

(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 Uruguayan products could be built around it. Thus the Uruguayan identity would serve to enhance the image of 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.

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

- 1) 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 cotton has to be imported. Uruguayan enterprises are obliged to pay 6 US\$/kg including freight and import duty while enterprises in cotton producing countries pay 3 US\$/kg.

## (2) Mechanical Production Facilities and Technology

- 1) 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.

\* Managers lack a perception of the need to manufacture high value added products for export, and the need to restructure the industry for small lot, large variety 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 need to protect consumer interests, the need for manufacturers to make efforts, with the cooperation of consumers, to upgrade of the quality of products has not been identified, or at least been less aware of.

\* The industry has been heavily dependent on 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 the "overseas market survey") has confirmed that Uruguayan garments rank no better than the middle or lower portion of the mediocre in quality spectrum, with the exception of certain items of hand knitwear.

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

\* The industry is not fully tuned to manufacture high value added products meeting world market demand. It has no high technology production facilities or production technology as required for the manufacture of high value added products.

\* Product planning capability and information are not sufficient to cope with market needs.

\* Most Uruguayan enterprises are heavily dependent upon subcontracting for export and lack the will to improve product quality on their own.

\* Sewing technique is not good enough for woolen

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.

- \* The importance of reject control is not well recognized.

#### (5) Will to work

- 1) 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 by 2 - 3 months resulting in net loss 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 to increase other than adjustment for 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 quality control. There is practically no incentive for laborers nor reward for improvement.

\* There is practically no training program for laborers in enterprises.

\* Laborers are poorly motivated to edify 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.

\* Plant owners have indulged themselves in subcontracted export which allowed them to make profits for the time being. In other words, plant owners lacked a long term 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 Asociacion 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 market of 3 million people and the risk involved. While industries in Japan are vertically integrated, the Uruguayan spinning and textile industries have always been positioned in parallel with the garment 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 Asociacion 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) Uruguayan 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. According to the 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\$ 41 million, only 1.7% of the total. Similarly, total U.S. cotton garment imports were worth US\$ 1.2 billion out of which Uruguayan imports represented US\$ 11.4 million, less than 1%. However small its share may be, a decline in

exports to the United States of America has a serious impact on the Uruguayan garment industry. The United States of America imposes import quotas on 7 categories of Uruguayan garments, none of which has been fully reached. In other 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 varieties of styling and coloring than locally manufactured garments, then import is also increased. In other words, provided that coordinated nationwide efforts are made, the Uruguayan garment industry has a good opportunity to recover its recently lost volume of export to the United States of America.

(Background) \* 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 ¥2.2 trillion (about US\$ 17.54 billion) out of which garment imports represented about ¥1 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

The world is being restructured into several regional blocs such as the EC, NAFTA, MERCOSUR and so on, within each of which industries are protected from outside, but subjected to a more intense level of internal competition. The Uruguayan 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 to the 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 has become more and more focused on economic 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.

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)
- 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 enlightenment
- (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 Asociacion 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 a lack of recognition of the actual state of affairs. That is to say, dependence on subcontracted export and the lack of long-term business strategy based on the future market trend resulted in incapability of producing higher value added products and production system of wide varieties in smaller quantities. It also caused decline of labor incentive to 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 Asociacion 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 cooperate 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]

Year	Item	Woolen wear	Cotton wear	Knit wear	Total
1988		30,073	18,594	19,980	68,647
1989		43,113 (+43.4)	21,453 (+15.4)	31,700 (+58.7)	96,266 (+40.2)
1990		32,068 (-34.4)	13,306 (-61.2)	23,900 (-32.6)	69,274 (-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 thereafter. There was an overall decline of about 40% in 1990, for member enterprises as a whole, primarily due to the recession in the United States of America. The decline in exports was more significant for cotton garments, which 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 slight recovery. Similarly, woolen garments marked an 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

[unit: US\$ 1,000]

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

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

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

It is necessary to let consumers understand what garments are made from, and how they should be cared for. A fashion fair ought also to be organized to attract more interest on the part of the general public. When consumers become more interested in the quality of garments, they will begin to demand that the Uruguayan garment industries pay more 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 serious about reducing production costs in order to compete 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 should be room for Uruguayan enterprises to cut their production costs, and cooperation to this end ought to be established within the Asociacion Industrial de la 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

Uruguay 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 in 1996. If the Uruguayan garment industry would not exert itself, the industry would have not chance of survival in competition with a massive export drive by other MERCOSUR member countries. The level of competition between companies in all member countries will accelerate and any Uruguayan company which may have failed to endeavor to improve product quality and reduce production costs will be forced out of business. The most serious impact on Uruguayan denim garment manufacturers may come from their counterparts in Brazil. Uruguayan garments should strive to survive and be successful in the MERCOSUR market before attempting to penetrate 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 Asociacion 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.

For example, higher added value would be required and adequate collection and analysis of market and technological information would be imperative. Such requirements are 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)

Even should the Uruguayan garment industry succeed in reinforcing their basic strengths, promoting import alternatives and expanding exports to MERCOSUR members as proposed under the short-term and medium-term outlooks above, it will still not be at all easy to penetrate the garment 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)

- 1) 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

(1) 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 Asociacion 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 be achieved without cooperation between the public and 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 reinforced accordingly. Table III-1-4 summarizes the institutions directly responsible for and those to cooperate for each reform measure.





Sub-items such as standing productivity seminar, 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, cost reduction. Nineteen (19) reform measures in total, 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 center	A	G.	A.,E.
2) Improvement of management, education of talented personnel			
* Promotion of joint cooperation	A	E.	A.,G.
* Training of required personnel	C	A.	G.,E.
* Reinforcement of education and training system	A	G.	A.,E.
3) Improvement of sales, marketing			
* Implementation of Fashion Week	A	G.	A.,E.
* Sales promotion in cooperation with government	B	A.	G.,E.
4) Improvement of technology			
* Production of thin woolen fabrics and fine yarn	B	E.	A.,G.
* Utilization of Uruguayan national designers and tailors	C	E.	A.
* Compilation of commonly known technique concerning design rights, trademark rights, patent rights	C	A.	G.,E.
5) Improvement of quality, reduction of cost			
* Conditions of quality improvement	B	E.	A.
* Cost reduction	B	E.	G.,A.
(2) Medium-term actions for improvement			
1) Proposal for invitation of MERCOSUR fashion resource center	A	G.	A.,E.

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.

Previously, reform measures were classified into four 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 measures which may affect not only a single item but also 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

- 1) 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.

- 2) 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.

Item 1), institution of quality labeling system, was 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 designers and tailors and item 4), conditions for quality improvement should be left to the discretion of individual 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 1st 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.

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

. Promotion and implementation of cooperative efforts

1st rank

. Cost reduction

(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

1) 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)

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

Reinforcement of a dedicated research institution that can carry out R&D of basic technology and new products relevant to textiles and garments is a reform measure that would have significant benefit for the Uruguayan garment industry, but is dependent upon prior 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 suited for the development of competent merchandisers. Item 2)-(1), standing seminar on productivity, is 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. Item 2)-(2), incentives for the acquisition of official 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),

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

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

(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 buyers and importers is not sufficient, and the number of enterprises capable of conducting overseas advertisement and sales promotion is limited. However, if the state of Uruguay 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.

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

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





## 1-2-8 Action program selection and rationale

### (1) Items selected

Those reform measures which are most effective for the short term in each of the four categories quality improvement, cost reduction, development of human resources 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 materials and products) which, if implemented by each 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.

- 1) Quality improvement : Institution of quality labeling system
- 2) Cost reduction : Implementation of cooperative efforts
- 3) Development of human resources : Reinforcement of UTU
- 4) 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 than 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.

Although participation in overseas fashion fairs and advertising targeting overseas markets are critical, enterprises capable of engaging in such activities are limited in number and they are obliged to give up 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.



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 consumer." Satisfactory quality encompasses satisfaction with materials, cost, sensual qualities and timely availability. "Quality assurance" must be targeted to 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.







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 monitored, in quantities that are sometimes excessive and sometimes in shortage, with prices often irrespective of quality, under misleading advertisements providing improper information which might confuse consumers, and with poor 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.

"In order to achieve their objectives, consumers should fight ignorance by organizing themselves to: conduct 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 of consumers may be heard in every aspect of government and 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



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.































































