expected to develop their own garment industries and will certainly endeavor to convert their current labor-intensive production methods to information and technology intensive production.

In order to service in competition with those very competitive countries, the Uruguayan garment enterprises will have to exert the utmost effort. Maximum cooperation by and between companies, associations and government agencies will be indispensable because competing countries are expanding their exports through close cooperation between industry and government.

However, earnest joint efforts by the Uruguayan garment

industry, its various associations and the government to achieve the targets set forth later in Part III would certainly pave the way to expanding export.

If those targets are not achieved within the next 10 years, in other words if export expansion is not achieved as planned, one of the only ways Uruguayan garment enterprises could adapt to the situation would be by changing their line of business and becoming converters.

1-2-2 Targets for the Uruguayan garment industry

In accordance with the short, medium and long-term perspectives above, the following targets to be achieved in each of these periods have been drafted.

- (1) Short-term targets (1992 1995)
 - Target: Expansion of local consumption and promotion of import alternatives through the reinforcement of basic strengths of the industry
 - 2) Markets to expand: Local market and traditional export markets
- 3) Volume of export to achieve: US\$ 100 110 million -- equal to the peak achieved in 1989 (to be achieved by 1995)

(2) Medium-term targets (1996 - 2000)

- 1) Target: Expansion of exports to neighboring countries and further promotion of import alternatives
- 2) Markets to expand: Neighboring countries, in particular members of MERCOSUR
- 3) Volume of export to achieve: US\$ 134 million by 2000 (assuming US\$ 105 million is achieved by 1995, increasing at an annual rate of 5% thereafter)

(Remarks) : Medium-term export target may vary depending upon whether or not the short-term export target has been achieved.

- (3) Long-term targets (beyond 2000)
 - 1) Target: Production of Uruguayan garments which will be trusted and appreciated by the global market
 - 2) Markets to explore: Advanced countries
 - 3) Volume of export to achieve: US\$ 155 million in 2005 (assuming US\$ 134 million is achieved by 2000, increasing at an annual rate of 3% thereafter)
- 1-2-3 Problems to be solved

There exist problems that need to be solved in order to achieve the objectives defined for promotion of the Uruguayan garment industry. These problems are classified as follows into those due to internal factors and those due to external factors.

(1) Problems due to internal factors

1) Raw materials

(1) Low count wool

A need exists to respond to the world-wide trends which prefer lighter and finer textiles.

(2) Textile prices

A need exists to establish close communication and cooperation with the textile industry.

2) Facilities and equipment

A need exists to establish a system supporting extensive utilization of high technology equipment in order to produce high value added products of wide varieties in small lots.

3) Quality

- A need exists to pursue ways and means of instituting a quality labeling system. Quality labeling of garments for local consumption is not currently required.
- (2) A need exists to improve quality through stimulation of non-price competition.

4) Productivity

A need exists to raise awareness of the significance of production control which is effective in reducing production costs and improving quality.

5) Will to work

A need exists to encourage laborers to stay with their current employers instead of job hopping in search of higher wages.

6) Subcontracted processing trade

A need exists to disentangle the industry from the subcontracted processing trade because Uruguayan garment enterprises are no longer competitive with the developing countries of the emerging garment industry where production costs are lower.

7) Coordination with other industries, cooperation within the garment industry

A need exists to strengthen coordination with the Associacion de Industrias Textiles del Uruguay, in particular, in order to improve quality and to reduce costs. A need also exists to strengthen cooperation within the garment industry.

(2) Problems due to external factors

1) Uruguayan garments on overseas markets

The recognition of Uruguayan garments on overseas markets is not high enough. In addition, the export potential of Uruguayan garments is hurt by their prices, which are higher than those Asian and Caribbean countries where the garment industry is emerging. A need exists to restore the export potential of Uruguayan garments.

2) Formation of world-wide economic blocks

A need exists to win the competition against garment enterprises located in other MERCOSUR member countries after the inauguration of MERCOSUR.

3) Uruguayan government policies

The Uruguayan government has no comprehensive industrial promotion policies, nor does it support any specific industries. A need exists to readjust tax rates to a level comparable with those of other MERCOSUR member countries.

1-2-4 Basic concept for the promotion of improvement

The above targets for the short-term, medium-term and long-term on the basis of the following basic concept for making recommendations have been proposed.

(1) Reform measures which are considered important and achievable in view of the current state of affairs in Uruguay and the

Uruguayan garment industry shall be recommended.

(2) Self-help and efforts on the part of individual companies are the key to success in developing the garment industry and expanding export. Those companies which fail to make such efforts should automatically be liquidated and unified in accordance with the principles of a free market economy. However, it should be recommended, in view of the limited extent to which individual efforts may be effective under the current state of affairs, that joint, coordinated actions between companies, industry associations and the government are vital and must be promoted.

Actions which can effectively be taken by individual companies on their own will be summarized in Chapter 3, separately from Chapter 2, concerning production, quality, process and machinery control, inspection of raw materials and products.

- (3) The role of the PIU and CIV should be to fulfill the following duties.
- 1) Close contact and communication with the relevant government agencies
- 2) Promotion of communication between the relevant industries
- 3) Cooperation in support of promoting export to overseas markets
- 4) Cooperation in support of the education of talented personnel
- 5) Cooperation in support of labor management
- (4) The relevant government agencies should fulfill the following duties are part of their roles.

- 1) Cooperation in support of promoting export to overseas markets
- 2) Efforts to reduce tax rates, public service commissions and social security charges
- 3) Establishment of a low interest rate financing program
- 4) Cooperation and support on the part of the National Quality Committee and LATU for the improvement of quality
- 5) Cooperation in support of a program for educating talented personnel

1-2-5 Reform measures to be taken and their ranking

Two field surveys, one in July 1991 and the other during October/November 1991 have been conducted. Upon completion of the field surveys, the data and materials collected were analyzed to identify problems needing to be solved, and the following twelve reform measures consisting of nineteen individual items summarized below were selected as the most appropriate solutions.

(1) Reform measures which are to be implemented in the short term

1) Betterment of policy and systems

. Institution of a quality labeling system and reinforcement of the consumer center

2) Betterment of management, development of human resources

. Promotion of cooperative efforts

. Study and training of required personnel (Standing productivity seminar, incentives for the acquisition of official qualification, reinforcement of public garment research institution, consultation for enterprises)

Reinforcement of study and training system

- 3) Betterment of sales and marketing
 - . Implementation of Fashion Week
 - . Sales promotion in conjunction with government agencies
- 4) Technological innovation
 - . Development of light woolen textiles and fine woolen yarn
 - . Utilization of Uruguayan designers and tailors
 - . Intellectual rights including design rights, trademark rights, patent rights
- 5) Quality improvement, cost reduction
 - . Conditions for quality improvement . Cost reduction
- (2) Reform measures the implementation of which is to commence in the medium term
 - 1) Invitation of a MERCOSUR fashion resource center

Figure III-1-1 summarizes relations between problems awaiting solution and reform measures.

(3) Ranking of twelve reform measure items

Details of reform measures shall be presented in Chapter 2, while reform measures shall be ranked (by priority) and institutions in charge of implementation shall be discussed in this chapter. Criteria used in ranking the twelve reform measure items are as follows.

1) Each reform measure was independently evaluated as to its likely contribution to and immediate effect on quality improvement, cost reduction, development of human resources, expansion of domestic and export markets, and import replacement. In each category a grade was given for maximum effect, b grade for better than average, c grade for average, d grade for minimal.

Rank A : Reform measures which have two and more a grade Rank B : Reform measures which have a grade and b grade Rank C : Other reform measures

Table III-1-3 summarizes the ranking of the reform measures.

2) Priority is given to those measures which can utilize existing facilities and functions, in view of the immediate effects to be obtained.

Institutions in charge of implementation are classified into those directly responsible for implementation and those to cooperate. It can be seen clearly that objectives cannot achieved without cooperation between the public and be private sectors. The Asociacion de Industrias Textiles del Uruguay and Punto Industrial Uruguayo would have to either be directly responsible for, cooperate with or render services for every reform measure. Those associations will have to be summarizes the Table III-1-4 accordingly. reinforced institutions directly responsible for and those to cooperate for each reform measure.

Reform measures Problems of garment industry Relation-Reform measures Problems of garment industry (Reduced and stagnant exports, ship between problems increased imports) and reform <Short term reform measures to be implemented <Internal factors> measures during 1992 - 1995> (1) Materials Institution of quality labeling system and re-Wool fiber is of low count. inforcement of consumer center. 2) Wool textile is high priced.
 3) Cotton textile is high priced. (2) Facilities and technology1) Facilities are outdated. Promotion of cooperation within the industry. 2) High added value, small lot, large variety production and a system of short-period Cost reduction. delivery system do not exist. Implementation of effective quality control. utilization of free-zone system, taxation (3) Quality system and so on). 1) There is no quality labeling system. 2) Quality is average to low by global standards. Reinforcement of education/training system. (4) Productivity 1) Control of production, quality, process, and facilities is not thoroughly exercised. 2) Executives and employees are not sufficiently Implementation of fashion week. conscious of the problems they are confronted with. (5) Will to work 1) Though wages are higher in Uruguay than in Sales promotion in conjunction with countries where the garment industry is developing, workers are significantly government. discontent. Pursuit of thin wool fabric and fine yarn. 2) Sense of loyalty is lacking. (6) Processing trade 1) Uruguayan garment industry has indulged itself in the processing trade. Utilization of Uruguayan designers and tailors. (7) Association with other industries, cooperation within the industry n ήų Conditions for quality improvement. 1) Association with textile and spinning -H_Iİ (Non-price competition, techniques other than sewing/knitting, independent merchandising). industry is not sufficiently strong. 2) Cooperation within the gamment industry is ıF not sufficiently thorough. ۷! I₁ <External factors> Education of required personel, etc. (1) Uruguayan garments on overseas markets $_{H}$ μ (Standing production seminar, incentives for the 1) Uruguayan garment are higher priced than րկ I \# acquisition of official qualifications, those produced in other countries with 111 reinforcement of public garment research developing garment industries. 11 institution, consultation for enterprises) 2) Merchandise planning capacity is not í! sufficient and weaknesses exist in market TIL research. Preparation of a collection of techniques in the 3) Relationship with overseas buyers and Is1 3) Relationship with overseas buyers and importers is not sufficiently strong.
4) Import duty (U.S.A. - 5 - 21%, Europe : 14%)
5) Name recognition is not high enough. public domain concerning design rights, ήŇ "₁ trademark rights, and patent rights. <Reform measures to be implemented during
the medium term (1996 - 2000)> (2) Formation of trading blocks in the world Protection within each trading block 2) Heavier competition between enterprises within MERCOSUR trading block Invitation of MERCOSUR fashion resource center. (3) Policy of Uruguayan government 1) No support is provided to a particular industry. 2) High tax rates, high social security charges

Fig. III-1-1 Relationship between problems and reform measures

Table III-1-3 Ranking of reform measures

| | Actions for improvement | Quality improve- ment | Cost re- duction | Development of human resources | Expansion of markets | Replace- ment of imports | Immediate effect | Rank ing |
|-----|---|-----------------------------|------------------------|--------------------------------------|----------------------------|--------------------------------|---------------------|----------|
| (1) | Short-term actions for improvement | | | | | | | |
| 1) | Improvement of policies and systems | | | | | | | |
| * | Implementation of quality marking system and reinforcement of consumer center | b | đ | d | a | a | ä | A |
| 2) | Improvement of management, education of talented personnel | | | | | | | |
| *. | Promotion of joint | а | a | d | Ь | ď | c | A |
| * | cooperation Education of required personnel (Seminars, con- sultation with enterprises) | С | с | a | d | d | d | С |
| * | Reinforcement of education and training system | C | с | a | a | d | d | A |
| 3) | Improvement of sales, marketing | | | | | | | |
| * | Sales promotion in | d | đ | d | b | с | а | 8 |
| * | cooperation with government Implementation of Fashion Week | С | ď | d | а | с | a | A |
| 4) | Improvement of technology | | | | | | | |
| * | Production of thin woolen fabrics and fine yarn | а | d | d | b | d | d | В |
| * | Utilization of Uruguayan national designers and | b | b | . d | с | с | d | С |
| * | tailors Compilation of commonly known technique concerning design rights, trademark rights, patent rights | C | с | C | d | d | d | C |
| 5) | Improvement of quality, reduction | | | | | | | |
| * | Conditions of quality improvement (Non-price competition, | a | d | d | b | d | C | В |
| * | independent merchandising) Cost reduction (Effective quality control, free-zones, taxes etc.) | с | а | C | С | b | C | 8 |
| | | | | | | | | |
| (2) | Medium-term actions for improvement | | | | | | | |
| 1) | Invitation of MERCOSUR fashion resource center | a | c | a | ··· b | d | đ | A |

productivity seminar, such as standing Sub-items incentives for the acquisition of official qualifications, reinforcement of garment study institutions and consultation with enterprises are included in item (1)-2), Study and training of required personnel. Certain sub-items are also included in item (1)-5), Conditions for quality improvement, Nineteen (19) reform measures in total, cost reduction. including those sub-items, are ranked in the next section 1-2-6 by the four categories of quality improvement, cost reduction, development of human resources, and market expansion.

Table III-1-4 Prioritized actions for improvement and parties involved

| (1) | Short-term actions for improvement | Priority | Parties directly responsible | Parties to cooperate and assist |
|------|---|----------------|------------------------------------|---------------------------------------|
| 1) | Improvement of policies and systems | | | |
| | * Implementation of quality marking system and reinforcement of consumer | A | G. | Α.,Ε. |
| st 1 | center | 1 | | |
| 2) | Improvement of management, education of talented personnel | | | |
| • | | | Ε. | A C |
| | * Promotion of joint cooperation | A C | | A.,G. G.,E. |
| | * Training of required personnel | A | A. G. | A.,E. |
| | * Reinforcement of education and training system | 23 | | A., D. |
| 3) | Improvement of sales, marketing | | | |
| | * Implementation of Fashion Week | A | G. | Α.,Ε. |
| ÷., | * Sales promotion in cooperation with government | В | Α. | G.,E. |
| 4) | Improvement of technology | | | |
| | * Production of thin woolen fabrics and fine yarn | B | Ε. | A.,G. |
| | * Utilization of Uruguayan national designers and tailors | С | Ε. | Α. |
| | * Compilation of commonly known technique concerning design rights, | С | Α. | G.,E. |
| | trademark rights, patent rights | | : | |
| 5) | Improvement of quality, reduction of cost | | | |
| . • | film a state to grade to grade the second | and the states | | ÷., |
| | * Conditions of quality improvement | В | Ε. | Α. |
| | * Cost reduction | В | Ε. | G.,A. |
| | | | | · · · |
| 2) | Medium-term actions for improvement | | | · · · · · · · · · · · · · · · · · · · |
| 1) | Proposal for invitation of MERCOSUR fashion resource center | A | G. | Α.,Ε. |

Legend : E.- Private Companies, A.- Industry Association, G.- Government Contribution and immediate effect to improvement greatest: A, Semi-greatest: B, great: C 1-2-6 Ranking in four categories applicable to reform measures (quality improvement, cost reduction, development of human resources, market expansion)

Quality improvement, cost reduction, market expansion and development of human resources are the factors most indispensable and critical for the promotion of the Uruguayan garment industry and the promotion of export.

reform measures were classified into four Previously, categories, with the major anticipated effects and ranking of each measure given within each category. Similarly to the ranking of the 12 items, preference was given in ranking the categories to measures which would exhibit greater and more immediate effects, and for which the needed facilities and functions are already available to some extent. Those reform which may affect not only a single item but also measures other items as well were listed under the item on which they ought to have the greatest effect. For example, promotion of cooperative projects would be effective not only for cost reduction but also for quality improvement and market expansion as well, but is listed under cost reduction.

Methods of managing production, quality, processes and machinery as well as methods of inspecting materials and products which would be immediately effective to achieve quality improvement, cost reduction and market expansion if implemented by individual enterprises are summarized in PART III, CHAPTER 3.

- (1) Quality improvement
- Institution of quality labeling system and reinforcement of consumer center (Short term, 1st rank)

The institution of a quality labeling system is targeted directly to the protection of consumers and quality improvement, and indirectly to draw greater attention by consumers to quality and price and hence to encourage efforts by garment enterprises to improve quality. Those are the most fundamental requisites for the expansion of domestic consumption and replacement of imports.

 Utilization of Uruguayan designers and tailors (Short term 2nd rank)

By taking advantage of the accumulated know-how of local designers and tailors who themselves are capable of wide variety, small lot production, it would become easier to produce high value added products.

3) Conditions for quality improvement

(1) Enhancement of non-price competitiveness (Short term 3rd rank)

Product differentiation would be stimulated by enhancing non-price competition within the industry, involving upbringing of designers and stronger marketing efforts.

(2) Technology including sponging, pattern making and so on. (Short term 4th rank)

Stabilization of textile and garment stretchability, and improved garment design would serve to upgrade the quality of garment products.

(3) Promotion of independent merchandising (Short term 5th rank)

Better quality and differentiation of one's products can be achieved by developing merchandisers capable of independent product planning.

4) Preparation of a collection of commonly used techniques in the public domain (Short term 6th rank)

If a collection of commonly used techniques in the public domain, relevant to design rights, patent rights, and trademark rights is prepared, such techniques and designs could be used extensively for quality improvement and enhancement of productivity and could serve to prevent undue technical intervention by overseas manufacturers.

institution of quality labeling system, was 1), Item ranked first because it would have better effects than item 4), preparation of a collection of commonly used techniques in the public domain, while item 3), utilization of Uruguayan tailors and item 4), conditions for quality designers and should be left to the discretion of individual improvement enterprises. In addition, LATU is equipped with the buildings and personnel required for the institution of a quality labeling system.

. Institution of quality labeling system and reinforcement of consumer center lst rank

. Utilization of Uruguayan designers and tailors 2nd rank

. Conditions for quality improvement

(1) Upgrading of non-price competitiveness 3rd rank

(2) Techniques such as sponging, pattern making 4th rank

(3) Promotion of independent merchandising 5th rank

. Preparation of a collection of commonly used techniques in the public domain 6th rank

(2) Cost reduction

1) Promotion of cooperation (Short term 1st rank)

The high technology equipment which is needed for high value added, wide variety, small lot production within a short delivery time frame (corresponding to the global demand trend), would have a high price and a low rate of utilization and prove to be not very profitable if acquired and used by individual enterprises. The same applies to facilities for sponging processing and stone/chemical washing of denim fabric.

Joint use of these plant is most effective for cost reduction.

Cost reduction could more easily be achieved through joint and cooperative procurement of raw and subsidiary materials, warehousing, and acquisition and utilization of specialized facilities.

2) Cost reduction measures

(1) Implementation of effective quality control (Short term 2nd rank)

Costs could be reduced by preventing occurrence of rejects through implementing process by process quality control.

When rejects occur, recovery and disposal of rejects requires additional expenditure which, however, is recoverable if effective quality control measures are implemented.

(2) Utilization of free zones (Short term 3rd rank)

If enterprises that are exclusively dedicated to export utilize the free zone system, import duties, corporate taxes and consumption taxes can be saved.

(3) Taxes, public service charges, (Short term 4th rank)

Costs can be reduced by reducing taxes, public service charges, to rates comparable with other MERCOSUR member countries.

the reform measures for cost reduction, 1). item Amona promotion of cooperation would be most effective in reducing 2)-(1), implementation of effective cost reduction costs. is up to the discretion of individual enterprises control, (2), utilization of free zones may be advantageous in while terms of taxation but the number of enterprises which are capable of investing in free zones to construct new plants Relevant to item (3), taxes, and public may be limited. are being examined by the Uruquayan charges service government. Accordingly, item 1), promotion of cooperation, was ranked first.

| | Promotion and implementation of cooperative efforts | 5 | |
|---|---|-----|------|
| | | 1st | rank |
| 1 | Cost reduction | | |
| | | 5. | |
| | (1) Implementation of effective quality control | 2nd | rank |
| | (2) Utilization of free-zones | 3rd | rank |
| | (3) Taxes, public service charges | 4th | rank |

(3) Development of human resources

 Reinforcement of education/training system (Short term 1st rank) One of the most important factors in expanding the markets of the Uruguayan garment industry is the development and keeping of competent merchandisers.

The Uruguayan garment industry, which is heavily dependent on subcontracted processing export, is not cost competitive with developing garment industry countries. One way for the Uruguayan garment industry to survive is to develop the ability to foresee global export market trends, and its own independent product planning capacity.

Fostering and keeping of competent merchandisers and operators for high technology machines are inevitable in order to realize this target. The expansion of UTU is very important in this meaning.

2) Training of required personnel etc.

(1) Standing seminar on productivity (Short term 2nd rank)

underlying the current reason The foremost difficulties of the Uruguayan garment industry is the lack of proper steering for quick response to global is therefore considered necessary to trends. It disseminate understanding of management concepts and methods and productivity enhancement techniques, through promote cost seminars, for example, in order to reduction, quality improvement and market expansion.

(2) Incentives for the acquisition of official qualifications (Short term 3rd rank)

Employees are discontent because of the low wages paid and tend to be constantly on the lookout for jobs with higher wages. One measure to prevent job hopping would be, for example, to offer incentives for the acquisition of official qualifications and to offer a regular raise for those so qualified. Establishment of courses of study for such qualifications at institutions like UTU would of course have to take place first.

(3) Reinforcement of garment research institution (Short term 4th rank)

a dedicated research institution Reinforcement of can carry out R&D of basic technology and new that products relevant to textiles and garments is a reform have significant benefit for the measure that would garment industry, but is dependent upon prior Uruquayan development of the required human resources. The costs of research and development which may be too risky for private enterprise to bear can be subrogated.

(4) Consultation for enterprises (Short term 5th rank)

Provided that personnel competent to provide consultation to enterprises have been developed, such guidance on technology and management would serve to assist cost reduction and quality improvement efforts.

Development of human resources is indispensable if Uruguayan garments are to gain the confidence and appreciation of world markets.

The advanced class of the UTU garment course is best for the development of competent merchandisers. suited standing seminar on productivity, is Item 2) - (1), expected to have an immediate effect if the seminars organized by REFA of Germany under the sponsorship of the Ministry of Industry are properly reinforced. 2)-Item for the acquisition of official incentives $(2)_{i}$ qualifications, is granted for implementation in order to benefit the first graduates of UTU's advanced class in 1993 (the title of technologist will be conferred on them after the completion of 4 years study). Items $(2) - (3)_{T}$

reinforcement of garment research institution, and (4), consultation for enterprises, are ranked lower because the development of required human resources is a time consuming process.

- . Reinforcement of education, training system 1st rank
- . Study/training of staff

| (1) Standing productivity seminar | 2nd rank |
|-----------------------------------|---|
| | of official 3rd rank |
| | 10 - 10 - 10 - 10 - 10 - 10 - 10 - 10 - |

(3) Reinforcement of garment research institutions 4th rank

(4) Consultation with enterprises 5th rank

(4) Market expansion

1) Implementation of Fashion Week (Short term 1st rank)

It was confirmed that the degree of recognition of the Uruguayan garment industry among overseas and buyers importers is not sufficient, and the number of enterprises capable of conducting overseas advertisement and sales limited. However, if the state of Uruguay promotion is organizes state level Fashion Week within Uruguay, many enterprises would be able to participate and domestic demand would increase as Uruguayan citizens become interested in these events.

In addition, such Fashion Week would enhance recognition of Uruguayan products among overseas buyers and importers and therefore would eventually lead to the expansion of export.

111-45

2) Sales promotion in conjunction with government agencies (Short term 2nd rank)

and gathering of activities Publicity promotion information on Uruguayan garment products through the (New York, Sao Paolo and so on) of the offices overseas International Trade Department under the jurisdiction of the Economics and Finance should lead to market Ministry of expansion.

3) Pursuit of thin fabric and fine yarn (Short term 3rd rank)

If light and soft garment products in line with global preference trends can be produced in cooperation with the Association de Industrias Textiles del Uruguay, the way to export expansion would be paved.

4) Invitation of MERCOSUR fashion resource center (Medium term 1st rank)

A fashion resource center equipped with facilities for information gathering, analysis, product planning and development, human resource development and promotional activities is essential infrastructure required for the industry to stably supply high value added products.

A fashion resource center representing all of MERCOSUR located in Uruguay would attract the attention of global importers and buyers, helping to expand export.

Item 1), implementation of Fashion Week is considered to be capable of generating a greater market expansion effect. Item 2), sales promotion in conjunction with the government, was ranked second because it involves promoting businessgovernment linkage and considered capable of generating immediate effects. Item 3), pursuit of thin fabric and fine yarn, may be equally important, however the wool textile and garment industries do not have familiar relations with the wool industry and therefore this is ranked third.

(4) The fashion resource center to be invited shall be one serving all of MERCOSUR. If attracted to Uruguay, such a fashion center would be extremely beneficial to the Uruguayan garment industry.

. Implementation of Fashion Week : Short term : 1st rank

. Sales promotion in conjunction with government agencies : Short term : 2nd rank

. Development of light textiles and fine yarn : Short term : 3rd rank

. Invitation of fashion resource center

: Medium to long term : 1st rank

1-2-7 Relationship between short term, medium term and long term objectives and reform measures

Fig. III-1-2 shows the relationship between short term, medium term and long term objectives and reform measures. The reform measures are classified into quality improvement, cost reduction, market expansion, and human resource development and the small items listed under each item are ranked. Study, preparation, training period, and generation of expected results are shown for each item and for each small item by time scale.

Study, preparation, Pei training period Short term (1992 - 1995) Medium term (1996 - 2000) Long term (2000 Period Expansion of domestic consumption and promotion of import replacement and expansion of exports by means of strengthening Expansion of exports to neighboring markets and further promotion of import To establish par Objective Objective replacement converters to en the basic power of the industry confidence in Ur Domestic market and traditional export markets Neighboring countries, in particular MERCOSUR member countries Advanced countri-Market expansion To recover exports to 0.1 - 0.11 billion US dollars (1989 0.134 billion US dollars in 2000 0.155 billion US Targeted money value of exports (0.105 billion US dollars in 1995, up by 5% annually). level), the past peak, by 1995 (0.134 billion U Reform measures Rank ing 1992 1993 1994 1995 1996 1997 1999 2000 2001 1998 Short <Quality improvement> Promotion of quality improvement, protection of consumers, expansion of Institution of quality labeling system term - 1st domestic consumption, replacement of imports. and reinforcement of consumer center rank Utilization of know-how concerning wide variety, small lot production. Utilization of Uruguayan designers and 2 Production of high value added products. tailors Conditions for quality improvement Strengthening the development of designers. -> Differentiation by strengthening marketing. 1) Enhancement of non-price competitivenes 3 Stabilization of textile stretchability, qualitative upgrading of (2) Dissemination of technology including 4 \rightarrow garment design. sponging, pattern making Upgrading of quality and product planning by means 5 3) Promotion of independent merchandising of developing merchandisers Preparation of a collection of commonly İtr 6 Utilization of commonly used techniques or designs in the public domain for used techniques in the public domain quality improvement, to upgrade productivity, and to prevent technological intervention by overseas enterprises. Cooperative procurement of raw materials and subsidiary materials. <Cost reduction> Cost reduction by means of cooperative use of high technology machinery, Promotion and implementation of First project warehouses, sponging plants and washing plants. cooperation within the industry Cost reduction measures Application of quality control and cost reduction measures involving prevention of rejects 1) Implementation of effective quality 2 to processes. control measures Exemption of enterprises exclusively dedicated to export and operating in free zones from iCo 3 --> (2) Utilization of free zone system import duties and corporate taxes. ad (3) Taxes, public service charges, social 4 → Adoption of rates similar to those of MERCOSUR member countries to security charges reduce costs. Oevelopment of human resources> To contribute to the upgrading of technological Reinforcement of education/training UTU Training period → capability and market expansion by training - 1 system merchandisers, creators and operators. Education of required personnel To contribute to cost reduction, quality improvement and market expansion by way of seminars (1) Standing productivity seminar 2 - -> sp on management concepts and productivity enhancement. Assistant technologist qualification and technologist qualification are granted respectively to graduates of the three and four year courses of UTU. (2) Incentives for the acquisition of 3 official qualifications 19 (As a reform measure to be implemented after 3) Reinforcement of garment research To contribute to the basic technology and iTo 4 the completion of human resource development) development of new products. institutions eņ -5 (As a reform measure after the development To contribute to cost reduction, quality Co 4) Consultation for enterprises of human resources) improvement and so on. i To Harket expansion> ---> Enhancement of name recognition and image held by overseas buyers. Expansion of ye Soi Implementation of Fashion Week domestic demand and promotion of exports. Publicity and information gathering through overseas offices of the Ministry of Foreign Affairs Fo 2 Sales promotion in conjunction with --> (New York, Sao Paolo, etc.) ve government agencies Pursuit of light and soft garments in line with worldwide preference trend in For Pursuit of thin fabric and fine yarn cooperation with the Association de Industrias Textiles del Uruguay. 3 int Invitation of a fashion resource Hedium iTo Establishment of term - 1st center infrastructure needed scl to stably supply high value added products. rank E.: Enterprise A.: Industrial association (CIV, PIU) G.: Government

Short term : To be implemented as short term study, preparation, training. Medium term : To be implemented as medium term project.

Fig. III - 1-2 Relationship between short term, medium term and

long term objectives and reform measures

| plementation of expected effects | > Cont | inuat | io |
|--|---------------------------|----------------------------|----|
| -) rt of Uruguayan garment production as nhance the international appreciation of and ruguayan enterprises | Cor duc by |)- ted | |
| ies (Europe, U.S.A., Japan) S dollars in 2005 JS dollars in 2000, up by 3% annually) | Organization in charge | ating ization | |
| Remarks | Organ in ch | Cooperat i organizat | |
| fter the institution of a quality labeling system, Q-Mark activities shall be promoted. | G. | A.E. | |
| legular lectures shall be held. To be hired is advisors. | Ε. | А. | |
| xpansion of exports to MERCOSUR member ountries. | Ε. | Α. | |
| ponging processing shall be organized as a operative operation. | ε. | A. | |
| o extricate from subcontracted processing rade. | Ε. | Α. | |
| ollection of overseas information. | Α. | G.E. | |
| mplementation of multilateral projects is easible. eform measures which can be implemented mmediately. ooperative operation within free zones is dvantageous. eing studied by Domestic MERCOSUR Committee. | E. E. G. | A.G. A.G. G.A. A. | |
| pgrading of UTU lecturers, reinforcement of urriculum and facilities. | G. | A.E. | |
| einforcement of seminars which are currently ponsored by REFA. | Α. | G.E. | |
| be implemented with first graduates of | | | |
| 993 class. Subrogate research and development fund of | A. A. | G.E. G.E. | ł |
| nterprises. Insultation on technology and management. | A. | G.E. | |
| b be held in March and September of every ear as national events. To be the center of outh American Fashion. | G. | A.E. | |
| our conventions to be held regularly every ear. | А. | G.E. | |
| our regular conventions per year. For | ε. | A.G. | |
| nformation exchange.) be held in Uruguay in 1996. 1996 is cheduled for the study by MERCOSUR. | G. | A.E. | |
| | | | |
| weet - Charmen - W.C | I | | |

1-2-8 Action program selection and rationale

(1) Items selected

Those reform measures which are most effective for the categories quality in each of the four term short cost reduction, development of human resources improvement, and market expansion, and which are indispensable for the promotion of the Uruguayan garment industry have been selected for the action program. Production control (quality control, process control, machinery control, inspection of if implemented by each materials and products) which, enterprise under its own initiative, would assist quality improvement, cost reduction and market expansion, is excluded from the selection and shall be discussed in detail in PART III, Chapter 3.

Quality improvement : Institution of quality labeling system
 Cost reduction : Implementation of cooperative efforts
 Development of human resources : Reinforcement of UTU
 Market expansion : Implementation of Fashion Week

Invitation of a MERCOSUR fashion resource center with the consensus of MERCOSUR member countries has been selected as a reform measure for the medium to long term action program.

(2) Reasons for selection

1) Quality improvement : Institution of quality labeling system Quality improvement can be achieved through the procurement of high quality materials and subsidiary materials, upgrading of sewing and knitting technique, and thorough implementation of production control, which are largely dependent upon the efforts of businesses.

Import of garments into Uruguay has been increasing steadily during recent years, shrinking the domestic market share of the local garment industry. It is considered necessary for the local garment industry to improve the quality of its products and lower prices in order to expand its domestic market share and replace imports. Implementation of a quality labeling system in Uruguay, as already implemented in advanced countries, is considered significant for this purpose.

If consumers were aware what materials of garments are made of, what care must be taken in their handling, and in what country or by what company they were produced, then consumers would be able to file complaints and make known their quality requirements, obliging companies to improve the quality of their products.

Although the item is entitled "Institution of quality labeling system and reinforcement of consumer center" under the reform measure listing, the consumer center was excluded from the action program because it was established under the jurisdiction of the Ministry of Economy and Finance, and with the name the Consumer Guidance Center.

2) Cost reduction : Implementation of cooperative efforts

The worldwide trend in the garment industry is to produce wide varieties of products in small lots within the shortest possible period after the awarding of orders. It is necessary to introduce expensive high technology equipment in order to cope with this trend, but the burden of such investment and the resulting operating costs may be too high to be carried by individual enterprises.

Few enterprises are capable of securing enough orders to fully utilize CAD equipment, a sponging plant, a finishing plant, or a jeans washing plant by themselves. Cooperative utilization within the industry is the solution to cope with the situation. Cooperative collection of market and technology information, procurement of materials and subsidiary materials, warehousing and dispatching would also lead to cost reduction.

Implementation of cooperative efforts within the industry has therefore been adopted as part of the action program because it is the most effective means of reducing costs and is able to deal with the worldwide trend.

3) Development of human resources : Reinforcement of Universidad de Trabajo del Uruguay (UTU)

In order to implement a system capable of producing wide varieties of goods in small quantities and to improve the originality of Uruguayan garments, it is imperative to develop merchandisers capable of comprehending the needs of export markets through market survey, planning and developing products to match the market needs, and marketing those products. It is also important to train operators for high technology equipment, as well as in-house engineers and middle managers.

However, development of human resources is a time consuming process, thus invitation of specialist lecturers and engineers from the advanced fashion industry countries of Europe or the U.S.A. may be a temporary expediency. In the long run however, the Uruguayan garment industry should be developed by Uruguayan nationals.

The Universidad de Trabajo del Uruguay (UTU), under the jurisdiction of the Ministry of Education and Culture, is the institution responsible for educating and training engineers. UTU has a garment oriented course to educate students in garment related techniques and designs.

CDI, under the jurisdiction of the Ministry of Education and Culture, also has a garment related course and is primarily responsible for educating designers. It is therefore considered more economical and time saving that UTU, which already has sewing, knitting, quality control and design courses, be used to educate merchandisers and operators, rather than establishing a new educational institution.

However, the existing facilities and curriculum of UTU are considered insufficient for the education of merchandisers and operators, hence reinforcement of curriculum and facilities has been selected for the action program.

4) Market expansion : Organization of Fashion Week

Advertising targeted to domestic and export markets is considered extremely critical in order to expand the market for Uruguayan garments. Based on the current state of affairs in the Uruguayan garment industry, it is considered desirable to organize a state-wide Fashion Week targeted to produce concentrated effects in the short term.

fashion fairs and Although participation in overseas critical, markets are overseas advertising targeting in such activities are of engaging capable enterprises in number and they are obliged to qive up limited participating in the activities in terms of effectiveness compared with cost.

Implementation of a nationwide Fashion Week would enable advertising the Uruguayan garment industry and collecting information within a short period of time at relatively low cost. Accordingly, this measure has been adopted for the action program. 5) Medium to long term plan : Invitation of MERCOSUR fashion resource center

A fashion resource center, which is part of the infrastructure needed for the stable supply of high value added products, would be pivotal for upgrading the garment industry and promoting its virtues in Japan and Europe.

However, establishment of a fashion resource center is a time consuming and costly process because of its nature and scale, thus such a center cannot be established by Uruguay alone. The action program therefore has been drafted on the premise of inviting a MERCOSUR fashion resource center which would be established by the consensus of all MERCOSUR member countries.

If it could gain status in the future as the South American equivalent of the FIT resource center in New York or the fashion resource center of the Musee des Arts de la Mode in Paris, it would definitely benefit MERCOSUR as a whole in the long run and subsequently aid the development of the Uruguayan garment industry.

Chapter 2 Reform Measures in the Garment Industry

It is recommended that the Uruguayan garment industry adopt the following posture in order to achieve the targets listed in Chapter.

Those actions for improvement should of course be taken atΤt should be businesses. the discretion of the individual that certain tasks are beyond the reach of remembered however and the cooperation and support of the individual businesses relevant associations and government agencies are desirable.

2-1 Improvement of Policies and Systems

Under this heading, implementation of a quality marking system and expansion of a consumer center shall be taken up.

2-1-1 Implementation of quality marking system

(1) Significance of quality marking system

In European countries, North American countries and in Japan, every garment is obliged to marked as provided for under the applicable laws and regulations.

contrast, garments for local consumption in Uruquay In are not always provided with such markings, while all exports are marked as designated by foreign buyers. There exists no voluntary regulation system in the industry, nor do current and regulations in Uruguay provided for such markings. laws Marking of garments with material composition, illustrated instructions and country of higher quality and lower care demanded by consumers, and this kind of synergy price as would be a vital stimulus for expansion of the local market.

Pursuing of the question of markings is not only to promote quality improvement and protect consumer interests.

Increase in interest of consumers in the quality and price of garments would be fostered by the implementation of a marking system, which in turn would encourage local manufacturers to redouble their efforts to offer products of higher quality and lower price as demanded by consumers, and this kind of synergy would be a vital stimulus for expansion of the local market.

(2) The following example clearly indicates how consumers in general regard the importance of garment quality when making purchase decisions.

A question included in the survey conducted by the International Wool Secretary (IWS) in 1988 asked "What aspect do you consider most important when you choose a garment to purchase?" The majority of respondents replied "Quality."

the essence of quality is "whatever satisfied The satisfaction Satisfactory quality encompasses consumer." qualities timely with materials, cost, sensual and tò availability. "Quality assurance" must be targeted provide consumers with all these kinds of satisfaction.

Quality assurance is so named because it ought to provide consumers with the "assurance of a safe, satisfactory purchase." Physical tests and inspections are the means of confirming whether various aspects of quality meet their required standards.

Table III-2-1 summarizes the factors influencing consumer satisfaction at the time of purchase, during use and when it comes time to discard.

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Table III-2-1 Aspects of satisfaction expected by consumers

| Time | Factors influencing satisfaction | | | |
|--|--|--|--|--|
| requirements at the time of purchase | Design, design and color, handling, workmanship, price, conditions of guarantee | | | |
| requirements during use | Clothing comfort, wash resistance, fastness of color, durability, ease of care, shape retention, suitability of auxiliary materials, safety | | | |
| factors influencing decision to discard | Change in size, stain, color change and fading, out of fashion | | | |

Source: Compiled by The Study Team

(3) Precedents for the implementation of a quality marking system (example from foreign countries)

of. the physical qualities required some time, For garments were focused on practicality, and therefore emphasis placed on durability. After that period, preference was shifted towards fashion and functional products such as Wash & Wear or Easy Care products came into vogue. Manufacturers exercised their technological capability to the full extent in order to produce products of the required quality. Asproducts having the required durability soon and as functionality became readily available, manufacturers shifted emphasis to product planning in order to sensually their appeal to consumers with the visual aspects of their garments them from the products of their and differentiate competitors. Consumers, for their part, demanded greater attention to beauty in order to express themselves through their clothing.

At the same time, consumers became more conscious of quality and care of garments because the available materials had diversified, the proportion of inferior goods had increased due to inappropriate quality control, and more care was needed for proper washing and ironing.

Consumers naturally filed complaints for any defects, irrespective of how cheaply the products were priced. Circulation of such inferior products in large quantities and the increase of complaints by consumers influenced consumer legislatures government and. appeal. to groups to administrations to implement the quality assurance marking systems now found in Europe, North America and Japan. For example, the Household Goods Quality Labeling Law and the Consumer Protection Fundamental Law were promulgated in Japan to enforce the attachment of quality markings. Environmental pollution was also highlighted and the issue of skin damage caused by formaldehyde resin treatment of underwear surfaced. Consequently a law controlling household goods containing harmful substances came to be enforced.

It is desirable that a system of standards and criteria for the protection of consumers, and proper handling as well as quality improvement of garments should be also implemented in Uruguay as soon as possible.

2-1-2 Expansion of consumer center

It is common sense that in any country consumers are the most important group for any industry to pay attention to. There are consumer guidance centers under the jurisdiction of the Ministry of Economy and Finance as well as private consumer groups in Uruguay. Utilization of such consumer centers and consumer groups would lead to quality improvement and expansion of domestic consumption.

(1) Current state of consumer protection activities

There is a Centro de Orientacion al Consumidor, which is similar to JCIC (Japan Consumer Information Center) in Japan, within the Direccion de Defensa del Consumidor y Contralor del Mercado under the jurisdiction of the Ministry of Economy broadcasting and ΤV program Although Finance. and protection pamphlets concerning the of publication of took place during 1991, those activities are just consumers barely being conducted in 1992 due to the reduced budget. (International Organization of Consumer Unions), The IOCU largest, non-profit making, non-political the which is international organization in the world headquartered in the Haque, Holland, had had one of its two secretariats, the IOCU Office for Latin America and the Caribbean (IOCU Regional ROLAC), located in Montevideo but recently moved it to The following three consumer groups are Santiago, Chile, registered in the 1989 edition of the International Consumer Directory.

* Asociación de Consumodores del Uruguay (ADECU)

* Coordinadora de Grupos de Consumidores de Uruguay

* Liga Uruguaya de Defensa del Consumidor (LIUDECO)

Those groups not only provide educational information and consultation services to consumers but also publish monthly or quarterly bulletins in which activities of their commodity test departments are described.

from the information available, consumer groups Judging in Uruguay seem to be quite active and in close contact with However, ADECU, one of three groups above, was IOCU. the established in 1986 with 100 supporters, had been active for sometime but was unable to secure the expected support and forced to cease its activities due to financial was The activities of the other groups are unknown difficulties. but are not believed to be very extensive.

(2) Need for consumer protection

excerpt from the consumers' an The following is declaration made public during the IOCU convention held in "The objective economic in Brussels, Belgium. of 1964

activity is to produce commodities and services of quality and safety that maximize the satisfaction of consumers in the quantities needed and at reasonable prices. Nevertheless, consumers are often offered commodities of inferior quality without sufficient assurance of their safety being legally in quantities that are sometimes excessive and monitored, sometimes in shortage, with prices often irrespective of quality, under misleading advertisements providing improper and with poor information which might confuse consumers, retail services.

"Consumers should not tolerate such conditions. It is urgently required for consumers, both as individuals and as organized groups, to take action to demand improvement of these conditions.

order to achieve their objectives, consumers should "In ignorance by organizing themselves to: conduct fight comparative testing of commodities and services; utilize accurate and unbiased advice; gather the information needed to properly evaluate the truth of advertisements and the value of the contents of packaged commodities. Such organizations are urgently required in order that the voices consumers may be heard in every aspect of government and of economic activity which is directly connected to the interests of consumers. The most important area of concern is where the interrelation between quality, price and safety of commodities and services is under suspicion."

This declaration covers almost every aspect of the significance of consumer protection.

Every consumer is rightfully entitled to enjoy a rich and comfortable life irrespective of the country he or she happens to live in. However, it is hard to say whether the commodities and services generally available to consumers have sufficiently responded to the consumers' declaration, although more diverse commodities and services are circulating by virtue of scientific and technological advancement, the information revolution and the availability of advanced services. Furthermore, consumers are limited in their capability to voluntarily and rationally select products and to try to stabilize and upgrade their consumption. This is where the consumer center should play a role.

Meanwhile, the concept that businesses must be held responsible for the production of products beneficial to the a corresponding and must carry lives of consumers responsibility for the production of defective products which bring harm to consumers (product liability) has been mav planting roots around the globe in recent years. Quality assurance and consumer protection are now vital tasks that every country is confronted with and cannot ignore.

(3) Expansion of consumer center

Similarly to other advanced nations around the world, Uruguay's government and private sector have respectively inaugurated a consumer center and various consumer groups and have established the framework of a consumer protection Nevertheless, the existing Centro de Orientacion al system. Consumidor is not yet sufficiently organized to achieve its objective and will need reinforcement. Centro de Orientacion al Consumidor handles claims and consultation covering every merchandise related to household consumption. In kind of chapter, recommendations are proposed with respect to this garments.

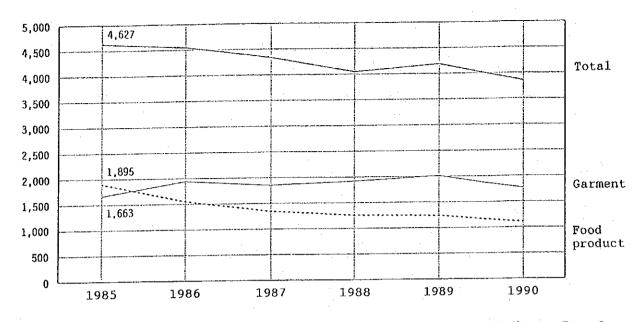
1) Promulgation of markings

Mandatory provision of quality markings (material composition marking, illustrated care instructions, country of origin marking) enforced by laws and regulations in advanced nations was touched upon earlier. Quality marking is intended to draw the attention of garment manufacturers to the quality of their products. The consumer center ought to periodically conduct shop counter surveys and make public the names of companies which have violated the mandatory provision of quality markings and request the immediate rectification of such violations.

2) Reinforcement of commodity test department

There is a commodity test institution which is a part of the consumer protection and market control division in parallel with the consumer center. Unfortunately, no information is available with respect to the activities of the institution and it is not possible to submit any concrete recommendation. However, implementation of commodity tests is indispensable in handling claims filed for defective garments and the institution must be so equipped as needed.

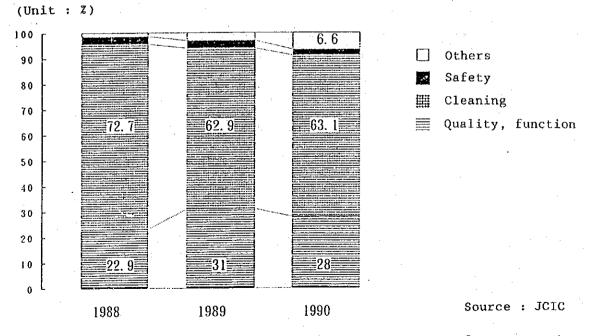
Fig. III-2-1 summarizes the results of claim processing tests actually carried out throughout Japan as put together by JCICA, while Fig. III-2-2 summarizes the contents of claim processing tests. As shown in these figures, the number of claims filed is highest for garments, followed by food products. Out of the claims filed for garments, claims concerning cleaning represent more than 60%, followed by claims related to quality and function.

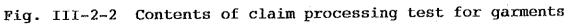


| ſ | Unit | 1 | Case |] |
|---|------|---|------|---|
| | | | | |

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|-----------------|-------|-------|-------|-------|-------|-------|
| Total | 4,627 | 4,549 | 4,336 | 4,047 | 4,188 | 3,852 |
| Garment | 1,663 | 1,941 | 1,852 | 1,919 | 2,009 | 1,764 |
| Food product | 1,895 | 1,549 | 1,343 | 1,254 | 1,237 | 1,105 |

Fig. III-2-1 Results of claim processing tests





3) Strengthening of association with consumer groups

A one-sided approach only by the government is not sufficient to raise concern of consumers over the quality of merchandise. The fact that the IOCU once had a secretariat in Uruguay, and the presence of other consumer groups, even when they are not particularly active, should provide sufficient ground upon which consumer activities can be fostered. It may not be preferable to provide financial and political support to consumer groups which have to maintain a neutral position. Even so, provision of support and aid to foster consumer protection activities within the permissible bounds should be justifiable in order to promote joint efforts between the government administration and private sector groups.

4) Personnel development

Consumer protection in Japan is more of a government in contrast to the private sector based consumer affair. protection organizations in the United States of America, and Germany. Although it may not be easy to conclude U.K., better than the other, the government oriented which is consumer protection program in Japan is more appreciated and attention in other is becoming the subject of greater For example, the existing consumer protection counties. system in the Republic of Korea is said to have been developed by studying the Japanese government policies and system to begin with, and making improvements. JCIC is now trainees from the ex-USSR and Eastern European accepting (Hungary, Rumania, Czechoslovakia) in order to countries support their transition to market oriented assist and The training program offered includes economic systems. lectures given at JCIC headquarters and visits to various It is sufficiently flexible to reflect the facilities. individual needs of trainees and the current state of affairs participating countries. Uruquay is recommended to in consider utilization of this program in order to train and educate the personnel involved in its consumer protection program.

2-2 Establishment of Sales and Marketing Network

In this section, sales promotion in association with the government, and the implementation of Fashion Week shall be discussed.

2-2-1 Sales promotion in association with the government

(1) Current state of affairs

- 1) As a result of the overseas market survey, it has been confirmed that Uruguayan garments in general are poorly known in overseas markets with the exception of a certain line of products. There is an imminent need for advertisement to make Uruguayan garments known to overseas importers and buyers.
- 2) Although it is considered necessary to comprehend the needs of the targeted export markets through marketing efforts, in addition to supplying products with satisfactory quality, and delivery, the marketing of Uruguayan companies price still depends heavily on information personally collected by during overseas. travel, or themselves plant owners information provided by the Directorate of Commerce and Industry or by industry associations or their counterparts in countries to which products are being exported. This the situation may have been tolerable for subcontracted export, but the current insufficiency of information is undeniable.
- 3) The Directorate of Commerce and Industry operates several foreign branches (in New York, Sao Paulo, Buenos Aires and so on) and is trying to introduce Uruguayan companies to various garment oriented fairs held abroad. However, the directorate is prevented from organizing and aggressive advertising campaign for Uruguayan garments or from subsidizing the participation of Uruguayan enterprises in foreign garment oriented fairs due to its insufficient budget.

4) The majority of Uruguayan manufacturers still indulge themselves in passive, subcontracted export or a passive system of order acceptance. A very few companies aggressively try to sell original products.

5) According to the overseas market survey, the need to establish contacts with aggressive overseas buyers in the vital. targeted for export is urgent and countries only a handful of Uruguayan companies have Unfortunately, been able to establish firm contact with such overseas The way to export expansion would be paved by buyers. establishing more such contacts with overseas buyers.

Some European importers and buyers seem to distrust Latin American suppliers for their loose delivery control. If and when the Uruguayan garment industry has managed to change such a detrimental image to a more favorable image, the

Uruguayan industry may be able to differentiate their products favorably from those of similar Latin American countries.

- 6) According to the overseas market survey, it is expected that consumption of garments in advanced countries will increase steadily during the 1990s. The Uruguayan garment industry could have some edge in expansion of exports to these markets provided maximum efforts are made by the industry.
- (2) Roles to be played by Directorate of Commerce and Industry, associations and companies

In view of the situation described above, it is recommended the following roles be played by the Directorate of Commerce and Industry, industry associations and private businesses in order to enhance the image of Uruguayan garments.

- 1) Role to be played by Directorate of Commerce and Industry
 - * The Directorate of Commerce and Industry should: establish close contact and communication with CIV and PIU; conduct an aggressive advertising campaign for Uruguayan garments; and collect information and intelligence as needed and forward it to the relevant businesses and associations.

It will be necessary to point out the distinguishing features of the Uruguayan garment industry, such as its observance of delivery commitments, which differ from other Latin American suppliers. Exhibits of Uruguayan garments must be prepared in its branches.

- branches should be opened in the * If possible, more countries targeted by the Uruguayan garment industry for opportunities. If not possible however, the export Directorate of Commerce and Industry must consult with Uruguayan embassies and consulates to prepare exhibits of Uruguayan garments within those embassies and consulates.
- 2) Role to be played by industry associations
 - * The following items have been identified to have marketing potential by the overseas market survey.

- The United States of America:

Men's and women's woolen fabric or blended wool classic separates and sportswear (middle to high price range)

- Germany:

Denim jeans carrying designer labels, men's suits and jackets (low to middle price range)

Woolen fabric and cotton sweaters (low to middle price range)

- Spain:

Denim jeans carrying designer labels

Woolen fabric and cotton sweaters (middle price range) Men's woolen fabric garments (middle price range)

- Japan:

Hand knit sweaters

PIU and CIV should arrange an advertising campaign for the above mentioned items and introduction of potential and powerful importers and buyers. (Arrangements could effectively be made through the Ministry of Industry, Directorate of Commerce and Industry or through the embassies of relevant countries located in Uruguay.)

* Industry associations should strengthen their contact and communication with the Directorate of Commerce and Industry and aggressively arrange for member businesses to participate in overseas fashion shows and fashion events, and assist those businesses as needed.

Associations should strengthen contacts with their counterparts not only in Latin American countries but also in the countries targeted for export expansion.

Associations should conduct an advertising campaign to emphasize the distinguishing features of Uruguayan garment manufacturing enterprises that are different from those of other Latin American countries.

- * Associations should sponsor seminars for merchandising specialists and prospective merchandising and creative personnel from member enterprises in consultation with the Ministry of Industry, Directorate of Commerce and Industry and private enterprises.
- 3) Role to be played by companies
 - survey, emphasized in the overseas market individual * As companies should participate actively in overseas fashion in order to establish contact with future importers fairs and visit those contacts after fairs end to and buyers, samples of their products and publicize their present should be made to keep Efforts up such capabilities. importers and buyers after company contacts with representatives return to Uruguay.
 - * Companies should actively participate in fashion shows held in Uruguay in order to enhance their images.
- 2-2-2 Implementation of Fashion Week

Letting importers and buyers know of the presence of the Uruguayan garment industry would lead to export expansion. Helping Uruguayan nationals to understand current fashions would lead to activation of local demand. Implementation of a national Fashion Week as follows in order to effectively promote export expansion and activation of local demand is recommended.

(1) Need for Fashion Week events

It is considered important to plan and organize fashion events as part of the short term actions to be taken to reactivate the Uruguayan garment industry, together with reinforcement of merchandising and marketing activities. The significance of organizing such events may be summarized as follows.

1) Establishment of a leading position as the Latin American fashion center

If Uruguay intends to reactivate the Uruguayan garment industry and develop it into one of the future world fashion centers and a base for the transmission of fashion information, a national event such as Uruguay Fashion Week would be an excellent opportunity to demonstrate not only to the domestic market but also to the garment markets in MERCOSUR, Europe and Asia the broad features of the Uruguayan garment industry.

In various world garment manufacturing bases, fashion weeks such as SHEM and the Paris collection in France, the Milano and Firenze collections in Italy, the New York collection in the United States of America and the Tokyo collection and Gifu Fashion Week in Japan are regularly held for a period of one to two weeks, twice every year, in the spring and autumn.

These events are effective not only to stimulate internal and external demand and to advertise the presence of infrastructures for manufacturing and transmitting fashion related information, but also to establish the unique identity of each garment industry. In addition, such events can be particularly effective in, and are considered feeling of important for, encouraging a extremely participation not only among managers but also among industry employees in order to stimulate the level of activity within member enterprises.

If such a fashion event can be organized so as to invite not only Uruguayan businesses but also designers and specialty garment retailers from all American nations including the three other members of MERCOSUR to participate

in a very international atmosphere, Uruguay would certainly gain recognition in European, American and Asian countries as one of the world's fashion information transmission centers.

2) Enhancement of fashion consciousness and encouragement of Uruguayan consumer demand

Fashion shows sponsored by designers and exclusive specialty stores, targeted primarily to the wealthy, and charity fashion shows targeted to middle class consumers would be able to attract many participants.

seen in the street are generally Uruquayan consumers dressed rather modestly, perhaps because the retail prices of garments in Uruguay are somewhat higher than retail prices of Uruquayan consumers are fashion other household goods. the world, consumers in are any other conscious like prevented from dressing themselves smartly only by economic complications. It is suggested that if fashionable garments justifiable prices, good quality can be supplied at of would certainly general will to purchase be consumers' stimulated, leading to sales expansion.

Fashion events provide garment manufacturing enterprises with excellent opportunities to advertise their products to No fashion show can be sponsored successfully by consumers. single company on account of the cost involved and the а sufficient participants. difficulty of gathering Participation in fashion events is an excellent chance for enhance their to advertise their products and to companies images.

If the fashion consciousness of consumers in general is enhanced, the garment industry would automatically be obliged to manufacture higher quality products, leading to upgrading of the overall level of Uruguayan garments.

2-3 Technological Innovation

Though there may be diverse means of upgrading the level of garment manufacturing technology in Uruguay, enlisting the cooperation of Uruguayan national designers and tailors has Additionally and similarly, been overlooked. apparently trying to develop new thin woolen fabrics and fine, high count yarn by enlisting the cooperation of the Uruquayan textile industry, and establishing a summary body of commonly used knowledge related to design rights, trademark rights and patent rights are recommended as approaches for encouraging technological innovation.

2-3-1 Technological exchange

(1) Development of thin woolen fabrics and fine, high count yarn

The biggest impediments to expansion of export of Uruguayan garments are price and quality. Field surveys revealed that Uruguayan woolen fabrics are of heavy gauge and texture in contrast to the global trend toward lighter and finer fabrics, and sales are seriously hampered as a result.

Use of thinner and lighter fabrics would apparently be more advantageous for manufacturers than the current heavy gauge fabrics, all other factors such as sewing technique and observance of delivery commitments being equal.

The breakdown of the FOB price (100%) of a woolen fabric suit, as confirmed by the Uruguayan internal MERCOSUR committee, reveals a disproportionally high material cost as shown in Table III-2-2.

Table III-2-2 Breakdown of FOB price of a woolen fabric suit

| | [Unit : %] |
|--|--|
| Item | Percentage |
| Material cost Labor cost (including social security Auxiliary material cost Handling Export expenses Others | 45 7 charge) 25 15 - 18 5 5 2 - 5 |
| Total | 100 |

11-2-2 DICARGOWN OF 10D PLabo of 2 and 1

Source: Data and materials collected by field survey

Successful export is difficult when so much is spent for materials without being able to produce export-level quality.

relevant trade associations should review the The These associations should pursue the situation once again. use of thin fabric and fine, high count yarn. The industry associations may have already taken some actions towards this Even so, the relation between the garment and knitwear end . industries and the Asociacion de Industrias del Textiles Uruquay is not strong enough and should be strengthened. Ιt is suggested that Ministry of Industry organize a tripartite council to discuss how to procure high quality fabrics and fine, high count yarn.

For example, Uruguay is now importing fine raw wool from Greater quantities might imported for be Argentina. processing by the Asociacion del Industrias Textiles to produce thin fabric for garments and fine yarn. Perhaps 10 towards local total production directed 20% of the consumption could be replaced by fabrics and yarn produced using imported fine raw wool.

In the long run however, finer raw wool should be locally produced in Uruguay, rather than depending upon imports from (The demand for woolen fabric of lighter and Argentina. softer texture is much greater than the demand for the heavy fabrics currently manufactured in Uruguay, as a world-wide Production of lighter and softer fabrics would also trend. Uruguayan expansion of export of woolen contribute to fabrics.)

(2) Utilization of Uruguayan national designers and tailors

Upgrading of Uruguayan products can be achieved only by taking whatever measures can be effectively adopted immediately, in the short term and medium term.

Sewing technique in Japan derived from techniques introduced from the United States of America and Europe. By adhering to these models and making continual efforts for improvement, Japanese artisans have refined sewing technique in Japan to a world class level. Japanese artisans have particularly adhered to the model of tailoring which originated in London's Saville Row.

the present time, fashion in Japan is a blend of At American traditional and European styles, but its origin can traced back to English traditional. Saville Row tailors be are said to have iterated the basting process 7 or 8 times to produce an order made suit. This persistence is said to have been inherited by Japanese tailors. Due to a drastic decrease in the demand for order made suits in Japan, many tailors have had to drop out of the tailoring business and begin to work in the garment manufacturing industry. Many of them are still working in garment manufacturing enterprises production lines, in the inspection of finished products on reworking rejected products; roles in which they can or utilize their proficiency and experience. In many cases, garment manufacturing enterprises hire designers and tailors as technical advisers for quality improvement, quality

stabilization and development of new products.

It is recommended that Uruguayan garment manufacturing enterprises enlist the cooperation and assistance of Uruguayan designers and tailors and establish a system of cooperation.

Tailors and designers are extremely knowledgeable in how to produce fine garments and have excellent sense. They are capable of producing by themselves wide professionals garments in small quantities. It would be a varieties of loss for the Uruguayan garment industry not to enlist great their cooperation and assistance.

necessary that industry associations take the is It initiative by organizing lecture courses or an association of order to supporters to invite tailors and designers in provide Uruguayan garment manufacturing enterprises with opportunities to learn from their know-how, proficiency, and adherence to quality. Some Uruguayan experience companies would certainly be motivated to achieve higher product quality as a consequence of such exposure. In the the products so improved would find greater favor with end, Uruguayan consumers and could eventually achieve recognition in the world market.

The know-how of Uruguayan national designers and tailors shall be fully utilized as a means of upgrading the technical level of the Uruguayan garment industry.

2-3-2 Summary body of commonly known techniques related to design rights, trademark rights and patent rights

Many disputes are arising throughout the world with respect to patent rights, trademark rights, design rights and utility model rights in various industries. The garment industry is no exception. It is recommended that gathering a summary body of known and commonly used techniques, and establishing the patent rights, trademark rights and so on of Uruguayan corporations in order to ensure proper protection of the general interests of the Uruguayan garment industry are compiled.

- (1) Need for the summarization of known and commonly used techniques
 - 1) In 1966 Uruguay joined the Paris Convention concerning patent rights and so forth, and is bound by that convention.
 - 2) The most common disputes arising in the garment industry pertain to trademark rights.

Most famous brands are protected by trademark rights in order to prevent undue use by third parties. Use of such brands by third parties must be agreed upon by brand owners in the form of a contract granting usage. The most typical contract of this type is the license agreement as often found in Uruguay for the use of famous American and European brands.

However, many disputes also arise within the garment industry with respect to the violation of patent rights or utility model rights. For example, the popular American brand "Polo by Ralph Lauren" has adopted a polo player as its logo, which is used as a one point mark on polo shirts. Many counterfeits are circulating in advanced countries including European countries and the United States of America Japan, which are outright violations of the provisions of the Paris Convention in the countries which are members of the Paris Convention.

3) Similarly, there exist many patent rights and utility model rights applicable to garments. Technology which is already well known and the industrial property right of which has expired is considered to be in the public domain and may be freely used by anybody. Summarizing such public domain knowledge would allow Uruguayan businesses which have had no knowledge of techniques or designs for which the industrial property rights have expired to use those techniques and designs to improve their products and to prevent undue interference by third countries, not to mention within Uruguay itself.

As an example, suppose a foreign garment manufacturer has begun to manufacture in Uruquay and has applied for the patent right or utility model right to protect a technique or design which is considered by the Uruguayan garment industry be in the public domain. What is important in this kind to of situation is how to verify that the relevant knowledge is actually widely known and in the public domain. The technique or design for which the patent or utility model right has been applied for must be examined and collated with similar knowledge known to be in the public domain. Unless it can verify the public domain status of its generally known the Uruguayan garment industry would be in а techniques, unable to properly support its disadvantageous position, legal claims. If such an application for a patent or utility model right were to be granted, the Uruguayan garment industry would be obliged pay royalties for its use.

they may be a case where а patent right, 4) Conversely, trademark right, design right, or utility model right owned by an Uruquayan individual or corporation is valid not only in Uruguay but also in another country where it is being used The Uruguayan owner has the right to claim by a third party. payment of proper compensation (royalty) for the use of such a right. The implication of industrial property rights must be clearly comprehended by the Uruguayan garment industry as it tries to enter the international market.

For reference, the term 2commonly known knowledge" means something known to every engineer or technician in general, and more precisely means technical knowledge generally known within the technical domain to which a certain invention or conception belongs. The term "commonly used technique" means a technique commonly used within the domain of engineering to which a certain invention or conception belongs, in other words, a technique known to the concerned parties and commonly used.

2-4 Improvement of Product and Design Development System

recommended that the Uruquayan garment industry Tt is a fashion resource center as one of its mediumestablishes center would be long-term actions. Such а term and indispensable in allowing the Uruguayan garment industry to its own voluntary marketing program that can establish continue to stably supply high value added products and to and reduction by means modernization of cost make rationalization of enterprise management.

2-4-1 Need for the fashion resource center

An infrastructure must be established to support efforts garment industry to . enhance its the Uruquayan of in the international market. The fashion competitiveness center is considered to be a concrete step towards resource establishing the needed infrastructure. It could help the shift to high value added production. The industry to fashion resource center would collect information, develop talented personnel and conduct promotions to help the Uruguayan garment industry to free itself from subcontracted production.

In Japan's case, the concept of a fashion resource center was put together under the auspices of the Ministry of International Trade and Industry in 1988 and four fashion resource centers have already been inaugurated.

Japanese textile industry, having an overall market The size of no less than Yen 50 trillion (about 370 billion US\$), finely subdivided. In Uruguay spinning and weaving are is vertically integrated, while they are independent from each In Japan there also exist businesses that other in Japan. specialize in dying or finishing. The garment industry in sales are is structured such that manufacture and Japan ofgenerally independent. Consistent with such division work, there exist numerous subcontractors within the Japanese

textile industry.

enterprises, Japanese Uruquayan Similarly to to client designated specifications. subcontractors work Taking the sewing process for example, sewing specifications materials for every detail while auxiliary issued are normally and fasteners are buttons, including lining. procured by buyers.

The product development capability of subcontractors is weak and the Ministry of International Trade and Industry is of the opinion that unless this weakness is rectified, the textile Japanese competitiveness of the international industry as a whole cannot be strengthened. The recent sharp rise of the Yen against the U.S. dollar has had a disastrous impact on the Japanese textile industry, resulting in a sharp decline in exports and increase in imports.

imports of textile product into Japan amounts to Annual less than Yen 2 trillion (about 15.4 billion US\$). The no Japanese textile industry is now confronted with fierce by overseas competitors, not only in the competition international market but also in the Japanese domestic market as well. The industry as a whole now faces an urgent need to product development capability in order to strengthen its concept of what is officially called the survive. The Textiles Resource Center (but probably ought to be called the Fashion Resource Center in view of its role) was conceived under these conditions.

In short, the concept of the resource center arose as it realized that the task of shifting to high value added was beyond the individual capabilities of production was which had indulged themselves in production that businesses not require any serious effort at product development. did resource center is accessible to all companies in the The industry. It provides assistance to individual companies in enhancing their product development capability.

2-4-2 Role of fashion resource center

The fashion resource center should fulfill the following (a) collection and analysis of information, (b) functions: planning and development of products, (c) development of human resources and human capabilities, various and (d) fairs, relations, (sample public activities promotional garment related fashion shows, technical exchange, and so on). Its general role is to assist and conventions support the efforts of companies within the Uruguayan garment industry to shift to high value added production.

1) Collect and analysis of information

It is indispensable for the Uruguayan garment industry to analyze information in order to shift to high collect and Market demand must be promptly production. value added comprehended and marketing activities are indispensable. Ιf the Uruquayan garment industry is to try to penetrate into markets for export expansion, it must advanced countries' consumer information and information collect regularly concerning retailers in various cities and countries. Regular subscription to Daily News Record (DNR) published by the Fairchild Company of the U.S.A., Women's Wear Daily (WWD), and Journal de Textile of France would be an effective means.

Equally important is collection and analysis of fashion information. One may easily be dazzled by the up-to-date information originating just from the Paris or Milan fashion centers, but a more diverse collection of information must be gathered and analyzed to supply high quality garments.

For example, the collection of information on garments and fabrics or knits by time series is one technique that is often found useful for commodity planning. A computer system for fine classification and retrieval of the collected information must be developed. Fine categories of classification for garments would be as follows.

1) Classification of items :

Suit, jacket, coat, blouse, shirt, skirt, slacks, one piece, dress, sweater, cardigan, vest, jumper, swimsuit, underwear, night wear, sportswear, muffler, gloves, uniform

2) Material (Raw material) :

Wool, cotton, polyester, rayon, acrylic, silk, hemp

3) Material (Form) :

Wrinkle, crepe, rib, luster, plain, coarse, thin cloth, thick cloth, print, yarn dyeing, solid color

4) Season :

Spring, summer, autumn, winter, all seasons

5) Use :

Business, formal, town, sports, resort, private

6) Image :

Elegant, sportive, mannish, avant garde, modern, classic, folk-lore, feminine

7) Trend :

Romantic, natural, sophisticated, active, country

Those classifications are just examples and actual classifications must be much finer. A database obtained by classifying the products manufactured by the Uruguayan garment industry in the manner described above would be valuable. The database could be further refined by collecting and classifying for centralized control samples obtained overseas, antique cloth samples, etc.

Collection and analysis of these materials is the responsibility of an expert on fiber information and fiber technology called the curator. The curator is in charge of:

(1) collection, arrangement and analysis of materials and data,

(2) support for information retrieval by users,

(3) surveys entrusted by businesses,

(4) promotion of events sponsored by the center,

(5) lectures for human resource development,

and so on.

Preparation of a fashion related database is included in the work of the fashion resource center as part of its information support function. The fashion related database is assumed to include the following. A great deal of database is prepared at Fashion Institute of Technology (F.I.T.) in New York City, Musée des Arts de la Mode in Paris and so on.

1) Apparel database

2) Merchandising database

3) Marketing database

4) Foundation (underwear) database

5) Sportswear database

6) Knitwear database

- 7) Yarn, textile database
- 8) Dyeing arrangement database
- 9) Fashion goods database
- 10) Fashion trend database
- 11) Dyeing pattern database
 - 12) Folk costume database
 - 13) Historical costume database

Basic databases such as the database for paper patterns are in-house owned or owned by the associations in most cases. However, the theme, materials, color and the like of the fashion show of Paris collection for example are due to change by seasons. Accordingly, fashion resource centers purchase video tapes of the fashion shows of every season in order to store the information in their own databases.

2) Planning and development of products

The Uruguayan garment industry must gain the confidence of foreign countries, if it wishes to sustain a steady level of export to international markets, by winning non-price competition. Confidence in quality is of course important, but even more important is confidence in the industry's capability for product planning and development.

The Uruguayan garment industry must strengthen its merchandising strength--not only with respect to quality but also product planning and product development--in order to gain the confidence of buyers on the basis of non-price competition factors. Merchandising should be established by individual companies, but fundamental merchandising may be organized jointly. The first step is to comprehend consumption characteristics and market trends in the targeted consumer markets, in order to plan what kind of products to develop.

Following this first step, product planning concepts must be established in response to market conditions. Taking men's suits for example, which price/quality segment of the market to target must be decided. The particulars of each product must then be adapted to the targeted consumers and design taste considerations. There is a seasonal trend common to all markets around the world with respect to fabrics, design and color. Finally, the materials to be used, design, color and other details all have to be decided.

Enterprises dedicated to such support of product planning are referred to as "Fashion Soft Houses" in Japan, where they often carry out work under contract by garment manufacturers. such a fashion soft house are services of needed in The If the fashion resource center can fulfill this Uruguay. role, the merchandising power of the Uruquayan garment industry would definitely be strengthened.

The fashion resource center would also be required to adapt production techniques to new materials and develop production technology. New materials are regularly introduced to the market in advanced countries every year and a technological gap caused by these new materials is surfacing in the sewing industry.

For example, extra-fine hyper-textiles made from synthetic fiber have been introduced and are а source of agony for sewing technologists. The thickness of synthetic fiber is expressed by denier (1D indicates a length of 9,000m per 1q weight). The latest synthetic fiber products are as fine as 0.1D to 0.01D, in contrast to the 5D of wool fiber and 1D of silk fiber.

Fabric made from such an extra-fine fiber is likely to significantly cause slippage during the sewing process, thus degrading sewing efficiency. Also, remaking is difficult because needle holes in the fabric do not disappear. Stitches are often uneven. Although the introduction of hyper-textiles was strongly objected to by the sewing industry in Japan, who feared that production efficiency would suffer, the strong popularity of these new hyper-textiles on the retail market production. obliged the sewing industry to commence Subsequently, the sewing industry has succeeded in developing new production techniques that enhance production efficiency.

If adaptational technologies matched to new materials, as in the foregoing example, can be developed by a highly public institution like the fashion resource center, the garment industry would be relieved of the risk involved.

Likewise, fully-automated sewing technology, which is already being developed in advanced countries, should also be developed by the fashion resource center for quick adoption by the garment industry.

3) Development of human resources and human capabilities

The Uruguayan garment industry must upgrade its structure from labor intensive production to knowledge intensive non-price strengthen its order to production in A competent staff is needed by each competitiveness. individual company to develop its own unique product planning to produce products using high quality production and The shift to knowledge intensive production is techniques. the key to success as the industry upgrades itself to high value added production.

UTU and other institutions with a garment related curriculum are primarily oriented towards educating young people, while the number of institutions capable of educating and training company employees in specialized trade knowledge

Development of human resources including is very limited. special talents is highly important for with personnel the Uruguayan garment industry to produce high upgrading added goods appropriate for the markets in advanced value Individual enterprises must strengthen their own countries. OJT training and education programs, but of course there are limits to what they can do by themselves.

fashion resource center should be in the Accordingly, the development of human resources for the charge of The curriculum should be classified into primary, industry. middle and advanced levels and by industrial classifications emphasis on the development of middle management with The functions of the fashion resource center personnel. should be as follows.

- Support of garment and design oriented educational institutions
- a. Planning of study program
- b. Development of educational media (texts, educational equipment, development of educational materials)
- c. Organization of joint chairs (registration of competent lecturers, conciliation for the dispatch of lecturers)
- d. Special seminar targeted to education and development specialists
- 2) Support for continuing education of industrial employees
- a. Stratified study and training lectures (Pre-admission, new recruits, core staff, executives)
- b. Development of educational media (merchandisers, designers, patterners, colorists, sales staff)

- c. Study and training lectures by industry classification (Women's wear, men's wear, children's wear, jeans, sportswear, leather wear, underwear, swimsuits)
- 3) Support for education abroad
- a. Recruitment and screening of applicants for education abroad
- b. Introduction to educational institutes abroad
- c. Financial aid for students sent abroad
- 4) Scouting for human resources, commendation system
- a. Organization of various competitions (new talent designer contest, sewing/knitting technique competition)
- b. Commendation of theses
- c. Commendation of excellent students
- 5) Establishment of fashion human resource bank
- a. Preparation of a list of specialists
- b. Registration of specialists
- c. Conciliation of job offers and job hunters

4) Promotional activities

Promotional activities including joint sample fairs and so on must be increased for the Uruguayan garment industry to expand export of products utilizing its own designs and techniques. No product, however excellent it may be, can sell unless it is known to buyers. This is a factor common not only to export, but also to every kind of sales activity. Promotion of "Uruguayan Fashion" is vital if Uruguayan enterprises are to take on the challenge of export expansion.

Garment sample fairs sponsored by various countries have been held in Japan during recent years. These fairs have an eye on the strong purchasing power of Japanese consumers and are intended to exploit the Japanese market. The U.K., for instance, has been particularly tenacious in organizing a "British fashion Fair" for more than ten years consecutively.

In addition to country by country fashion promotions, regional events have become very popular during recent years. A typical example may be the "Europe Fashion Premier" sponsored by the EC Commission; its sample fair held every year in Tokyo draws the participation of 106 fashion related corporations from ten plus countries in Europe.

held abroad, internationally addition to events In renowned fashion promotions held in the home country include Paris collection and the Milan collection. Also notable the the "MAGIC" sample fair held in Las Vegas with emphasis are on casual wear, and the "Jeans Messe" sample fair in Germany with emphasis on jeans wear.

There are certain countries eager to organize fashion promotion programs. In Asia, "Hong Kong Fashion Week" and "Singapore Apparel Fair" are regularly held. Fashion promotion programs targeted to overseas buyers are becoming more popular year after year.

It is therefore considered necessary that Uruguayan garment enterprises join together to hammer out a fashion promotion program in order to let the existence of "Uruguayan Fashion" be known. The fashion resource center would be the ideal agency to organize such a program.

Details of the fashion promotion program to be organized by the fashion resource center would be as follows:

- 1) Joint sample fair "Uruguay Fashion Week" targeted to domestic retailers and domestic consumers.
- 2) "Uruguay Fashion Fair" targeted to overseas retailers.
- 3) "Uruguay Fashion Fair" to be opened abroad.
- 4) Fashion PR targeted to overseas retailers.
- 5) Information service on Uruguay garment enterprises targeted to both domestic and overseas retailers.

III--89

2-5 Quality Improvement, Cost Reduction

Two headings: "quality factors" and "cost reduction" are recommended with respect to quality improvement and cost reduction.

2-5-1 Quality factors

In this section, the need for differentiation, non-price competition and voluntary merchandising shall be discussed as they related to quality factors.

(1) Limits of price competition and factors in non-price competition

achieved by providing Export expansion can only be products with distinguishing features, either by reducing export prices to gain competitiveness or by differentiating them through improved design and quality. The decline in by the Uruguayan garment industry after 1990, in exports particular with respect to export to the United States of America which had been the mainstay export market the of industry, was primarily due to lost price competitiveness.

was most apparent in the category of denim jeans, This which suffered the greatest decline. Jeans are a low priced standardized design. to begin with, and usually of product are therefore likely to compete only on the basis of Jeans Uruguayan jeans had to compete unsuccessfully with price. from Caribbean countries with low production costs. jeans This would imply that Uruguayan garments in general, not just jeans, are losing their price competitive edge in Uruquayan one way or another.

Similar situations have occurred everywhere in the world. For example, the Republic of Korea which dominated the market for export to Japan has suffered a serious decline in export

the last few years due to the rise of production during The Korean garment industry had been primarily costs. structured for subcontracted export in accordance to the specifications designated by overseas buyers, similar to the situation in Uruguay. Acute inflation resulted in a sharp Japanese importers are now production costs. rise in emphasis from Korea to the People's Republic of shifting China, Thailand and Indonesia where production costs are lower than in Korea.

The Uruguayan relationship with the United States of America is very similar to that of Japan and Korea for the Uruguayan garment industry. That industry is now feeling a serious impact from low cost production in Caribbean and Asian countries.

The Uruguayan garment industry must therefore restructure itself from a price competitive structure into a non-price competitive structure that emphasizes the strength of its designs and quality. Only by doing so can Uruguayan garments differentiate themselves from garments produced by Caribbean and Asian countries, as well as those of Eastern European countries which are expected to enter into international price competition.

(2) Factors important for establishing world class quality

Physical functions and properties are very important in determining the value of garments. However excellent the design may be, a garment that easily falls apart or becomes distorted has no value as a consumer good. Consequently, the primary condition that must be met for non-price competitive fabrics of sufficient strength and garments is to use and to manufacture products with superior sewing quality, that the final garments do not suffer from technique so distortion.

In Brazil, the quality of certain Uruquayan garments is be better than that of Brazilian garments or believed to other Latin American countries. Such from garments be a great help in expanding export of would appreciation Uruquayan garments, hence further efforts toward quality improvement are needed to enhance non-price competitiveness.

The quality of garments sponging, for example. is Take evaluated primarily by examining sewing and generally knitting technique. However, stability of fabrics is likely to affect the quality of fabric garments. As is well known, the weaving process involves lengths of yarn oriented in two directions, the warp and woof. It should be remembered that shrinkage of warp and woof yarn is not always uniform, The yarn material may be different and the degree of twist and speed of the weaving machine can easily affect the physical properties of the final fabric.

Fabrics manufacturers normally utilize steam milling in order to shrink and stabilize fabrics during the finishing process. In addition, garment manufacturers in advanced countries normally sponge fabrics before sewing. The fabric manufacturer's milling during the finishing process alone is not sufficient to prevent "elongation" during roll up.

Also, the quantity of thin 100% wool fabrics is increasing along with polyester-rayon-wool and wool-linensilk-polyester fabrics of complex blends. As a result, the shrinkage characteristics of fabrics can be rather unstable and use of sponging is becoming more and more important.

Sponging is a process of subjecting fabrics to steam or hot air in order to stabilize shrinkage. A state-of-the-art sponging machine allows the user to input such data as fabric composition, yarn count, and fabric density into its integral computer, and the temperature/pressure of steam or hot air to be applied to the fabric will automatically be adjusted to the optimal magnitude.

Japan's quality control laboratory is of the opinion that use of sponging in a sewing plant will prevent most garment distortion after the completion of sewing and manufacture.

Sewing is always accompanied by pressing processes, one being the intermediate pressing performed during the sewing and the other being the finish pressing which process, involves heat and steam being applied to the fabric. Fibers likely to distort when subjected to heat and steam. Ιf are fabrics are not sufficiently shrinkage stable, shrinkage or elongation, or occasionally even twist, may develop during pressing.

Products may develop distortion during transport or storage due to changes in temperature and humidity. According to a survey conducted by the quality control laboratory in Japan, the rate of shrinkage may be different at the beginning and end of one 50 meter roll of fabric.

Sponging is therefore indispensable for the garment industry in order to protect textile products from the effects of temperature and humidity. However, the number of Uruguayan garment manufacturers that actually employ sponging is rather limited.

Softer and lighter texture garments are the mainstream of This means that the fashion in advanced countries. fabrics are becoming thinner and lighter. Use of sponging is used thus becoming even more important in order to finish garments from such fabrics to a satisfactory quality level. made Introduction of sponging would encourage joint operation of businesses because the rate of utilization within single a enterprise might be very low. The advantages of joint operation and common usage are discussed under a different beading.