Recent developments in the Hungarian textile and clothing industry and adjustment measures in the period from 1980 to 1982

A. Recent developments in the textile and clothing industry

Production

In the period from 1980 to 1982, the production of the textile industry decreased by about 1 per cent, and the production of the clothing industry increased by 1 per cent. The share of textile and clothing industry in the global production value of the industry amounting earlier to 9 per cent /COM.TEX.21/p.97/ declined to about 6 per cent in 1982. The former downward tendency of labour force continued; the former share of about 16 per cent in the total industrial employment /COM.TEX.21/p. 97/ decreased to 12 per cent in 1982. The index of gross production value per employed person in the textile industry increased by 2 per cent as a result mainly of the rationalisation of the product structure and the decrease of the number of products manufactured; in the clothing industry, due primarily to meeting higher quality requirements, it increased by 3.8 per cent. With more efficient organisation of the production and with regular professional training, the companies have endeavoured to increase productivity and to use economically the capacities at their disposal.
Investment

The process of reconstruction started in the 1970's continued in 1980/82, but due to the slowing down of economic growth the volume of investments was lower; in the past two years, companies in the textile and clothing industry together invested an average of 2,300 million forints yearly. Instead of major, comprehensive reconstruction, the producing companies made investments designed to improve the quality and competitiveness of the products. Investments in the textile industry were concentrated mainly in the finishing sector, and in the clothing industry ready-made clothing and knitwear production was modernised.

Sales

As in the previous period, about half of the finished goods produced by the textile and clothing industry is intended for internal consumption, and the other half is exported. Home production satisfies some 80 to 85 per cent of the internal demand.

Foreign trade

Exports in non-convertible currencies account traditionally for half of total exports, the other half is exported in convertible currencies. 85 per cent of the latter is sold in industrially developed countries, within this, the share of EEC countries is about 55 per cent. Exports to the developing countries have achieved a lower level than earlier, their share is about 15 per cent.
As regards the pattern of exports, upperwear constituted the biggest proportion, one-third, and the value of materials and fabrics accounts for a fourth of total exports.

The value of imports in non-convertible currencies has increased mainly due to frontier trade and to exchanges between department stores. Imports in convertible currencies, taking the average of three years, also show a slight increase; these imports have contributed to the widening of the assortment.

Modernisation of products

Trends regarding the development for a longer period of production structure are described in document COM.TEX/21, page 98, chapter II/2. From these trends, the following has been realised during 1980/82; in the cotton industry the range of fine goods has been widened /batiste, poplin inlet/ and the quality has improved as a result of technological improvement. In the wool industry the proportion of goods made of pure wool has increased, in the silk industry the production of materials for clothing has increased, and the production of fashion fabrics with nop surface and fine fabrics from bulk yarn for blouses has started. Curtain production has been modernised, the proportion of jacquard curtains has become higher. In the knitting industry production has diversified, more leisure and jogging garments are manufactured.
Cooperation and outward processing between Hungarian and foreign companies have contributed to the diversification of production in the past three years, too, and helped to raise the quality of production.

**Structure of industry**

In Hungary big companies form the basis of the industry, there are about 160 big and medium-sized companies /employing more than 3-5000 workers/, and 350-360 industrial cooperatives and regional council companies are active in the clothing field. With a view to achieve a more flexible adjustment to markets and to increase economic efficiency, a process of decentralisation has started, and several factories, mostly in the provinces, formerly forming an integral part of bigger companies have become independent.

**Government measures**

As a result of changes which occurred in the past years in the world economic environment, the possibilities for the access to markets of Hungarian exports have become more restricted and their conditions have deteriorated in all sectors of the economy, which largely contributed to the continued worsening of the balance of trade in convertible currencies and the relatively fast accumulation of foreign debts. A fundamental aim of the Hungarian economic policy is to improve the external balance. A basic means of achieving this objective has been and still remains to be the restriction of the growth of internal consumption and,
within this, the reduction of investment demand. This intention is reflected also in the indices of the textile and clothing industry for the past years. From 1980, no special programmes of government development plans have been elaborated or put into force for the textile and clothing industry.

C Access to markets

Internal measures were not sufficient for the realisation of economic policy objectives. Therefore the Hungarian authorities were compelled to introduce temporary measures from September 1982: regarding imports in convertible currencies: import quotas for specific products, and the obligation to pay a surcharge on components and spare parts imported. When establishing the volume of possible imports of products under quotas, the authorities endeavour at the same time to ensure the normal level of supply and to encourage the rational use of imported materials.

From the quotas introduced for imported goods in 1982, three quotas applied to the textile and clothing industry: auxiliary chemicals for the textile industry, cellulose-based silk and raw cotton. The amount of the quotas is approximately identical with the volume of convertible currency imports of the products concerned in the previous year.

These measures, introduced in conformity with Article XII:2 of the General Agreement, were notified by the Hungarian government to the GATT, and were discussed in the Balance of Payments Committee at its session on 8 March 1983 /Doc.BOP/R/131/.
A considerable proportion of Hungarian textile and clothing exports falls under bilateral agreements concluded on the basis of the GATT Multi-Fibre Arrangement. The bilateral agreement concluded under Article 4 of the MFA with the EEC covers the whole range of Hungarian textile and clothing exports, the agreement concluded with the USA covers 3 categories, and the agreement with Canada refers to 1 category.