

ANALYSIS OF TEXTILE AND CLOTHING SECTOR: IRAN CASE

TEKSTİL VE HAZIR GIYİM SEKTÖRÜNÜN ANALİZİ: İRAN ÖRNEĞİ

Turan ATILGAN^{1*}, Morjon Haddad DERAFFSHI², Seher KANAT¹

¹Ege University, Department of Textile Engineering, Izmir, TURKEY

²Urmia, IRAN

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ABSTRACT

Specific sectors always have been locomotive sectors at the development and growth of countries. These locomotive sectors contributed to the evolution of entrepreneurial structure and the accumulation of required capital which are necessary for the development of other sectors. Labour intensive sectors mostly assume this role in developing countries. As for the labour intensive sectors, textile and agricultural sectors are the most important and successful sectors which are integrated with industry. Textile sector has assumed this role successfully in Turkey, China and Western Europe and has started to give its way to other sectors. Nowadays, textile and clothing sectors continue this classical role in developing countries. However, with the acceleration of globalization, rivalry conditions have rapidly become harsher and have started to take new forms. Countries and enterprises are affected both positively and negatively by this new and rapid alteration. Countries and enterprises have to well-analyse this alteration and the new environment so that proper strategies can be developed to be successful and developed. SWOT analysis which is used with this aim, is one of the most significant instruments that is utilised in analysing the competitiveness of enterprises and countries. In this study Iran textile and clothing sector is analysed and evaluated by SWOT analysis, some suggestions are made and a trial is made to develop new strategies.

Key Words: SWOT analysis, Iran, Textile and clothing, Textile and clothing in Iran.

ÖZET

Ülkelerin büyümelerinde ve kalkınmalarında her zaman için belirli sektörler lokomotif olmuşlardır. Bu lokomotif sektörler diğer sektörlerin gelişmesi için gerekli sermaye birikiminin ve girişimci yapının oluşmasına katkıda bulunmuşlardır. Gelişmekte olan ülkelerde bu görevi ve rolü büyük ölçüde emek yoğun sektörler üstlenmiştir. Emek yoğun sektörler içerisinde sanayinin entegre edildiği en önemli sektörlerden olan tarım ve tekstil sektörleri bu rolü büyük ölçüde başarıyla oynamaktadır. Tekstil sektörü bu rolü Batı Avrupa’da, Türkiye’de, Çin’de büyük bir başarıyla oynamış, zamanla yerini diğer sektörlerle gönül rahatlığı ile bırakmış veya bırakmaya başlamıştır. Günümüzde de gelişmekte olan ülkelerde tekstil ve hazır giyim sektörü bu klasikleşmiş rolünü büyük ölçüde oynamaya devam etmektedir. Ancak küreselleşmenin dünyada hız kazanmasıyla birlikte rekabet koşulları hızla artmış ve yeni şekiller almaya başlamıştır. Ülkeler ve işletmeler de bu yeni ve hızlı değişimden hem olumlu hem de olumsuz anlamda etkilenmektedir. Ülkeler ve işletmeler bu değişimde ve yeni ortamda başarılı olabilmek ve kalkınabilmek için içinde bulundukları ortamı iyi analiz edebilmeli ve buna uygun stratejiler geliştirebilmelidir. Bu amaçla kullanılan SWOT analizi, ülkelerin ve işletmelerin rekabet gücünü analiz etmede en önemli araçlardan birisi durumundadır. Bu çalışmada İran tekstil ve hazır giyim sektörü SWOT analizi yapılarak değerlendirilmiş, önerilerde bulunulmuş ve stratejiler geliştirilmeye çalışılmıştır.

Anahtar Kelimeler: SWOT analizi, İran, Tekstil ve hazır giyim, İran’da tekstil ve hazır giyim.

* Corresponding author: Turan Atılğan, turan.atilgan@ege.edu.tr, Tel: + 90 232 311 27 57 Fax: + 90 232 339 92 22

1. INTRODUCTION

The efficiency and competitiveness of the sectors are significant in bringing prosperity to a rapidly globalized environment where the economical and social borders become uncertain. Countries should analyse themselves and their sectors objectively and professionally while they create development models and strategies. They should improve their short,

middle and long term strategies which are proper for the development.

The sectors and the enterprises operating in these sectors represent the competitiveness of countries. The proper and fair establishment of economical, social, judicial and technological infrastructure for enterprises, the properness between development strategies and investments, and the

organization between enterprises are the assignments of governments.

Countries should analyse their sources (labour force, technology, capital, raw material etc.), subsidy the sectors which would use these sources optimally and help the enterprises with developing strategies for their competitiveness. Since developing countries are generally occupy the first grade of

development, they give particular importance to sectors in which they can evaluate their raw material sources and generous and inexpensive labour force. Therefore textile sector and especially clothing sector are the instruments of development in most of the developing countries. Textile and clothing sectors are preferred by plenty countries due to their raw material sources, the integrated structure of sectors and great contributions of sectors to the employment. Although textile and clothing sector is generally chosen by developing countries as a locomotive for development, also it has become one of the significant sectors of developed countries due to the technological improvement throughout the last decade and created added value.

However the hard rivalry conditions have also affected the textile and clothing sector significantly in recent years. The countries and sectors try to develop strategies under these hard and floating rivalry conditions in order to protect themselves and increase their competitive advantages. SWOT analysis is an analysis which is used by countries, sectors and enterprises for developing strategies. As SWOT analysis is both a current and future situation analysis, it has a huge implementation area.

In this study firstly the general economical structure of Iran which is watched curiously in political and military terms but not in economical respect, would be evaluated. After that, a SWOT analysis of Iranian textile and clothing sector would be performed and a trial for the improvement of future strategies would be made.

2. The Definition, Scope and Properties of SWOT Analysis

The corporations and organizations should develop successful strategies in order to achieve their aims. The correct data and analyses about their environment and the related corporations would be required so that successful strategies could be developed. At this point, corporations and organizations should use SWOT for analysing.

SWOT analysis is one of the strategic management implementations, which takes its name from the first letters of four English words: Strengths, Weaknesses, Opportunities and Threats. SWOT analysis can be defined as an analysis which evaluates the

internal and external environment of an enterprise, organization, corporation or sector and develops proper strategies accordingly. Thus SWOT analysis has two significant phases. The first phase is the internal analysis during which the organization analyses its internal environment and determines its strengths and weaknesses with respect to its rivals. The second phase is the external analysis by which the organization analyses its external phase and determines the opportunities and threats [1,2].

When the organizations consider their strengths and weaknesses in related subjects, they can prepare for opportunities and threats by means of SWOT analysis which consists of four steps.

S (Strengths): The strongest aspects of an organization or corporation with regard to its strongest rivals are presented. An infrastructure for the strategies which will protect these excellent properties is constructed. In this step, the organization determines its excellent properties by evaluating its internal sources (human resource, technological level, financial structure, marketing power, production properties etc.) and implementations [1,2].

W (Weaknesses): The weakest sides of an organization or corporation with regard to its strongest rivals are presented and a strategic infrastructure is constructed. In this step, the organization or corporation evaluates its sources and implementations in detail so that its weaknesses are determined [1,2].

O (Opportunities): The first step of the second phase determines the opportunities and possibilities that are presented by the environment within which the organization is located. The competitive advantages which will be gained with these opportunities are also specified. Technological developments, market opportunities, public policies, sectoral progressions and etc. are analysed in detail. Also there is a trial for the determination of the factors which would provide an advantage in future [1,2].

T (Threats): The last step of the analysis refers to the determination of threats, risks and constraints in external environment within which the organization is in service. This step

tries to answer the question: "Which threats would face the organization in future?" [1,2].

All dimensions of SWOT analysis are summarized in Figure 1.

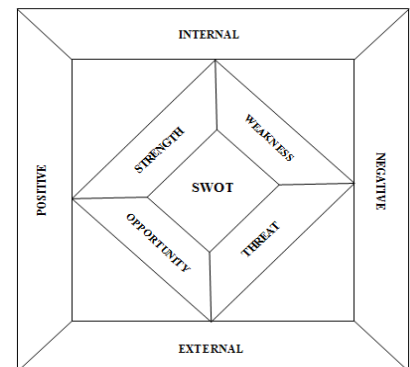


Figure 1. SWOT Analysis [2]

The organization's resources, processes, implementations and their successes are evaluated by internal analysis. Resources indicate the employees, the socio-economic structure of the organization, the communication between them and the other elements whereas processes express all organization and performances of internal units. While developing strategies, it is important to use the results of the internal analysis. Internal analysis helps to reduce the costs and increase the quality and performance of the organization. In addition to these, internal analysis contributes to the development of teamwork concept in organization and the increase in the success rate [1,2].

External environment consists of the factors which are related with the organization but which are outside of it. The sector is evaluated under main topics as world and country and subtitles as general management and human resources, marketing and sales, technology, ecology, production, investments, replenishment, financial structure. In external analysis, threats which would prevent the development and maintenance of an organization are analysed. The opportunities which would provide the improvement are also determined. These opportunities and threats emerge as a result of the evaluation of economical, social, political and technological strengths and tendencies [3].

When generally evaluated, SWOT analysis is one of the significant methods which help the organizations or corporations in determining strategies for

- Using strengths
- Overcoming weaknesses
- Evaluating opportunities and
- Opposing threats.

3. General Evaluation of Iranian Economy

Being located at southwestern Asia, Iran has acreage of 1.648.195 km². The country neighbours Turkey, Armenia, Azerbaijan, Iraq, Pakistan, Afghanistan and Turkmenistan and therefore, it is situated at the most troubled geography of Asia and world. The shah himself governed the country until 1979 when she is turned to an Islamic Republic by Ayetullah Humeyni [4].

In 1979, when Iran had a revolution, she had got a powerful petroleum industry and a private sector that mostly consisted of agricultural medium-sized enterprises. Due to the effects of revolution and the octennial war with Iraq she has alienated from this structure. After the revolution the enterprises, plantations and banks were nationalized and foreign capital was forbidden against the general tendency of the world. In Iran which has export surplus, the foreigners cannot open marketing and sales offices since 1985. In 12.11.1985 by a single law, the prohibition is removed depending upon reciprocity stipulation. Free Zone Law is brought into force in 1993 whereas Foreign Investment Promotion Law was in June 2002. Thus the foreign capital is tried to be attracted to the country and the private sector is tried to be dynamised [4].

Iran gains 80% of her foreign exchange earnings from petrol incomes. The Iranian economy's 40% is directly controlled by state whereas 45% is controlled by "Bonyad-e-Mostazâfan" which is an Islamic foundation controlled by religious leaders. Approximately 15% of economy is under the control of private sector (Bazaar) which can be defined as conservative. The rapid population growth, the increase in inflation and unemployment, widespread poverty, the increasing load of basic necessity subventions over budget, big, unproductive and lumpish public sector, uncertainty in supervisions of public monopolies (Bonyad) and enforcements of United Nations and USA are the biggest problems of Iranian economy despite the high petrol incomes [4].

The deprediation of Iraq war over economical structure, the insistence on import-substitution industrialization and

state planning organization affect the economy negatively [4].

However, the energy resources and petroleum reserves, young and dynamic population (calculated population for 2010 is 72.6 million) (69.7% of the population is between 15-64 age range) are the advantages of Iran [5].

Although Iran is one of the significant petrol exporter countries and has an import-substitution economy, her balance of payments experience difficulties. Due to these difficulties she has to make debt renegotiations since 1992. Iran wants to make investments to different sectors in order to reduce her addiction to petrol and energy. However the insufficiencies of private sector in terms of entrepreneurship and capital and the negative ideas about foreign capital force the country. The major weight of the country over economy causes the formation of a hulk, unproductive, ineffectual and irregular structure. Although Iran endeavours to lean towards foreign capital and to promote the private capital in order to reduce the effect of government over economy, this situation would not change in near future. In order to accelerate this improvement, Iranian government has started to give importance to privatization and the figure has risen to 4.2 billion dollars (2008) from 472 million dollars (2007). However there is much progress to be made [4].

Due to the addiction of Iranian economy to petrol and energy sources, the increase in the prices of petrol and energy sources contributes to the country's income whereas the reduction wherets the country's economy. Although the country tries to overcome the difficulties by foreign capital investments, embargos placed by USA and United Nations and the economic and political instability limit the foreign capital inflows. The economical structure of the country cannot be diversified because most of the foreign capital investments are turned to energy and petroleum sectors. However Iranian government has taken lots of precautions and made some arrangements in order to attract foreign capital. "Promotion and Backstopping Law for Foreign Capital Investment" is published in June 2002. Within the context of this law, the transfer of principal capital and profits and the enterprise deficiencies due to the government decisions are under government guarantee. Also the partnership of foreign capital with an

Iranian enterprise are not limited with a defined percentage; free market rate is guaranteed at the entry and exit of foreign capital; the taxes are reduced to 20% from 60% for foreign enterprises; exemption from tax for 5-10 years according to ageans is provided; exemption from customs is provided for investment goods such as machines and equipments. Besides, if the investment is done with an Iranian partner, a long-term, low interest credit can be provided form Iranian banks which can reach up to the 80% of the investment. However the arrangements are far from giving the expected results [4].

4. General Evaluation of Iranian Textile and Clothing Sector

When the general structure of the Iranian textile and clothing sector is assessed, it is observed that the sector doesn't have any significant success and activity. The country has 9.000 textile and clothing enterprises. Nearly 99% of them are small and medium sized enterprises. About 300.000 people are employed at the sector and 5-6% share is taken from country's export. The sector is far away from satisfying the needs of the country and it is a clear importer. Due to this situation, Iranian textile and clothing sector takes a very low share of 0.05% from the world textile and clothing trade. Iran prefers/has to prefer closed economy which is one of the main reasons of this situation [6].

Iranian textile and clothing sector is far away from satisfying the domestic demand with its weak structure. In recent years, country's textile and clothing import has increased rapidly. Iran mostly imports textile and clothing goods from Turkey, China, Bangladesh, Pakistan and India. The textile and clothing import of Iran is much lower than recorded by the official figures due to the extremely high unrecorded foreign trade and suitcase trade. Neighbouring countries and nearby geography have significant importance at the textile and clothing foreign trade of the country.

Approximately 80% of Iranian export and gross national product come from petrol and energy resources. Agriculture sector constitutes the second biggest production area after petrol and energy resources. However, industry goods including textile and clothing products have very low

shares. Therefore, Iranian economy can be evaluated as an economical structure which is addicted to natural resources.

When we look at the Table-4 which shows the distribution of the clothing enterprises throughout the country and their production capacities, we see that

clothing enterprises are generally located at West Azerbaijan, Khuzestan and Tehran

Table 1. Datas about Iranian Economy [4]

	2005/2006	2006/2007	2007/2008
GNP (Billion \$, market prices)	187,0	221,6	282,5
GNP Rate of Increase (1997=100)	%5,7	%6,2	%6,9
GDP per capita (\$)	2.726,0	3.099,9	3.951,1
Inflation Rate	12,1	13,6	18,4
Labour (labour force, million people)	22,3	23,5	25,2
Unemployment Rate (%)	12,1	11,4	11,9
GDP – Sectoral Growth Rates (%)	5,7	6,2	6,9
Agriculture	9,3	4,7	6,2
Industry	6,7	8,5	10,8
Service	5,6	6,5	6,8
Fixed Capital Investments (Billion \$)	51,4	58,6	73,6
Foreign Trade (Billion \$)	107,5	124,8	154,0
Export	64,4	75,5	97,4
Import CIF	43,2	49,	56,6
Current Account Balance (Billion \$)	+16,6	+20,6	+34,1
Outstanding External Debt	24,3	23,5	28,7
Fixed Foreign Capital Investments (Bilion \$)	4,3	10,2	...
Energy			
Petroleum Reserve (Billion barrel)	137,5	137,5	137,5
Petrol Production (Thousand barrel/day)	4.106	4.347	4.058
Petrol Export (Thousand barrel/day)	2.691	2.486	2.523
Natural Gas Production (Billion cubic meter/year)	130,6	143,2	143,2
Natural Gas Export (Billion cubic meter/year)	4,8	5,7	5,7
Natural Gas Reserves	27 Trillion m ³		

Table 2. Structure of Iranian Textile and Clothing Sector [6]

Number of Enterprises	9.000
Total Investment Amount	3.5 Billion \$
Employment Capacity	300.000 people
Share in Total Industry Investments	%7
Share in Export Excluding Petrol	%6
Share in GNP	%8

Table 3. Export Values of Iranian Textile and Clothing Sector [7]

Export Components	2008-2009	2007-2008
Leather and Leather Products (million dollar)	170	122
Textile and Clothing (million dollar)	912	841
Export Excluding Petrol (billion dollar)	15.294	12.240

Table 4. Dispersion of Clothing Enterprises According to Regions and Production Capacities [8]

Province	Number of Enterprises	Production Capacity (million pieces)
Tehran	231	16.5
East Azerbaijan	307	13
Gilan	63	5
Qazvin	16	5.5
Fars	53	4.5
West Azerbaijan	103	32
Khuzestan	79	30
Mazandaran	62	2.3
Kurdistan	16	2.2

Iran Textile and Apparel Supporting Center, Iran Textile Exporters Association, Association of Iran Textile Industries, Iran Non-Governmental Export Development Fund can be listed as the vocational associations of textile and clothing sector. Besides, the country has four universities and many vocational schools which give

textile and clothing education. These universities are Amir Kabir University, Isfahan Technical Üniversitesi, Kaşan University and Gilan University. Generally textile technology and finishing education are given at these universities. According to the statistical data, 2.000 students join the textile and clothing business every year.

About 540 of these students are textile engineers who have graduated from universities [7,9].

5. SWOT Analysis of Iranian Textile and Clothing Sector

When SWOT analysis of Iranian textile and clothing sector is done, the following aspects become visible:

5.1. Strengths of Iranian Textile and Clothing Sector

1. Young and dynamic labour force
2. Cheap workforce (hourly wage is approximately 1.58 \$ [10])
3. Raw material resources with proper prices
4. Proper energy costs (KW/hour is 7.7 cent, 5.8 cent of this is subsidized by government [11])

5.2. Weaknesses of Iranian Textile and Clothing Sector

1. Insufficiency of qualified workforce at textile and clothing sector.
2. Lack of textile and clothing production technologies
3. Insufficient capital
4. 99% of the enterprises are small and medium sized.
5. Inadequate cooperation and integration between enterprises are inadequate.
6. Lack of qualified manager and entrepreneur
7. National and international standards are insufficient in terms of production quality.
8. Marketing activities and markets are inadequate both inside and outside of the country.
9. Insufficiency of the corporations and foundations providing qualified textile, clothing and design education
10. Lack of professional management and organization implementations
11. Statistical data and information about the country are inadequate. Also it is hard to reach them and their objectivity is open to question.
12. Weak infrastructure

5.3. Opportunities of Iranian Textile and Clothing Sector

1. Unsaturated and dynamic domestic market

2. Cheap, wide and qualified raw material resources
3. Young and dynamic population who is ready for education and improvement
4. Strategic geographical situation and its closeness to the markets in which textile sector is developing
5. Wide, cheap and various energy resources
6. Her cultural richness can be transferred to the sector.
7. High profit potential due to the undeveloped rivalry conditions
8. It isn't affected from international crises due to its isolation from international markets.
9. Because of the high protectionism, domestic production is attractive.

5.4. Threats of Iranian Textile and Clothing Sector

1. Insufficient and disorganized promotion policies
2. Tension due to the international relations and lack of integration
3. Lack of applicable and systematic public policy/policies
4. High levelled, hard and disorganized bureaucratic structure
5. Lack and insufficiency of international commercial treaties
6. International cooperations and rivalry conditions are undeveloped.
7. International economical and political relations are wounded up. Sufficient international technology, input and cooperation opportunities become difficult due to the isolation which is implemented according to the United Nations' decisions.
8. Government pays insufficient attention to textile sector in terms of development policies and strategies.

6. General Evaluation and Discussion

Iranian textile and clothing sector has not been developed as expected and intended. Also a significant improvement isn't expected at near future. The country have strengths such as population structure, natural resources, energy sources, dynamic consumption structure besides the weaknesses like management and organization disorders, serious problems in international integration, and lack of infrastructure. Insufficiency of management and organization at macro and micro levels is the most significant problem of Iran. Isolation of the country from the international economical and political relations negatively affects the textile and clothing sector like many other sectors. Industry sector takes a low share (10.8%) from the country's economy whereas natural resources constitute approximately 80%.

The management and organization problems, strict and bulky bureaucracy, international problems and isolation, insufficient and disorganized promotion policies as well as the lack of qualified workforce and entrepreneur are the most significant obstacles for Iran to evaluate the advantages and opportunities. The macro-economic problems affect the textile and clothing sector negatively like the other sectors. Textile and clothing sector doesn't have a competitive situation with respect to the domestic and international markets. Moreover the sector is unable to use and evaluate its slight and significant opportunities and advantages. Because of this, Iranian textile and clothing sector is substantially dependent on external financial sources. Besides the closed economical structure, the disorders in management and organization are the most important obstacles in front of an enhancement in Iranian textile and clothing sector.

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