

Textile Production, Planning and Export Promotion
The Case of Public Textile Sector
1970 - 1979
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Abstract

The future development of the Tanzanian economy would greatly depend on the increasing ability of the economy to generate foreign currency. Given the instability of the primary exports, they could not be relied upon to provide enough foreign exchange to finance the growing industrial sector. This meant that a carefully long-term industrial strategy, which would eventually lead to dynamic growth of manufactured exports, was required. Such a strategy demanded effectively established and specialised planning, marketing and financing institutions which, through their combined efforts, could facilitate both domestic production of exports and the international marketing thereof.

This study tried to examine the framework within which a meaningful export promotion programme could be executed. This was examined in the context of the link between domestic production and the general growth in export volume. In other words, the analysis was built on the premise that the pre-condition for any export promotion programme was increased and improved domestic supply of the export product. So, in view of that, the export promotion strategy would be achieved through the following four stages:

- i) Increased investment and the consequent utilisation of the available resources in the export sector in order to increase its productive capacity.
- ii) Quality improvement in order to meet the international standards
- iii) Reduction of cost of production. This the could international be achieved standards through improving productivity of all assets would at allow the domestic disposal prices of the to enterprise. Improved productivity compares favourably with international prices; thus, increasing the competitive capabilities of the export products.
- iv) Introducing the product to the external markets. This could be done through advertising, trade fairs and exhibitions. This study was based on the public textile sector. Several considerations influenced the choice of this sector. The sector was one of the relatively

mature sectors in the economy. Secondly, exports from this sector have been initiated, and showed good prospects. Finally, this sector had good prospects for utilising local resources and satisfying domestic needs.

In this study, an attempt was made to test the validity of the following hypotheses:

- i) Tanzania had paid more attention to international marketing than to improvement of supply of exports. Consequently, Tanzania had often been unable to fulfil all exports orders. More exports could be produced if efforts were made to utilise the current production capacity more efficiently.
- ii) There had been inadequate coordination among export promoting institutions, on the one hand, and the productive enterprises, on the other. The two actors had not been able to jointly formulate one and consistent export programme.

It was evident from the study that textile production faced several challenges such as capacity underutilisation, falling productivity, inadequate communication among export promoting institutions and the productive enterprises, high import intensity, and failure to meet all export orders at the right time.

The study opined that the cause of almost all the above problems was mainly the shortage of foreign currency which had resulted in the disruption of supply of utilities and shortage of spare parts and other necessary inputs. Although the National Textile Corporation, which was then solely responsible for textile production in the country, was primarily concerned with the expansion of textile production capacity, expanding capacity did not automatically lead to higher textile output. It had been found out, in this research that on average only 68% of the installed capacity was being utilized.

Therefore, what TEXCO had to be concerned with in the short run was to increase the then existing capacity utilisation and improve productivity in order to increase utilisation of the existing assets.

Further, there was need to open up dialogue among TEXCO, the Ministry of Water and the Tanzania Electric Supply Company (TANESCO) on how to solve the problem of water and power supply which was adversely affecting the textile industry.

On the other hand, in order to minimise the impact of shortage of foreign exchange on the performance of textile industries, the industries ought to be encouraged to utilize local resources as much as possible as well striving to produce the needed spare parts locally.

TEXCO should also be concerned with improving productivity. This could be done by, among other things, introducing attractive incentive packages to the workers as well as to textile industries. These could include higher pay, bonuses, special awards, tax exemptions, credit facilities, etc. Productivity could also be improved through an appropriate pricing system. The then cost-plus pricing system being used did not take into consideration all significant costs affecting prices.

The study had noted that one of the necessary conditions for any export drive policy was timely communication between exporters and importers. An export contract should be accepted only when the exporters are proved to have the required capacities to produce and ship exports on time