

**AN ANALYSIS OF THE SOUTH AFRICAN TEXTILE INDUSTRY AT MACRO
AND MICRO LEVELS**

By

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**“To open a business it is very easy but to keep it open is very difficult”. Chinese
proverb**

ABSTRACT

The textile industry in South Africa has undergone many changes over the years since its inception into the global arena. The industry's success will depend on its ability to adopt world class manufacturing principles, create more value-added products and be highly competitive to sustain itself in the long term.

The main objective of this study was to determine whether or not the textile industry in South Africa is under threat. The other objective was to provide information on the textile industry that would be of assistance to stakeholders and policymakers in South Africa.

Certain factors that were thought to impede or restrict the overall performance of the South African textile industry at macro and industry level were identified as follows:

1. Trade liberalisation(globalisation)
2. Tariffs and regulations
3. Imports and exports
4. Cotton
5. Labour
6. Currency fluctuation

The secondary research was based on a literature survey of current textile journals, articles from South African textile magazines, statistics from industry reports, textbooks on international trade and marketing, the Internet and newspapers.

To evaluate the findings of the literature survey, a questionnaire was formulated and empirically tested among selected experts in the textile industry in South Africa. The review of the factors in both the literature review as well as the experts opinions support the statement that the textile industry is under threat.

This study was conducted during a time when the industry's performance was down and many of the views and opinions of those experts consulted could have been biased. The time taken to undertake this study is also questionable as a longer review period would have been more appropriate for this type of study to be conducted.

ACKNOWLEDGEMENTS

This research project would not have been completed without the assistance of a number of people too numerous to mention. I am indebted to all those who directly or indirectly contributed to my fulfilling the requirements of this dissertation. I will however mention by name some of those who assisted.

First and foremost, my heartfelt thanks go to my supervisor, Professor Charles O'Neill, for his undivided attention, support, diligence, encouragement and most of all patience. I will be forever indebted to him. My thanks also go to Professor Debbie Vigar who had assisted me in finding my way in undertaking this research.

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Finally to my two daughters Samantha and Nicole, I would like to say a big thank you, for being so understanding and accommodating. This entire research could not have been undertaken had it not been for my late husband Steven who had been my initial inspiration and guide. To Steven thank you, I have finally achieved OUR goal.

DECLARATION

I, Bagiam (Maliga) Moodley, hereby declare that this dissertation is my very own original work and that all sources used have been accurately reported and acknowledged and that this document has not previously in its entirety or part been submitted to any university in order to obtain an academic qualification.



Bagiam (Maliga) Moodley

30 September 2003

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ANNEXURE 2:	LIST OF EXPERTS

LIST OF ABBEVIATIONS

BEE	-	Black Economic Empowerment
EE	-	Equal Employment
IRP	-	Industrial Restructuring Project
IDC	-	Industrial Development Corporation
SADC	-	Southern African Development Community
SAP	-	Structural Adjustment Programme
DTI	-	Department of Trade and Industry
GEIS	-	General Export Incentive Scheme
GATT	-	General Agreement of Trade and Tariffs
DCCS	-	Duty Credit Certificate Scheme
SA/EU	-	South Africa/European Union
AGOA	-	African Growth and Opportunity Act
WTO	-	World Trade Organisation
MFN	-	Most Favoured Nations
NAFTA	-	North American Free Trade Agreement
EU	-	European Union
ASEAN	-	The Association of Southeast Asian Nations
CEO	-	Chief Executive Officer
NPI	-	National Productivity Institute
SABS	-	South African Bureau of Standards
CSIR	-	Council for Scientific and Industrial Research
SETA	-	Sector Education Training Authority

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ORGANISATION OF THE DISSERTATION

This study was made up of 6 chapters, each related to the next and a brief summary of each chapter follows:

Chapter 1 is titled “background of the study” and is made up of 3 sections. The first section is an introduction to this study and defines the topic that is to be researched which in this case is the textile industry in South Africa. The second section provides information leading to the research problem. The third section is the summary that defines the purpose of the research and provides factors that were researched.

Chapter 2 is titled “literature survey” and is made up of 9 sections. The first section is introduction and provides a brief overview of what this chapter entails. Section 2 provides a brief history of the textile industry in South Africa from its birth to its current status. Section 3 covers the imports and exports of textiles. Section 4 covers the tariff and control structure of textiles. Section 5 covers cotton and its importance to textiles. Section 6 covers labour and its role in textiles. Section 7 covers the demand of textiles in South Africa. Section 8 covers currency fluctuation and its effect on the textile industry. Section 9 summarises this chapter and provides a brief outline of chapter 3.

Chapter 3 is titled “research methodology” and provides details on the research problem, the research design, the method and the sampling technique used. Also it provided information on the data collection technique and the method to be used in processing the data. The data collection instrument was a questionnaire and details of the questionnaire were provided. The summary that summarised this chapter provided an outline of chapter four.

Chapter 4 is titled “Empirical findings” and commenced with an introduction. The description of the sample that was used was provided. The questionnaire was made up of 8 sections and 28 propositions. The results of the responses for the 28 propositions were

analysed and tabulated. Then a summary was made which summarised this chapter and provided information on Chapter 5.

Chapter 5 was titled “Summary/Conclusion” and gave a brief summary of the study and provided a conclusion.

Chapter 6 was used to indicate the caveats and provided recommendations for future studies of this nature pertaining to textiles.

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CHAPTER 1 – BACKGROUND TO THE STUDY

1.1 INTRODUCTION

International competition is becoming one of the most important issues facing firms and governments. All policies, plans and strategies are geared towards achieving the optimum positive effects of international business ventures. “Competing is a necessity rather than a matter of discretion for firms”(Porter,1986, p.1).

Since World War II a number of forces led to growing international competition and globalization in the various industries. The forces as per Porter, were the growing similarity of countries, fluid global capital markets, falling tariff barriers, integration and restructuring of technology and new global competitors (Porter, 1986, p.2).

The world is now in the era of rapid economic, political and technological changes. These changes herald many uncertainties and formidable challenges to the various industries. Governments throughout the world are formulating strategies to confront the issues of globalisation and trade liberalization (Toyne et al, 1984,pp1-2).

“Food, shelter and clothing are the universal problems of over 4 billion world inhabitants”(Toyne et al, 1984,p.49). The textile industry solves the clothing problem as well as many of the shelter needs of a country. As per Toyne,(1984) the textile industry provides goods for consumption and creates employment. Virtually every country in the world has a textile industry. Taiwan’s textile industry employs about 16% of the country’s manufacturing labour. The textile industry in Taiwan represents 19 % of the total goods manufactured (Toyne et al, 1984,p.50).

The South African textile industry has undergone many changes over the years since its inception into the global arena. The industry’s opportunity for success will, however, depend on its ability to adopt world class manufacturing principles, to create more value added products and be highly competitive. Pressure is, however, exerted on the textile industry to not only achieve this but to sustain itself given the various government legislative requirements and policies.

Cohen(1989) did research on the textile industry in the United States and describes the textile industry as being complex, large and diversified and as compared to other industries it is labour intensive , fragmented and highly competitive. Textile prices respond quickly to supply and demand. There exists a high degree of product homogeneity. In the textile industry there is a relative ease of entry of competitors and immense pressure from foreign competitors. These factors hold down the profits of textile companies (Cohen, 1989,pp.20-21).

This research report will be looking at the textile industry in South Africa, South Africa's sixth largest employer in the manufacturing sector. (Anon 4, 1998, p.7) The contribution of this industry is of paramount importance to the economic growth of South Africa.

In their publication, "The Global Textile Industry" in 1984, Toyne et al mentioned that, textile mill companies can no longer develop corporate strategies in isolation of international developments. Therefore future strategies of the firm should be based on weaknesses and strengths of the firm within the context of the textile industry's global environment and global trends (Toyne et al, 1984,p.180).

1.2 THE STATEMENT OF THE RESEARCH PROBLEM

Policy makers around the world deliberate on issues such as socio-economic development, foreign investment, international trade, job creation and Black Economic Empowerment (BEE) (South Africa) and Equal Employment (EE) opportunities.

The future of textile companies in South Africa is under extreme pressure due to globalization, deregulation, enforced tariff reductions and other trade liberalization initiatives laid down by the World Trade Agreement, organised labour, currency fluctuations, product specialization, manufacturing principles and cheap imports.

Durrows(2001,pp.34-38) maintains that with the various changes and the changing needs of customers, businessmen should undertake an analysis of their companies to keep abreast of these changes. Failure to do so or to remain myopic could result in the

ultimate demise of the company. An example is the demise of the Crompton Company, where management did not recognise the changing marketplace. This company was a major producer of corduroy and velveteen and had been making fabric for 178 years (Cohen,1989,p.373).

Durrows(2001), encourages firms to use Porter's five force model, (new entrants, buyers, suppliers, industry competitors, substitutes), to aid them in analysing the continuous changes. The ultimate goal of this analysis will certainly be profit or sustainability driven. Although the analysis may be quantitative it will be a useful roadmap as to how the firm can restructure the business (Durrows,2001, pp.34-38).

As per Cohen (1989,p.19) the textile industry is different from other industries in that textile companies market a wide range of items, both very high price articles as well as volume goods at the bottom of the price scale. Cohen maintains that the most important factor in textiles is fashion. In an article published in the Pursuit Magazine (1999), titled, 'The International language of Fashion', Allwright mentions that the kids of today are among the biggest consumers of clothing. They are now demanding fashion that is cutting edge, highly designed and are up to the minute with the trends and themes that are transmitted via television, pop videos and the Internet. The kids in South

Africa does not vary very much from their overseas counterparts. With the current exposure the South African kids are very observant and are well aware of their needs. South African kids are now imitating the Europeans and Americans in dressing, talking and playing. However the major difference in dressing could stem from the climatic conditions in South Africa (Allwright,1999, pp.34-35).

In a comparative study of the textile industries in Turkey and the United Kingdom some valuable information was obtained which could be a useful aid to the South African textile industry (Maree,1995,p.104). Maree(1995) maintains that the creation of sustainable exports in textiles has to be built on the foundation of high productivity in the textile industry itself. This high productivity can be achieved through continuous modernisation of capital equipment through high levels of investment.

Bennett, a researcher at the Southern African Research Institute, wrote in the Naledi Policy Bulletin(2000,p1-2), that the Southern African Development Community agreement only deals with trade matters and the Department of Trade and Industry negotiators assumed that “free trade is good and leads to competitiveness”. According to Bennett, “there appears to be a naïve belief that tariff liberalisation on its own will lead to success”. The number of people unemployed will indicate the fallacy of that belief.

The number of people employed in textiles in South Africa in1995 was approximately 67 000 but by year 2000 the number dropped to approximately 52000. The number of jobs lost is approximately 22% (Anon 5,2001,p.9).

The Industrial Restructuring Project (IRP) was initiated in 1996 with the aim of supporting industrial policy in South Africa at the national, provincial and local levels. The purpose of the IRP was to conduct an investigation into the companies in the various sectors to ascertain how they were coping with the increased competition and the liberalisation of the South African trade regime. The findings from the research were to be presented to the various industry stakeholders namely, the government, business associations and trade unions. Reid (1999) conducted a survey on an equal number of randomly selected textile firms in Kwazulu-Natal and Western Cape. As per Reid (1999) most of the changes in the industry were market related. The firms responded to the new economic challenges by refocusing the direction of their output. Employment levels dropped which was indicative of the need to cut costs to remain competitive. This trend signifies that in the textile industry labour is seen as a cost to be minimised rather than a resource that can be developed to underpin improved performance in the market place (Reid,1999,p19).

In an article published in the magazine Cotton SA (2001), Simeoni, of Frame Textiles compares South Africa's stance to those of its competitors. “Europe and the America's are protected by quota systems and moderate duties, while the Asian countries protect themselves with high duties and secondary taxes and their governments provide subsidies for input materials and value added processes” (Cotton SA, 2001). Bennett expresses the view that the belief of the Department of trade and industry, “that the South African textile companies are equipped to compete

competitively,” is not true. There are many costly handicaps that textile companies are faced with. There exists crime and fraud and illegal “dumping” of textile goods through other African states (Naledi Policy Bulletin, 2000,p.2).

Simeoni states that many companies pay a multitude of levies which adds to the wage bill making South African companies’ labour costs to be between 4% and 6 % higher than their competitors who receive assistance from their governments. To further increase the costs the textile products come in cheaper and legally into the country exerting pressure on the local manufacturers. The local companies to stay in business have to ensure that the prices of input materials continue to decrease in real terms (CottonSA,2001,p3).

The Industrial Development Corporation conducted research on the impact on the South African Economy of accelerated trade liberalization in the context of currency depreciation in 1997 and it was found that textiles was the sector that was most adversely affected. The prices of imports were much lower than the domestic prices thus increasing the need for substitution by the domestic buyers. The net effect on locally sourced demand and thus output growth in textiles is clearly negative. The report concluded that the real depreciation of the rand boost exports and economic growth but the negative effect is on the consumer prices. The report supports the belief that the accelerated tariff reform programme will severely hurt textiles, which is one of the most protected industries in South Africa. The competition against cheaper imported substitutes will greatly increase and ultimately affect the sustainability of textile firms (Swanepoel, et al,1997,pp.16-17).

As per Joffe et al,(1995), there should be a close relationship between tariff reform, export support, supply-side policies and exchange rate policy. This relationship is vital for the textile industry to compete internationally and to maintain its productive capacity and to maintain employment (Joffe et al,1995,p.52).

1.3 SUMMARY

The main objective of this research is to provide information that could be of assistance to all stakeholders especially policy makers in the textile industry of South Africa. The other objective will be to look at the factors that restrict or impede the textile companies' abilities to respond to the continuous changes that are occurring in the South African textile industry. The factors that would be covered in this report are as follows:

1. Imports and Exports
2. Tariff and Control Structure
3. Cotton
4. South African organised Labour
5. Demand
6. Currency Fluctuations

This introductory chapter thus introduces the research subject and provides a brief background of the textile industry in South Africa. The growth and contribution of this industry to the economy of South Africa is then given. This study looks at the textile industry in South Africa from macro and industry levels, thus, the effects of external forces/factors have been emphasised in the literature researched. This is one of the most protected industries in South Africa, and in many other countries in the world. In an article in the Journal of Business Management, Clayton Yeutter, a U.S. Trade Representative, stated that, "some labour intensive industries in the U.S., such as textiles, footwear and steel may have to be phased out because of lack of productivity." Yet the textile and apparel industry is still existent in America till today. It would appear that the industry contracted but was not extinct (Morgansky,1988,pp18-24). The South African Textile Industry is now under threat and it is with this thought in mind that this research topic was chosen. Many jobs and livelihoods are at stake should this industry be contracted or become extinct.

Chapter two commences with a brief history of textiles in South Africa. An overview of this industry that is its growth and its contribution to the economy of South Africa

is made. Thereafter some of the factors that affect the industry's performance and sustainability have been researched through the use of secondary information.

CHAPTER 2 - LITERATURE SURVEY

2.1 INTRODUCTION

In chapter one a brief overview of the textile industry in South Africa was given. This second chapter will attempt to provide information from secondary sources to aid the researcher in achieving the main objective, which is to provide information that could be of assistance to all stakeholders especially policymakers in the textile industry of South Africa. Firstly the chapter provides a brief history of the textile industry in South Africa. Secondly the researcher provides information obtained from secondary sources on the following factors:

1. Imports and exports of textiles in South Africa
2. Tariff and control structure
3. Cotton
4. Labour
5. Demand
6. Currency fluctuations

The researcher thought that these factors contribute to, restrict or impede the textile companies' abilities to respond to the continuous changes that are occurring in the South African textile industry.

The challenge as to whether the textile industry in South Africa is going to survive or not comes from the implications following the Uruguay Round of the General Agreement on Tariffs and Trade concluded at the end of 1993. It was at this forum that it was agreed that the tariffs in South African textile and clothing industries had to be lowered by half their rates over the following twelve years (Maree, 1995,p.1). In the light of this it was envisaged that the textile industry in South Africa would be faced with unprecedented international competition and would have to look at formulating an industrial strategy to ensure its future viability (Maree,1995, p.1).

2.2 HISTORY

The textile industry in South Africa initially started with the manufacture of blankets, rugs and sheeting. At the outbreak of the Second World War the industry provided approximately 3 500 jobs. At that time they supplied at least 90% of the country's demand for blankets, rugs and sheeting. Between 1950 and 1960 the industry expanded markedly due to the increase in demand for other textile products such as knitted garments, hosiery and home textiles (Anon 7, 2002/3, pp.8-9).

By 1960, nineteen establishments produced knitted fabrics; this excluded the knitted garments and hosiery. There were forty-six mills producing cotton-based yarns and woven fabrics. In 1964 the first synthetic plant was commissioned. The capacity was 2500 tons per annum (Anon7, 2002/3, pp.8-9).

In the wool industry there were seven mills. Four were fully integrated, in other words, they were spinning and weaving the wool fiber. The other three were only yarn manufacturers. The industry satisfied 95 % of the demand of plain worsted fabrics and 60 % of fancy fabric demand. The industry grew in the subsequent 30 years but the consumption did not grow at the same rate. Another important deterrent to the growth of textiles was that there was a need for variety but at comparatively low volumes. Due to this the production costs increased which made them much higher than their overseas competitors. The aggressive price-disruptive tactics of exporting countries in the East aggravated this situation (Anon 7, 2002/3, pp.8-9). This created a problem that had to be met considering that the industry contributed considerably to the overall economy of the country and provided employment. Textiles and clothing is the sixth largest industry in the manufacturing sector, accounting for 10 per cent of all enterprises, 15 per cent of employment and contributing to 7 per cent of the country's net output (Anon 4, 1998, p.7). Hence the need for protectionist policies was recognized and various investigations were undertaken to this end (Anon 7, 2002/3, pp.8-9).

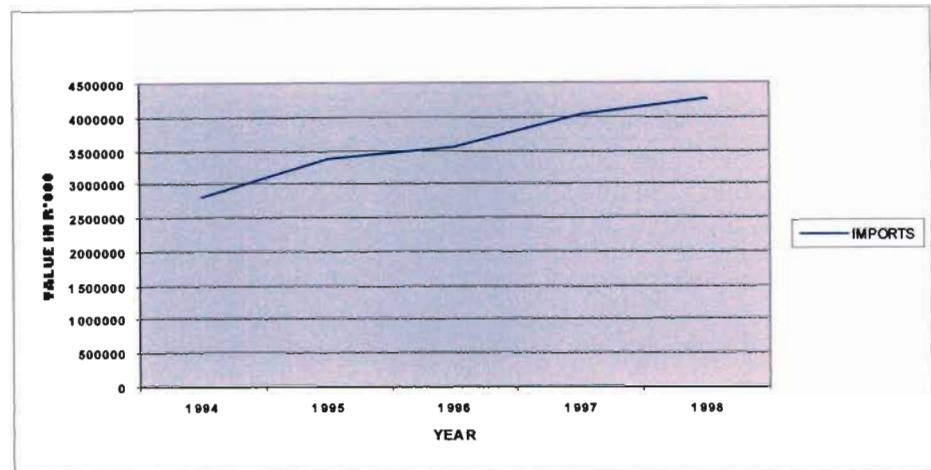
2.3 IMPORTS AND EXPORTS

The reason cited for the lack of competitiveness by the domestic industry in the world market is high wage costs. The needs of customers are continuously changing. With the advances in technology customers around the globe are able to keep in tune with fashion. This warrants the importation of products not offered in the domestic markets. Many customers import branded products, which are not available locally. With some countries, especially those in the East, having low labour costs it is more profitable to import the finished textile products rather than manufacture them locally. These products can be sold at a higher profit than those locally manufactured.

In a survey conducted of clothing exporters in Durban and Cape Town it was found that many firms were only exporting for a few years. These firms were exporting primarily to profit from export incentives. The firms were not confident that the incentives would be maintained and were not sure of the sustainability of these incentives. It was also found that these firms were exporting their products at a loss because they could not find the market locally to dispose of the products (Joffe et al,1995,p.24). If, as reported, the incentives were offering short term relief only, then the small losses incurred initially could ultimately result in bigger losses in the long term jeopardising the future performance of the business. The textile companies that were involved in exporting were unclear of the incentives offered and the period in which they would be operational thus they could not plan strategically for the future.

Statistics were obtained from The South African Excise and Customs Annual Report by the Textile Federation(Claasens,1999,p.5) on the imports of textiles for the period 1994 – 1998. The figure below Fig.2(a) is a graphical illustration of the increase in the imports of textiles from the East for the period 1994 – 1998. The local textile industry suffered and many jobs were lost. The textile industry was also adversely affected by mass illegal imports and from 1996-1999 approximately 20 000 jobs were lost. (Anon 2, 2001, p.1064).

**FIG.2(a)IMPORTS OF TEXTILES IN SOUTH
AFRICA FOR THE PERIOD 1994-1998**

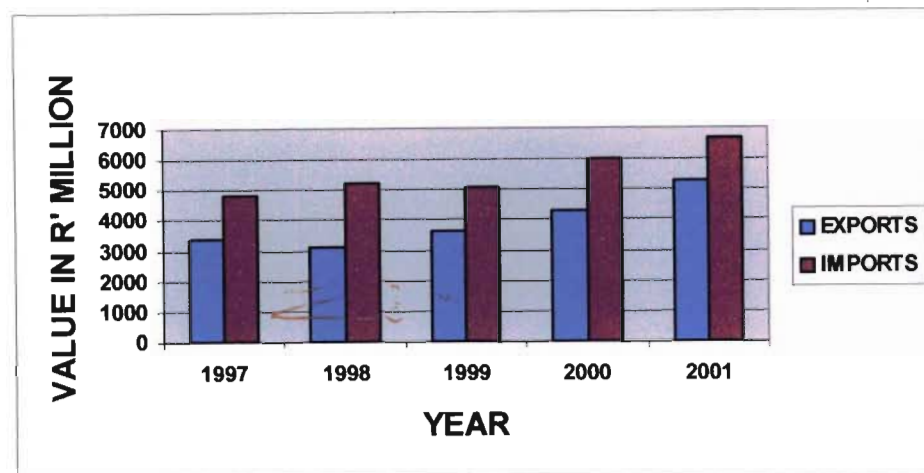


**Source:South African Customs and Excise, 1998 quoted
By Textile Federation November 1999,p.5**

Apart from its proximity, Africa is the major regional purchaser of South African manufactured goods and South African exporters seem to be venturing into this area to compensate for loss of market share to their Asian and European competitors. South Africa's exports to the rest of Africa (excluding SACU) were worth R22 billion in 1999 which signifies the healthy trade relations that South Africa has with the rest of Africa. However, South African manufacturers are vulnerable to unfavourable economic developments in neighbouring countries such as Zimbabwe, which is among South Africa's top ten markets.(Anon 8,p.16-17).

Textile federation (2002,p.1) textile trade statistics report was used to draw the graph, (Fig.2) below to illustrate the trade balance of the exports and imports of textiles and clothing in South Africa for the years 1997-2001, inclusive. This clearly shows that the imports outweighed the exports for each year. For the years 1997-2001, excluding 1999 there was between 60 percent and 79 percent higher values in imports of textiles than exports.(Anon 9,2002,p.9).

**Fig.2(b)TRADE BALANCE – TEXTILES AND CLOTHING FOR
THE PERIOD 1997-2001**



Source : Textile Federation statistical report 2002,p.1

2.4 TARIFF AND CONTROL STRUCTURE

A tariff is a tax levied on imports. The tariff usually raises the price of the product relative to domestic products. The primary purpose of tariffs is to protect the domestic producers. The government gains by imposing tariffs on products and the domestic producers gain by the protection afforded them from foreign competitors by increasing the cost of imported goods. Consumers on the other hand are those that have to pay higher prices for the imported products thus are the losers(Hill,2002,p.153).

According to Hill(2002), tariffs reduce the overall efficiency of the world economy. This being the case because a protective tariff encourages domestic firms to produce products at home at higher costs than importing them at cheaper prices. Thus consumers ultimately pay more for products than they should have had.

According to Cohen,(1989), 'protectionism is the practice of a system for defending domestic industries from foreign competition'. The South African government had to implement certain policies to restrict the importation of foreign products. In a research conducted by the ISP(Industrial Strategy Project) in 1994, Altman provides reasons

for South Africa not to clamp down on imports of textiles and clothing and not to focus only on the local market. Firstly it was found that the lack of export competition and a high degree of protection could contribute to higher input and consumer prices. Cheaper prices in the low-income market segments are necessary to meet the needs of the poorer. Secondly the market for clothing is highly segmented. The South African industry is not well equipped to meeting all the needs. Thirdly the South African market is unlikely to support sufficient growth for the South African clothing industry (Altman,1994,pp.115-116).

Initially the policies introduced consisted of a tariff and control structure whereby moderate protection was provided against normal competition and an escalating rate was introduced against what was termed the disruptive imports. This resulted in the growth in demand for woven fabrics of 150 percent between 1949 and 1981. In 1981 80% of the demand was met by local production. However there was an escalation of imports from 1988 onwards. Import controls were removed in 1989 and the level of protection was reduced. In the period between 1988 and 1993 there was a surcharge levied on all imported machinery. This hampered investments, upgrading of equipment and the introduction of new technology(Anon 7, 2002/3, pp.8-9). Many importers tried to supplement the demand by importing low cost textile products creating stiffer competition and more difficult conditions for the South African textile manufacturers to sustain themselves.

The structural adjustment programme (SAP) was introduced in 1989. This scheme offered duty-free imports based on export volumes. At the same time the General Export Incentive Scheme (GEIS) was introduced offering textile manufacturers an export incentive based on the export value. The South African government however announced the phasing out of this scheme in 1996. The SAP caused destruction to certain sectors of the textile and clothing industries. One of the worst hit was the jersey industry. The situation was worsened by the excessive dumping of textile products from the East. Much fraud and inadequate customs control was also rampant at the time (Anon 7, 2002/3, pp.8-9).

At a workshop held by the Department of Trade and Industry (DTI), it was mentioned that GEIS was phased out because many companies had made fraudulent claims. These textile companies were investigated by DTI and many had to close down because they could not survive after paying monies back to DTI (Spurway,2003).

The year 1995 saw new regulations that entailed a long term strategy whereby the tariffs on textiles was to be phased out over a period of 8 years. The textile industry was further embraced by the principles of the General Agreement of Trade and Tariffs (GATT). (Anon 7, 2002/3, pp8-9). The industry became more liberalized. This agreement provided for the promotion of global trade among the various member states (Keegan, 2002,p51) and the textile industry at the time enjoyed some protection. The South African textile industry was thus better equipped to compete internationally. To this end the industry called for over R3-billion of investment over a five-year period. (Anon 7, 2002/3, pp8-9).

At the beginning of 1997 the government and the Industrial Development Corporation (IDC) introduced the Duty Credit Certificate Scheme (DCCS). The purpose of this scheme was especially to encourage the textile and clothing manufacturers to compete internationally, independent of government subsidies (Anon 7, 2002/3,pp.8-9).

In 1999, the SA/EU Free Trade Agreement was finalized and came into operation on 1 January 2000. This agreement provided for the phasing out of tariffs on both sides provided that the exporters complied with the rules of origin (Anon 7, 2002/3, pp.8-9). This agreement between the EU and South Africa included provisions for a free trade area, financial assistance and development cooperation, trade-related issues, economic cooperation, social and cultural cooperation and political dialogue. The agreement provides for specific EU aid to South Africa of 125 million euros per year for a five-year period (Venter, 2002, p.32).

Bilateral trade agreements with neighboring countries began to play a more significant role in textiles. In August 2000 the South African Development Community (SADC) free trade agreement was concluded (Anon 7,2002/3, pp.8-9).

These agreements encouraged cross border trade either duty-free or at negotiated tariff rates applicable to Most Favored Nations (MFN).

The North American Free Trade agreement came into effect in August 1992 where all tariffs between Canada, Mexico and the United States were to be eliminated within the next 10 to 15 years. Martin's Textiles, a company that was in operation since 1910, was threatened. The plant produced cotton based clothes and employed 1500 employees. These employees were loyal and dedicated to the company and many served the company for over 20 years. Although the company had experienced strong competition from imports from the east, they still survived. However things were steadily worsening especially with the dollar's strength against many currencies. The other factor that threatened the performance of the business was the high labour costs as compared to the firm's competitors. In textiles costs are very critical to stay profitable and sustainable. Martin's Textiles had the option of moving the plant to locations where the company could source cheaper labour and inputs (Hill,2002,p.258). South African Textile firms are currently facing the same dilemma that Martin's Textiles faced. The strength of the rand, cheap imports and the high labour costs are threatening the sustainability and performance of the textile firms in South Africa.

The US Africa Growth and Opportunity Act (AGOA) came into operation on 1 October 2000. This allowed for duty free exports to the US. This resulted in a phenomenal increase in the exports of clothing, fabrics and yarns to the US (Anon 7, 2002/3, pp.8-9). AGOA, however, stipulates that any textile products imported from South Africa must be manufactured in countries belonging to the SADC group of countries and the raw material used has to be from these countries only. As per the ACT Trade report (2001,p.6), four countries accounted for approximately 80 per cent of the total US apparel and textile imports from Africa for the period January to September 2001. The four countries were South Africa (25.7%), Lesotho (21.1%), Mauritius (18.3%) and Madagascar (15.5%)(Anon 1,2001,p.6).

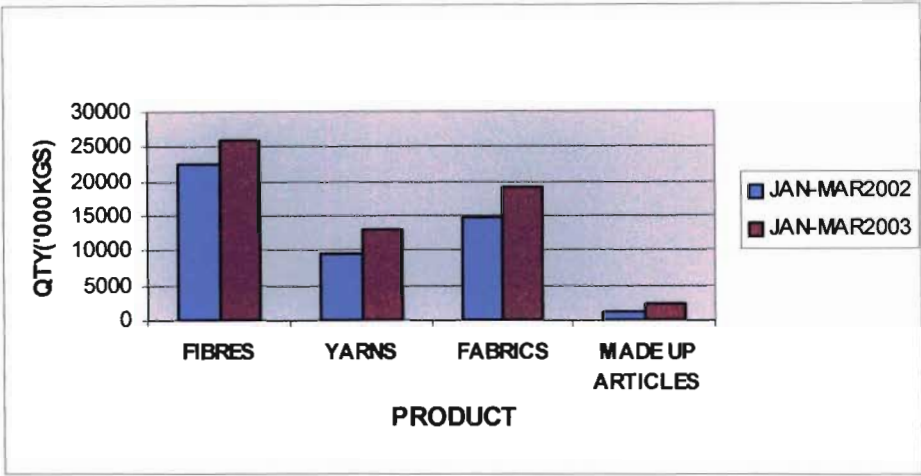
The attacks on the World Trade Centre and the Pentagon came during the New York's spring fashion week. There resulted huge cancellations on orders and Chinatown's

factories with 12000 employees were operating at 50 percent capacity. If this was the result of the attacks on the fashion show, there was bound to be a similar effect on those South African countries participating under AGOA for the foreseeable future (Anon 10,2001,p.41).

By using the statistics published by the textile federation for imports between January 2002 and March 2002 and for January 2003 and March 2003, the following graphs, Fig. 2 c (i)-(iii), were drawn (Anon 11, 2003,pp1-2). Fig.2 c(i) provides the quantity of kilograms imported for the period Jan-March for years 2002 and 2003. The figures show that for the four products, namely; fibres, yarn, fabrics and made up textiles there was an increase in year 2003 as compared to year 2002. In Fig.2 c(ii), which illustrates the value for the same products, there is an increase in value in the yarns and made up textiles. However there was a decrease in value of fibres and fabrics. Fig.2 c(iii) illustrates the average price for all the products for the respective years.

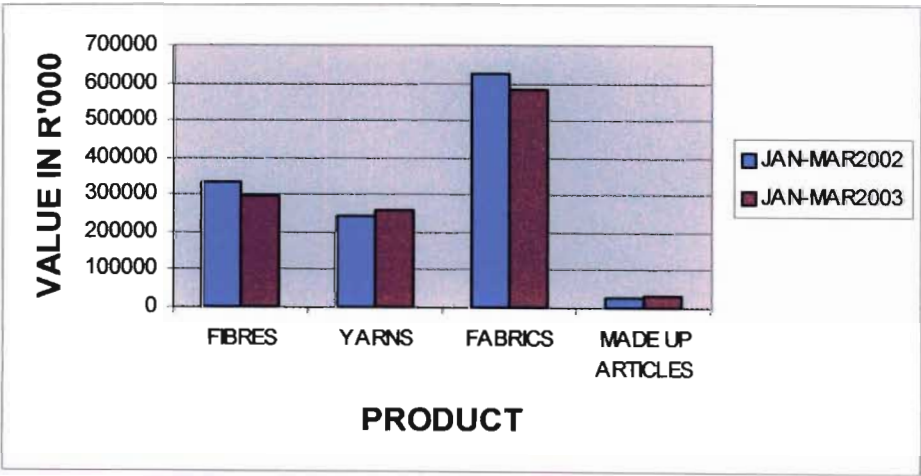
For all products there is a significant drop in average price in 2003 as compared to year 2002. This could be attributable to the fluctuation in the South African currency against the dollar. The rand was weaker in year 2002 for the period January to March. It was much stronger for the same period in year 2003. For January to March 2002 the rand was between R11.50 to R11.75 to the dollar and for the same period in 2003 it was R8.00 to R8.50 to the dollar. This constitutes between a 30% and 40% fluctuation in the rand.

Fig 2c(i) QUANTITY OF IMPORTS OF FIBRES, YARNS,FABRICS AND MADE UP TEXTILES FOR THE PERIOD JAN-MAR2002/3



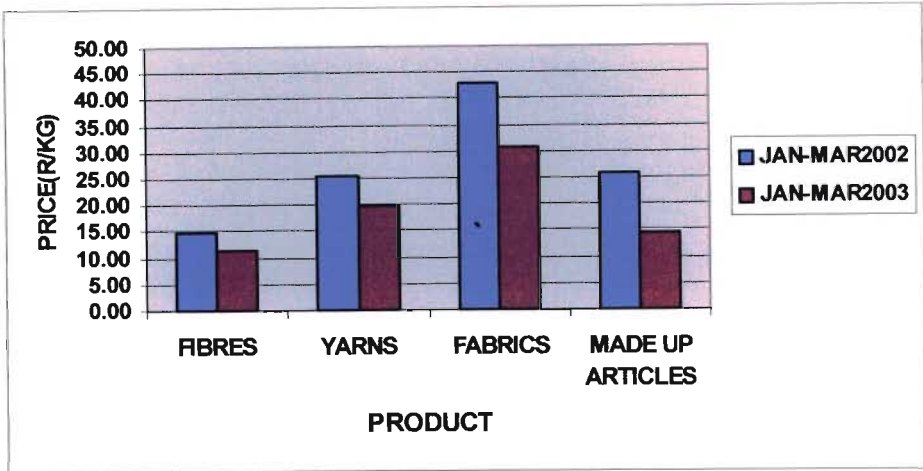
Source : Textile federation Statistics Jan – March 2003,pp1-2

Fig.2 c (ii)VALUE OF IMPORTS OF FIBRES, YARNS, FABRICS AND MADE UP TEXTILES FOR THE PERIOD JAN-MAR 2002/3



Source – Textile federation Statistics Jan – March 2003,pp1-2

**Fig. 2 c (iii) WEIGHTED AVERAGE PRICE OF IMPORTS FOR
THE PERIOD JAN - MARCH 2002/2003**



Source : Textile federation Statistics Jan – March 2003, pp1-2

2.5 COTTON

Cotton farming is not necessarily a profitable business. The area and climatic conditions have a direct impact on the crop produced. There are thus no guarantees with regard to the quantity, quality and grade of the cotton harvested. Climatic conditions play an important role on the cotton yield.

The worldwide demand for cotton determines the cotton market prices. It is also this demand that has a strong bearing on whether cotton will be grown in competition with other agricultural products. In China cotton acreage was reduced in favour of food production (Schenek, 2000,p.3). The future of cotton consumption is highly dependent on consumer demand in strong consumer markets such as NAFTA, EU, JAPAN, ASEAN AND MERCOSUR (Schenek, 2000,p.3). There is one very important factor, which could prove to be a disadvantage for cotton and that is the marketing and promotion of cotton in these large consumer markets (Schenek, 2000,p.4). Fashion and cotton yield determines cotton usage, and both are difficult predictors. Thus making the marketing and promotion of cotton very difficult.

At the International Cotton Conference in Bremen in 2000, Schenek reported that in recent years the production and consumption of cotton did not really increase. There was a stagnation of consumption. The needs of the younger consumers basically changed. They preferred brighter colours and effects. Even the jeans wear changed to new colours and lightweight fabrics. The trend of the 80's –“back to nature and natural products” was not effective for cotton consumption as expected. The absence of powerful marketing strategies for cotton products in Europe was another drawback. The price of polyester, which was in competition with cotton, was also lower (Schenek, 2000,p.5).

According to statistics provided by the Cotton Board of South Africa, cotton is the best selling fiber in the world. In year 2000 cotton accounted for 61.5% share of the total retail market for apparel and home furnishings in the US (Anon 12, 2001,p.2). This proves that cotton is, regardless of the threats mentioned, still an important force in the textile industry.

It was reported by Louw, in the magazine Cotton SA, in an article, “The Supply Chain in the Cotton Industry”, that imports of cotton yarn increased by 15 percent from 1999 to 2000. The value for the same period increased only by 6 percent. The average price per kilogram in 1998 was R20.69 and R17.29 in 1999 and R15.96 in year 2000. The average import price of cotton yarn from China in year 2000 was as low as R10.85/kg. The average price of raw cotton was around the same price. Thus some spinners thought that economically it was more viable to import the yarn than spin the yarn locally (Louw, 2001,p.5).

In South Africa many companies are supplying cotton and cotton blended yarns and fabrics in the local and overseas markets. It is imperative that the cotton procured is of a high quality to ensure a subsequent high quality premium product in the supply chain as it is a very competitive industry.

Walter Simeoni, Managing Director of Frame Textiles, maintains that the inefficiency of the government is hampering their abilities to meet deadlines. The textile industry imports about 80 percent of its cotton requirements. The department of agriculture

grants permits. If permits are not received on time, applicants could either pay the duty or wait for the permit, which could halt production. Paying the duties and claiming thereafter could result in the companies' concerned waiting from six to eighteen months to receive a rebate on duties paid (<http://www.bharattextile.com/newsitems/1982801>, April 21, 2003).

Figures were used from Cotton SA (2001) to draw the graph (Fig.4), below, to illustrate the supply and use of cotton by the various SADC countries. It is interesting to note that although 261000 metric tons of cotton was produced in Zimbabwe in 2000/2001, only 20000 metric tons were consumed and 96000 metric tons were exported (Anon 13, 2001,p.36). There seems to be a huge discrepancy between the production of cotton and the consumption of cotton in Zimbabwe. With the happenings in Zimbabwe of late many conclusions can be drawn. One could be that the figures given are incorrect or Zimbabwe could be holding huge stocks. Many writers talk about corruption and illegal deals in Zimbabwe and it may be that the cotton crop could be included in these deals.

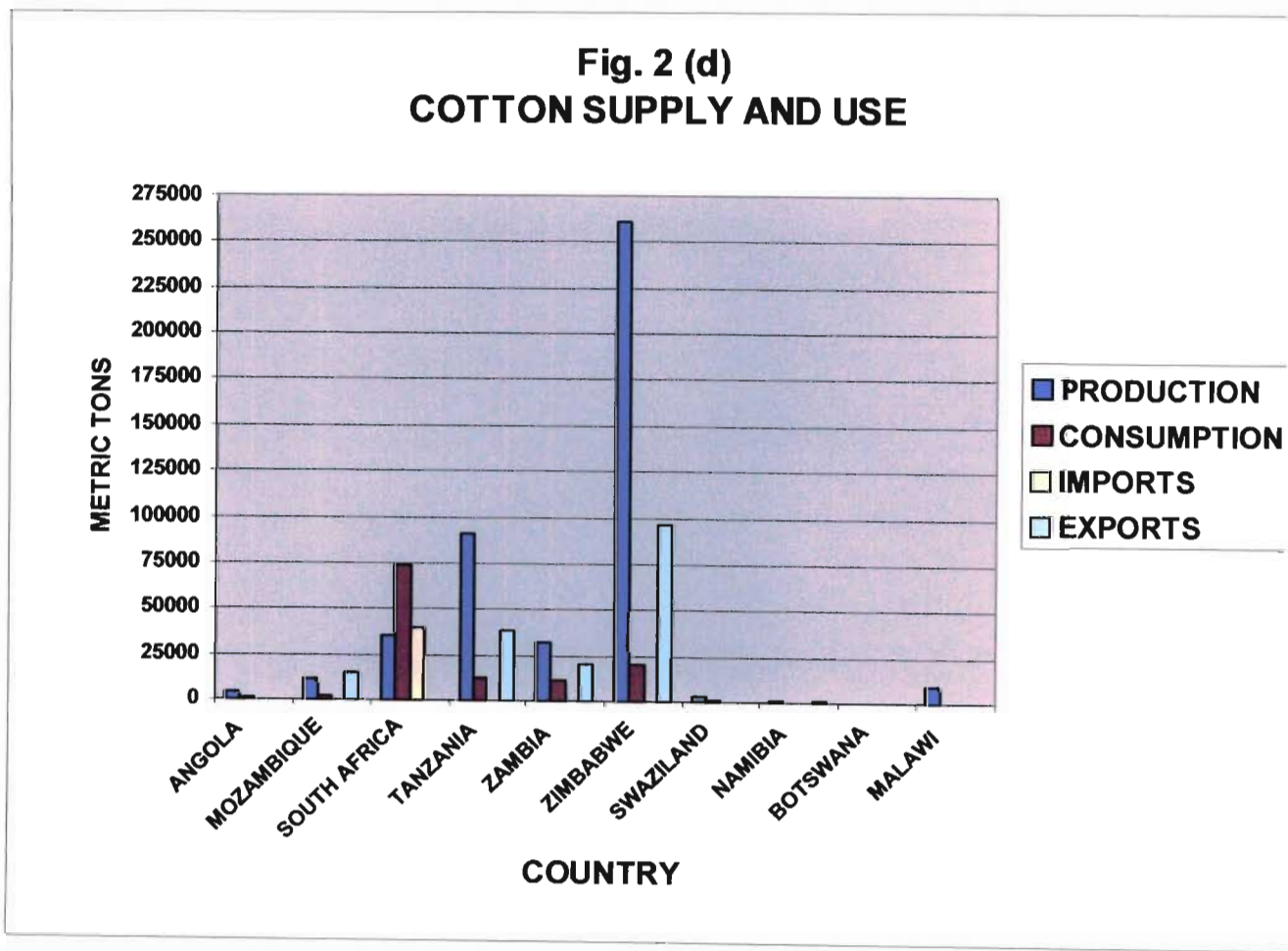
The other point of concern is that South African cotton users consume more than the supply available in South Africa. Thus they are forced to purchase from abroad. If the statistics given are correct, then South African cotton growers are under threat by the other cotton producing countries. There seems to be a surplus of cotton being grown in the other SADC countries. To qualify for exports to the US, one of the prerequisites is that the raw material used in the manufacture of textiles has to be sourced from SADC countries.

With Kenya, Madagascar, Mauritius and Lesotho being included in the AGOA Agreement many South African companies and those in Kenya, Madagascar, Lesotho and Mauritius can purchase cheaper semi finished products and export to the US (Claassens, 2001,p.37). This especially holds true in South Africa when the South African currency is strong. To be able to sustain their business many companies are forced into taking this route thus making it difficult for the manufacturers of the semi finished products. The margins in textiles are generally small hence it is difficult to make big profits. Thus firms will ultimately look at cost savings throughout the

supply chain for the firm to ensure maximum profit. This could include buying in semi-finished products which if were produced by the firm itself, would out price the finished product in the market. This could make the firm struggle to compete against the competitors or sell products at a loss. Thus, the option to buy semi-finished products would be preferable for the business to sustain itself for longer. Also semi-finished products can be brought in even cheaper when the rand is stronger thus increasing the profit margin further.

Fig. 2 (d) SADC COUNTRIES COTTON PRODUCTION CONSUMPTION, IMPORTS AND EXPORTS FOR THE PERIOD 2000/2001

Source : Cotton SA Katoen, August 2001, Vol. 4(3), p.36



2.6 LABOUR

In research conducted by Joffe et al,(1995), it was found that South African manufacturing firms had workforces that were undereducated and under trained as compared to their international competitors. Many firms were characterised by hierarchies and there was a distance between management and the workforce. The black labour through strikes and work stoppages challenged the repression and hierarchy on which the manufacturing organisations were based (Joffe et al, 1995,p44).

Although textile businesses can be very profitable in the long term they are extremely risky. Many factors contribute to the sustainability of textile enterprises. The single biggest expense is labour after raw material costs hence textiles is a very labour-intensive industry. In the year 2000 South Africa's labour cost for spinning and weaving was \$1.82/hour as compared to Pakistan and China which were \$0.37/hour and \$0.69/hour respectively (Claasens, 2001,p.7). This emphasizes the comparative disadvantage of the South African textile industry with regard to labour costs if compared to Pakistan and China.

Aids have a devastating impact on developing economies, primarily because this disease kills young and middle-aged adults in their most productive years as employees and customers. As a result this epidemic adds to companies' labour costs and slows growth rates in many developing economies. For labour-intensive industries, such as textiles, who derive competitive advantage by using low cost labour in developing economies, this advantage is eroded by the aids epidemic (Rosen et al, 2003, p.82).

The Bureau for Economic research provides figures that suggest that South Africa's Gross domestic product is 5.7 percent lower than what it should be because of the effect of aids (Anon 14, 2002/3, p.10).

2.7 DEMAND

According to Cohen (1989), the textile industry is different from other industries in that textile companies market a wide range of items both very high price articles as well as volume goods at the bottom of the price scale. However, the most important factor according to Cohen, is fashion. Other variables such as price, end-use performance and delivery are also important. Cohen (1989) maintains that demand for textile products is highly sensitive to economic conditions. When the economy of the country is healthy, then the textile industry gets a large portion of the available disposable income.

Hawkins (1997) maintains that, “a price advantage through depreciation is not without cost”. Hawkins (1997) cites the textile industry as being a case in point where imports of unprocessed materials, used as inputs for the textile industry in South Africa, pushed up costs where at the same time the industry was faced with a 44 percent tariff reduction. In an article in the September/October 1999 edition of “Pursuit”, Claasens mentions that the South African Textiles “main growth potential area lies in the development of specialized products for niche markets”(Claasens, 1999,p.57).

It was reported that clothing retail sales in April 2002 saw the biggest monthly rise in more than two years in the UK. A smaller percentage of disposable income is spent on clothing, and it is in clothing retailing that there is a high degree of discounting which curtails potential growth.

(http://juststyle.com/store/products_detail.asp?art=21717&1k=rotwn,19 March 2003).

The Proudly South African Campaign is helping to promote some South African Clothing and Textile Manufacturers. This, however, is at the expense of the local textile and clothing market. Although there is an upsurge in the demand by the US and other foreign markets for South African clothing and textiles, some South African retailers and consumers continue to favour European labelled goods to the high quality South African products (Trade Editor, 2003,p.1).

2.8 CURRENCY FLUCTUATIONS

Joffe et al (1995) place emphasis on the importance of the relationship between tariff reform, export support, supply-side policies and exchange rate policy. Failure of these interventions to work together as an overall strategy against international competition could destroy not only production capacities but could result in the loss of jobs (Joffe et al, 1995,p.52).

In a comparative study of the textile industries in Turkey and the United Kingdom some valuable information was obtained which could be an aid to the South African textile industry (Maree, 1995,p.104). Maree (1995) maintains that the creation of sustainable exports in textiles has to be built on the foundation of high productivity in the textile industry itself. This high productivity can be achieved through continuous modernisation of capital equipment through high levels of investment and training of the labour force.

Maree(1995, p.104) maintains that Turkish export performance and growth in the 1980's resulted from three pillars, namely : subsidisation of the industry, continuous depreciation of the exchange rate and keeping wages low. However these pillars eventually crumbled due to liberalisation in the world economy and trade unionism which pushed for minimum wages in the industry. Textiles and clothing industries in South Africa are the two most protected sectors in South Africa (Mainardi, 1998,p.45). According to the Bureau for Economic Research (Vol.3, 2002,p.iii), export oriented sectors in South Africa fared particularly well with the depreciation of the rand. Also, viewed from the demand side, the final consumption expenditure continued to expand at a satisfactory pace driven primarily by the comparatively solid growth in disposable income (BER, Vol.3, 2002,p.iii). The strengthening of the rand against 18 of South Africa's trading partners is a challenge for South African textile exporters. A stronger rand would make the local retailers again look to sourcing textile products from abroad and this would again put pressure on the domestic textile manufacturers. This could put the 4 000 jobs created in the textile sector in year 2002 at risk (<http://www.bharattextile.com/newsitems/1981095, April 21, 2003>).

Loubscher , T, the Chief Executive Officer of Sans Fibres, in an article in the Bharat textile news mentioned that the “The rand is strong and we believe that it is good for the country. We are trying to rise to the challenge and compete on efficiency.” Sans imports 100 percent raw materials and export almost 50 percent of the finished products. They are operating on a just-in-time basis with their customers. Loubscher also mentioned that his company had worked hard to access international markets and are trying to help in securing their market share. His comments come in the wake of the problems at the container terminal where he says that, “if the container terminal closes for two weeks his company would go out of business”(http:www.bharat.com/newsitems/1982801,April 21,2003).

2.9 SUMMARY

The literature in the research was sourced from secondary data using text, trade journals, industry publications and the Internet. The objective of the research, as was outlined previously is to ascertain whether or not the textile industry in South Africa will be able to sustain itself in the foreseeable future. The textile industry currently provides employment as well as it takes care of the clothing and textile needs of the South African consumers. However, from the research obtained from secondary sources it would appear that the textile industry is shrinking and many jobs have been lost over the past ten years.

Thus, the third chapter will be dedicated to the research methodology of this study. Owing to time constraints and difficulty in obtaining primary information on this industry, the researcher has opted to use the Delphi Technique in the research. Thus, experts in the field of textiles will be provided with a list of propositions formulated from the literature review. The propositions will be followed by open-ended questions. The questions will in certain instances not only require specific answers but will also require reasons, explanations and comments from the respective experts. Thus, these experts will ultimately provide information that, they in their capacity think would add value to this research to enable the researcher to draw conclusions and make recommendations.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1 INTRODUCTION

Based on the review of the literature in the previous two chapters, it appeared as though the South African textile industry is under threat at both macro and micro level.

Some of these factors are cheap and legal textile imports, fluctuations in the currency, demand, tariffs, government regulations and policies, labour and cotton. The objective of this research is to empirically ascertain whether the textile industry is under threat or not. As an in-depth knowledge of the textile industry is required to determine the accuracy of the relatively negative trends in the literature with regard to the South African scenario, it has been decided to conduct a Delphi study among experts in the textile industry rather than to opt for obtaining a representative sample of all people involved in the textile industry.

This chapter will consequently deal with the research problem, the research design, the sampling method and the criteria used for sample selection, the survey technique used to collect the data and the questionnaire design.

3.2 RESEARCH PROBLEM

The research problem is that “the textile industry in South Africa is under threat”. In order to establish the status of the stated research problem, secondary research was initially conducted and presented in the preceding two chapters. The secondary research was based on a literature survey of current textile journals, articles from South African textile magazines, statistics from industry reports, textbooks on international trade and marketing, the Internet and newspapers. In order to evaluate the findings of the literature survey, a questionnaire based on these findings will be empirically tested among selected experts in the textile industry.

3.3 RESEARCH DESIGN

Cooper & Schindler,(2001) describe research design as an activity and time-based plan and based on the research question. The design guides the selection of sources and types of information as well as the procedures for every research activity (Cooper & Schindler, 2001,p.134).

There are three types of research: exploratory, descriptive and causal research. This study may be considered as exploratory research given the objective of this research, which is to analyse the factors that impede or restrict the textile companies' abilities to respond to the continuous changes that are occurring in the South African Textile Industry.

Exploratory research according to Cooper & Schindler,(2001) is useful when researchers lack a clear indication of the problems that they may encounter in their research (Cooper&Schindler, 2001,p.139). It is through research of the literature that the researcher was able to develop concepts more clearly and improve the research design. The success of this research is dependent on the experts' views and opinions on the research problem, which in this case is; "The Textile industry in South Africa is under threat".

The objectives of exploration can be achieved by qualitative and quantitative techniques. Exploration relies heavily on qualitative techniques (Cooper&Schindler, 2001,p.139). In this study the researcher will be either conducting in-depth interviews with experts in the field of textiles or forwarding a detailed questionnaire to these experts. The questionnaire will be formulated through the use of secondary information from the literature review. Propositions will be made and some background information given followed by a question, which ultimately will require the respondent's comments, views, opinions or explanation. Therefore the responses obtained will be qualitative in nature.

Descriptive studies and causal studies as per Cooper & Schindler(2001), are formalised studies which are structured and have clearly stated hypotheses or investigative questions.

These formal studies serve a variety of research objectives(Cooper&Schindler,2001, pp.146-147). In this research on the textile industry in South Africa, the researcher has not made any hypotheses nor has the researcher discovered any associations among different variables. Therefore neither descriptive nor causal research will be adequate in this study.

3.4 METHOD AND SAMPLING

The basic idea of sampling is that by selecting some of the elements of the population, conclusions may be made about the entire population. In this research the population is the textile industry in South Africa. A variety of sampling designs is available. The unrestricted simple random sample is the simplest form of probability sampling. A simple random sample falls under this category. Probability sampling includes stratified sampling and cluster sampling. In probability sampling researchers use a random selection of elements to reduce or eliminate bias. Under such conditions such a selection can provide substantial confidence that the sample is representative of the population from which it is drawn. Non probability sampling is a more subjective approach to sampling and the probability of selecting population elements is unknown. In this study exploratory research is being conducted hence only certain persons will be contacted thus non-probability sampling will be applied.

The Delphi method of research was selected in order to gauge the opinions of experts in the textile industry in South Africa. The Delphi technique requires a coordinator to organize this type of research. The coordinator will be the researcher. The sample chosen for this exploratory research will be experts in the field of textiles in South Africa. The first round will consist of an initial number of participants of 30 experts. Should consensus not be reached after the first round then a second round will be undertaken. "The purpose of the Delphi technique is to elicit information and judgements from participants to facilitate problem solving, planning and decision making"(Dunham,1996,p.1). This technique is designed to take advantage of group involvement and interaction. Delphi works as an informal, subjective model when the

decisions are based on opinions. These opinions can at some point be converted to a formal model, when the data is more knowledge-based (Cline,2000,p.1).

Classified under experts will be well-informed persons involved in the textile industry for a considerable number of years. The Chief Executive Officers (CEO) or high profile Managers/Directors of textile companies, who have been exposed for a considerable time in the textile industry, can be viewed as experts in the field. Also CEO's or high profile Managers in the Clothing Retailing Sector may be regarded as experts in the field of Textiles. Prominent persons in the Department of Trade and Industry, The Textile Federation of South Africa, The Cotton Board (SA), Industrial Development Corporation (IDC), Government, The National Productivity Institute (NPI), SETA, SABS and other textile trade institutions in South Africa will be regarded as experts in the field of textiles.

3.5 DATA COLLECTION

Cooper and Schindler (2001), state that two approaches can be used to gather primary data. The one is through observation and the other is through communication (Cooper & Schindler,2001,p.295). The observation approach is not suitable for this study, as this is an exploratory study. The communication approach is appropriate as it involves the questioning or surveying of experts in the field of textiles and their responses would be tabulated and analysed. Also questioning is more efficient and economical in this case than observation. The questioning technique has its shortcomings. There may be refusal or failure to reply to the questionnaire. Some respondents may be unwilling to reply for personal reasons or the subject or topic may be intrusive. Also there may be delays in replying/responding.

3.6 PROCESSING OF DATA

The questionnaire was made up of propositions which had a write-up of information which the researcher had formulated by using the literature obtained from secondary sources. A question then followed the write-up relative to the proposition and the

write-up. The experts would then be required to answer the question and provide their views and opinions supported by substantive additional information.

On receipt of the questionnaires from the respondents the responses will be analysed and tabulated. In some of the questions the scale used to analyse the responses will be as follows: strongly agree, indifferent/indecisive, strongly disagree.

For those questions requiring lengthy responses including reasons, explanations, views and opinions, these could form part of the additional supporting information that the researcher would be looking for to add value to this study. Thus the researcher will be more equipped to make substantive recommendations and conclusions on the status of the textile industry in South Africa. It is with this in mind that the researcher undertook to use the Delphi Technique as a research method in this study. Thus the questionnaire was designed with a proposition and a write-up on the subject arriving at the proposition followed by a question. The information used to elicit the proposition came from the literature reviewed from secondary sources.

3.7 QUESTIONNAIRE

The questions in the questionnaire were open-ended, as this study requires a qualitative analysis. Open-ended questions have the advantage of respondents providing information and ideas not thought of by the researcher (Allison et al, 1996,p.82). In this exploratory study this is important to the researcher and could add value to the study. On the other hand this type of questions could bring forth-varying answers from respondents making it difficult for the researcher to analyse. The other problem that the researcher may encounter could be that the respondents could interpret the question or concept differently from that being asked making the responses difficult to analyse.

The questionnaire was based on the information obtained in the literature survey. The literature survey highlighted some clearly identifiable problem areas with regard to the textile industry in South Africa that created the opportunity to design the questionnaire with the aid of the Dendogram technique. According to

questionnaire with the aid of the Dendogram technique. According to Schutte(1998,p.1) this technique has been developed to provide practical guidelines for the application of theoretical knowledge in empirical research. The Dendogram technique links scientific principles as dealt with in methodology textbooks to the practical application thereof in empirical research. In this questionnaire each open-ended question therefore started with a proposition based on the relevant findings of the literature survey. The questionnaire consisted of 8 sections (A-H), with 28 propositions and questions. All of these questions require the respondents to comment, explain and/or give their views or opinions on the subject, thereby helping to generate more information.

The questionnaire was administered through e-mail, telephone and telefax. A covering letter was sent with the questionnaire. The contents of the letter included the purpose of the study, the overview of the questionnaire and what was required of the respondent. Each respondent was contacted telephonically by the researcher requesting permission to send the questionnaire and each respondent was briefed on what was required. Thereafter the questionnaire was either e-mailed or faxed to the respondent.

The breakdown of the questionnaire is as follows:

1. Section A - General

This section consisted of 8 propositions. This section looks at the textile industry in South Africa generally. Every industry is affected by globalisation and trade liberalisation. Thus, the experts, who are the respondents, are requested to answer questions and/or comment on the propositions pertaining to textiles in the context of both globalisation and trade liberalisation. The expert's comments on the performance of textiles relative to supply, demand, price, end use, delivery and "Proudly South African" are required as well.

2. Section B – Imports and Exports

This section deals with the imports and exports of textiles in South Africa. There are only three propositions in this section. Information obtained from secondary sources emphasizes that the South African textile industry is under extreme pressure from cheap imports. The experts are requested to answer questions, explain and/or comment on the propositions and if possible provide reasons for this calamity.

On the export side, experts are required to advise on the textile industry's ability to trade internationally and how to maintain trade internationally.

3. Section C – Labour

This section attempts to address the issue of labour and comprises of three propositions. As per information gauged from the literature reviewed the researcher found that over the past ten years many textile companies either closed down or downsized resulting in job losses. The aids academic has adversely affected the textile industry's labour complement. Thus, the researcher found that by including a section on labour in the questionnaire is pertinent to the study. The experts could add value to this study by providing input on how there perceive the labour situation in textiles. The productivity of the industry is dependent on labour and improved technology. The experts may be able to provide useful information in this regard which again could add value to the study.

4. Section D – Tariffs and regulations

This section has only two propositions, both are very important and pertain to the industry's future survival in South Africa. The comments/input of the experts are thus vital in formulating the effects of tariffs and regulations on the textile industry in South Africa. Tariffs is a contentious issue, thus the information provided by the experts' opinions are valuable to the researcher in drawing conclusions and making recommendations on this subject. Currently in 2003, with the appreciation of the rand imports of textiles and textile products has increased markedly. The experts could

provide the researcher with the reasoning behind this situation and what such a situation is doing to the South African economy.

5. Section E – Trade agreements

There are three propositions in this section. These propositions were formulated from the literature sourced from the secondary information. The impact of trade agreements on the textile industry is vital to the future survival of the industry in South Africa. Thus, the expert's comments are important in reporting on the three agreements, namely; AGOA, SA/EU and SADC. The experts may have current information and input on these agreements which could validate the information contained in the secondary information.

6. Section F – Cotton

There are 3 propositions in this section. The researcher after reviewing the secondary information found that cotton is an important force in the textile industry. It is with this in mind that the researcher found it necessary to include a section on cotton. The experts are required to comment on the status of cotton and its role in the textile industry in South Africa. In the secondary sources, the researcher found that a comparatively small amount of cotton is grown in South Africa as compared to its SADC counterparts. It is hoped that the experts may provide input on this subject so that the researcher can make informed recommendations in this study.

7. Section G – Currency Fluctuations

Three propositions are in this section. Many countries were affected in some way or order by currency fluctuations and in most cases the textile industry was worst hit. The textile experts are required to give their views on this important force pertaining to textiles. Currently in 2003 many textile companies are affected by the strengthening of the currency and the views or opinions of the experts will be useful to the researcher to formulate conclusions and recommendations on this subject.

8. Section H – Conclusion

This section is made up of two propositions and one question. The two propositions request the experts to provide their opinions and answer questions on the future of the textile industry in South Africa. The last question is in fact formulated from the research problem of this study. It is a summation of the questionnaire. The response required in this concluding section would be useful in drawing conclusions and making recommendations in this report and is vital to the researcher.

3.8 SUMMARY

This chapter outlines the research design, the research problem, the research method and sampling approach used, the approach used to collect data from the primary sources and details of the questionnaire which was the instrument used in this research.

The responses obtained after administering the questionnaire will form the basis of Chapter 4 of this research report. The title of chapter 4 is empirical findings. The responses received from the questionnaires will be analysed and tabulated.

CHAPTER 4 – EMPIRICAL FINDINGS

4.1 INTRODUCTION

In chapter 3 the breakdown of the research methodology was given. Mention was made of the data collection instrument that was to be used in conducting the research. This instrument was a questionnaire, which was formulated through the use of the information obtained in chapters 1 and 2. The questionnaire was made up of a write-up, followed by a proposition and then a question/s.

The questionnaire consisted of 8 sections viz.:

1. Section A - General
2. Section B - Imports and Exports
3. Section C - Labour
4. Section D - Tariffs and Regulations
5. Section E - Trade Agreements
6. Section F - Cotton
7. Section G - Currency Fluctuations
8. Section H - Conclusion

The aim of this chapter will thus be to provide empirical findings on the textile industry in South Africa, as experts in the field of textiles in South Africa view it. The findings of the questionnaire will be analysed. As this research is qualitative, pie charts will be used to illustrate response rates. A scale will be used to analyse some of the responses while supporting statements provided by respondents, will be listed as additional information. The questions were open ended which were advantageous to the researcher in that it allowed for the respondents to express their views and opinions freely. The respondents could also provide new ideas and information that could add value to the study.

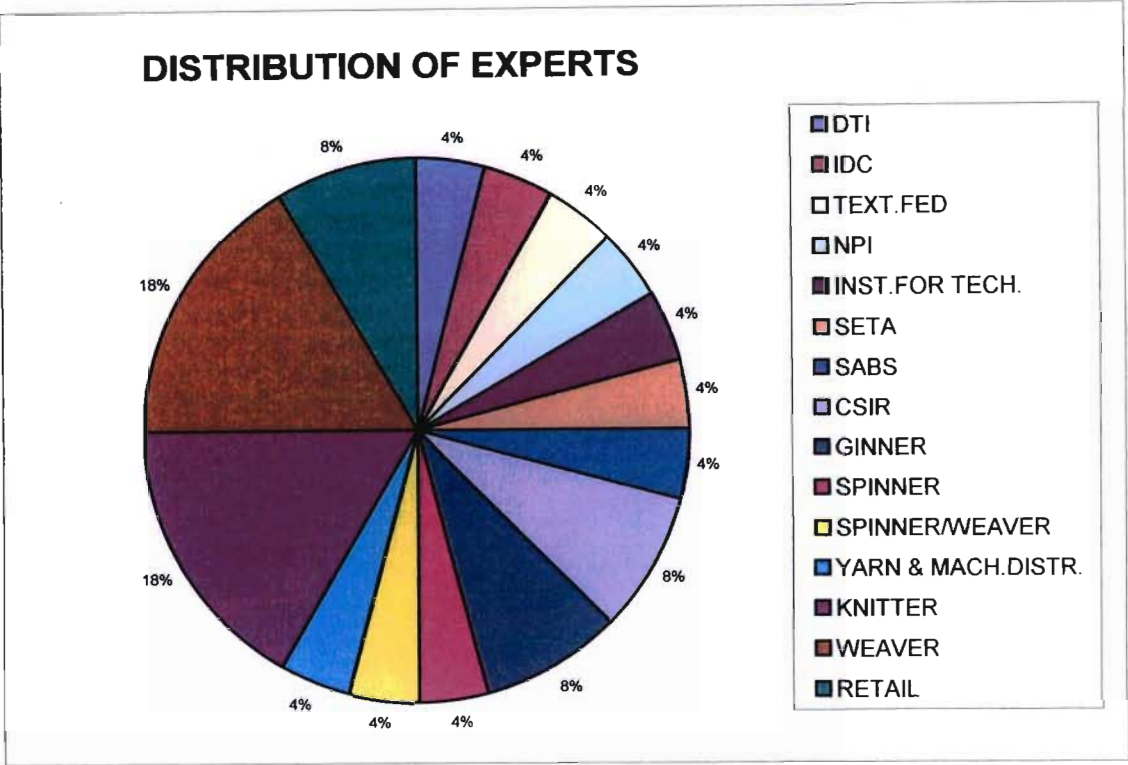
4.2 DESCRIPTION OF THE SAMPLE

The researcher opted to use the Delphi technique to conduct this study. The sample size was 30 and was made up of experts in the field of textiles. Of the 30 questionnaires sent 24 respondents replied. The response rate was thus 80%. The breakdown of the respondents is as follows: Gauteng – 7, Natal – 9, Eastern Cape – 3 and Western Cape – 5. However, due to the different areas they represent, some respondents did not answer the questionnaire in its entirety. The actual number of non-responses per question will be provided in the formal analysis of each question later. The main reason provided for non-response or non-reply by those respondents who did not reply was attributable to the length of the questionnaire and time constraints. The experts were made up of respondents from the following areas:

1. Department of Trade and Industry(DTI)
2. National Productivity Institute(NPI)
3. South African Bureau of Standards(SABS)
4. Textile Federation
5. Industrial Development Corporation
6. CSIR
7. Clothing Retail Sector
8. Knitting Industry
9. Weaving Industry
10. Yarn and Machinery Agent
11. Institute of Technology
12. Yarn Manufacturer
13. Yarn and fabric manufacturer
14. Cotton Ginners
15. Clothing, Textiles, Footwear and Leather(SETA)

The Fig.4.1 is a graphical illustration of the distribution of experts.

Fig.4.1 Distribution of experts



4.3 ANALYSIS AND TABULATION OF THE RESPONSES

SECTION A – GENERAL

This section was an introductory one outlining the general status of the textile industry in South Africa. There were 8 propositions in this section.

Proposition 1

The respondents were asked whether international competition was good for the textile industry in South Africa or not. The respondents were asked to give reasons for their answer. The scale used to analyse the responses was as follows: strongly agree, indecisive/indifferent and strongly disagree.

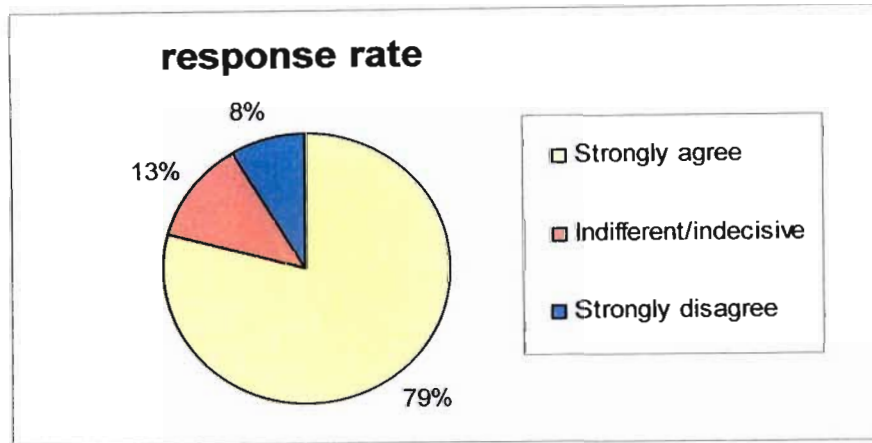
Of the 24 respondents the results were as follows:

- 1. Strongly agree - 19

2. Indifferent/indecisive - 3
3. Strongly disagree - 2

The response rate is illustrated in Fig.4.2.

Fig.4.2 – An illustration of the response rate to proposition 1



Analysis of the response

The reasons provided for agreeing to the proposition that international competition is good for the South African textile industry were as follows:

1. South African textile firms were forced to modernize and improve customer service to compete successfully.
2. South African companies were motivated to achieve international quality standards.
3. Opened export markets for South African textile companies who were not restricted to local markets.
4. Efficiency, quality and service of South African textile companies has improved.
5. It puts the South African textile industry on the global map, because the industry was isolated and protected for too long.
6. It leads to innovation and improved productivity and investment in technology that could ultimately lead to more competitive pricing and medium to long term profits.

The reason given for being indecisive is that the playing fields are not level because in some countries textiles is being subsidised while in South Africa it is not. There is unfair competition that results from the following: means of production owned by the state, subsidised commodities and no equitable labour organization.

The reasons given for disagreeing are as follows:

International competition forces the textile companies in South Africa to reduce prices to gain market share in the export market thereby reducing the margins that are resulting in lower or nil profits. Another factor is that cotton is being subsidized in a developed country such as the US making it difficult for South African cotton manufacturers to compete.

SUMMARY

It would appear that the majority of the respondents are of the opinion that international competition has contributed to the overall improvement of the textile industry in South Africa through forcing companies to improve productivity, quality and service. The majority mentions that international competition was a driver for innovation and improved technology in the textile industry in South Africa.

Proposition 2

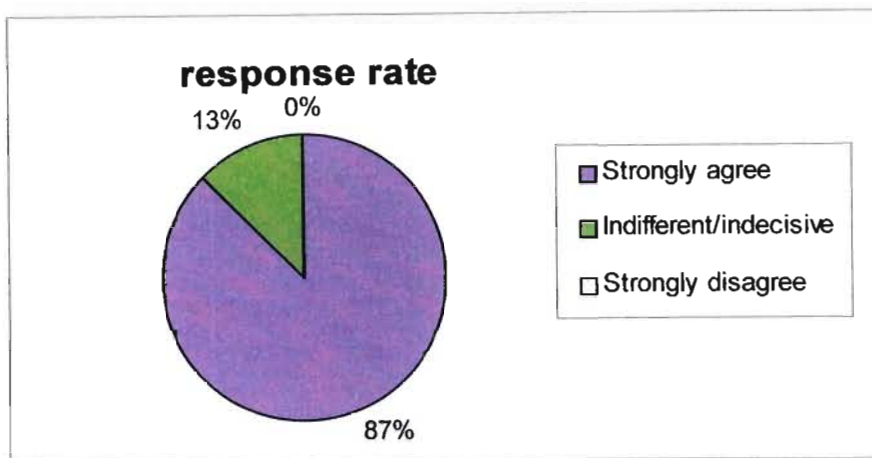
This proposition looked at niche marketing and the supply of value added products by South African textile companies as a route for the future. Respondents were asked whether or not this is the route for South African companies to embark on and the reasons for their response.

The responses were as follows:

1.	Strongly agree	-	21
2.	Indifferent/indecisive	-	3
3.	Strongly disagree	-	0

The response rate is illustrated in Fig.4.3.

Fig.4.3 An illustration of the response rate for proposition 2



Analysis of the response

Many respondents commented on South African textile companies' inability to compete against the East in the commodity markets. Commodity products (basic yarns and fabrics), are viewed by the experts as being very price sensitive. The markets are very volatile given the fluctuating currency. Thus if products are well designed and well engineered and backed up by good service they can replace part of the commodity products. However it is felt that for South African textile companies to go this route they must be flexible and able to sustain themselves given the ever changing trends and needs of their customers. Niche markets could strengthen customer supplier relationships. However niche markets are not as large as commodity markets.

SUMMARY

It would appear that the majority that is 87% of the respondents, are in favour of South African companies going the route of niche marketing and selling value added products. As per the experts most textile companies have the means and necessary resources to go this route. Many are small and flexible. However, the experts felt that this type of market is much smaller than the commodity product market in textiles. The ultimate problem will be to achieve satisfactory levels of sales volumes.

Proposition 3

These propositions deals with textile companies in South Africa having to conform to government legislative requirements and policies that are under extreme pressure. The experts were requested to provide their views on the South African government's policies on textiles.

The responses received are listed hereunder:

1. The duty on specialised yarns is too excessive.
2. The government should revise the tariff code.
3. There should be more protection against legal and illegal “dumping”.
4. Duty Credit Certificates (DCCS) are only a temporary incentive and does not match countries like China/India.
5. Areas the government should target to improve the situation are textiles are labour, exchange rates and training.
6. Tariff barriers are being reduced without compensatory remedies, as is the case in many of the competitor countries. The US subsidises the cotton farmers. In China and India the textile industry is indirectly subsidised by their governments.
7. The textile industry in South Africa is threatened with extinction and the government is not assisting this industry. The Government did not adequately train the port officials in dealing with illegal imports. The Textile Federation performed this task.
8. The government agreed to the accelerated duty phase down, without providing the local market with sufficient time to gear up.
9. The appreciation of the rand is destroying South Africa's export competitiveness.
10. The South African government policies favour the SADC and overseas suppliers at the expense of South African textile companies.
11. The DCCS have been a lifeline for many textile companies but conversely it made it possible for the imports of cheaper textile products.

12. The government needs to look at a way of introducing a kind of duty on imports to save millions of jobs.
13. The SARS and DTI should look at teaming up and introduce an incentive for reducing business taxation.
14. The South African government is too lenient on subsidised products from the East.
15. At the WTO they should take a tougher stand in order to secure more even playing fields for developing nations versus the highly subsidised nations.
16. It has been easier recently to import all textile products cheaper and at the expense of the local suppliers.
17. Lack of proper policing at our borders and ports.
18. Role-players such as Financial Institutions need to assist the government in supplementing incentives by providing lower interest rates and longer repayment terms on loans.

SUMMARY

From the responses given it would appear that the experts feel that the South African government is not doing enough to assist the textile industry in South Africa. There is consensus on the need for government to work closer with all other stakeholders in the textile industry to ensure that the industry can be sustained in the long term. The experts believe that the textile industry has contributed to the economy of South Africa and can for the foreseeable future, thus it is imperative for all stakeholders to work together to ensure its sustainability.

Proposition 4

Some writers mentioned that the textile prices in South Africa respond quickly to supply and demand. The researcher asked the experts for their opinion on whether or not this holds true for textiles in South Africa. Three experts (13%) did not respond due to having insufficient information.

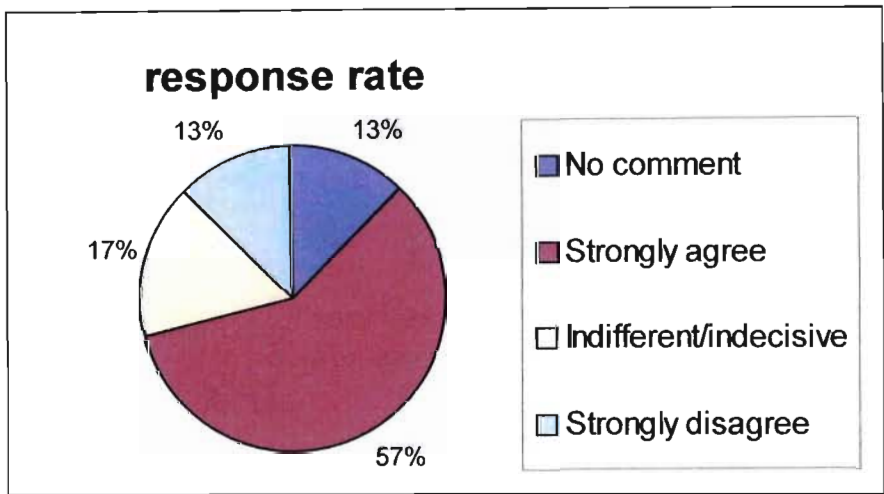
Response by Experts

The scale used to analyse the responses was as follows: strongly agree, indecisive/indifferent and strongly disagree. It was found that 3 experts (13%) felt that they were not equipped to answer. The balance of the experts responded as follows:

- 1. Strongly agree - 14(57%)
- 2. Indecisive/indifferent - 4(17%)
- 3. Strongly disagree - 3(13%)

The response rate is illustrated in Fig 4.4.

Fig.4.4 An illustration of the response rate for proposition 4



SUMMARY

Some experts maintain that textile prices are artificially high and when faced with extreme competition drop their prices. This is especially true when the South African currency is strong and it is cheaper for textile manufacturers in the supply chain to import semi-finished products cheaper. According to the experts this situation is only temporary and prevails for short periods of time. The local suppliers take advantage when the rand is strong and export their production and raise their prices in the local market. This as per the experts is a case of survival. Some experts maintain that in today’s market there is very little loyalty between customer and supplier in the textile industry as price is the prime influence in the purchasing decision. It seems to be the

overall view that market forces ultimately determine the prices in the local market. Currency fluctuations are a critical issue that most experts consider as having the greatest influence on the determination of prices in the textile industry in South Africa. Dropping of prices results in loss of revenue and lower capacity utilization. The retailing sector as per some experts experience problems due to the pressure from the manufacturing sector in the textile industry. Overall the view from the experts is that textile prices in South Africa respond quickly to supply and demand.

Proposition 5

Experts were asked whether they agreed to the proposition that, ‘trade liberalization has placed additional pressure on the textile industry’. Two experts did not comment. This represents an 8% response rate.

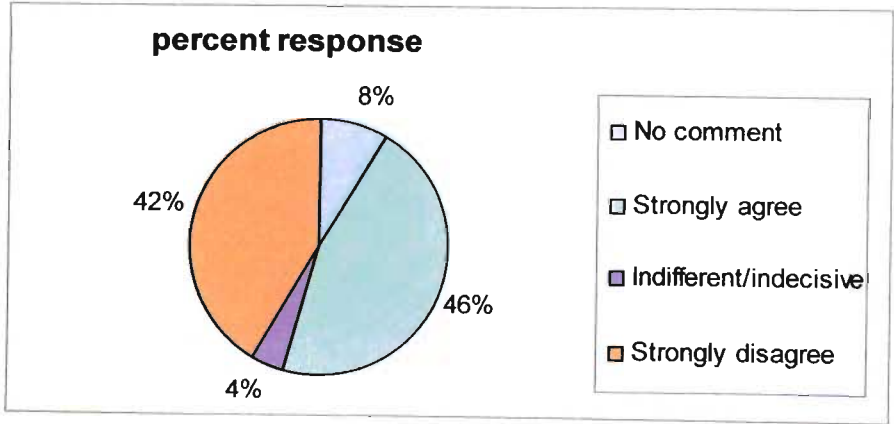
Analysis of the responses

The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The response was as follows:

- 1. Strongly agree - 11(46%)
- 2. Indifferent/indecisive - 1(4%)
- 3. Strongly disagree - 10(42%)

The response rate is illustrated in Fig 4.5.

Fig.4.5 An illustration of the response rate for proposition



Those experts that agreed to the proposition felt that the phase down time for tariff reduction was too short for many textile companies in South Africa to adjust quickly enough. The time was not sufficient for the textile companies to equip and gear themselves to compete effectively internationally. One of the prerequisites for the South African companies was to expend huge amounts of money in capital equipment that many companies could not afford in such a short time frame. With technological advancement comes retrenchments and this was one of the results of trade liberalization as per some of the experts. Unemployment in South Africa thus increased.

At the WTO South Africa was initially given a 12 year period to reduce the tariffs by 50% but the South African negotiators felt that 8 years was sufficient enough time for the phase down. Some experts believe that the South African government should have assisted the textile industry in ensuring that they could sustain themselves in the long term. Other experts were of the opinion that the phase down period should have been longer. Some experts felt that in terms of skills and training the textile companies in South Africa lag far behind the developed regions such as the US and Europe. Thus the playing fields are not level in terms of trade liberalization. The South African government as per the experts did not do enough to eradicate illegal imports and “dumping” which made it more difficult for the textile companies to compete nationally and internationally. The labour costs in South Africa are very much higher than that in the east making it difficult for the textile companies in South Africa to compete.

Those experts that felt that trade liberalization did not place additional pressure on the textile industry felt that the phase down time for tariff reduction was sufficient. The textile industry was given the opportunity to trade with the US that is the largest economy in the world duty free. Thus trade liberalization forced the textile companies in South Africa to gear themselves to take advantage of this and become AGOA compliant. The accelerated phase down was basically a wake up call for South African companies to push reform at a faster pace. Textile companies in South Africa were complacent for too long during the protectionism era and this shake up was necessary for them to become more competitive in the global arena.

These experts felt that trade liberalization is good for the South African textile industry in terms of bigger markets globally and growth potential. There have been favourable trade agreements such as AGOA and the EU agreements to aid the textile industry in South Africa. Restructuring is an ongoing process and textile companies started this process in 1995. Thus companies had more than enough time to plan and project. Some experts felt that the textile companies thus should adapt or perish.

SUMMARY

Thus it would appear that this proposition brought mixed views from the experts on trade liberalization placing additional pressure on the textile industry in South Africa. Those experts that felt it placed additional pressure attributed this to the accelerated phase down on tariffs. They were of the opinion that some companies could not afford to equip themselves in such a short period of time to be able to compete successfully in the global arena.

Those that were of the opinion that trade liberalization was good for the textile industry in South Africa, were of the opinion that textile companies were complacent for too long under the protectionism regime so needed this wake up call. They were too used to being the price dictators in the local market. Trade liberalization placed pressure on the textile industry to make them more efficient and innovative and to become globally competitive.

Proposition 6

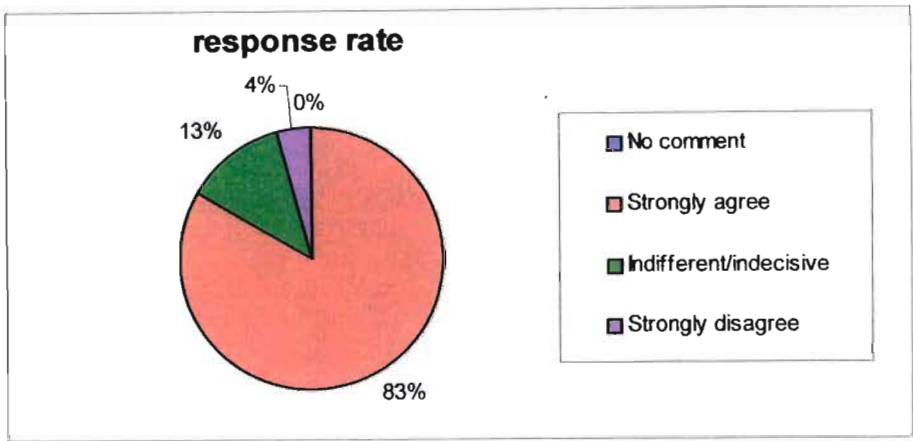
Experts were asked whether or not they agreed that price, end use, performance and delivery contributed to the long-term sustainability of the South African textile industry. The scale used to analyse the results was as follows: strongly agree, indifferent/indecisive and strongly disagree. The results was as follows:

- | | | | |
|----|------------------------|---|---------|
| 1. | Strongly agree | - | 20(83%) |
| 2. | Indifferent/indecisive | - | 3(13%) |

3. Strongly disagree - 1(4%)

The response rate is illustrated in Fig 4.6.

Fig.4.6 An illustration of the response rate for proposition 6



Analysis of the response

The overwhelming majority of experts that is 83% were of the opinion that the factors of price, end use, performance and delivery can contribute to the long term sustainability of the South African textile industry. Some experts mentioned that to achieve this, the industry should contract and go the niche market route as opposed to totally the commodity market route. Other experts felt that whilst it may be difficult to compete on price, quick turn around time and good service level could compensate. This then could give the textile companies the edge in competition.

In addition to these factors some experts felt that efficient control of legal and illegal imports will also enhance the sustainability of the South African textile industry. The textile companies will have to be flexible and quick to change given the changing needs of the consumers globally. The other crucial contributor is a skilled labour force where government should assist in this regard. One expert felt that continual innovation of product lines could contribute to the sustainability of the textile industry.

Those experts with mixed views felt that the culture in the textile companies must change from production targets of quantity to quality and look at ways and means of

being more productive. They felt that distance from world markets was another problem that could affect the sustainability and the costs thereof for textile companies to compete against their cheaper competitors.

SUMMARY

In summary the majority of the experts viewed price, end use, performance and delivery as contributors to the long-term sustainability of the South African textile industry. Those however were not the only factors. The other factors that they felt could contribute were service level, flexibility, quick turn around, skilled labour force and more efficient control of legal and illegal imports.

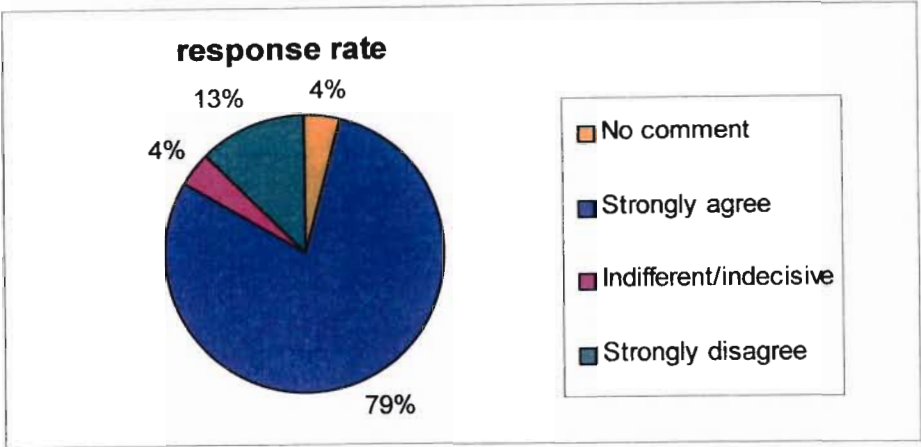
Proposition 7

Experts were asked whether the slogan, “Proudly South African” is a good marketing tool for the future. One expert (4%) did not have sufficient knowledge to comment. The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The response was as follows:

- | | | | |
|----|------------------------|---|---------|
| 1. | Strongly agree | - | 19(79%) |
| 2. | Indifferent/indecisive | - | 1(4%) |
| 3. | Strongly disagree | - | 3(13%) |

The response rate for proposition 7 is illustrated in Fig.4.7.

Fig.4.7 An illustration of the response rate for proposition 7



Analysis of the response

The majority (79%) of the experts was of the opinion that the slogan is a good marketing tool for the textile companies in South Africa. Some experts feel that it is good for the local markets but may be difficult to penetrate international markets. Other experts feel that together with established brands of textile products in the local market, the slogan could serve as a barrier to entry for other similar products. Some experts maintain that it should not be the only tool used for marketing South African textile products. The slogan should ensure that South Africans from government departments, Quasi government, political parties etc. all support this scheme to ensure its success. Some experts feel that the slogan should be marketed better locally to make the South African public and consumers aware of the benefits of buying South African textile products.

Those that did not agree with the proposition are of the opinion that although it may be a good way of promoting South African textile products, consumers will purchase according to their needs and what they can afford and not necessarily South African manufactured textile products. According to one expert it would create a ‘marketing myopia’.

SUMMARY

The majority of experts are in favour of the slogan being a good marketing tool for the South African textile industry. However it should not be the only tool used to promote South African textile products. The slogan should be accepted and marketed by the local South African manufacturers, retailers and consumers and then penetrated into the other markets in the world. There are two factors that could negate this marketing tool in textiles and they are the purchasing decision based on price and the need (taste) of the user.

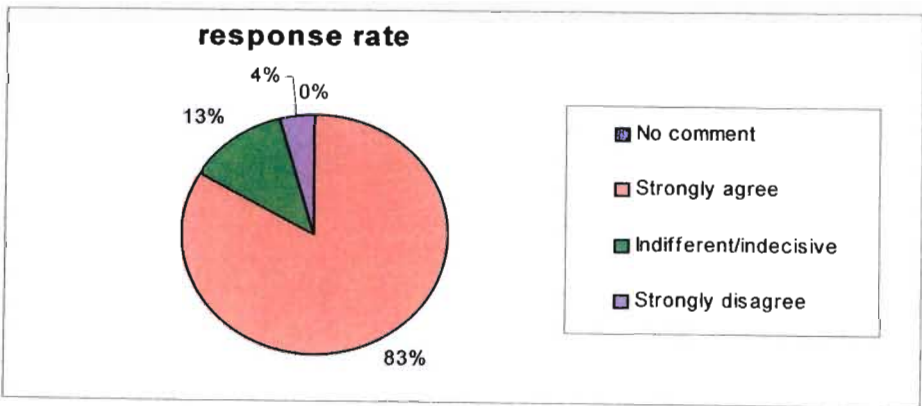
Proposition 8

This proposition concluded this section of the questionnaire. The question asked was whether or not the experts agreed with the proposition that the textile industry in South Africa will be a major employer and contributor to the South African economy in the foreseeable future. The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The response was as follows:

- 1. Strongly agree - 6(25%)
- 2. Indifferent/indecisive - 5(21%)
- 3. Strongly disagree - 13(54%)

The response rate for proposition 8 is illustrated in Fig. 4.8.

Fig.4.8 An illustration of the response rate for proposition 8



Analysis of the response

The response rate is indicative of convergent views received from the experts. It would appear that 54% strongly disagree that the textile industry in South Africa will be a major employer and contributor to the South African economy in the foreseeable future. Some of the reasons given for their disagreeing are:

1. The textile industry is becoming less labour intensive and more automated shedding jobs in the process.
2. Many textile companies have to retrench or restructure to be able to compete with cheap imports thus reducing their contribution to the South African economy.
3. The strong rand makes it virtually impossible for textile companies to export. Those textile companies that do export sell their products at cost or lower. Thus their overall contribution to the economy drops.
4. On average every one job sustains 4 persons and with automation shedding of jobs in textiles will result. This is thus detrimental to the economy.
5. The pending removal of quotas on apparel goods that would enter the US in post 2004 will seriously impact on the South African textile manufacturers' ability to compete with the east.
6. The wage rates and productivity levels of South African textile companies relative to other nations are not competitive.

Those experts that agreed to the proposition substantiated that in the short term with the restructuring and high tech and automation route as well as value added products route the textile industry in South Africa will suffer in the short term but could benefit in the long term. Some experts maintain that while the textile sector may be capital intensive the clothing sector is still labour intensive and have provided thousands of jobs in the past and will continue to do so in the future. Other experts feel that as long as there is a need to clothe there will always be a textile industry in South Africa. The difference may be that fewer people may be employed in the traditional textiles but more people will be indirectly employed in new fibre processing like flax and hemp that will be coming on steam soon. The textile industry is still a contributor to the

economy but by how much may be difficult to envisage at this moment in time. The textile industry will be able to maintain its contribution if they target niche markets and sell value added products. They can also take advantage of the beneficial trade agreements such as AGOA and EU.

SUMMARY

The experts had very divergent views on the contribution of textiles to the South African economy in the foreseeable future. Substantive reasons were given for the opposing views. Ultimately both parties foresee some contribution towards the economy. The researcher is of the opinion that more experts should be consulted to re-examine this proposition.

This section of the questionnaire covered the overview of the textile industry in South Africa.

SECTION B – IMPORTS & EXPORTS

This section deals with the issue of imports and exports of textiles in South Africa.

Proposition 9

This proposition requested the views of experts on the effect of imported textile products on the local manufacturers in South Africa. One expert (4%) did not respond. Fifteen experts (67%) felt that imported textile products will have a negative effect on the South African textile industry and the South Africa economy. Their reasons are listed as under:

1. Imported textile products have a detrimental effect.
2. Imported raw fibres attract a higher duty than the finished garment of the same fibre, which indicates an imbalance in duties, charged on textiles in South Africa.

3. An imported textile product quite simply replaces the same number of such products manufactured locally.
4. Textile imports are destructive to the local industry. DCCS are used only to increase profits and are not passed on.
5. Imported textile products resulted in the closure of some textile companies in South Africa.
6. Local manufacturers are becoming hard pressed to compete.
7. Local textile manufacturers lose market share.
8. Imported textile products are having a negative effect on the local businesses resulting in job losses through retrenchments. An example given by an expert is that to print a nylon non-woven fabric it costs a local manufacturer R7.00 per metre. An agency is selling imported nylon printed fabric to the local consumers at R5.00 per metre.
9. The legal textile imports do not seem to be as much a problem as illegal imports or “dumping”.
10. If imported textile products are not managed properly they will have a massive impact on the local textile industry and then on the South African economy as a whole.
11. Imported textile products that come in illegally are ruining the South African textile industry.

The balance of seven experts (29%) felt that imported textiles would have a positive effect on the local textile industry. Their reasons are listed as follows:

1. South African textile companies cannot produce in all the needs of the South African markets themselves, hence there will always be a need to import. Duties are supposed to protect the local industry but only apply to legal imports. Illegal imports meanwhile are not properly controlled.
2. DCCS should be regarded as a bonus and not a source of profitability.
3. It brings us in line with world trends.
4. In the world of international trade imported textile products in countries across the globe is a fact of life.
5. Only if the imported textiles are brought in legally.

6. No country can be self sufficient in all types of fabrics and yarns hence there will always be imports. China imports 50% of their fabrics for their finished garment exports. The South African fabric manufacturers currently cannot fulfil the total needs of the retailers hence some percentage of fabrics has to be imported to satisfy the consumer needs.
7. The effect of imported textiles is beneficial to the local industry provided the products are imported legally.
8. It has a positive medium/long term effect and encourages local manufacturers to adopt world class manufacturing principles to compete internationally.

SUMMARY

The connotation of the responses received proves that the majority, that is 67% of the experts, is of the opinion that imported textiles have a negative effect on the local textile industry. They provided reasons for this stance. The balance of 29 % maintains that imports have a positive effect on the textile industry provided that the imports are legal. They further maintain that the local textile industry is not self-sufficient and will be reliant on imported textile fabrics to meet consumer demand given the ever-changing needs.

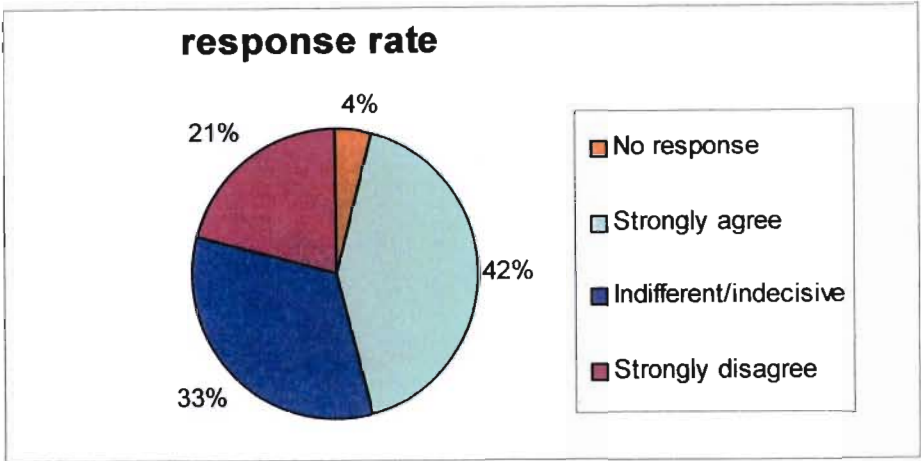
Proposition 10

The experts were asked whether they agreed with the proposition that South African textile companies were well equipped to compete internationally. One of the experts did not respond (4%). The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The responses were as follows:

1.	Strongly agree	-	10(42%)
2.	Indifferent/indecisive	-	8(33%)
3.	Strongly disagree	-	5(21%)

The response rate is illustrated in Fig.4.9.

Fig.4.9 An illustration of the response rate for proposition 10



Analysis of response

The response rate indicates that 42% of the experts are inclined to believe that the South African textile industry is well equipped to compete internationally. This, as per the experts, can be attributed to the companies having invested in capital equipment. Many companies have, over the past years, replaced obsolete machinery with latest state of the art automated machinery. This promotes the manufacture of high quality products. Thus many textile companies in South Africa can compete with world class manufacturers. The major stumbling block to international competition is the rand/dollar exchange rate that negates the benefit when the rand is strong.

Newer, faster and differing machines are available to the South African textile industry. This new machinery assists the textile companies in the manufacture of high quality products. Thus they can compete with their world class manufacturers.

Some experts were indecisive (33%). They mention that the status differs from company to company. Thus their view is that some companies are well equipped to compete while others are not.

The balance of the experts (21%) was of the opinion that textile companies in South Africa were not equipped to compete internationally. The main reason for this view is

the effect of the currency. Imported products come in cheaper when the Rand is strong making it difficult for the local manufacturers to compete locally and to export.

SUMMARY

This proposition has varied views on whether South African textile companies are well equipped to compete internationally. The majority of the experts are of the opinion that they may be competitive given their upgraded equipment, but the other factors such as high labour and raw material costs and the strong Rand negates the ability to effectively compete internationally.

Proposition 11

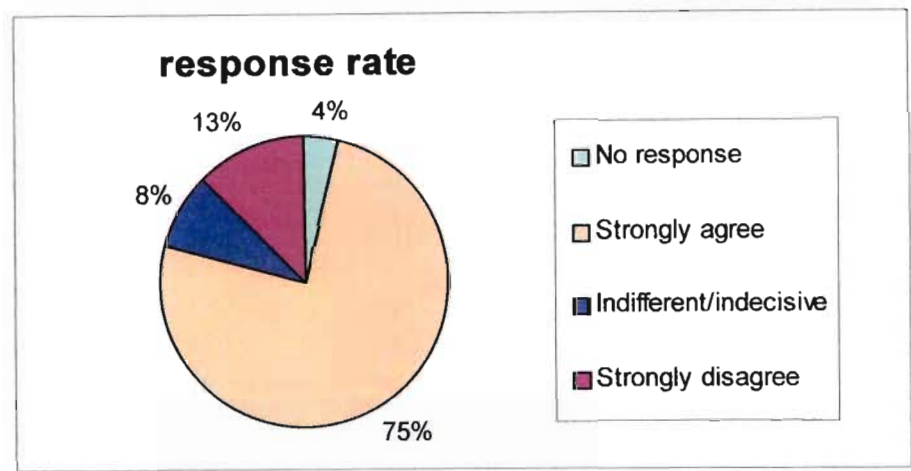
This proposition required the experts' views on whether or not South African textile companies have the infrastructure to go the route of specialised products for niche markets. One expert did not respond (4%). The scale used to analyse the other response was as follows: strongly agree, indifferent/indecisive and strongly disagree.

The analysis of the responses was as follows:

1.	Strongly agree	-	18(75%)
2.	Indifferent/indecisive	-	2(8%)
3.	Strongly disagree	-	3(13%)

Fig.4.10 is an illustration of the response rate.

Fig.4.10 An illustration of the response rate for proposition 11



Analysis of response

The majority of experts that is 75% agree that South African companies have the infrastructure to go the route of specialised products for niche markets. Many of the experts view this route as one that could mean survival for many South African textile companies. Some experts maintain that with the modernisation of their equipment South African textile companies are flexible and it would be easier to make specialised products for niche markets. This route if taken can be very profitable in the long term both for sustainability and survival.

Some companies have gone this route and are doing well given the strong Rand. An example given is Gelvenor Textiles, a manufacturer of aeronautical, bulletproof vest fabrics and geo fabrics. The company is thus reaping the fruit of this strategy.

The majority of the experts are of the opinion that with the high labour costs South African textile companies cannot compete with basic/commodity products against the Eastern nations hence niche markets is the way to go. Pursuing only commodity products would thus be a wasted effort by South African textile companies.

Another reason for going the specialised product route is the skills of technologists, designers and specialists in South Africa. South African textile companies do have the technology and infrastructure.

Some experts (13%) do not agree that South African textile companies should go the niche market route. The main reason for this is that niche markets are much smaller than commodity markets thus spare capacity will result. They maintain that not all companies have the ability to become specialised.

SUMMARY

The overwhelming majority of experts view the specialised product and the niche market route the way forward for textile companies in South Africa. This they maintain could mean the ultimate survival of the industry. Others feel that these products should be produced in conjunction with commodity products to maximise the industry.

This then concludes the section on imports and exports. The experts feel that imports will come into the country all the time and this is a fact of life. Over the years many textile companies invested in capital expenditure thus ridding themselves of old and obsolete machinery contributing to their ability to compete in the global arena. Therefore many of the textile mills have the infrastructure to compete with their world class competitors. The high labour costs and procurement of raw material at international prices will still be a stumbling block to the textile companies to compete effectively internationally.

As per the experts certain local textile manufacturers will always import certain of their products to cater for the specific needs of the consumers to achieve customer satisfaction. Exports will also continue but the volumes will be ruled by the strength of South African Rand.

SECTION C - LABOUR

Many researchers and writers have mentioned that the cost of labour in the textile industry in many countries of the world is much lower than that of the textile industry in South Africa. Thus the experts were provided with propositions and questions pertinent to the labour situation in the context of the South African textile industry.

Proposition 12

The proposition dealt with the Aids issue and requested the opinion and views of the experts on the effect of this pandemic on the textile industry.

Of the 24 respondents 2 did not respond to the question on Aids and its effect on the textile industry. The rest of the experts feel that this pandemic will detrimentally affect the labour force of the textile industry. Some experts maintained that over the past two years or so absenteeism, medical boarding and sudden deaths in many textile companies could have been as a consequence of this epidemic.

The experts are of the opinion that this epidemic is a threat to the skilled labour force in textiles. Thus the costs of retraining and recruiting will escalate. These could tap on the financial resources of companies and could ultimately affect the sustainability and profitability of textile companies. However with many textile companies moving from labour to capital intensive many may not have such a big problem as the clothing manufacturers. The clothing manufacturers are labour intensive and could be greatly affected. Training and skills development in the textile industry, according to the experts, should be backed by government to ensure that this industry is sustained taking into account the industry's contribution to the South African economy.

The experts mentioned that many textile companies have embarked on training and awareness programmes in educating the labour force on this epidemic. The experts feel that if managed correctly at industry level the effects of this epidemic can be minimised.

Proposition 13

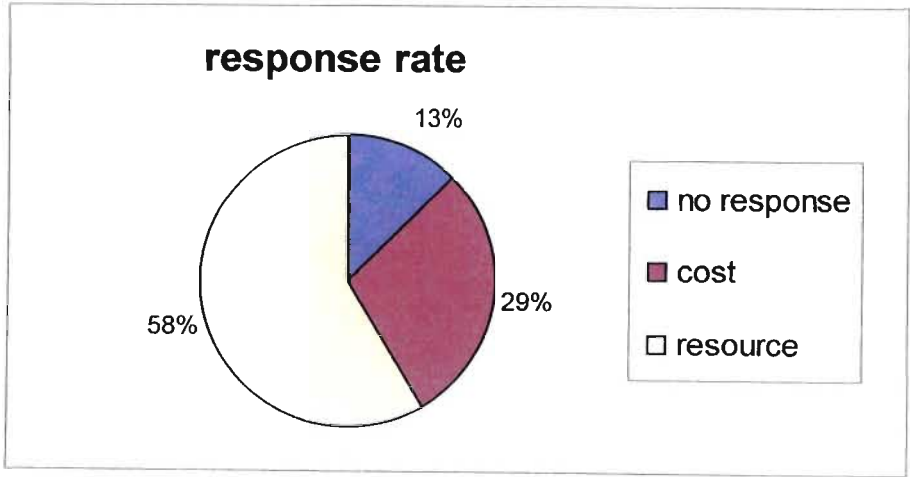
This proposition deals with high productivity being a contributor to the sustainability of the textile industry in South Africa. All experts (24) are in agreement with the proposition that high productivity will contribute to the sustainability of the textile industry in South Africa.

The experts maintain that this high productivity in the textile industry can be achieved through modernization of equipment, competitive access to raw materials, cost competitive labour force, continuous training of the labour force and some government intervention to level the playing fields. The sustainability is also dependent on the balance between supply and demand.

Proposition 14

This proposition gauged the views of the experts to establish whether they regard labour as a cost or resource in the textile industry. Three of the respondents (13%) abstained from responding. Seven of the respondents (29%) felt that as long as you outlay funds labour is a cost. Fourteen of the experts (58%) felt that it was a resource. Fig.4.11 illustrates the response rate for this proposition.

Fig.4.11 An illustration of the response rate for proposition 14



Analysis of the response

Thus it would appear that the majority of the experts felt that labour was a resource. The reasons given for their choice of labour being a resource is as follows:

1. Can create and machinery cannot thus labour is a resource.
2. Must be used effectively.
3. Can become a cost when it is exploited or neglected.
4. It needs to be managed just like all other resources used in business.
5. It comes at a price and is managed by unions.
6. When it is a delivery of excellence.
7. It is a costly resource.
8. If treated as a resource can provide improved performance.
9. Unskilled labour is a cost and skilled labour a resource.
10. When it is regarded as sophisticated labour.

SUMMARY

From the above analysis it would appear that the majority of the experts agree that labour is a resource and not a cost. Some maintain that it is a cost of production.

This section covered the labour issue in textile companies and the majority of the experts felt that our labour costs are much higher than our competitors. Mention was made that the textile industry is capital intensive while the clothing industry is labour intensive. The issue of aids brought out the subject of continuous retraining and recruiting which could be costly in the long term. Also it could affect the textile industry negatively.

SECTION D – TARIFFS AND REGULATIONS

This section looks at the pro's and con's of tariffs and regulations pertaining to the textile industry in South Africa.

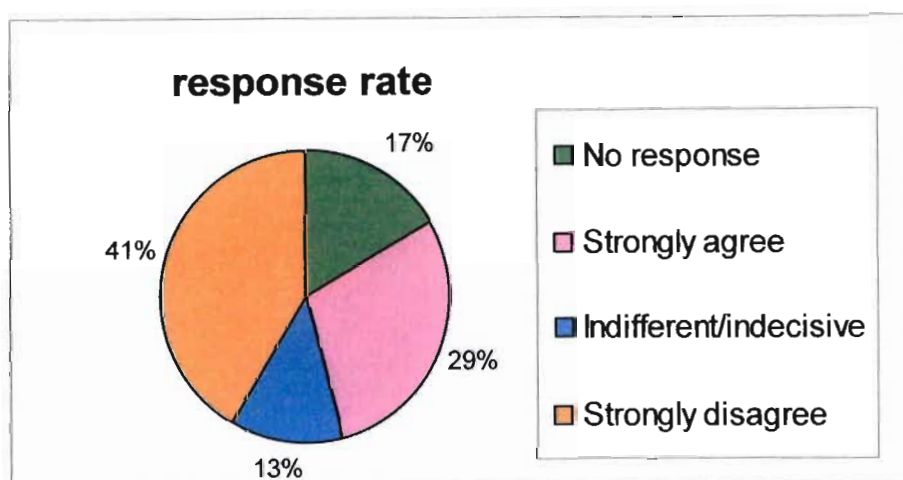
Proposition 15

This proposition required the experts to indicate whether they agreed with the accelerated tariff reform program or not. Four experts (17%) did not respond. The scale used to analyse the responses was as follows: strongly agree, indifferent/indecisive and strongly disagree. The results were as follows:

- | | | | |
|----|------------------------|---|---------|
| 1. | Strongly agree | - | 7(29%) |
| 2. | Indifferent/indecisive | - | 3(13%) |
| 3. | Strongly disagree | - | 10(41%) |

The response rate is illustrated in Fig.4.12.

Fig.4.12 An illustration of the response rate for proposition 15



Analysis of the response

Ten out of the 24 experts are of the opinion that the accelerated tariff reform was not good for the textile industry. The textile companies needed more time to grow their competitive structures to compete internationally. The phase down encouraged restructuring and updating of equipment for survival by textile companies but at the expense of labour. Many jobs were lost during this phasing down period.

Other experts were indecisive as they were of the opinion that there were other external market forces and the fluctuations of the rand that were also factors that

negatively affected the performance and sustainability of the textile industry in South Africa.

The seven experts that did agree with the accelerated tariff reform felt that by doing this the textile companies were forced to react. In so doing the South African textile companies were galvanized to undertake long term strategic planning to sustain themselves in the long term. The companies had to very quickly adjust their business to match global standards. Thus many companies looked at obtaining ISO 9000 accreditation.

SUMMARY

This proposition received divergent views from the experts. However a greater number of experts felt that the accelerated tariff reform program was not good for the textile industry in South Africa. Companies had to expend funds in capital expenditure to equip them for international trade and the time required was longer than the phase down period. The seven experts that agreed with the phase down period for tariff reform felt that for companies it was a case of “swim or sink”. They had really no option but to do whatever it takes to ensure that they survive by adjusting quickly to a status of reduced protection in South Africa.

Proposition 16

Two questions were formulated from this proposition. The first requiring experts to state whether they were in agreement or not that tariffs can encourage local firms to purchase locally manufactured products. Two experts did not respond. Ten were in agreement. Seven did not agree and five experts were indecisive. Those who did not agree with the proposition felt tariffs could contribute to complacency, laziness and inefficiency among textile companies in South Africa.

The second question looked for the views of the experts on the tariff structure applied in South Africa pertaining to textiles. For this there were differing views. However the majority felt that tariffs should be applied in such a manner that it stamped out

illegal imports or “dumping”. Countries such as China, Pakistan and India should have anti dumping duties applied on them. Some experts felt that the tariff structure is burdensome and inadequate. Tariff structures as per some experts should be in line with the government policy.

In South Africa as in any country in the world there will always be imports of textile products to supplement the local industry. However the imports should be adequately controlled thereby minimising or eradicating illegal imports of textile products in South Africa. Tariffs should be at a level that it still encourages competition between South African textile companies and those in the rest of the world.

SUMMARY

This section covered tariffs and regulations. The responses of the experts indicate that there is a great amount of illegal imports entering the country. The tariffs that are in place are thus not adequate enough to stop this kind of activity that is killing the local industry. As long as the borders to free trade are open it would be difficult to totally end illegal imports.

Tariffs that are in place must be in line with government policy and must be effectively managed. As long as the textile product is what they are looking for and at the right price many consumers will buy the product irrespective of whether it is a local manufactured product or an imported one. Thus tariffs on textile products will not always protect the local industry.

SECTION E – TRADE AGREEMENTS

The propositions in this section are very general to some of the trade agreements existent in South Africa and pertinent to the textile industry.

Proposition 17

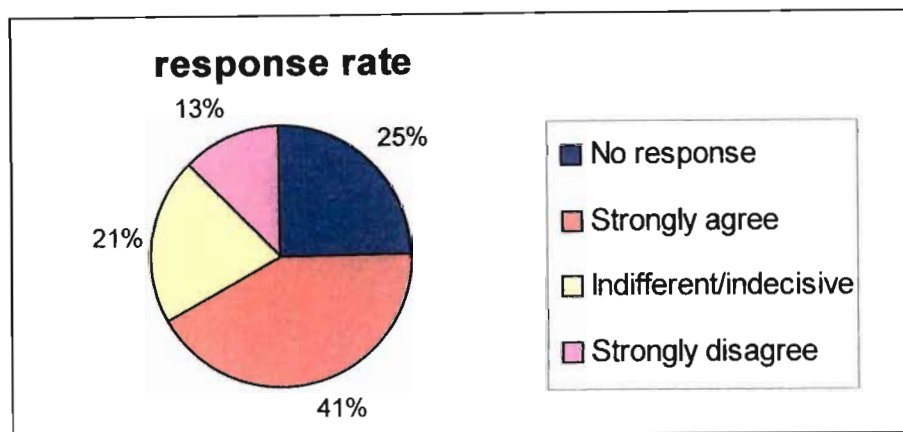
The proposition required the views of the experts pertaining to the future of textiles relative to the SA/EU trade agreement. Six experts (25%) did not respond, as they

were not familiar with this trade agreement. The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The results of the analysis was as follows:

1. Strongly agree - 10(41%)
2. Indifferent/indecisive - 5(21%)
3. Strongly disagree - 3(13%)

The response rate is illustrated in Fig.4.13.

Fig.4.13 An illustration of the response rate for proposition 17



Analysis of the response

Ten experts (41%) felt that this agreement would benefit the textile industry in the long term. They view this market as more stable than the US market. There exists a potential for a massive market for South African textile companies. Some experts maintain that there is a “window of opportunity” in the European countries. This market could stimulate the South African textile industry.

The three experts (13%) who disagreed that the SA/EU would benefit the South African textile industry were of the opinion that the cost of textile products reaching these markets would be at a level where negative profit will result. The textile companies ultimately would be competing directly with the east and countries such as Turkey and China. These countries have been accepted and have entrenched themselves in this market making it virtually for a country like South Africa to gain entry. The other negative factors that prevent South African textile companies from

entrance are the price levels of products that will be much higher than their counterparts due to the raw material, labour and transportation costs.

Those experts (21%) who were indecisive felt that South African textile companies could benefit from the agreement but this benefit will not be sustainable in the long term. Documentation required for the export of textile products is too cumbersome hence many exporters are unwilling to take advantage of the opportunities offered. Some experts maintain that worsted wool products did benefit from this agreement. Hence the agreement would benefit niche and value added products but not commodity products. The concern by these experts was the volatility of the South African Rand and this they felt could be a major contributor to the benefit of this agreement.

SUMMARY

It would appear that there are mixed views from the experts on whether or not the SA/EU agreement could benefit the South African textile industry. The feeling is that it would be beneficial for niche and value added products. However commodity products if marketed cannot be sustained, as these products would compete directly with those textile products from the East and Turkey. The volatility of the South African Rand will be a major determinant of the long-term sustainability of the European market.

Proposition 18

This proposition required the experts to state whether they agreed with the statement that the SADC agreement would jeopardize the South African textile industry.

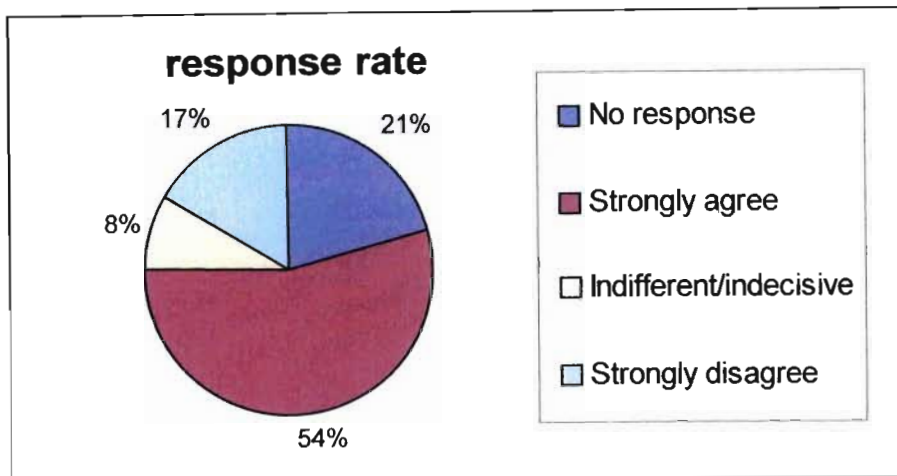
Five experts (21%) did not respond. The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree. The results were as follows:

- | | | | |
|----|------------------------|---|---------|
| 1. | Strongly agree | - | 13(54%) |
| 2. | Indifferent/indecisive | - | 2(8%) |

3. Strongly disagree - 4(17%)

The response rate was illustrated in Fig.4.14.

Fig.4.14 An illustration of the response rate for proposition 18



Analysis of the response

Thirteen experts felt that the SADC free trade agreement would jeopardize the textile industry in South Africa and provided the following reasons for their belief:

1. Lack of efficient customs control on South African borders resulting in the entry of illegal textile products into South Africa. Thus “dumping” results.
2. The availability of good quality raw material cotton at cheaper prices with no additional transportation costs in SADC countries makes it difficult for the South African textile companies to compete.
3. Direct investment into these countries instead of in South Africa due to cheap labour and access to raw material.
4. Less stringent legislation making it easier for back door dumping and movement of textile goods into South Africa reducing the local market share of textile manufacturers.
5. Encourages the movement of South African textile businesses with a view to accessing cheaper and better quality raw materials and cheaper labour resulting in job losses in South Africa.

Those experts that were indifferent/indecisive felt that the SADC could have an effect on the South African textile industry but this effect would be minimal. They felt that South African manufacturers could procure fabrics cheaper than to make finished products. These finished products can in terms of the AGOA agreement be sold in the US market more profitably.

The experts that agreed that the SADC agreement would not jeopardize the future of the textile industry felt that South Africa is far superior in terms of infrastructure to take the lead. They felt that international trade with SADC countries for long term success is for “survivors”.

SUMMARY

The experts primarily felt that the SADC agreement will put pressure on the South African textile industry in terms of access to raw materials, cheaper imports, illegal entry of textile products, labour costs and lack of adequate customs control on the South African borders. The economy of South Africa could be affected in terms of job losses and reduction in direct investment in the textile industry. Some of the manufacturers in the supply chain of the textile industry might, however, benefit in terms of the import of cheaper unfinished products. By finishing and selling the finished products these manufacturers may be able to sustain themselves in the long term.

Proposition 19

Experts were requested to comment on the proposition that the AGOA agreement improved the overall performance of the textile industry in South Africa. Three experts (12%) disagreed with this proposition while 21 experts (88%) were in agreement.

The overwhelming majority in agreement indicates that the AGOA agreement had a positive effect on the industry. The factors that were given to prove this were as follows:

1. Necessitated companies in the supply chain to work closely together to improve quality, cost structures and efficiencies that enabled them to jointly benefit from the agreement.
2. High volumes were achieved resulting in low unit costs.
3. Many companies reaped the benefits indirectly from this initiative.
4. It encouraged many companies to equip themselves to compete internationally.
5. Due to their well-established infrastructures they were able to compete more effectively than their SADC counterparts.

The three experts that were indecisive expressed the views that the success of trade to the US due to the AGOA agreement was short lived. The improvement of the textile industry they felt was attributable to the pressure from the clothing industry. Cheap imports of fabrics resulted in the manufacturers in the textile chain to equip themselves to compete effectively.

SUMMARY

The responses of the experts indicate that the majority felt that the overall improvement of the textile industry is attributable to the AGOA agreement. However, they maintain that the strengthening of the Rand stifles the export competitiveness and negates trade with the US in terms of the AGOA agreement.

This section thus provides the views of the experts on the three trade agreements viz. SA/EU, SADC and AGOA agreements. The overall view is that these agreements are good initiatives for the textile industry in that they provide markets but are most beneficial when the Rand is weak. Certainly many companies have been encouraged by these agreements to equip themselves for international trade but ultimately it is the volatility of the Rand that is the primary influence on the sustainability of the textile industry in South Africa.

SECTION F – COTTON

The researcher included cotton as an important issue in the textile industry in South Africa. Experts were provided with three propositions in this section.

Proposition 20

This proposition addressed the issue whether or not cotton is an important force in South Africa. Twenty-one experts (88%) agreed that cotton is an important force in the textile industry in South Africa. Three experts (12%) did not respond to this proposition.

The experts felt that cotton is a major textile fibre and is the backbone of the textile industry. Cotton production in South Africa should be increased. One expert mentioned that cotton farming provides 80 000 jobs. By increasing cotton production jobs can be created. From statistics provided by the cotton board, between 50% and 60% of cotton is imported from SADC countries. Increasing the production of cotton in South Africa certainly will benefit the textile industry in terms of lower costs. The experts felt that cotton grown in South Africa should be traded at international prices.

Proposition 21

This proposition required the views from experts on the sustainability of the South African cotton growers relative to their SADC counterparts. Four experts (17%) did not respond. Fourteen experts (58%) felt that the South African cotton growers can sustain themselves, as they are not only competing with SADC countries but with the world. However, they are of the opinion that cotton should be traded at international terms. Some experts maintain that as long as between 40% and 50% of cotton production is coming from the SADC countries anyway there really is no threat. South African growers have to be more productive. The South African government should support small cotton farmers.

Six experts (25%) did not agree with the proposition that the SADC countries are a threat to South African Cotton growers. The reasons cited were as follows:

1. Labour is cheaper in SADC countries relative to South Africa.
2. Climatic conditions in SADC countries are better.
3. The quality of the South African cotton is not as good as that of the SADC countries.
4. South African cotton growers are faced with higher input costs such as higher taxes and minimum wages.
5. SADC countries have support from their governments unlike South African cotton growers.
6. South Africa is not ideal for cotton growing.
7. The quality and grades of cotton are not all produced in South Africa so there will always be the need for the importation of cotton from SADC countries.

SUMMARY

From the views given by the experts it is clear that the South African textile industry is dependent on cotton procured from SADC countries. The quality and quantity of cotton that is grown in South Africa is affected by the climatic conditions. It may be beneficial to the textile industry in South Africa if the cotton that is grown here could be traded in international terms. Cotton is traded on the world markets in dollars and should be done so by the cotton traders in South Africa to ensure equal trading terms with their international competitors. The responsible parties should explore the possibility of increasing the production of cotton in South Africa.

Proposition 22

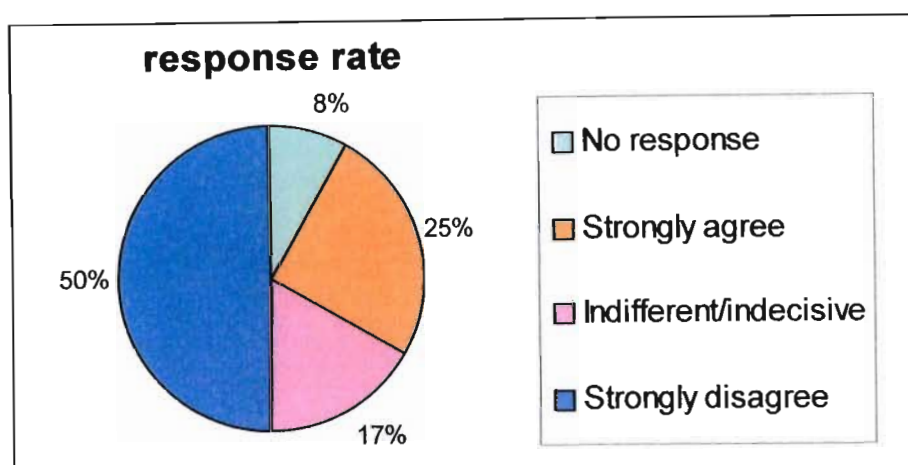
This proposition addressed the issue whether or not the experts agreed with a government subsidy on cotton in South Africa. Two experts (8%) did not respond. The scale used to analyse the response was as follows: strongly agree, indifferent/indecisive and strongly disagree.

The response rate was as follows:

- | | | | |
|----|------------------------|---|---------|
| 1. | Strongly agree | - | 6(25%) |
| 2. | Indifferent/indecisive | - | 4(17%) |
| 3. | Strongly disagree | - | 12(50%) |

The response rate is illustrated in Fig.4.15.

Fig.4.15 An illustration of the response rate for proposition 22



Analysis of the response

The 12 experts (50%) that did not agree with the proposition that the South African government should subsidize cotton provided the following reasons for their belief:

1. It will be in contravention to the rules laid down by the WTO.
2. This could be a form of protection in the industry and could result in poor productivity and inefficiencies.
3. It is an artificial way of protecting the industry thus will not be sustained in the long term.
4. Most of the cotton used in the South African textile industry is procured from SADC so there is really no need to subsidize cotton production.
5. Subsidization will be counter productive and take away the competitive edge that is required in international trade.

Those experts (25%) who have agreed that the South African government should subsidize cotton felt that this could help protect farmers in terms of natural disasters that reduce or destroy the cotton yield. The other reason is that if the cotton industry is

to be maintained or to grow it can contribute to the economy by providing employment then certainly the government should subsidise industry. The US government is subsidising the cotton industry, making that textile industry more competitive than many developing countries, South Africa included.

SUMMARY

This proposition did bring out pros and cons for subsidising the cotton industry. However from the views given it would appear that if the South African textile industry wishes to compete fairly, internationally the negotiators at the WTO should exert pressure for the removal of the subsidisation of cotton in all countries. This could then result in fair trade globally. At the latest round of the WTO this was not achieved.

This section thus covered the role of cotton in the textile industry. Many experts view cotton as an important force in the industry and provided reasons for their belief. As far as the growth of cotton production in South Africa is concerned it is still an area for investigation. This growth could provide additional jobs but the climatic condition in South Africa is the major consideration in this regard. The subsidisation of cotton in the textile industry in South Africa is a controversial subject especially with the present discussions at the WTO. Some experts feel that it is not good in terms of global and fair competition while others feel that it could help to encourage local farmers to increase their production and create jobs.

SECTION G – CURRENCY FLUCTUATIONS

This, according to the literature researched was found to be a major force affecting the performance of the textile industry in South Africa.

Proposition 23

The proposition required the experts' view on the strengthening of the Rand being a major challenge to the textile industry.

Twenty-two experts felt that the strengthening of the Rand is a major challenge to the textile industry. They have cited the following reasons for their belief:

1. Local textile companies become less competitive locally and internationally.
2. To be price competitive production overhead and labour costs must be reduced. To achieve this reduction companies need to restructure and shed labour thereby increasing unemployment. Reduction in working hours from 7 days a week to 4 days a week.
3. Companies have to improve their productivity through investment in capital equipment. This involves expending funds.
4. The fluctuation in currency is disruptive and hinders long term planning.
5. Textile exports drop due to the South African products becoming more expensive for international companies to purchase.
6. Local manufacturers in the textile supply chain may replace local products with imported products because the local products may be more expensive. This puts pressure on the South African manufacturers to reduce prices to maintain market share. This ultimately reduces profits and ultimately could negatively affect the sustainability in the long term.
7. Strong Rand encourages imports and negates exports.
8. As per one expert it is a “recipe for disaster” not only to the textile industry but also the South African economy.
9. The ideal Rand should be at R9/dollar and R14.50/pound.

The expert that was not in agreement felt that the situation of a strong Rand assists textile companies in upgrading their equipment that is imported. The textile companies should budget in dollars and by doing this the fluctuation in the Rand will not be such a big challenge to them.

The expert that was indecisive stated that when the Rand strengthens it may be expensive for exports of textile products but cheaper for the importation of machinery, dyestuffs, spares, chemicals and fabrics and specialised products that are not manufactured in South Africa. South Africa is not self sufficient in textiles and the problems that are encountered through currency fluctuations will always be there.

SUMMARY

The majority of the experts agree that the strengthening of the Rand is a major challenge to textile exporters. They maintain that to be competitive companies need to restructure and reduce costs in all areas. The fluctuating Rand is a problem and in time the textile industry will contract and the rule of “survival of the fittest” will apply.

Proposition 24

The experts were asked whether the depreciation of the Rand boosts textile exports. They were asked on the effect of this depreciation on the economic growth and the effect on consumer prices. Two experts did not respond. Nineteen experts (79%) agreed that the depreciation of the Rand does increase exports of textile products. They maintain that the textile manufacturers are able to sell all their products and maintain full capacity. Many companies expand or increase their capacities thereby creating more jobs. More employment increases the disposable income and contributes to the economic growth of the country.

Imports drop so manufacturers in the supply chain are forced to buy locally manufactured products. The consumer prices may increase marginally but economic growth of the country compensates. By increasing production in labour intensive sectors of the textile supply chain, there results economic growth and job creation.

Two experts were indecisive and maintain that a weak Rand is initially good but can be problematic to maintain. Examples cited are Thailand and Indonesia. Two experts did not agree with the proposition and maintain that a free and open market policy keeps consumer prices in check irrespective of the currency. Also it is felt that trade should be in dollars so competition can be maintained.

Proposition 25

The proposition asked the experts whether they agreed that the increase in imports in 2003 was primarily attributable to the Rand dollar exchange rate. Twenty-three of the 24 experts agreed. One expert was not sure. However many experts felt that to survive and be globally competitive textile companies should work around the currency and not hide behind it when the currency strengthens.

SUMMARY

This section was of paramount importance in this study as many of the experts mentioned in their previous responses the currency and its effect on the textile industry. It would appear that the experts view a weak Rand as beneficial to the textile industry and it discourages imports. A strong Rand encourages imports and negates textile exports. While consumer prices could increase when the Rand is weak, more people will be employed and there will be an increase in disposable income stimulating the economic growth of the country. The reverse would occur when the Rand is strong.

SECTION H – CONCLUSION

This section concludes the questionnaire. It covers the overall performance of the textile industry and its contribution to the South African economy.

Proposition 26

This proposition sought the experts' views on the future of textiles in South Africa. Two experts did not respond. Three experts responded as follows: fair, bleak and gloomy. The other experts expressed the following views:

1. The textile industry will contract and many jobs will be lost.
2. The survival of the industry will depend on training of the labour, a stable currency, political stability and a growing world economy.

3. Modern business practices must be applied to compete globally.
4. Textile companies must be productive and innovative.
5. Textile companies must be proactive and respond quickly to change.
6. Output and labour may be reduced.
7. Those companies that survive will be part of large conglomerates.
8. Textile companies should look at value added products and niche markets for long term sustainability and survival.
9. Many companies may close because of the inability to compete and stay profitable.
10. The law of supply and demand and market forces must ultimately rule the textile industry and not the fluctuating currency.
11. The government and the textile industry must jointly formulate strategies to create an environment conducive to industry growth.
12. Fair trade will result. Imports will increase and so will exports.
13. Government should assist in negotiating at WTO to convince the industrialised nations to lower their subsidies to level the playing fields.

From the above it can be seen that experts have divergent views on the future of the textile industry in South Africa. Some feel it will contract and others feel there is a chance of long term survival and some growth.

Proposition 27

This proposition maintains that there should be close cohesion among export support, tariff reform, supply side policies and exchange rate policies and required the experts to indicate whether they supported this.

One expert did not respond. One expert did not agree. Twenty-two experts (92%) agreed to the proposition. The expert that did not agree substantiated that market force and free and fair trade should apply to the textile industry. This will ultimately ensure that the companies that survive operate effectively and productively to compete and sustain themselves in the foreseeable future.

The twenty-two experts that agreed to the proposition felt that factors such as labour, productivity and cost, innovation, R&D together with government policies will ensure the success of the textile industry in South Africa. There should be a balance between export support, tariff reform, supply side policies and exchange rate policies for long-term sustainability to be achieved. The South African textile industry contributes to the overall economy of the country so definitely needs support from all stakeholders. The DCCS rebate, that is an incentive for the export of textiles, does not help textile companies when the Rand is strong. The experts feel that a coordinated Government economic policy is required for the textile industry to survive in the future.

Proposition 28

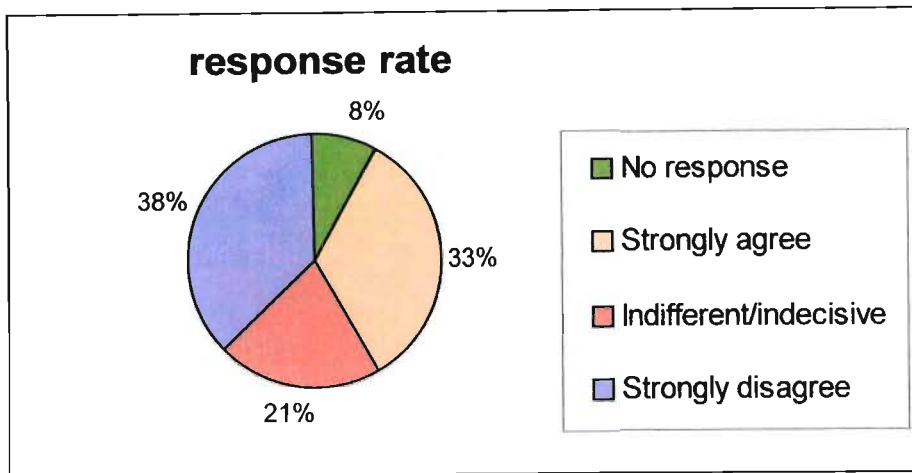
This last proposition sums up the entire questionnaire. The question asked the experts for their opinion whether the textile industry in South Africa is under threat. As experts they were also asked what their future strategies would be in dealing with the textile industry in South Africa. Two experts did not respond. The scale used to analyse the response was as follows: strongly agree, indifferent and strongly disagree.

The results were as follows:

- | | | | |
|----|-------------------|---|--------|
| 1. | Strongly agree | - | 8(33%) |
| 2. | Indifferent | - | 5(21%) |
| 3. | Strongly disagree | - | 9(38%) |

The response rate is illustrated in Fig. 4.16.

Fig.4.16 An illustration of the response rate for proposition 28



Analysis of the response

The response rate is indicative of the differing views of the experts. Eight experts (33%) agree that the textile industry in South Africa is under threat. The reasons for their belief are as follows:

1. A similar scenario occurred in the UK where importation of textiles from the East resulted in the demise of many textile companies in the UK. If the South African government does not step in to stop the “dumping” of textiles in South Africa then the same fate will face the textile industry in South Africa.
2. The DTI incentive schemes are generally helpful but cannot totally eliminate the problems encountered by the South African textile companies.
3. Inadequate control on illegal textile imports or “dumping” places additional pressure on textile companies.
4. The strength of the Rand contributes to the increase in imports and negates exports, which adversely affects the sustainability of South African textile companies.

The five experts (21%) that were indecisive felt that if companies were to adapt and modify themselves to the new world order in order to be competitive then they may survive if not they will be under threat. Government should look at offering tax concessions and lengthen the write down periods of capital equipment to assist textile

companies to stay operational for longer. Textile companies should stop looking for excuses and look at alternative means of staying in business or face the threat of closure.

Nine experts (38%) did not agree with the proposition that the South African textile industry is under threat. Trade liberalization and globalization has offered the textile industry the opportunity to compete freely internationally. This has resulted in restructuring, downsizing, capital investment and training. Textile companies have thus equipped themselves to make high quality products that are accepted by companies around the world. They have become more productive, highly automated, very flexible and highly competitive. These companies have a lot to lose if they just give in or surrender.

SUMMARY

This section brought different views from the experts with regard to the future of the textile industry in South Africa. Many experts are of the opinion that the strength of the Rand is a major force in the long-term sustainability of the industry. Others feel that the textile industry should operate according to the law of supply and demand and market forces and should not be dictated by the movement of the Rand. Globalization and trade liberalization has according to the experts forced the textile companies to innovate, modernize, automate and restructure to compete internationally. It is through these initiatives that many textile companies in South Africa will be able to withstand the onslaught of cheap imports and remain sustainable in the foreseeable future. Some experts maintain that eventually it will lead to the “survival of the fittest”.

This chapter provided the empirical findings of the research. A questionnaire made up of eight sections and twenty-eight propositions was compiled from chapters 1 and 2. Thirty experts were sought to fill in the questionnaire and 24(80%) responded. Some respondents did not answer the questionnaire in its entirety. The responses for each proposition were analysed. A summary after each section was made. These

summaries will form the basis for the information in chapter 5 that is titled summary and conclusions.

CHAPTER 5 – SUMMARY AND CONCLUSIONS

5.1 INTRODUCTION

This chapter will summarise the findings of the empirical study that will form the basis for concluding this research. It would appear that with trade liberalisation the textile industry in South Africa was faced with many challenges. The textile industry was one of the most protected. The objective of this research was to provide information that would be of assistance to stakeholders especially policy makers in the textile industry in South Africa in facing the future challenges brought by trade liberalisation.

Many factors affect the long-term sustainability of the textile industry in South Africa. This study attempted to identify the most important factors that restrict or impede the performance of the textile industry in South Africa. The Delphi technique was used in this study, hence information obtained in the empirical study are based on the views and opinions of experts in the field of textiles in South Africa. As a high degree of consensus was obtained in the first round of the Delphi study, a second round of interviews was not deemed necessary.

5.2 GENERAL

The majority of experts (83%) were of the opinion that the factors of price, end use, performance and delivery contribute to the long-term sustainability of the textile industry in South Africa. Being flexible and quick to change, offering good turn around time and services are important factors towards a sustained textile industry. These experts also felt that efficient control of both legal and illegal imports are just as important.

The South African slogan is a good marketing tool to use in the promotion of textile products. The factors to negate this would be price and the need (taste). The concern

raised by the experts was that this slogan should be promoted and accepted by the South Africans prior to promoting it internationally.

The South African textile industry definitely contributes to the economy in income and employment. Some experts felt that the contribution will decrease resulting in higher unemployment. Others felt that the contribution would increase creating more jobs. It is thus questionable whether the textile industry will remain a major contributor and employer in the South African economy.

Globalisation is good for any country and any product because it provides a larger market. The production and supply of textiles in South Africa far exceeds the needs of the local market, hence globalisation has certainly opened many doors for trade with the other nations in the world. The majority of the experts (79%) were in agreement that international trade has assisted in the growth of the textile industry in South Africa.

Further, international trade has contributed to the overall improvement of the textile industry making it more productive, quality conscious and highly competitive in terms of price and service. Some experts maintain that globalisation was a driver for innovation and improved technology. Other experts, however, felt that the playing fields were not level so textile companies in South Africa were unable to compete effectively against a developed nation like the US because the raw material, cotton, is subsidised. The textile industry in China and India also were subsidised making competition difficult for South African textile companies.

The experts who strongly disagreed felt that international competition forced South African companies to drop prices thereby reducing their profits and resulting in the demise of some textile companies. International competition encouraged imports and this made the competition even fiercer for South African textile companies.

Overall the conclusion drawn from the responses from the experts leans towards the belief that international competition is good for the textile industry in South Africa. The performance and growth of the textile companies over the years in South Africa

supports this. However from the figures given, job losses occurred over the past few years thus increasing the unemployment levels of the country.

The experts maintain that the long-term sustainability of the textile industry in South Africa is highly dependent on the following strategy. This strategy as per (87%) of the experts is the niche marketing and value added products route. As long as the playing fields are not level in terms of labour and raw material costs, South African commodity textile products will be more expensive than their Eastern counterparts. However in terms of capacity and volumes the markets for niche and value added products are much lower than that for commodity or basic textile products. The experts maintain that it may be beneficial for the textile companies to do both because the value-added products can subsidise losses made in the sale of commodity products.

The experts are of the opinion that textile prices in South Africa are artificially high. When faced with extreme competition they are able to drop prices. There is very little loyalty between customer and supplier in this industry. Price reigns supreme. The purchase decision is based on price. Over the years the textile companies in South Africa have improved their plant and processes and have become globally competitive. Their products are now rated world class. It is the view of the experts that the market forces and the law of supply and demand ultimately determine the price of textile products in the local market.

5.3 TARIFF AND REGULATIONS

The experts are of the opinion that the government is not doing enough to assist the textile industry in South Africa. The implementation of the duty credit certificate scheme (DCCS) and tariffs on imported textile products has helped the textile industry. However illegal imports and “dumping” seem to be on the increase. There should be tighter customs control on “dumping” and illegal imports and the countries responsible should be taken to task by the South African government. The government, through subsidies should promote training in textiles. Negotiations at the

WTO should benefit the South African textile industry to ensure that South African textile companies can compete on equal terms with its international competitors.

The experts met the issue of trade liberalisation with mixed views. Some felt that the textile industry in South Africa was protected for too long resulting in textile companies becoming complacent and being the price dictators in the local market. Others felt that trade liberalisation placed pressure on the local textile industry forcing them to innovate, become more productive and efficient.

The opinion of some experts was that the accelerated phase down of tariffs was a recipe for disaster. The textile companies were not afforded sufficient time to equip themselves entirely to compete globally. Some experts felt that this phase down lead to a case of “swim or sink”. Many companies had to make costly changes in their organisation to ensure that they could withstand the international competition.

5.4 CURRENCY FLUCTUATIONS

Currency fluctuation is another key factor to influence the customer’s choice of supplier. When the currency is strong imported textiles become cheaper. When the Rand is weak it becomes attractive to export and a huge percentage of local products are sold internationally reducing the quantity available in the local market. Any quantity sold locally will demand a higher price.

The majority of experts felt that the strengthening of the Rand is a major challenge to textile exporters in South Africa. Cost effectiveness resulted in reduced labour hours in companies and restructuring to remain competitive locally and internationally. Retrenchments rose lowering the contribution towards disposable income. With the strong Rand and free trade, importers were able to import high volumes of textile products at low prices. The markets are flooded with these products making it extremely difficult for local companies to maintain their market share and sustain themselves. The “survival of the fittest” rule then applied.

Seventy nine percent of the experts felt that the weakening Rand boost exports and increases the profitability of textile companies. The textile industry becomes buoyant and growth in all parts of the supply chain results. Job opportunities increase and many companies expand their capacities. However a few experts felt that this status is short lived and is problematic to maintain. Examples cited are Thailand and Indonesia. It would appear that some experts felt that currency fluctuations should not be used as a determinant in the sustainability of the textile industry but textile companies should adopt a free and open market policy and trade should be done in dollars.

5.5 IMPORTS AND EXPORTS

Some experts (67%) were of the opinion that imported textiles have a negative effect on the local textile industry. Imported textile products come in cheaper exerting pressure on the local manufacturers. An example given is to print a non-woven nylon fabric locally costs R7/m and the imported fabric is sold at R5/m on the local market. Illegal imports are ruining the South African textile industry.

Other experts are of the opinion that legal imports of textile products are good for the industry because it forces the local industry to become more competitive, productive and cost effective. The needs of customers in textiles are changing continuously and this is influenced by fashion trends. The fashion sometimes requires certain types of textile products that are not manufactured locally forcing textile manufacturers to import these products to satisfy customer needs.

According to the experts no country in the world is self sufficient in textiles, including China. South African textile companies too cannot fulfil all the needs of their customers thus have to import textile products to satisfy their customers. Imports as the experts regard it are a “fact of life”.

South African textile companies have over the past few years upgraded their equipment and replaced obsolete machinery to ensure the manufacture of quality world class products. The experts felt that although the textile companies equipped

themselves to becoming globally competitive, the long-term sustainability of the industry is dependent on other factors as well. They have cited factors such as labour costs, procurement of cheap and high quality raw materials and the volatile rand as important contributors to the sustainability of the textile industry in South Africa.

Many experts (75%) agree that South African textile companies have the infrastructure to go the route of specialised products for niche markets. This route can be profitable and sustained for a long time. Gelvenor Textiles was cited as a company successful in pursuing this route. The cost of labour and raw materials in South Africa is making it extremely difficult for textile companies in South Africa to compete against their Eastern counterparts in the supply of commodity products.

5.6 LABOUR

South African textile industry labour costs are high compared to many countries in the world including SADC countries. The Aids epidemic according to the experts is detrimental to the textile industry and the economy as a whole. The funds being spent on training and recruiting in textile companies are on the increase due to this epidemic. This exerts pressure on the costs incurred by textile companies.

All experts felt that high productivity will contribute to the long-term sustainability of the textile industry in South Africa. High productivity can be achieved through modernization of equipment, competitive access to raw materials, cost competitive labour force, continuous training of the labour force and some government intervention to level the playing fields. The sustainability is also dependent on supply and demand.

Labour, according to the majority of experts is a resource. It has to be managed properly to achieve the maximum. Labour costs in South Africa are very much higher than most countries in the world. This exerts pressure on the effective competitiveness of the South African textile companies against their international competitors.

5.7 TRADE AGREEMENTS

The trade agreements viz. SA/EU agreement, AGOA agreement and the SADC agreement as per the experts are good initiatives in providing markets for the South African textile industry. They are, however, more viable when the Rand is weak. Conforming to the requirements of these agreements forced textile companies to improve their overall performance.

5.8 COTTON

Cotton as per the majority of the experts is a critical force in the textile industry. South African cotton growers cannot satisfy the needs of the local market hence between 50% and 60% is imported from SADC countries. The climatic conditions in South Africa are not suitable for maintaining good quality cotton. South Africa will be dependent on SADC countries for their cotton. Not only are the textile companies having to compete with the East on textile products, they have to compete with SADC countries on the accessibility of raw cotton fibre. The price of cotton in South Africa is another point of contention when comparing costs against SADC countries.

On the question of subsidising cotton the majority of experts felt that the South African government should not. They felt that many countries including South Africa are trying to convince the WTO to persuade the US government to drop subsidies on cotton so the request for government subsidy is controversial.

5.9 CONCLUSION

This chapter summarised the results of the empirical findings. The main objective of this research was to determine whether the textile industry in South Africa is under threat or not. Maree(1995) mentioned that with the lowering of tariff rates it was envisaged that the textile industry in South Africa would be faced with unprecedented international competition(Maree,1995,p.1). The experts confirm this statement. The lowering of tariff rates has contributed to an increase in imported products.

Altman(1994) provides reasons for not clamping down on imports of textiles and clothing . Firstly by a high degree of protection afforded to the local industry there would be a lack of competition and high consumer prices, as consumers will have no option but to support the local industry. Secondly the market for clothing is highly segmented. Thirdly the South African market is unable to support sufficient growth for the textile industry as their demand is not that big (Altman, 1994,pp.115-116).

IDC (Industrial Development Corporation) conducted research on the textile industry in South Africa during April and May 2003 and produced a report with the findings. The figures indicate that there is a decline in the industry. The major contributor to the decline is the sudden appreciation of the Rand. Many manufacturers were caught unawares. Many manufacturers in the manufacture of the finished products moved to the route of importing cheaper yarns and fabrics. This they felt would certainly be an aid for them to sustain themselves at a profit. At the same time the weavers, knitters and yarn manufacturers found that their slack capacity could not be taken up in the export market because the Rand strength made them uncompetitive. It is envisaged that it would take up to 18 months for the weavers, knitters and yarn manufacturers to restructure to meet this challenge. Large businesses are optimistic that they will survive. Small businesses may find it difficult to survive. Those who adopt a “wait and see” view will not survive (Anon15, 2003,p.4).

The experts agreed that the textile industry has grown over the years. There was a great deal of investment in capital equipment making the industry highly automated and less labour intensive. An investment of R3-billion over a five year period was made (Anon7,2003/3,pp.8-9). This resulted in the textile companies becoming world class competitors. The experts agreed that to be internationally competitive restructuring, downsizing and cost cutting resulted. Between 1996 and 1999 approximately 20 000 jobs were lost (Anon 2,2001,p.1064).

The review of the factors in this study both in the literature review as well as from the experts opinions support the statement that the textile industry is under threat. The factors such as labour, currency fluctuation, cotton, demand, tariffs and regulations and imports and exports are contributors to the long-term sustainability of the textile

industry. A better and much clearer picture could be obtained if an intensive study is conducted obtaining information directly from all the textile companies and the various stakeholders including the government and DTI.

CHAPTER 6 – RECOMMENDATIONS, CAVEATS AND SUGGESTIONS FOR FURTHER RESEARCH

RECOMMENDATIONS

Certain weaknesses were encountered in this study. It is envisaged that a study of this nature should be undertaken over a longer period. Direct interviews with a representative sample of all stakeholders and textile companies could then have been conducted. This would have added impetus to the actual problems experienced by textile companies with regards to the various aspects covered in this study. The sample should include more government representatives and policy makers because their contribution is vital to this type of study.

The research was conducted during a period when the textile industry was being faced with immense competition through cheap textile imports. Two factors have contributed to the increase of imports. They were trade liberalisation and the phasing down of tariffs, and the sudden strength of the Rand.

The textile industry is currently experiencing major problems in terms of capacity utilization due to the current strength of the Rand. Many companies had to reduce their labour hours and are having cash flow problems. It is through this market situation that many respondents would have been biased in their response. Their belief is that by adopting this stance policyholders would be made more aware of their situation and look at ways and means of helping them.

It is therefore recommended that a similar study should be undertaken during a period when the Rand is weak. The results of both studies could then be analysed and compared. The element of bias could then be eliminated resulting in a more balanced opinion being obtained.

CAVEATS

The limitations to the study were as follows:

1. The sample used was not entirely representative of the textile industry in South Africa.
2. This research was conducted during a period when trading conditions in the textile industry were adverse thereby influencing the responses and the results.
3. The strength of the Rand could have influenced the experts' responses.
4. The timing of the study was inappropriate.
5. The time frame used to conduct this type of research was insufficient.

SUGGESTIONS FOR FURTHER RESEARCH

In view of the limitations outlined, further research should therefore be undertaken to overcome the limitations and pay specific attention to the following:

1. The sample size should be larger and include textile companies in the entire supply chain. The sample should cover the entire South African textile industry. Direct interviews should be conducted with the representative sample.
2. The study should be conducted during a period when the Rand is weaker or when the trading conditions more stable.
3. The research should be undertaken over a longer period.
4. To add impetus to the study, a more representative sample of policy makers or the South African government should be included.

“No-one can possibly achieve any real and lasting success or ‘get rich’ in business by being a conformist”(J. Paul Getty).

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ANNEXURE 1

Dear Sir/Madam

The researcher, in partial fulfillment towards an MBA, has formulated this questionnaire/survey document.

The subject under review is the textile industry in South Africa at Macro and Micro levels. In view of the difficulty in obtaining primary information on the subject and time constraints the researcher has opted to use the delphi technique.

Thus, experts in the field of textiles will be given this questionnaire. The questionnaire is based on the literature review, which was written up by the researcher and was based on secondary research.

The researcher would like your cooperation in filling out the questionnaire in its entirety. This will aid the researcher in the correlation and analysis of the responses.

The questionnaire is divided in sections (A-H), and there is a short write-up of each topic and proposition under review. The researcher hopes that this would provide insight and reasoning on the derivations of the propositions.

As experts in the field of textiles your responses and comments are very important in this research and all the information provided by you would be highly confidential.

Thank you in advance for your kind cooperation.

Regards

Maliga Moodley

DATE : _____
 NAME : _____
 DESIGNATION : _____
 NO. OF YEARS IN TEXTILES : _____

SECTION A – GENERAL

This section gives an overview of textiles in South Africa and 8 propositions are made on which you are requested to comment.

Proposition 1

International competition is one of the most important issues facing firms and governments today. (Many economists and writers throughout the world are of the opinion that no matter what your business or the location from which you trade, each and every business and country are plagued by the phenomenon “globalization”). ***In your opinion is international competition good for the South African Textile industry? Why?***

Proposition 2

The success of the textile industry in South Africa will depend on its ability to adopt world class manufacturing principles and create more value-added products to be highly competitive. (The chasm between supply and demand is widening in textiles throughout the world. The productivity increase, attributable to technological advances, is assisting the increase in supply. The demand is not increasing at the same rate as supply. South African textile companies should look at providing customer specific products and services and work towards developing the right products for the right markets). ***Do you think that this is the route for South African textile companies? Why?***

Proposition 3

The textile industry in South Africa has come under pressure to conform to government legislative requirements and policies. (Some textile companies source semi-finished products from overseas due to the high costs of manufacturing these products locally. By importing the semi-finished products and finishing the products locally, these companies may still be able to sustain themselves. However, with the duties that have to be paid by the companies importing, and the fluctuating currency this option may be unattractive in the long term. Although the DTI offers some relief through the DCCS, there are certain criteria that the companies qualifying have to meet. The processing of the DCCS also takes much time and can cause the companies applying, cash flow problems if they are reliant on these rebates). *What are your views with regard to the South African government's policies on textiles?*

Proposition 4

Textile prices in South Africa respond quickly to supply and demand. (The current market situation where the currency fluctuation has made it attractive to import textile products has resulted in many domestic suppliers dropping their prices to secure market share). *In your opinion does this hold true for textiles in South Africa?*

Proposition 5

Trade liberalization has placed additional pressure on the South African textile industry. (The 1993 round of the WTO required that the tariff structure in South be reduced by 50% on textiles over a period of eight years. This time frame is too short for the textile companies to plan or adjust their business to accommodate this liberalization of trade especially when the textile industry in South Africa was one of the most protected industries). *Do you agree with this proposition? Explain.*

Proposition 6

Price, end use, performance and delivery are important determinants to the success of the textile industry in South Africa. (Due to the rapid changes in the textile world it is going to be critical for companies in South Africa to meet requirements, be quick, competent and highly competitive on price). *In your opinion can these factors contribute to the long term sustainability of the South African textile industry?*

Proposition 7

The “Proudly South African” campaign is an excellent way to promote textile and clothing products. (In the late eighties the US adopted a similar strategy, “Crafted with Pride in the US”, promoting US products. Despite the competitive pressure there still is a textile and apparel industry existent in the US). *Is the South African slogan a good marketing tool for the future?*

Proposition 8

The Textile Industry in South Africa will be a major employer and contributor to the South African economy in the foreseeable future. (The textile industry is a labour intensive industry and provides employment. The demise of this industry could have a negative effect on the economy and employment level of South Africa, especially if many South Africans' livelihood is dependent on the jobs offered by this industry). ***Do you agree with the proposition? Why?***

SECTION C – LABOUR

After reviewing the secondary information on labour in the textile industry in South Africa the following propositions seemed pertinent to the subject.

Proposition 12

Textiles is a labour intensive industry. The aids epidemic will adversely affect the textile industry labour complement in South Africa. (From the research done the secondary information indicates that the textile industry employs many South Africans. Textile employees have been infected by Aids and many have died). *What are your views on this subject?*

Proposition 13

High productivity in the textile industry in South Africa can be achieved through modernization of capital equipment, high levels of investment and continuous training of the labour force. *What is your opinion on this? Will high productivity contribute to the sustainability of this industry?*

Proposition 14

Labour, instead of being used as a cost in the textile industry can be a resource to underpin improved performance in the market. (Some writers are of the opinion that labour is a cost while others think that labour is a resource). *In the context of textiles what is your views on the subject?*

SECTION D – TARIFFS AND REGULATIONS

This section provides some of the pro’s and con’s of tariffs and regulations on textiles in South Africa. The propositions provided are again based on the secondary information obtained in the writing of the literature review.

Proposition 15

An accelerated tariff reform program in South Africa will severely affect the textile industry that is one of the most protected industries in South Africa. *Do you agree with an accelerated tariff reform program? Explain.*

Proposition 16

Tariffs on textile imports can encourage local firms to purchase locally manufactured products rather than importing textile products. *Are you in agreement with this proposition? What are your views on the tariff structure applied in South Africa pertaining to textiles?*

SECTION E – TRADE AGREEMENTS

The propositions below are very general to some of the trade agreements that are existent in South Africa. Information used in the formulation of the propositions came from the secondary information in the literature review.

Proposition 17

The SA/EU (South African/European Union) Agreement, which came into operation on the 1 January 2000, will benefit the textile industry in the foreseeable future.

What is, in your view, the future of textiles relative to this SA/EU Agreement?

Proposition 18

The SADC free trade agreement will not jeopardize the South African textile industry. Do you agree with this proposition? Why?

Proposition 19

Since the implementation of the AGOA agreement the overall performance of the textile industry in South Africa has improved. *In your opinion is this proposition true? Substantiate.*

SECTION F – COTTON

This section reviews the importance of cotton in the textile industry. As stated in the literature, in the year 2000, cotton accounted for 61.5 percent share of the total retail market for apparel and home furnishings in the U.S.

Proposition 20

Cotton is an important force in the textile industry. *What is your view on cotton in the context of the textile industry in South Africa?*

Proposition 21

South African cotton growers are under threat by the other SADC countries. *In your opinion can the South African cotton growers sustain themselves in the foreseeable future given the strong competition of the SADC countries?*

Proposition 22

The South African government should subsidize Cotton. *Do you agree with this proposition? What are your views?*

SECTION G – CURRENCY FLUCTUATIONS

This subject according to the research undertaken is one of the forces affecting the performance of textiles in South Africa. Thus, as experts your responses to the propositions hereunder are paramount to the research in this field of study.

Proposition 23

The strengthening of the rand is a major challenge to textile exporters. *Do you agree? Explain.*

Proposition 24

Depreciation of the rand boost exports of textile products and economic growth but has a negative effect on consumer prices. *What are your views on economic growth and consumer prices on textile products when the rand depreciates? Can exports be sustained in the long term?*

Proposition 25

The increase in imports in 2003 can be primarily attributable to the rand dollar exchange rate. *Do you agree?*

SECTION H – CONCLUSION

These propositions are based on provisos that the researcher had formulated after thoroughly reviewing the secondary information on textiles, its performance and contribution to the economy in South Africa.

Proposition 26

The future of the textile industry in South Africa is dependent primarily on government intervention and market forces. *What are your predictions on the future of textiles in South Africa?*

Proposition 27

There should be close cohesion among export support, tariff reform, supply side policies and exchange rate policies. Without this the textile industry in South Africa could shrink to such an extent that production capacities could be lost and high unemployment could result. *Do you agree with the proposition? Substantiate?*

Proposition 28

In your opinion is the future of the textile industry in South Africa under threat? If you were a policy maker and/or decision-maker what would your future strategies be in dealing with the textile industry in South Africa?

ANNEXURE 2

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