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Cotton Textile Industry
in Lebanon

By

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PREFACE

This study is an endeavour to give a critical appraisal of the present situation of the cotton textile industry in Lebanon, reveal its defects and imperfections and devise a viable program of action for the promotion of sound basis of development:

The cotton textile industry is divided into two main branches--the spinning industry and the weaving industry. Another subsidiary branch is the bleaching and dyeing of yarns and the dyeing, printing and finishing of textiles:

The main emphasis in this study is laid on problems of the weaving industry, because first, it is the most important branch of the industry as far as investments and volume of production are concerned; and second, it is fabrics, and not yarns, that are mostly hit by the strong international competition and all that it entails of negative results and eventual difficulties on the industry:

However, particular attention is devoted to the spinning industry and to the ultimate impact of cost and quality of locally produced yarns as being the basic raw material used by local weaving mills for the manufacture of fabrics:

The study is based mainly on information provided by unpublished materials due to the lack of published works on the subject. These materials include reports and studies made by experts, government agencies and by the Industry Institute and the Association of Lebanese Industrialists.

Personal interviews are much relied upon too. Information acquired through this means are used as a check-up on other data and as a supplement to incomplete ones such as the industrial statistics of the Ministry of National Economy which cover only the concerns which choose to correspond to the Ministry's yearly demand for information.

Information got through interviews are also used to compensate, though partially, for the lack of official documents which producers were reluctant to reveal because concerns are all family businesses.

The personal experience of the writer was a great support too. Being an employee of the Association of Lebanese Industrialists for quite a long time, she has had the opportunity of direct touch with the industrialists, hearing personally of their problems, the nature of these problems and the way they are handled.

I would like, herewith, to express my thankfulness to the owners and managers of the mills and to the officials of the Ministry of National Economy and all others who were so cooperative and helpful as to facilitate my task.

I would like particularly to extend my gratitude and thankfulness to my advisor on the work, Dr. Suheil Elia, who by his valuable guidance and constructive criticisms had greatly contributed to render this work as acceptable and as complete.

TABLE OF CONTENTS

	Page
PREFACE	iii
LIST OF TABLES.....	vii
LIST OF CHARTS	xii
INTRODUCTION	1
Chapter	
I: HISTORICAL DEVELOPMENT OF THE COTTON TEXTILE INDUSTRY	11
× A. Background	
B. The Manual Cotton Textile Industry	
C. The Rise of Modern Cotton Textile Industry	
D. Conclusion	
II. ECONOMIC IMPORTANCE OF THE COTTON TEXTILE INDUSTRY.....	20
× A. Number of Mills and Types of Operations	
B. Quantitative Analysis of Products	
C. Qualitative Analysis of Products	
× D. Scientific Specifications and Cost Analysis	
× E. Direct Benefits	
F. Indirect Benefits	
G. Conclusion	
III: ORGANIZATION STRUCTURE OF THE COTTON TEXTILE INDUSTRY	37
× A. Inner Structure of Organizations	
1. Relative Size of Organizations	
2. Form of Organization	
3. Types and State of Equipment	
4. Management Organization	
+ 5. Capital Structure	
+ 6. Channels of Distribution	

Chapter	Page
B. Outer Structure of the Industry	
1. Price Setting	
2. Industrial and Labour Trade Union Association	
C. Conclusion	
IV. COMPETITIVE STRUCTURE OF THE COTTON TEXTILE INDUSTRY	69
A. Ability to Compete with Foreign Products in Local and Export Markets	
1. Sources and Causes of Competition	
a. Foreign Imports	
b. Contraction of Export Markets	
c. Limited Size of the Local Market and Prejudice against Local Goods	
d. Entrepreneurial Spirit	
e. Wide Diversification of Products	
f. High Costs of Factors of Production	
B. Productive Capacity as Compared with Actual Production	
C. Characteristics and Behaviour of Demand	
D. Government Assistance	
E. Conclusion	
V. IMPORTS AND EXPORTS OF TEXTILE	107
A. Background	
B. Qualitative Analysis of Local Production and Imports	
C. Volume and Type of Imports	
D. Conclusion	
VI. EVALUATION AND RECOMMENDATIONS	129
BIBLIOGRAPHY	136
APPENDIX	141

LIST OF TABLES

Table		Page
1.	The Integrated Cotton Textile Mills.....	21
2.	The Cotton Textile Weaving Mills	22
3.	Volume of Production of Yarns and Fabrics for the Years 1959-62 in Tons	25
4.	Quantity and Value of Exports of Yarns and Fabrics and Their Respective Rates to Total Industrial Exports of Lebanon	34
5.	Classification of Mills According to Relative Number of Looms and Spindles	38
6.	Relative Size of the Three Big Mills as Measures by Number of Looms and Amounts of Fabrics Produced for 1962 in Tons	39
7.	Relative Size of the Three Big Mills with Respect to Number of Spindles and Amounts of Yarns Produced for 1962 in Tons	40
8.	Ratio of Own Capital to Gross Capital	57
9.	Local Consumption of Yarns and Rate to Productive Capacity in Tons.....	95
10.	Local Consumption of Fabrics and Rate to Pro- ductive Capacity in Tons	96
11.	Rate of Actual Production to Productive Capa- city Calculated on the Basis of 24 Hours, in Tons	97
12.	Production Trend of Yarns as It Corresponds to Production Trend of Fabrics in Tons	100
13.	Decrease in Imports of Fabrics for 1959-62, in Tons	
14.	Imports from Socialist Countries, Egypt and Syria, Quantity, Rate to Total Imports, Aver- age, Minimum and Maximum Price for 1960 and 1961, in Tons and Lebanese Piasters	113-15

Table		Page
15:	Imports from Free Countries, Quantity, Average, Minimum and Maximum Price and Rate to Total Imports, for 1960 and 1961 in Tons and Lebanese Pounds	117-19
16:	Cost Price in Lebanon for 1960 and 1961 in Lebanese Piasters and Kilos	121-22
17:	Volume of Exports of Yarns and Rate to Total Production for the Years 1959-62 in Tons ...	124
18:	Export Countries and Volume of Exports to Each, for 1960-62, in Tons	125
19:	Volume of Exports of Fabrics and Rate to Total Production for the Years 1959-62, in Tons	126
20:	Export Markets and Volume of Export Business with Each for 1960-62, in Tons	127

INTRODUCTION

The cotton textile industry was first created in its mechanized form in Lebanon in the year 1927. Up to that date the textile manufacturing in Lebanon was carried out mainly by hand with the help of spinning wheels and hand looms.

Due to international competition from more industrially advanced countries, the industry did not achieve the success required until the time of the Second World War when imports from overseas were cut off. As a result, the industry enjoyed a successful state of enormous demand in both, the home market and the exports markets, namely the Arab countries where industrialization at that time was restricted to a minimum.

The recovery of world economy after the war contributed to a rapid increase in the nations' exports. The Lebanese as well as the Arab markets were flooded with cotton textiles.

The national industry lost the valuable advantages it once enjoyed; it was confronted with the serious problem of keen international competition of those imports in its home market and in its export markets as well.

The difficulty of disposing of the textiles produced has resulted in increased accumulation of stocks and

in reduction of quantities produced. As a result of unused capacity costs of production were higher and a vicious circle was set in motion.

The critical situation, as described in the foregoing, with its snowball effects, reached its climax by the end of 1956, despite all efforts of producers to modernize their equipment and improve their manufacturing techniques.

On February 9, 1957, the owners of the industry referred to the Government for help. The Government, already conscious of the difficulties inherent, had called upon the United Nations Technical Assistance Bureau for a textile expert to advise and assist the Ministry of National Economy in devising a developmental plan for the textile industry as a whole.

The French expert¹ arrived in Beirut early in 1957. He scientifically studied and analyzed the situation of each branch of the textile industry apart. He submitted to the Ministry of National Economy a detailed report in eight volumes² on the subject. The study about the cotton

¹M. Rene Moitry

²"Industrie Textile Libanaise", December, 1959, Beirut. This is the most authoritative work on the subject of the cotton textile industry.

textile industry covered the following aspects:

Cost aspect--cost price as determined by:

Raw materials--quality and cost

Equipment--state and productive efficiency

Human labor, efficiency and cost

Credit facilities and cost

Commercial aspect

State of competition

Import movement

Price of imported textiles as compared with
cost price of local products

Custom duties

Managerial aspect

Research and renovation

Organization and administration

The recommendations were the following:

The creation of a vocational training center
for the development of labor efficiency

An elaborate cost accounting system for proper
control and determination of costs (instead
of the financial system in use at present);

Specification and standardization system for
quality and cost control

Protection against dumped goods and jobs:

In 1958, the owners of the cotton textile industry renewed their claims to the Government for speedy

action against jobs and dumped imports.

Early in 1959, the Ministry of National Economy transferred the problem to the "Commerce and Production Committee." In order to determine the extent of competition, the Committee conducted a study with the help of the Industry Institute as to cost price of local fabrics mostly exposed to competition. The cost price was found to be almost fifty percent higher (see Table 14) than the price of dumped imports Cif Beirut.

The Ministry of National Economy adopted the report of the Committee; on September 23, 1959, it submitted its recommendation to the Council of Ministers for an increase in tariff duties of 25-50 Lebanese piasters per kilo of jobs and nonfashioned goods subject of custom position No. 9/55. Upon the agreement of the Council, the law No. 876 was issued determining the raise. The above-mentioned increase was far less than required to compensate for the difference in price between local textiles and imports of dumped goods.

On July 9, 1960 the owners of the industry sent a memorandum to the Ministry of National Economy asking for temporary prohibition of imports and for an increase of 50% on tariff duties actually in force. They threatened to dismiss a part of their employees if their claims were not to be considered. Early in August, Arida Brothers Corporation actually dismissed 200 of its employees; the

other employees at the mill went on strike. The "Syndicate of Employees of Weaving and Spinning Mills in Lebanon" threatened to go on strike too unless employees dismissed were put back to work.

Upon the promise of the Government to remedy the situation, the employees dismissed were put back to work.

Accordingly, the Ministry of National Economy appointed, on August 13, 1960, a special committee to study the conditions of the industry. The committee was composed of members of the Ministry of National Economy and that of Labour and Social Affairs, a representative of the High Council of Customs, a representative of the Industry Institute and an expert of textile.

On October 31, 1960, the Committee submitted a report of its findings to the Ministry of National Economy in which it recommended an increase of 15% on fabrics whose weight per square meter is more than 100 gms (fabrics mostly exposed to competition).

On November 9, 1960, the High Council of Customs issued the law No. 1008 declaring the increase.

Besides, the committee recommended that a thorough study be put on more reaching basis to be depended by both parties, government and owners, for the development of the industry.

Accordingly, the Ministry of National Economy charged the Department of Industry on December 11, 1960 to conduct the required study.

On March 1961, the Department of Industry submitted its report to the Ministry. The report covered the following points:

Equipment--conditions and efficiency.

Fabrics produced--quality, quantity and cost price as compared with that of imported fabrics.

Import movement and its repercussions on local production.

Actual custom tariffs and their adequacy for protection.

The report listed the major needs for development, the primary responsibility for which, according to the report, falls on the shoulders of producers themselves. They were:

The introduction of cost accounting system for the precise determination and effective control of costs.

The development of professional training programs to be conducted in mills for the promotion of higher productivity of labor.

The adoption of scientific principles of management--technical, commercial and financial.

The responsibility of the state was determined as follows:

Introduction and imposition of a scientific standardization system for quality and cost control purposes.

Increase of tariff duties on jobs.

Promotion of exports--export subsidies:

The fifth study was conducted by the Industry Institute in 1961 upon the charge of the Ministry of Plan in preparation for a program for the development of the national economy as a whole:

The report¹ "analyzed all aspects of the industry; as such it contained the following issues:

An analysis of the markets--internal and external.

A study of the local production--quantity, quality and cost price.

A general review of management and organizational structure of concerns

A study of equipment--efficiency and state.

A study of human labor--productivity and cost.

A comparison of the overall situation of the industry with that in other countries, mainly Egypt and Syria.

The recommendations were similar to those of the aforementioned reports; there were:

The development of labour efficiency through professional training on both private and public level.

¹"A Survey of the Cotton Spinning and Weaving Industry in Lebanon", Beirut, December 21, 1961.

The introduction of an elaborate cost accounting system.

The introduction of standardization system.

A better maintenance and preservation system.

The establishment of a joint stock company to promote the distribution of products both internally and externally.

The last of these studies was made by a French expert¹ called by the Ministry of Plan early in 1962; the expert was charged to make a thorough study about the industrial sector of Lebanon, with special emphasis on the textile industry.

The report about the cotton textile industry was mainly that of cost analysis; it covered in its essentials the financial and cost of production aspects of the industry.

The report was submitted to the Prime Minister on July 30, 1963.²

In the meantime and upon the recurrent claims of producers, two other short studies were made by the Ministry

¹Mr. Joseph Marcel Gileron.

²Report is strictly confidential since it treats individual financial cases.

of National Economy, Department of Industry. The first was made on November 11, 1962, the second on December 20, 1962.

Both studies dealt with the problem of competition as it exists; both recommended effective protection through import prohibition of dumped fabrics or through increase in tariff duties to the difference between cost price of local fabrics and price, cif Beirut, of imported ones.

It is worthy to note that the parties concerned, government, employers and employees, have been trying earnestly and cooperatively to remedy the situation. The latest of these efforts was an agreement made in October 1963 between the government and the owners of the industry. The agreement determined the mutual responsibility of both parties for the development of the cotton textile industry. The responsibility of the government was limited to the protection mainly of fabrics against dumping and jobs, as well as the protection of yarns and ready-made clothes through raising tariff duties. The question of export subsidies is to be considered by the government, and pertinent decisions are to be given within seven months of the date of the agreement.

The responsibility of the owners was the following:
Improving the quality and efficiency of labor by vocational training for cost reduction and quality improvement purposes.

Adoption of a unified cost accounting system for effective cost controlling purposes.

Adoption of standards and specifications put by the government for control and promotion of quality.

Providing for fair prices.

Maintaining constructive intercompetition as an incentive for better achievements.

It is worthy to note that the recommendations as stipulated in the above-mentioned agreement conformed almost precisely to those specified in the previous reports made about the industry.

The promotion of sound basis of development of the cotton textile industry cannot be fully achieved unless government and owners collaborate towards the fuller realization of the above mentioned principles. Private interests, mainly short term ones, are likely to conflict with the long term achievement of more substantial goals. Some immediate benefits and immediate gains may have to be sacrificed if the process of development is to be sustained.

CHAPTER I

HISTORICAL DEVELOPMENT

Background

A comparison of the present state of industry with that of the period prior to the Second World War, would lead to an awareness of the great progress which Lebanon has made along the difficult road of industrialization.

The cotton textile industry is no exception; just like all other industries in Lebanon, it had developed from a traditional handicraft into a modern mechanized industry.

This evolution had been achieved purely by private initiative which constitutes the striking evidence of the efforts of the contracting class who participated in the modernization of the economic structure of the country, by transforming it from a nation predominantly dependent on trade and services to one which is industrially oriented.

I: The Manual Cotton Textile Industry

Lebanon was known since time immemorial for its handicrafts mainly textile weaving. It was not until the sixteenth century that this industry had acquired a pre-eminent position in the economy of Lebanon; up to the outbreak of the First World War, textile weaving formed

one of the main resources of income of the Lebanese family particularly in villages:

Besides being a household occupation in which all the members of a family participated, this handicraft developed in time into an organized manufacturing process comprising large workshops where salaried workers were engaged. The fabrics produced found their way abroad mainly into Syria, Iraq and Turkey.

With the outbreak of the First World War and the lack of raw materials, poverty and emigration affected this industry adversely; only a very few workshops struggled bitterly for continuity and life.

When peace time conditions were restored, imports resumed their inflow, thus directing the final stroke to this traditional industry both in the home market and in the export markets.

A. The Artisanat Association

To give a complete picture about the historical development of this industry, it is worthy to mention the actions that were extended lately to revive the manual textile industry:

The main theme of the movement was to raise the standard of living in the village by providing employment opportunities for men and women. The intention was to minimize emigration from the villages and thus relieve the

big cities, particularly Beirut, from their present overcrowded state.

Mrs. Lodi Eddeh, Mr. Emile Eddeh's wife, the ex-president of the Republic of Lebanon 1939-1941, was the first to carry out this initiative. In 1937, she established, with the help of other ladies, the Artisanat Association with the purpose of encouraging manual weaving and embroidery works.¹ In 1957, the Artisanat established a professional center in the village of Zouk in Kesrwan to train young men on the art of manual weaving.²

Besides practical training, this center is equipped as to provide scientific knowledge to trainees in both languages, Arabic and French, under the management of two experts in the field.

For other complementary activities such as sewing, embroidering and trimming, the Artisanat had established related centers in many villages where young women gather for work under the supervision of qualified people. The Artisanat provides them with all raw materials needed, and a number of very fine products are turned out. There are twenty-one well organized workshops for cotton weaving,

¹"Handicrafts in Lebanon", Al-Jarida, May 30, 1961.

²Ibid.

where work is still carried out by the help of hand looms and spinning wheels.¹ These workshops turn out good quality fabrics used for cloaks and mantles, women outwear, curtains, wall covers, table covers, bed covers, etc.

These hand-made products enjoy a wide reputation and are greatly appreciated by Lebanese and visitors alike and as such they become export commodities. Cloaks and mantles are mainly exported to Arab countries.

The most important centers for cotton weaving were Beit Shebab in Metn, Barja and Bshatfeen in Shouf and Zouk in Kesrwan. To-date, Zouk is still famous for its silk woven fabrics.

II. Rise of the Modern Cotton Textile Industry

The transitional period in the history of the cotton textile industry began in 1927, when three pioneers, the Arida Brothers, established in the city of Tripoli the first modern mechanized mill for cotton spinning and weaving in Lebanon. In 1932 another mill, "Filature Nationale de Coton," Asseily and Cie., S.A.L. was set up, in Jdaideh, in the eastern outskirts of Beirut.

These two mills did not meet with a happy start because of the keen foreign competition, and of the lack of industrial experience. They

¹Ibid:

alternated between success and failure until the outbreak of the Second World War in 1939.

A. Favourable Factors of Growth

As a result of the war circumstances, Lebanon, as well as other Arab countries were cut off from the West and with it imports of textiles.

Lebanon was the first among Arab countries to realize the importance of industrialization as the cornerstone of all economic, social and political development, and to put this awareness into actual practice. Lebanese industries existing at that time were called to meet the needs of the domestic market and that of the neighbouring Arab countries, together with those of the allied troops stationed in the area.

Other factors which favoured the establishment and growth of industries during the War were the financial prosperity which the country had witnessed and which were manifested by the considerable amount of money in circulation, the high prices and the eventual wind-fall profits.

These flattering results were a strong impetus to the establishment of other cotton spinning and weaving mills. The most important of which was the "Industrial Company for Spinning and Weaving S.A.L." Jabre and Co., established in the year 1946 in Hadath. During that

period other less important mills were established too.¹

B. Slowing Down Factors

It is undoubtedly the case that the factors which accounted for the rapid growth of the cotton textile industry during the Second World War and in the post-war period were, to a considerable extent, unique, and cannot, in the very nature of things, recur.

Upon the termination of War and the recovery of world economy, imports of cotton textiles from countries of the West and Far East began to capture the markets of this area. The young local industry had to face the keen competition mainly that of piece-good materials and of dumped goods from Socialist countries imported cif Beirut at less than the cost price acknowledged internationally of raw materials made therefrom.

Another source of competition was the imports of cotton textiles from the newly industrialized Arab countries namely, Egypt and Syria where the textile industry receives substantial Government support.

By virtue of economic policies undertaken by both countries, such as export subsidies and protection of local markets, producers in Syria and Egypt were enabled to

¹These mills are named in Chapter III.

undertake mass production and to realize lower costs and better qualities.

As a result the national industry was overwhelmed by the loss of its most important export outlets--Syria and Egypt. Furthermore, it had to face the strong competition of imports of these same countries not only in its home market but in the other Arab countries which are non-producers of cotton textiles. As such it entered into bitter struggle on both the internal level and the external level.

The internal struggle took the form of continuous battle between the textile producers and the textile importers.

The textile importers stressed the deep-seated idea that Lebanon is a trading nation, and producers insisted on the importance of national industry for economic development.

The Government realized the importance of national industrial growth, but also maintained it will follow an "Open Door Policy" in terms of trade. This meant an almost neutral position on the part of Government, except of some tariff assistance which, as experience has shown, fell short of the needs of the cotton textile industry to prosper.

As a result, the cotton textile industry suffered great losses; some mills were shut down, others reduced significantly their operations.

In order to survive, it was imperative for the owners of the industry to modernize their technical equipment and improve their manufacturing techniques.

The modernization measures, above-mentioned, were notable, but not yet on a scale commensurate with the magnitude of the need of the industry for help and encouragement.

The cotton textile industry presently faces a critical point in its history, a point where it is possible to realize through the concerted efforts of both, the owners and the State, the opportunity for successful adjustment to the progressive economic and technological changes taking place in the world abroad.

Conclusion

The cotton textile industry in Lebanon is divided into two branches: the manual industry and the mechanical industry.

By virtue of moves extended lately to revive the manual textile industry, improve and promote its products, hand-made fabrics are made known in the home market and in the export markets of the West, mainly through national and international fairs and exhibitions. As such they have become export commodities.

The mechanical cotton textile industry is the outcome of private initiatives. It was first created in the year 1927; it grew and developed during the Second World War and the postwar period when the magnitude of the need for its products overlooked all considerations for price and quality.

Upon the recovery of world economy, the national cotton textile industry was overwhelmed by the overflow of textile imports mainly dumped goods from Socialist countries and from countries of planned economy--Syria and Egypt.

The prohibition of imports on the part of these countries had caused the loss to the national industry of its most important export outlets.

The difficulty of marketing the products of the industry had resulted in reduction of amounts produced and in plenty of unused capacity. Costs of production were higher and competitive ability was increasingly weakened. The protective measures taken by the Government were ineffective, as conditions have proved, mainly with respect to jobs and dumped imports.

Market protection and export promotion measures on the part of Government as well as measures for quality promotion and cost reduction from within the industry have to be worked out if development of the industry is to proceed in the right direction and at satisfactory speed.

CHAPTER II

THE ECONOMIC IMPORTANCE OF THE COTTON TEXTILE INDUSTRY

Despite the difficulties which the cotton textile industry had witnessed during the last fifteen years, it is still considered one of the most important industries of Lebanon.

This chapter is devoted to expose the economic importance of this industry. The first part gives a demonstration of the number of mills, types of operations and amounts and types of products. The second part discusses the direct benefits of the industry as represented by the gainful employment it provides and by the investment opportunities it presents. The third part demonstrates the indirect benefits of the industry as represented by its favourable effect on Lebanon's balance of trade, by its contribution to the national wealth and by the important stimulus income generated in this industry is likely to provide for the rest of the economy.

I: Number of Mills and Types of Operations

A: Number of Mills

The cotton textile industry comprises twenty-four

mills,¹ seven of which carry-out all successive stages of manufacture from the scouring and combing of raw cotton to the finished fabrics: Thus about three tenths of the total number are called integrated mills (Table 1):

The other seventeen mills which represent seven tenths of the total number are restricted to weaving operations only (Table 2):

TABLE 1
THE INTEGRATED COTTON TEXTILE MILLS

Name	Date of Establishment	Location
1. Arida Brothers Corporation (S.A.L.)	1927	Tripoli
2. Filature Nationale de Coton S.A.L. (Asseily and Company)	1932	Jdaidet-El-Metn Metn
3. Les Fils de Raffoul Butros, S.A.L.	1945	Hadath, Ba'abda
4. The Industrial Company for Spinning and Weaving S.A.L. (Jabre and Company)	1946	Hadath, Ba'abda
5. Sami Shabeen and Sons	1946	Zahleh, Bika'
6. George Massabni and Sons	1949	Hazmieh, Ba'abda
7. Elias and Kisra Muzannar	1949	Fayadieh, Ba'abda

Sources: Rene Moitry "Industrie textile Libanaise", Vol. II: "Annuaire, Industrie textile, Liban", Final Report to Ministry of National Economy, December 1959, pp. 54, 61-62. (Mimeographed).

Interviews with owners.

TABLE 2
THE COTTON TEXTILE WEAVING MILLS

Name	Date of Establishment	Location
1. Les Fils de Habib Badaro	1942	Beirut
2. Gaspar Narcissian and Sons	1942	Junieh, Kesrwan
3. Ahmad Badre and Khalil Kreydieh	1943	Hadath--Ba'abda
4. Antoine Salim Kaldani	1943	Hadath--Ba'abda
5. Joseph Kilo	1946	Hadath--Ba'abda
6. Hrant Baboyan	1948	Burj-Hammound, Metn
7. Farah Bassous	1948	Hadath--Ba'abda
8. Nicolas Bassous	1950	Burj-Barajni--Ba'abda
9. Assa'ad Turkieh and Sons ^a	1950	Beit Shebab--Metn
10. Kaladjian Brothers	1950	Jumhour, Ba'abda
11. Homsî and Shalati	1950	Fayadieh, Ba'abda
12. Aritex S.A.L.	1952	Tripoli
13. Leon Yacoubian	1954	Beirut
14. The National Weaving Co. (Abi Khalil and Tayan)	1955	Beirut
15. Helou Brothers	1955	Junieh, Kesrwan
16. Societe de Tissage et d'Habillements Divers (Malki et Katabi)	1955	Zalka, Metn
17. Modern Weaving and Jacquard Company (Muhamed El-Kassem and Co.)	1960	Beirut

Sources: Rene Moitry, "Industrie Textile Libanaise", Vol. II: "Annuaire, Industrie Textile, Liban", Final Report to Ministry of National Economy, December, 1959, pp. 63, 64, 87, 91 (Mimeographed); Interviews with owners:

^aThe mill was first established in 1890 for manual cotton weaving; modern machinery was introduced only in 1950.

B. Types of Manufacturing Processes¹

The manufacturing processes include the preparatory-to-spinning operations, the spinning operations, the weaving operations and the dyeing and finishing operations.

The starting point in the preparatory operations is the feeding of cotton into blending feeders; a number of four to six similar bales of cotton from different lots of shipments are grouped behind one blending feeder, and a small quantity of cotton is taken from each bale in succession and put into the feeder. The purpose is to get the different sorts of cotton thoroughly inter-mingled. At the same time the tufts of cotton are opened and a large part of dirt is separated from the fibers.

The next operation is that of picking where the layers of blended cotton are thoroughly opened and made into flat stripes.

The third operation is that of carding; flat stripes are moved into cards where they are combed and thoroughly cleansed of all motes, seed fragments and other foreign particles, and the cotton is drawn into webs and slivers.

Slivers are roved and built into roving bobbins; bobbins are then removed from roving frames and emptied, into the creels in the spinning machines where roved cotton is spun and twisted into yarns ready for weaving.

¹For more details refer to Gilbert Merrill, "Lebanese Syrian Cotton Spinning Industry", Report prepared by the Industry Institute, April 22, 1957, pp. 24-30 (Mimeographed).

In the weaving department yarns are winded on big wide rollers to be slashed and dried up in special ovens. Slashed yarns are then moved into the weaving machines where they are transformed into different kinds of fabrics.

The fabrics turned out are checked, cleansed from all additional matters and measured by means of special machines.

The dyeing operations include the dyeing of both, yarns and fabrics. Yarns to be dyed are winded on metal spools and put in dyeing containers operating by pressure and high heat. Dyed yarns are then dried up by means of warm air.

Fabrics to be dyed are mixed with chemical products to help absorb the dyestuffs. They are then moved into the different dyeing machines to be finally dyed.

Products are finally submitted into the final operations of cleansing, pressing, packing and storing.

II. Quantitative Analysis of Products

In order to give a reliable picture of the amounts and range of actual production of yarns and fabrics, calculations relating to yearly production should cover more than one year in time.

Table 3 is worked out accordingly as to present the actual production of yarns and fabrics for four consecutive years, 1959-62.

TABLE 3
 VOLUME OF PRODUCTION OF YARNS AND
 FABRICS FOR THE YEARS 1959-62
 IN TONS

Year	Quantity of Yarns Produced	Quantity of Fabrics Produced
1959	3770	2101.460
1960	3400	2343.450
1961	3405	2373.442
1962	3865	2725.900

Sources: Interview with Mr. Shukri Ghibril, Pres. Scientific Department (Ministry of National Economy), February, 1964:

"Industrial Statistics" 1959, prepared by the Scientific Department (Ministry of National Economy), (in the files of the Department):

III: Qualitative Analysis of Products

A: Kinds of Yarns

The spinning mills produce all kinds and types of yarns, the monofil and double count yarns, the combed and uncombed yarns and the mercerized yarns used for the manufacture of stockings:

A very small part of yarns produced is exported. The rate of exports to total produced has ranged from 1.3% to 8.34% for the years 1959-62.¹ The greatest part is consumed locally, partly by same producers and partly by knitting and other weaving mills

¹Refer to Table 17, p. 124.

as raw materials for the manufacture of fabrics and knitted underwear, outwear and stockings.

B: Kinds of Fabrics

The weaving mills turn out a wide variety of cotton and fibran fabrics² of all types, width and thickness; as such they satisfy the greatly varying demands of the local market mainly of people in the medium and low income brackets.

The kinds of fabrics produced are divided into five main categories:

- 1) Grey materials
- 2) Bleached materials
- 3) Dyed materials
- 4) Dyed yarn materials
- 5) Printed materials

1: Types of Fabrics

The main types of fabrics under each category are the following:

Grey materials: All kinds of grey cloth

Bleached materials: Muslin or gauze, white dawlas, batiste, serge, lona, table-cloth, bed-cloth and white calico.

¹Rayon with fibers of limited length.

Dyed materials: Lona, batiste, curtains, marcella, sponge fabrics, flannelette, serge and dawlas.

Dyed yarns materials: Mattress covers, lona, furniture and curtain materials, table-covers, sponge fabrics, flannellette, jacquard and vichy.

Printed materials: Satin, marcella, batiste, popelin, tobralco, panama, bazin, cretonne.

However, it is extremely difficult to determine in a decisive manner the kinds of fabrics manufactured locally, since it is often the case that some kinds of fabrics, by force of maintaining demand at the market, are discontinued, while new ones are being continuously introduced.

a) Waterproof, Fireproof and Rotproof Materials

The manufacture of waterproof, fireproof and rotproof materials--canvas and ducks--is carried out by two specialized mills in the field; they are:

Aritex (George Arida and Sons)

Les Fils de Habib Badaro

Canvas and ducks are used for beltings, tents, sails, paraols for seashore and recreation grounds as well as for other protective needs.

b) Sponge Fabrics

Many of the weaving mills carry on the manufacturing of sponge fabrics used for towels and bathing

suits making. However, four of these mills are mainly concerned with the manufacturing of towels and other sponge fabrics. They are:

Homsi and Shalati
 Antoine Salim Kaldani
 Gaspar Narcissian and Sons
 Leon Yacoubian

c) Fibran Fabrics

Besides producing cotton fabrics, the weaving mills are equipped as to produce pure fibran fabrics and mixed fabrics made out of cotton and fibran, or cotton, fibran and rayon.

The quantity of fibran and mixed fabrics produced differ from one mill to the other and according to the demand of the market.

The cotton textile mills are divided into three categories with respect to fibran and cotton fabrics they produce:

- a) The mills whose main part of products is cotton fabrics: they are:
- Filature Nationale de Coton S.A.L.
 - The Industrial Company for Spinning and Weaving
 - Arida Brothers Corporation
- b) The mills whose main part of their products is fibran fabrics; they are:

- Sami Shabeen and Sons
- Les Fils de Raffoul Butros

c) The mills whose products of fibran fabrics alternate between one fourth to one half of the total fabrics they produce; they are the remaining nineteen mills.

The fabrics produced are marketed almost totally in the home market; a very small part is exported.¹

In many developing countries the promotion of the home market is a difficult problem to overcome due to the generally low level of income. The problem is even more serious in Lebanon where income is unevenly distributed, and market is small and unadequately protected. This is evident by the increased accumulation of inventories in warehouses pending export outlets year after year.²

IV. Cost and Scientific Specifications

With view to the wide varieties of locally produced fabrics in the one category and to the difference of quality and specifications under each kind, and even under each type, it seems quite difficult to determine in

¹Refer to Table 15, p. 116.

²For details see p. 98.

a comprehensive way the exact cost price of all types of local fabrics; since cost of production, other things being equal, depends upon the quality and scientific specifications of the product.

Appendix I gives the cost price and scientific specifications of the most popular types. Appendix II gives the elements of cost price of the fabrics mostly exposed to competition.

V. Direct Benefits

Like all other important industries, the economic importance of the cotton textile industry is twofold: direct and indirect.

The direct benefits of this industry are represented by the gainful employment it provides, and by the investment opportunities it presents.

A. Employment and Remuneration

To illustrate this fact, it may be stated that the cotton textile industry provides gainful employment for about three thousand five hundred workers, about

thirty specialists and one hundred twenty-five directors.¹ In other words, it provides employment for about 6.5% of the total number of people employed in all industries of Lebanon and which is estimated at 59523 employees.²

The daily pay for an ordinary woman worker ranges between two Lebanese pounds and a half and six. For a woman, chief of a group, the daily pay ranges between five Lebanese pounds and eight and a half.

The daily pay for an ordinary woman worker ranges between four Lebanese pounds eighty piasters and eight.

For skilled workers, spinners, weavers, mechanics and chiefs of groups, the daily pay ranges between eight Lebanese pounds and fourteen.³

Other advantages of the cotton textile industry are represented by the facilities and enhancement it provides other industries complementary to it; they are the ready-made clothes industry, the upholstery industry and the knitting industry. The two former industries depend on it for a big part of their needs of cotton fabrics.

¹Imad Nawam "Conditions of the Cotton Textile Industry in Lebanon," Final Report to the Head of the Department of Industry at the Ministry of National Economy, March 1961, p. 14 (in Files of Department).

²Industrial Statistics, loc.cit.

³Interview with Mr. Sami Jabre, May, 1964.

The knitting industries--outwear, underwear and stockings--depend on it for a big part of their needs of cotton yarns. Orders are delivered in a speedy way and according to the specific demands of the producers.

The cotton textile industry, in turn, depends on power and fuel industries for electricity, fuel oil, etc. It depends for some of its spare parts, as well as for major maintenance and repairs, on local maintenance industries. As such, it provides work for hundreds of workers, other than those it directly engages in its proper spinning and weaving operations.

Capitals Invested

Capitals invested in the cotton textile industry amounted in 1961 to 52,848,000 Lebanese pounds,¹ or about 8% of the total capital invested in the industrial sector of Lebanon and which amounts to 640,825,000 Lebanese pounds.²

VI. Indirect Benefits

The indirect benefits of the cotton textile industry are represented by its favourable reaction on Lebanon's notoriously debited balance of trade and accordingly on foreign exchange supply, as well as by its contributions

¹Industrial Statistics, loc.cit.

²Ibid.

to the national wealth of the country.

X A. Favourable Effect on the Balance of Trade

The favourable effect of the industry on the balance of trade and consequently on foreign exchange supply of the country is represented by the value of export business it holds with other countries (Table 4).

The quantity and value rates of yarns and fabrics exported to the total industrial exports of the country, as shown in the foregoing table, has ranged from 0.03% to 0.33% in volume, and from 1.6% to 2.14% in value for the years 1959-1962. This seems quite low when compared to the relative weight of the industry as represented by the rate of employment it provides and the rate of investment opportunities it presents to those of total industrial sector.

This gives a clear evidence of the critical situation the industry undergoes and which is represented by the difficulty of marketing its products abroad. Had it not been for this fact, the industry, by virtue of its considerable potentials of production, would have been able to exert a far greater beneficial influence on the debited balance of trade of the country.¹

X B. Contribution to the National Wealth

The cotton textile industry participates in

¹For details on productive capacity refer to p. 93.

to the national wealth of the country:

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¹For details on productive capacity refer to p: 93:

TABLE 4

QUANTITY AND VALUE OF EXPORTS OF YARNS AND FABRICS
AND THEIR RESPECTIVE RATES TO TOTAL INDUSTRIAL
EXPORTS OF LEBANON

Year	Quantity in tons			Value in L.L.		
	Exports of Yarns and Fabrics	Total Exports	Rate to total Exports	Value of Exports of Yarns & Fabrics	Value of Total Exports	Rate to Total Value of Exports
1959	152:870	159870	0:03%	918220	57673460	1:6%
1960	131:908	194854	0:07%	7555480	153567800	4:92%
1961	258:085	95307	0:27%	1547755	338788390	0:46%
1962	430:850	129153	0:33%-	2353150	108999050	2:14%

Source: High Council of Customs, Statistics of External Trade, 1959-1962:

preserving the national wealth; it provides the local consumer with a basic commodity, which, if imported, would lead to the leakage of a part of the national wealth to importing countries:

It contributes as well to the national wealth through the industrialization process of converting raw materials into finished products. The increase in value, thereof realized, represents an eventual increase in the national wealth:

VII. Conclusion

The picture we have presented of the cotton textile industry cannot but emphasize the economic importance of this industry.

The economic benefits of this industry are twofold: direct and indirect. Its direct benefits are represented by the investment opportunities it presents and by the gainful employment it provides.

Its indirect benefits are represented by its contributions to the national wealth and by its favourable reaction on Lebanon's balance of trade and accordingly on the foreign exchange supply of the country.

It is an obvious fact that the increase in income which originates in the cotton textile industry, as being one of the most important industries of Lebanon, with its snowball effects, provides a good stimulus to the rest of the economy. It also leads to an increase in the demand for goods and services of all kinds.

The proportion of that income which is saved is ploughed back into capital investment, as evidenced by the constant renovations and expansions that have taken place in the cotton textile industry in the last ten years.

The increased expenditure stimulates the expansion of other domestic industries. Imports and exports increase and with them incomes from trade, commerce and transport services.

In this way and through these indirect benefits a cumulative process of growth is set motion.

The scope of beneficial achievements of the industry, as it exists at present, is narrow when compared to its potentials. Had it not been for the critical state of strong international competition and the idle capacity resulting thereof, the cotton textile industry would have been able to achieve far greater results with respect to the national income of the country.

CHAPTER III

THE ORGANIZATION STRUCTURE OF THE COTTON INDUSTRY

The cotton textile mills are classified into three different categories, big, medium and small.

However, a wide difference in size exists between these three categories as measured by capital investments, volume of production, number of employees, etc.

This chapter is devoted to a discussion of the organization structure of the industry.

The first section discusses the inner structure of the industry as represented by relative size and form of organizations, capital structure, types and condition of equipment, managerial structure, and channels of distribution.

The second section deals with the outer structure of the industry as one unit; it discusses the existing interrelationships as far as price setting is concerned and the collective actions vis-vis public policy and labor unions.

I: Inner Structure of the Industry

A: Relative Size of Organizations

The cotton textile weaving mills are divided

into big, medium and small mills with regard to the relative number of looms each category possesses.

The total number of looms for the whole industry amounts to 1365 looms.¹

As far as the spinning capacity is concerned, spinning mills are divided, according to the relative number of spindles, into two categories, big and relatively small mills.

The spinning mills comprise together 124500 spindles.² Table 5 illustrates the relative distribution of looms and spindles among the above-mentioned categories:

TABLE 5
CLASSIFICATION OF MILLS ACCORDING TO RELATIVE NUMBER
OF LOOMS AND
SPINDLES

Designation	Looms			Spindles		Total No. of Spind.
	Number of Looms	Number of Mills	Total No. of Looms	No. of Spindles	No. of Mills	
Big Mills	61 & above	3	1170	12,000 & above	3	112,000
Medium Mills	11-60	7	155			
Small Mills	2-10	14	40 ^a	3,000- 12,000	4	12,500

Source: 1: Interviews with managers, December 1963.

^aSecured from "Survey of the Cotton Spinning and Weaving Industry in Lebanon" Final Report prepared by the Industry Institute to Ministry of Plan, December 21, 1961, p. 23.

¹"Survey of the Cotton Spinning and Weaving Industry in Lebanon" prepared by the Industry Institute to the Ministry of Plan, December 21, 1961, p. 27 (in files of the Institute).

²Interviews with managers, December 1963.

The foregoing table shows that the three big mills which are "The Filature Nationale de Coton," "Arida Brothers Corporation" and "The Industrial Company for Spinning and Weaving" alone possess 1170 looms and 112,000 spindles or respectively about 85.60% and 89.95% of the total number of looms and spindles possessed by the whole industry (Tables 6 and 7):

Table 6 shows the relative importance of each of the three mills as measured by the number of looms each mill comprises and by the amounts of fabrics each one produces. Table 7 equally shows the same with respect to number of spindles and amounts of yarns:

TABLE 6
RELATIVE SIZE OF THE THREE BIG MILLS AS MEASURED
BY NUMBER OF LOOMS AND AMOUNTS OF FABRICS PRODUCED
FOR 1962 IN TONS

Name	No. of Looms	Percentage of total looms	Yearly Production of Fabrics	Percentage of Total Produced
Arida Brothers Corporation	550	40.3%	948.600	34.80%
Filature Nationale de Coton	400	29.3%	960	35.20%
Industrial Company for Spinning and Weaving	220	16 %	640	23.47%
Total	1170	85.6%	5248.600	93.47%

Source: Interviews with Owners and Managers of the Mills, December, 1963 and May 1964.

TABLE 7

RELATIVE SIZE OF THE THREE BIG MILLS WITH RESPECT
TO NUMBER OF SPINDLES AND AMOUNTS OF YARNS PRODUCED
FOR 1962 IN TONS

Name	No. of Spindles	Percentage of Total Spindles	Yearly Production of Yarns	Percentage of Total Production
Filature Nationale de Coton	80,000	64.25%	1945.450	50.33%
Arida Brothers Corporation	20,000	16.06%	1140	29.50%
Industrial Company for Spinning and Weaving	12,000	9.64%	700	18%
Total	112,000	89.95%	3785.450	97.83%

Source: Interviews with Owners and Managers of the Mills, December, 1963 and May 1964

The quantity of fabrics produced by the three mills, as shown in Table 6 amounts to 93.47% of the total production of the industry. Those of yarns as shown in Table 7 amount to 97.83%. These three mills by virtue of the foregoing facts could be considered to be in fact the local cotton textile industry in Lebanon.

B: Form of Organization

Table 1 and 11¹ indicate that out of the twenty-four concerns there are only five mills which are joint stocks companies. Thus only about one fifth of the total number of mills are organized into corporations. The others are either

¹Refer to pp. 21-22.

partnerships or sole proprietorships. However, the five joint stock companies are closely held concerns, with shares owned by members of one family. In only one of them "The Industrial Company for Spinning and Weaving" close relatives share a minor part of the stocks--14.67%.¹

A characteristic feature of the industrial organizations in Lebanon is the concentration of ownership. In more industrially advanced countries, diffusion of ownership is the prevailing form of business organization:

1: Handicaps to the Development of Corporate Form of Business in Lebanon

The main reasons underlying this aspect are:

- a) The underdeveloped money and capital market;
- b) The limited size of the local market and the difficulty of export business;
- c) The individualistic attitude of the Lebanese entrepreneur.

a) The Underdeveloped Money and Capital Markets

One of the most important factors which hinders the development of the corporate form of business in Lebanon is the unorganized money market and the underdeveloped capital

¹Interview with Mr. Sami Jabre, May 1964.

market. The contrary holds true; the corporate form of business is the most important developing factor of money and capital markets.

(1) Money Market in Lebanon

The money market in Lebanon is composed of two main branches: the commercial banks and the Bank of Issue or the Banque du Syrie et du Liban. Another less important subsidiary branch is the discount houses.¹

The commercial banking system in Lebanon is limited mainly to the provision of commercial or short term credit of less than one year, at an interest rate alternating between 6-9%, depending upon the financial position of the customer and the soundness of the business.

However, this source is neither steady nor reliable. The main reasons are first, the lack of a general banking law regulating, among other things, reserve ratios; second, the absence (in the past) of a true central bank invested with the power to execute this law and to act as the bank of banks and the lender of last resort which would insure appropriate rediscount and overdraft facilities at the right time as to provide for adequate liquidity and solvency of the banking system in general.

¹Issam Ashour, Lectures on Money and Credit in Arab Countries. (Cairo: Arab League, Institute of High Arab Studies, 1962), p. 155.

Another obstacle in the way of the development of the money market in Lebanon is the non-availability of short term highly liquid instruments such as call money and treasury bills:

The other subsidiary branch of the money market is the discount houses which rediscount the bills they get at commercial banks and at Bank of Issue. These banks put much restrictions on the quality of bills eligible for rediscount, since the discount houses usually discount papers of second or third grade with respect to safety and liquidity. As such, the scope of activities of these houses is limited and rate of discount is relatively high, 11-13%. Rediscount rate alternates between 5½-8% depending upon the quality of bill to be rediscounted.¹ This makes clear that the money market in Lebanon is not well organized. However, the law of the New Central Bank which the Government had recently established provides, no doubt, for all these imperfections and helps to strengthen the role of Lebanon as a free developed money and capital center.

(2) Capital Market in Lebanon

Capital market in Lebanon is composed of three important branches: Stock Exchange of Beirut, insurance

¹Ibid.

companies and investment institutions.

a) The Stock Exchange of Beirut

The securities market in Lebanon is represented by the Stock Exchange of Beirut established in the year 1920:

The scope of activities of the Stocks Exchange of Beirut is still relatively narrow in spite of the developmental measures of amendment and reorganization which the Government had taken in the last ten years:

At present the activities of the Stocks Exchange are limited to the few number of stocks registered in it and which belong to corporations working in Lebanon and elsewhere.¹

The main underlying reasons are the scarcity of truly wide held corporations, the non-availability of Government bonds and the low level of income which, according to economic principles, calls for a lower rate of savings. Furthermore, the uneven distribution of that income, which gathers the major part in few hands, accentuates the situation, since it is invested directly by owners as evidenced by the relatively big number of family

¹For details refer to: Zuhair Mikdashi and Ahmad Malak, "Capital Market in Lebanon", Lebanese and Arab Economy, Beirut, (June, 1961) p. 9.

concerns:¹

b) Insurance Companies

Insurance companies operating in Lebanon, of which three only are Lebanese, are required by law to keep a certain percentage of their reserves pertaining to current transactions in Lebanon, provided investments in non-Lebanese bonds and stocks do not exceed 50% of these reserves.² Insurance companies, mainly the non-Lebanese ones, for reasons out of the scope of this paper to cover, invest the maximum permitted in stocks and bonds of foreign companies.³ As such, the importance of insurance companies in the capital market of Lebanon is reduced to a big extent.

Besides, the law does not fix the amounts of reserves pertaining to current transactions; the determination is made at the discretion of the companies themselves.

b) Investment Institutions

At present there are four investment institutions in Lebanon. They undertake the gathering of savings through stocks or certificates they issue. They in turn invest the funds they get in bonds and stocks of other companies in Lebanon and elsewhere and in bonds of governments.

¹Ashour, op.cit., p. 192.

²Ibid., p. 185.

³Ibid.

The absence of a Lebanese law which organizes the investment operations of these institutions as to insure the right of its investors or to define the rate of capital that should be invested in Lebanon, reduces both the popularity of these institutions and the importance of their role in the capital market.

The picture we have presented of the capital market of Lebanon indicates clearly its underdeveloped state which is, at the same time, a cause and an effect of the underdeveloped state of the industrial sector in Lebanon:

X d) The Limited Size of the Market

The limited size of the market, as far as area and population are concerned, and the contraction of export markets, mainly the Arab ones, contribute greatly to hinder the establishment of corporations with big capitals and mass production.

Actually the case in Lebanon is not much the lack of capital as it is of investment opportunities. Active capital inflows from Arab oil producing countries and from emigrants await productive investment outlets. A big part of this capital was invested in construction. "During a period of eight years (1950-1957) new industrial investments amounted to L.L. 150 millions. The average yearly investment was L.L. 18.70 millions. Over the same period

new investments in construction amounted to L.L. 380 millions."¹ Or two times and a half more than in industry.

The important reasons for this capital inflow to Lebanon are the law of secrecy of banks, the stability of the Lebanese pounds, the freedom of transfer of capitals and the political stability.

e) The Individualistic Attitude of the Lebanese

The Lebanese is characterized as being individualistic; he is reluctant to delegate responsibility or give up control. The Lebanese entrepreneurs would hardly cooperate or join efforts with a view of consolidating their small units of production into large more economical ones.

Lebanon has long been a trading center. As a matter of fact, a big number of industrialists were merchants themselves; the Lebanese entrepreneur is noticed therefore to have a merchant-like attitude in handling his industrial business. He conceives every business transaction as a short run self-liquidating speculation, and as such, long term investments have little appeal to him.

¹Alfred Sehnaoui "Private Building Construction Activity in Lebanon", (Unpublished Master's dissertation, Business Administration Department, American University of Beirut, 1963), pp. 33-34.

All of these aforementioned interdependent factors move in a vicious circle to hinder the industrial development in Lebanon of which the corporate business form is the cornerstone. It is a well known economic fact that large investment and mass production provide for specialization and for economies of scale. They eventually lead to more efficiency in ways of producing, to lower costs of production, lower prices and higher real incomes.

C. Types and State of Equipment

To strengthen the competitive power of the cotton textile industry as to meet international standards of price and quality, it was imperative for the owners to accelerate modernization of manufacturing facilities. As a matter of fact, serious efforts were devoted to expand equipment and improve manufacturing techniques. As such automatic and continuous processes were adopted to improve the efficiency of operations and the uniformity of finished products. This holds true particularly for the big three mills which, to-date, are equipped with modern automatic machinery which compare successfully with machinery used by more industrially advanced countries of the world.

The big part of the equipment was bought in the post-war period between the years 1948 and 1955, when most of the cotton textile mills were created. However, considerable renovations have taken place in the meantime,

mainly by the big three mills, the latest of which were taken in the years 1960 and 1961.

The major part of the other mills, mainly the small ones, are equipped with old style semi-automatic equipment dating back to the period prior to the Second World War. Some of the small mills still use non-automatic machinery which is run by hand.

However, this sort of equipment represents a very small part, about 5-8%, of the total equipment.

It can therefore be concluded that, on the whole, the cotton textile industry is highly equipped as to produce yarns and fabrics of good quality. The spinning mills, with increased emphasis placed on maintaining uniform and even tension of yarns, have succeeded, to a great extent, in meeting the demand of the weaving mills for standard quality products, since the uniformity of yarns contribute to the operative efficiency of the weaving machines and to the quality of fabrics thereof produced.

Equipment is imported mainly from Germany, Switzerland, France, Japan, United States of America and Czechoslovakia.

D. Management Organization

1. Administrative and Operational Organization

Modern principles of management organization are being increasingly introduced mainly by the big three mills.

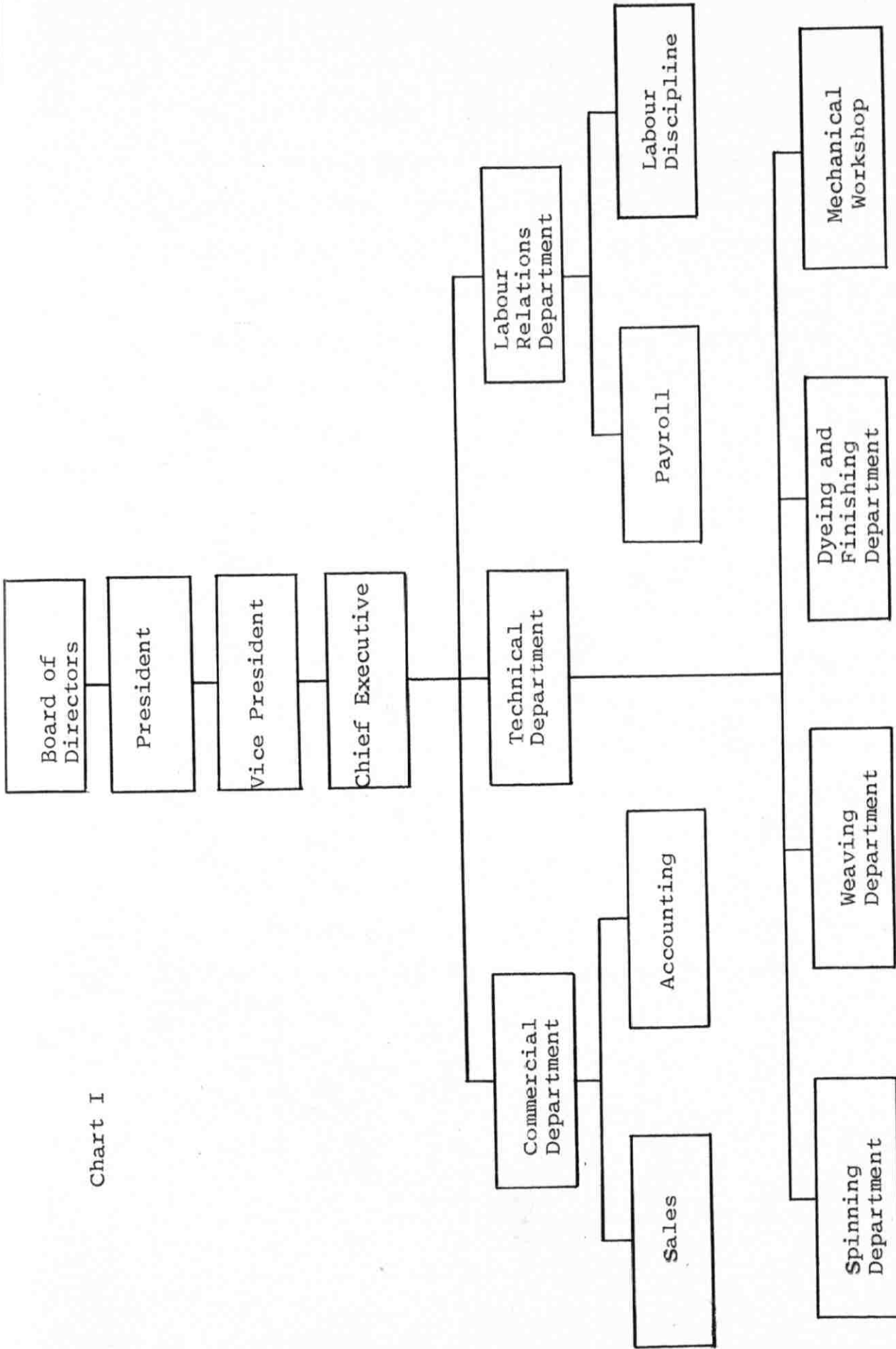
In these mills, management is composed of a board of directors with a president and a vice president. The board has full control over the business; in other words, management is highly centralized. Final decisions on all matters, managerial, financial, economic and even technical are made by the board whose members are, at the same time, the owners of the concern.

As far as functional operations are concerned each of the so-called integrated mills is divided into three departments: the technical department, the commercial department and the industrial relations department. Each department is subdivided into sections according to specific operations (See Chart 1):

In each big mill there is a general director who is in charge of the business as a whole; he is responsible about the smooth running of the business operations mainly from the technical as well as the commercial point of view. He is usually a qualified person with high efficiency and long experience. For each productive division there is a technical director responsible for the division as a whole; with two or three supervisors of shifts depending upon the number of shifts and the size of the related division. Each supervisor has three to five foremen depending upon the number of workers in each shift.

The accounting division of the commercial department is formed of a chief accountant with one or two assistants.

Chart I



The sales division is headed by a manager who is responsible about purchases, sales and distribution of goods.

For labor relation department, there is a personnel manager who is in charge of the payroll; he is entrusted with the job of recruiting personnel, and of individual discharging after consulting with management. In brief, he is the person concerned with labor discipline as a whole.

In medium size mills, it is usually the owner of the mill who is the general director and manager. He has usually a good knowledge about characteristics and qualities of fabrics, and a good experience about the manufacturing processes and the quantities to be produced as well as about distribution and sales. He is usually assisted by a supervisor and a mechanic (usually an engineer) who is responsible about the efficiency of the equipment and their mechanical conditions.

In small mills, it is the owner who is the sole manager and supervisor. Due to long experience, he has usually a good knowledge about equipment and production processes.

E. Capital Structure

At present, it is difficult in Lebanon, if not impossible, for the new entrepreneurs to get the capital, or that part of capital, necessary for the realization of

their projects. Reasons, as mentioned earlier, are the underdeveloped capital market which hinders open market operations, and the absence of an industrial finance institution interested in promoting the industrial development through financing and supporting new projects and extending credit facilities to existing industries.

As regards the methods of corporate financing in Lebanon, entrepreneurs, who are usually the members of one family, depend for initial funds on their own resources. The second source of corporate financing is the so-called indirect financing, i.e. bank credit.

Bank credit is provided by commercial and non-commercial banks including mortgage banks.

The present situation of the commercial banking system, as described earlier, does not permit the banks to extend medium and long term credit or even to provide a reliable source of short term credit. However, some of the foreign banks, depending for funds on their headquarters, extend term loans up to five years.

In order to bridge the gap, the Government established in 1939 the Lebanese Agricultural and Industrial Credit Society. But for certain specific reasons out of the scope of this text, this Society failed to carry out properly its required objectives. This called the Government to establish in 1954, with the participation of some

private individuals and financial institutions, the Agricultural, Industrial and Real Estate Credit Bank.

X *
The bank provides short, medium and long term loans only to existing industries at a rate of interest ranging between $5\frac{1}{2}$ - $6\frac{1}{2}$ %.

Short term loans are extended against real estate mortgage or against a guarantee carrying two signatures.

The medium term loans up to five years are extended to Societes Anonymes Libanaise whose paid-in capital exceeds L.L. 500,000 against the guarantee of an accepted bank. Amount of loan should not exceed 25% of the paid-in capital.

Medium term loans up to eight years and long term loans up to fifteen years are given against mortgage on fixed property. Amount of loan should not exceed 40% of the real price of the property to be mortgaged.

The mortgage condition of loans have been the subject of complaint of industrialists ever since the bank was established. The case against mortgage of real estate is that it weakens the credit position of the borrower vis-a-vis commercial banks, and as such industrialists are reluctant to resort to it.

The other case against the credit policy of the bank is that medium and long term loans are restricted to expansion purposes, i.e. investment in fixed capital.

Studies made about industries in Lebanon had proved that the Lebanese entrepreneur over-invests in fixed capital and underestimates the requirements for working capital. Therefore, medium term loans are mostly needed for the proper and smooth running of the day to day business, such as financing inventories, providing customers with the proper buying facilities, etc. These rigidities limit the scope of activities of the bank in stimulating investment and in promoting industrial development.

The requirements of industrial development in Lebanon calls for the establishment of an independent industrial credit bank which would promote the industrialization of the country by directing loans to projects of high productivity, and by participating in the establishment of new ones, financing them and supporting their imports of raw materials, their production and their export operations. In other words, to be the sponsor and director of the industrial development in Lebanon.

The law of the National Development Bank which the Government had recently enacted, provides for all deficiencies of the industrial credit system in Lebanon.

Mortgage banks in Lebanon, as their name indicates, provide credit, mainly short term, against mortgage on fixed and movable property, precious metals and the like. Some of these banks undertake the purchase of stocks of companies operating in Lebanon and abroad. However, the

scope of operations of these last institutions is quite limited.

The third source of funds pertaining to existing concerns is retained earnings and depreciation reserves. Rate of depreciation in Lebanon, as fixed by decree law No. 2716 of 1949 and by decree law No. 74 of 1956, are far less than the actual depreciation rates taking place in industries. The reason is that current rates (ranging from 2-12%) are worked out according to the type of machinery and based on the purchase price. No consideration is given to the type of industry, the hours of work, the degree of obsolescence or the replacement cost.

These rigidities and imperfections of the depreciation law have been the subject of complaint of industrialists for many years. At present, a project of a new law, which takes into consideration all elements of actual depreciation, is under study by parties concerned, Government and industrialists.

The fourth type of funds is the purchase on credit accorded to industrialists by their dealers, exporters of raw materials. However, this type of credit, though not as reliable, helps to relieve the industrialists of a part of their needs for short term credit.

The fifth source of credit are the money lenders who extend short term loans at exorbitant rates of interest.

Such is the case, the ratio of own capital to gross capital in local concerns is great: Table 8 shows that ratio for the year 1962 in two of the biggest mills-- "Arida Brothers Corporation", and "La Filature Nationale de Coton":

TABLE 8
RATIO OF OWN CAPITAL TO GROSS CAPITAL IN L.L.

Name	Paid-in Capital	Reserves	Medium Term Loans	Short Term Loans	Ratio of Own Capital to Gross Capital
Arida Brothers Corporation	22,000-000	3,000,000		1,500,000	93.2%
Filature Nationale de Coton	20,000-000	5,000,000	600,000	1,000,000	92.0%

Source: Interviews with managers of related mills, January 1964.

The above-mentioned ratios of own capital to gross capital, even though they are not based on official documents,¹ give an idea about the corporate financing situation in the cotton textile industry, since they pertain to

¹Official documents, such as balance sheets, are considered as confidential and are not revealed.

two of the three biggest companies in the field.

F. Channels of Distribution

Fabrics are disposed of in the local market through wholesalers on sale basis; the wholesaler negotiates the deal with the producer beforehand as to quantity, price and delivery period.

The wholesaler distributes the goods on his own to retailers at the best price he could get without any interference on the part of the producer. The retailer, in turn, sells the goods to consumers with the utmost profit he could get. Besides, the wholesaler is not by any means restricted to the exclusive distribution of the products of the company under questions; he deals with products of other companies and with imported fabrics as well.

The case against this practice is that, first, the wholesaler is not bound by an agreement as to the sale price or the minimum quantity he is supposed to dispose of within a certain period. Such is the case, the wholesaler is indifferent to promote the distribution of local fabrics, not as popular as imported ones, unless they yield a good profit return. Second, the wholesaler is not the agent of a single producer and is not therefore solely bound to the distribution of his products. As such, he deals with products of other local producers as well as

with imported fabrics, which are more popular and command an overall higher return.

Some of the producers, aware of these imperfections, have recently tried to reach retailers and consumers directly by running their own wholesale and retail shops. As such, they eliminate the role of the wholesaler and the increments to sale price they are likely to contribute.

This practice, like any other practice, proves efficient, provided proper measures for its promotion are worked out.

The producer, contrary to the agent and in particular to the wholesaler, and with view to increased self-interest in the matter, is naturally more devoted to extend the proper efforts for the promotion of the commodity. Within his capacities as an owner, he has more freedom to extend buying and other facilities he judges necessary. In other words, the producer has more free-hand to adjust problems to arising conditions.

As regards the distribution of yarns, deals are negotiated directly between producers and consumers-weavers and knitters.

The distribution of products in the export markets is achieved purely by private efforts of individual producers.¹

¹For more details refer to Chapter VI.

II. Outer Structure of the Industry

A. Price Setting

The owners of the cotton textile industry are never united for the purpose of pursuing a common policy judged in their joint interests such as restricting output or raising or maintaining prices. Other things being equal, such a policy would prove ineffective due to the policy of trade liberalism followed by the state to the detriment of the local industry in general and of the textile industry in particular. Prices and quantities to be produced are neither the outcome of local demand and supply nor are greatly affected by cost considerations. They are mainly determined by the amount and prices of imported textiles.

The repercussions of this competitive state on local cotton textile industry had resulted in great deal of unused capacity. Every producer went his own way to remedy the situation. Some producers, in an effort to expand sales, followed a policy of wide diversification of products; others lowered the price at the expense of quality. The lack of specialization, the consequent rise in cost, as well as the lowering of quality have contributed still further to weaken the competitive ability of the industry, and a vicious circle was set in motion.

B. Industrial and Labour Union Associations

To defend their common interests, employers as well as employees are organized, each on his part, into industrial and labour union associations:

1. Employers Associations

a) Association of the Owners of Spinning and Weaving Mills

The big owners of the cotton textile industry are united in an association called "The Association of the Owners of Spinning and Weaving Mills."

The object of the Association is to defend the common interests of the cotton textile industry vis-a-vis official authorities, trade associations and labour unions:

Its scope of activities cover all problems which might, directly or indirectly, entail negative results on the industry. The most important of these problems are labour problems, protection problems mainly against dumped goods and jobs, and export promotion problems:

Labour problems, mainly wage raises and strikes problems, are negotiated with trade unions and with Ministry of Labour and Social Affairs as an arbitrator:

Problems of protection are negotiated with trade associations and with the Government, as a third party. Claims of industrialists are raised to Ministry of National Economy, Ministry of Plan and High Council of Customs:

They cover, in their essentials, claims for protection against dumped goods, jobs and ready-made clothes imported from Socialist countries, as well as against the exemption from custom duties of ready-made clothes of the Army and the Security Corps. Industrialists claim that these clothes be made in Lebanon and out of Lebanese textiles.

Export promotion problems are negotiated with the Ministry of National Economy and the Ministry of Foreign Affairs. Industrialists claim that new trade treaties be promoted, and that existing ones particularly the "Agreement between Countries of the Arab League" and that with Syria, be made more binding so that Egypt and Syria refrain from prohibiting the imports of Lebanese cotton textiles. They call for retaliation in case of default on the part of these two countries.

Negotiations with Government are carried out either directly through the Association or indirectly through the press or through the Association of Lebanese Industrialists in which the cotton textile owners are individual members.

Claims on important matters are, in some cases, submitted to the Council of Ministers or to the President of the Republic himself. All claims whether raised through the Association itself or through the Association of Lebanese Industrialists are supported by scientific studies.

b) The Association of the Owners of Mechanical Industries

The owners of the cotton textile industry as a whole

unite in a second association called "The Association of the Owners of Mechanical Industries".

The Association works towards the same aim and follows the same principles as those of the above-mentioned other Association:

c) The Association of Lebanese Industrialists

The Association of Lebanese Industrialists combines members of all industries including cotton textile. The three big mills are always represented at its board of directors.

The aim of the Association is to promote the development of the Lebanese industry by striving to provide for the appropriate industrial setting essential for its prosperity and growth.

In furtherance of its aims, the Association cooperates with official authorities in the formulation, implementation and revision of all laws and regulations related to the industry as a whole, such as the Industrial Law, custom laws and regulations, Social Security Law, Labour Code Law, trade treaties, etc.

It represents the Lebanese industry in national and international economic conferences, mainly those held in Arab countries for the purpose of strengthening economic relations between Lebanon and those countries.

Furthermore, the Association promotes the participa-

tion of Lebanon in industrial fairs. It assumes the responsibility of preparing for and managing the Lebanese pavilions with special concern given to industrial products.

The Association acts as a consultant body; it extends advice to industrialists and helps them solve their individual financial, labour and economic problems within the national scientific and legal framework.

Claims and demands submitted to the Association are subject to scientific study with due regard to the overall economic welfare of the country. If these claims prove rightful in the light of the above-mentioned considerations, they are supported.

2: Labour Unions

a) Syndicate of Workers and Employees of the Spinning and Weaving Mills in Lebanon

The workers and employees of the textile industry as a whole unite in a trade union called "Syndicate of Workers and Employees of the Spinning and Weaving Mills in Lebanon."

This Syndicate was established in the year 1955, the same year the Lebanese Labour Code Law was put into force.

The objective of the Syndicate is to defend the workers' rights against all injustices on the part of

employees or against any official legislation judged contradictory to their interests. In other words, the Syndicate aims at providing better working conditions for the employees and workers of the textile industry.

The Syndicate is directed by an executive council of twelve members elected by the general body and representing all textile mills. Its range of activities cover all labour matters as follows:¹

- Organizing and raising wage rates.
- Protecting workers against collective discharges, as well as against individual discharges executed at the discretion of the employer and before getting the agreement of the Syndicate.
- Giving priority to Lebanese workers in soliciting labour.
- Professional safety and security of workers.
- Promotion of professional training.

b) Federation of United Trade Unions for Workers and Employees in Lebanon

"The Syndicate of Workers and Employees of the Spinning and Weaving Mills in Lebanon" is associated with the "Federation of United Trade Unions for Workers and Employees in Lebanon."

¹Interview with Mr. Toufic Salloum, March, 1963.

The Federation is directed by an executive council composed of members of all syndicates affiliated to it. It deals with general as well as with particular labour questions. It participates with authorities concerned, and on the behalf of workers, in studying and formulating projects of laws and regulations pertaining to labour such as the Social Security law, Law of Collective Agreements. It takes part as well in studies made for the revision and amendment of existing laws such as the Labour Code Law.

Claims of the Syndicate are submitted to the Federation for study and approval. If approved, the Federation supports the claim against all parties concerned even to the declaration of strike.

Federation and Syndicate negotiate problems directly with the owners of the textile mills and indirectly through the Association of Lebanese Industrialists, the Ministry of National Affairs and through the press.¹

The Syndicate realizes the critical situation of the cotton textile industry; it more often cooperates with industrialists in their claims to Government for radical measures of help and encouragement.

Employers, more often than not, yield to the pressure brought by strike declaration and prefer to abide by

¹The Federation publishes a daily newspaper called "Al Awassif" which acts as the spokesman of the Federation.

the principle of peace at the promise of the Government to take radical solutions to the situation.

Conclusion

× The characteristic feature of the organization structure of the cotton textile industry is the striking difference in size and management development of its mills:

The prevalent form of business ownership in the cotton textile industry is the partnership and sole proprietorship. Only five mills out of the twenty-four, or about one fifth of the total number of mills, are joint stock closely held companies. The same holds true for all other industries in Lebanon. The main reasons underlying this aspect are the underdeveloped capital market, the limited size of the local and the individualistic attitude and the wish to control nature of the Lebanese entrepreneur. All of these factors move together in a vicious circle to hinder the development of the big unit of production in Lebanon. ×

The underdeveloped state of money and capital market in Lebanon makes it difficult for the Lebanese entrepreneur to get the capital necessary for the realization and/or expansion of his projects. In the cotton textile industry the ratio of own capital to gross capital is found to be great. It is expected that the Central Bank as well as the Bank of Development to be established will make up for the shortage of capital mainly through medium and long term loans:

X X X The big three mills, which comprise restrictively about 85.7% and 90% of the total number of looms and spindles possessed by the whole industry, are equipped with modern automatic machinery. They are increasingly adopting modern principles of management, production control and marketing. X

< The strong international competition which the industry faces paralyzes all efforts on the part of producers for any collective action of price setting or quantity control; prices and quantities to be produced are mainly determined by those of imported goods. <

The only form of collective action existing at present is the industrial associations which unite the owners of the industry in a joint effort to defend their common interests and to counteract any contradictory activity on the part of Government, merchants and employees and which is likely to conflict with the interests of the industry as a whole.

X The cooperation of the producers is a required essential to the promotion of the industry mainly in the fields of scientific and market research. Research centers and distribution bureaus have to be established for the control of quality and for the promotion of export business. X

CHAPTER IV

COMPETITIVE STRUCTURE OF THE COTTON TEXTILE INDUSTRY

Background

The crisis of the cotton textile industry is presented by a decline in amounts of fabrics produced, and by an increased accumulation of inventories in warehouses year after another. While at the end of 1961 quantities of stocks were equal to the production of three months, by the end of November 1962, they were found to be three times and a half that amount.¹

This being the case, producers are in most cases obliged to dispose of their goods at the cost price, and sometimes at less than the cost price, to provide for the liquidity required for the smooth running of the business.

The present chapter gives a comparative analysis of the competitive structure of the cotton textile industry in Lebanon and in other countries such as France, Egypt and Syria.

The first part is devoted to a detailed discussion of the competitive power of the industry as determined by

¹"Data about the Cotton Textile Industry", Report prepared by the Department of Industry to Ministry of National Economy, December 20, 1962, p. 6. (In the files of the Department).

two sorts of factors, external such as the strong international competition and the contraction of export markets, and internal which stem from the local market and from the industry itself, such as the limited size of the market, the consumers' preference for foreign products, the entrepreneurial spirit, the cost of factors of production, etc.

The second part discusses the efficiency of management in the light of its achievements of better quality and lower costs of production.

The third part is devoted to an analysis of the productive capacity of the industry as compared with actual production. It discusses as well the government assistance as it contributes to the competitive power of the industry.

The fourth part deals with the characteristics and behaviour of price and demand.

I. Ability to Compete with Foreign Products

A. Source and Causes of the Crisis

The sources of the above-mentioned crisis stem from the difficulty of marketing the goods produced in both the domestic market and the export markets, mainly the Arab ones.

The causes of the crisis are both external and internal.

1. External Causes

a) Imports of Yarns, Fabrics and Ready-made Clothes

Considerable quantities of yarns, fabrics and

ready-made clothes capture the local market every year. The most important of these imports are those of Socialist countries which for economic reasons such as the need for foreign exchange, and for political reasons as well, depend on dumping policy; finished products are exported to free markets at prices less than the cost of raw materials made thereof.

The second type of imports are those of countries with planned economy--Syria and Egypt--whose governments give direct or/and indirect export subsidies and whose local markets are well protected.

The third type are the piece-good materials (jobs) imported mainly from the United States of America and from Socialist countries. Jobs are submitted to lower custom duties than those for regular fabrics.

The fourth type of imports are those of countries with cheap labour such as Japan.

Imports of less competitive power are those of countries similar in economic system to Lebanon but more industrially developed, as to practice specialization and mass production--countries of Western Europe.

Smuggled textiles from Syria contribute as well to the difficulty of the competitive situation.

b) Contraction of Export Markets

The contraction of export markets, mainly the Arab ones, the natural outlet for Lebanese goods, is a major

hindrance to the growth of the cotton textile industry. The economic policies of industrial development coupled with political policies have led these countries to prohibit the import of Lebanese products, textiles in the forehead.

2. Internal Causes

Internal causes are those which stem from the local market as well as from the industry itself.

a) The Limited Size of the Market and the Prejudice against National Products

The limited size of the market and the inadequate protection against foreign competition, account greatly for the current state of under-production which the industry is undergoing. The prejudice against local fabrics accentuates still further the situation. This prejudice is not always justified, since some of the local fabrics-- cretonne and dawlas--enjoy a better quality than their imported identicals, are more popular in certain cases and bid higher prices.

b) Entrepreneurial Spirit

The lack of the true entrepreneurial spirit on the part of the producer is another obstacle to the development of the industry. The producer in certain cases fails to realize that industrial business is a long term dynamic

process which necessitates long term planning and conducted studies as to cost, quality and quantity of products in all their many-sided aspects:

The Lebanese producer should take the initiative to excel, for goods are imposed on the market by their novelty, good quality and suitable prices and demand is solicited and not given:

c) Wide Diversification of Products

As a result of the above-mentioned deficiencies, and in order to hold their own in the market, producers began to expand their range of products from the few popular types of fabrics into numerous others amounting to about one hundred kinds:

This has weakened still further the ability of the industry to compete with foreign products produced by specialized and efficient mills:

d) Relative High Costs of Factors of Production

The cost of raw materials is determined by external factors since they are imported from abroad. Those of labour and capital¹ are determined by internal factors and could therefore be regulated and controlled:

¹Capital availability and cost were discussed fully in Chapter III:

(1) Raw Materials, Availability and Cost

The cotton textile producers import all their needs of raw materials from abroad. Dyestuffs and other chemical products used for cleansing, bleaching and finishing are imported from the European countries mainly Germany, England, Switzerland and France. Raw cotton, the basic raw materials, is imported mainly from Syria and Egypt by virtue of its good quality, and of the low transportation expenses.

Nevertheless, the Lebanese producer of yarns is at a disadvantage when compared with the Egyptian or Syrian producer because the Government of both countries, with view of encouraging the processing of raw cotton, submit it to an export tax. In Syria this tax amounts to 18.5% per kilo price. In Egypt it ranges from 20-25% depending upon the kind of cotton to be exported.¹

The total amount of this tax is pooled into an export development fund to be distributed later as export subsidies to exporters of yarns and fabrics.

Besides, the government of Syria put a tax of 6% on each kilo of raw cotton processed in local mills. This tax is put at the "Cotton Textile Development Bureau" and

¹Interview with Imad Nawam, Expert of Textiles, Ministry of National Economy, December, 1963.

distributed later as export subsidies to yarn exporters:¹

The illustration below shows the cost price of one kilo of raw cotton as it amounts to both the Lebanese producer and the Syrian producer:

	<u>Syria</u> S.P.	<u>Lebanon</u> S.P.
Price of one kilo of raw cotton		
At the ginning mill	198	198 ²
Agricultural production tax	16:38	16:38
Tax on raw cotton processed in		
local mills	12	-
Export tax	-	37
Exchange expenses	-	1:90
Freight expenses	-	2
	<hr/> 226:38	<hr/> 255:28 ³

accordingly, the advantage to the Syrian producer of yarns over the Lebanese is 28.90 Syrian piasters or 12.76% per kilo.

Besides, export promotion policy in Egypt as well as in Syria imposes that first grade cotton be designed for exportation. Only less expensive second grade cotton is available for local consumption. As such the Lebanese producer is at a disadvantage when compared to the Syrian or Egyptian producer.

¹Industry Institute, op.cit., p. 43.

²Conversion rate 25%;

³Industry Institute, op.cit., p. 39.

Export subsidies in Syria on yarns and fabrics are as follows:

Yarns	80 Syrian piastres/kilo
Grey cloth	125 " " "
Bleached, dyed or printed	150 " " " ¹

The Syrian Government had recently abstained from giving export subsidies. Abstention is believed to be temporary.

In Egypt subsidies on yarns and fabrics are as follows:

34% of the value of yarns and fabrics as export subsidies

25% difference in price of foreign exchange²

The total advantage accruing to the Egyptian producer as compared with the Lebanese producer is about 79% (export tax + export subsidies + difference in price of foreign exchange).

Besides, Egyptian and Syrian producers benefit according to "The Commercial Agreement between Countries of the Arab League" of a reduction in tariff duties of 25% for yarns and fabrics when exchanged among Arab countries

¹Ibid., p. 43.

²Interview with Imad Nawam, December 1963.

It is worthy to mention that, contrary to the spirit of the above-mentioned agreement, both countries, Syria and Egypt, prohibit the imports of Lebanese products.

These encouragement measures have contributed greatly to strengthen the international competitive ability of textile industries in Syria and Egypt, and have weakened, at the same time, the competitive power of the Lebanese textile industry.

(2) Labour Productivity and Cost

Lebanon is rich in labour supply, but the qualitative standard of that labour is not as high as to meet the industrialization requirements.

The Lebanese worker is characterized by being conscientious, clever and active; but he has never had the opportunity to get the prerequisite professional education or training which helps him apply modern scientific knowledge to handle and control the machine he is entrusted with.

At present, the textile industry, like all other industries in Lebanon, is faced with the problem of shortage of skilled labour mainly at the level of ordinary workers who occupy responsible jobs or execute complex operations exacting definite capacities, systematic apprenticeship and professional experience.

Foremen and supervisors mainly in spinning and weaving departments do not have the technical qualifications in order to meet the responsibilities of controlling and directing workers and equipment. As a matter of fact, the productivity of labour in Lebanon is low compared to other countries.

Productivity of Labour in the Cotton Textile Industry

"The average physical productivity of an input is defined as the ratio of the total product of a process to the quantity of the input necessary to produce that total product."¹

Human labor is the most important factor contributing to production of goods and services. The ratio of production to that factor is called productivity of labour.

The individual wage of a worker in Lebanon when compared with other countries of Europe and America is quite low; but in reality the cost of labour per unit produced (a kilo or a meter) is very high.

Rene Moitry, the French expert of the United Nations had compared in his report² the cost of labour in Lebanon with that in France. He estimated the average number of workers for 1000 spindles, in the modernly equipped mills

¹Kenneth E. Boulding, Economic Analysis, (New York, Harper and Brothers, 1948), p. 502.

²Refer to p. 2.

in Lebanon, as being 10 workers, and in other mills as being 13.

At present, that number could be estimated at less by virtue of the renovations in equipment that had taken place after that time, and of the progress achieved in the field of vocational training through the creation of the Vocational Training Center of Dekwaneh in Metn.

The expert had estimated the number of workers producing the same quality of yarns in Alsace as being four workers for every 1000 spindles.

In weaving of medium quality fabrics in Lebanon he estimated an average of one worker for two looms; for complicated qualities he estimated one worker for every one loom.

In the Vosges, where equipment and kinds of fabrics are identical to those in Lebanon, he estimated the average number of looms for one worker as being 10-12 looms, and in better equipped mills as being 36-42 looms.

The illustration down below¹ demonstrates the fact that although individual salaries are lower in Lebanon than in France, yet the cost of labour per unit produced is higher.

¹Moitry, Vol. I: "Situation Industrielle et Commerciale, potentiel de production," p. 8.

	<u>Alsace</u> LL	<u>Lebanon</u> LL
<u>Spinning</u>		
Daily pay of a spinner	14-16	4
<u>Weaving</u>		
Daily pay of a weaver	22	6
<u>Spinning</u>		
Total salaries per 1000 spindles	$3 \times 4 = 42$	$12 \times 4 = 48$
<u>Weaving</u>		
Total salaries per loom	$42:20 = 2:1$	$6:2 = 3$

The difference in cost per unit produced as shown in the foregoing illustration is intensified by the higher productivity of machine to personnel which is 2-2.5 times higher in France than it is in Lebanon.¹

As such the cost of processing for No. 1/20 yarns² in Alsace is 60 piasters per kilo, while in Lebanon it is from 150-180 piastres. The cost of processing of one meter of cretonne is 6 piasters in Alsace; in Lebanon it is from 20-30 piastres.³ This difference in cost of labour has been intensified in Lebanon by the strong tendency on the part

¹Ibid.

²Number of counts in a thread being 20.

³Moitry, op.cit.

of trade unions for wage raise which is not in line with productivity increase.

Beside increases in wages given by individual mills to their workers, the law of 17 May 1961 gave a general increase of 15% and a raise in the minimum wage rate from 90-120 L.L.

At present another project of wage rationalization and increase is under study by parties concerned-- Ministry of Labour and Social Affairs, labour unions and industrialists.

Wage increase out of all proportion to the increase in productivity has resulted in higher costs of production and has further weakened the competitive power of the local cotton textile industry.

Higher productivity of labour is not only an economic objective, it is a social objective as well.

The standard of living of the Lebanese worker cannot be improved unless his productive efficiency reaches a degree similar to that of his colleagues in other countries; since increasing the production of goods at lower prices and sharing the resulting profits more equitably leads to a higher standard of living not only of the worker, but of all parties concerned--consumer, worker and producer.

The economic and social welfare cannot be attained unless an upward harmonization of productivity and wages is achieved.

The development of technological innovations has made it imperative for industrialists to introduce new work processes and to find the workers who can quickly acquire the special knowledge required in each case. As such, undertakings have been faced more than ever with the impeding problem of shortage of technicians and qualified labour.

With due consideration to the problems pointed out in the foregoing the Ministry of Labour and Social Affairs, Department of Professional Education, has worked out a comprehensive plan for the development of vocational training in Lebanon. The first project realized was the creation in 1961 of the Professional Training Center at Dekwaneh which was achieved through the financial and technical assistance of the International Labour Office and the collaboration of the Association of Lebanese Industrialists.

The Center is equipped as to provide the worker-trainee with the proper scientific and practical training which increase his productive efficiency as to cope with the advancing technological development.

At present, projects of development and expansion of the Center are being considered including a new line of training designed for technical supervisors to help them improve their technical background.

In 1961, a training period of three months was

dedicated to the workers of the textile industry. The results achieved were satisfactory as declared by employers themselves.

Another project of vocational training under study is the expansion of the Ecole des Arts et Metiers and the development of its programs as to combine both scientific education and practical training.

In advanced countries educational and training programs are conducted in mills themselves. In Lebanon this is practically lacking; training is achieved on a limited scale by associating the worker to be trained with a spinner or a weaver. Once the trainee gets the preliminary know-how, he is given an old loom for practice; when he becomes capable enough he is given a regular job. This sort of training does not, in any case, meet the requirements for advanced industrialization.

(b) Cost of Labour as Compared with that in Syria

In order to have a complete idea about the relative cost of labour for the local cotton textile industry, it is necessary to compare it with the cost of labour in Syria.

In Syria, the number of workers for every 1000 spindles estimated is 6, for less efficient equipment, the number estimated is 10.

The average number of looms which a worker controls

alternates between 2-4 depending upon the state of equipment in the mill.¹

The average daily pay for a weaver is about 7.50 Syrian pounds or the equivalent of 5.55 Lebanese pounds.²

The average daily pay for a spinner alternates between 5-6 Syrian pounds or the equivalent of 3.75-4.50 Lebanese pounds.³

The following illustration shows the daily remuneration of the worker and the cost of labour per unit of production in both Syria and Lebanon.⁴

	<u>Syria</u> LL	<u>Lebanon</u> LL
<u>Spinning</u>		
Daily pay of a spinner	3.75-4.50	6-7
<u>Weaving</u>		
Daily pay of a weaver	5.55	8-12
<u>Spinning</u>		
Total pay per 1000 spindles	$8 \times 4.50 = 36$	$10 \times 6 = 60$
<u>Weaving</u>		
Total pay per one loom	$5.55:3 = 1.85$	$8:2 = 4$

The above illustration indicates clearly that wages

¹Industry Institute, op.cit., p. 41-42.

²Conversion rate 24.25%.

³Industry Institute, op.cit.

⁴Figures for Syria are secured from the report of the Industry Institute; those for Lebanon are based on information given by owners.

in Syria are less and efficiency is higher than they are in Lebanon.

This is attributed mainly to the fact that industrial experience and professional training are more developed in Syria than they are in Lebanon.

II. Managerial Efficiency

Measures of expansion and development of the cotton textile industry were limited in their major to the technical aspect. The managerial aspect, which is of utmost importance, was given little consideration.

According to the natural consequences of things, progress towards technical perfection urges a follow up or a complete change of methods of work in the undertaking.

The dynamic nature of the industrial work requires that managerial policies be flexible enough to adapt to changing necessities.

The urge for higher productivity in the cotton textile industry, as proved fully in the foregoing, necessitates primary reconsideration on the part of management of the following interrelated conditions:

- The economic condition of the enterprise
- Human relations within the enterprise
- Social obligations on the part of the enterprise.

In other words, a humanitarian economic principle has to be introduced.

The economic motto for industrial production is better quality and lower costs:

In the case of the cotton textile industry, this motto is transformed into an evermounting problem of which some aspects have been already discussed.

The efficiency of industrial management is determined in the light of the extent of its achievements of this doublefold aim:

A. Promotion of Quality

Elements making for a better quality are quality control and scientific research.

The Lebanese entrepreneur, though active and skillful, has not given due consideration to the scientific elements (as opposed to technical) which lead to better quality such as scientific research and quality control.

The case against locally produced fabrics, as declared mainly by merchants, is that they are inferior in quality as compared with their identicals imported from abroad.

The reason for this lag is not a matter of mechanical deficiency as it is a lack of scientific research as to ways and means of improving quality, introducing new ones and promoting them through extensive advertisement.

The present practice in certain cases is to satisfy the price-conscious consumer (price-conscious only as re-

gards local fabrics) by trying to produce goods similar in type and appearance to those imported but at lower price and inferior quality. The same holds true also for yarns. This practice had proved to be detrimental to the local production mainly in the long run.

Quality control is achieved by careful selection of raw materials and by constant checking and controlling of all successive manufacturing processes as to make sure that the quality is up to the required standard, and to detect possible discrepancies or errors and make up for them on the right time and in the right place.

This continual procedure of production control is almost lacking in small mills. In medium and big mills production control is more considered; it is done intermittently whenever a remarkable error springs forth. However, inspection and regulation system is increasingly gaining in favour mainly in the big mills.

B. Lower Costs

The other case against locally produced fabrics is that prices are unduly high (not in line with quality), mainly when compared with similar imported products.

The cost of factors of production for local cotton textiles, as previously discussed, are higher as compared with those in other countries.

Elements making for lower costs are higher productivity of equipment and human labour, and proper cost and production control.

1. Operative Efficiency of Equipment

Operative efficiency of equipment is estimated at 65% in Lebanon, while in Syria it is estimated to alternate between 70-85%; in Western countries it is found to be about 90% or more.¹

The productivity of equipment depends upon the efficiency of the worker, the kind of the machine and the state of its maintenance.

The equipment of the cotton textile industry is widely diversified as to origin, kind, pattern and mechanical structure. Machines were found to differ in the one department and even for the one operation. This state of diversification makes handling, controlling and maintenance of these machines quite difficult and complex, and consequently decreases their efficiency as a whole.

Furthermore, machines of the different departments in a mill are not equal in standard and efficiency. On the whole, it can be affirmed that the equipment of the spinning and weaving departments is of better standard and higher efficiency when compared to that of the dyeing, printing and finishing department which are not as adequate as to perform satisfactory production. This is

¹Industry Institute, op.cit., p. 32.

evidenced by the fact that considerable quantities of grey and bleached materials are sent abroad on temporary export-basis, to be dyed and printed.

The state of maintenance and preservation of equipment in the local mills is deficient mainly when compared with other countries.

Medium and big mills have their own mechanical workshops. Usually mechanics in charge have good technical knowledge and experience as to meet requirements for repairs. The deficiency exists on the level of supervisors of shifts and foremen beneath who are not highly qualified as to control properly the efficiency and productivity of the machines and to be able to conduct a more elaborate and developed maintenance and preservation policy if any.

In small mills, the owner is the manager, technical and mechanical man at the same time. Whenever a machine is out of order in a way beyond the capability of the owner to make up for it, the machine is out of work, until a mechanic is called to put things in order again.

2. Efficiency of Labour

A major cause of a higher productivity is essentially psychological. Management should work out measures which appeal to the employee as an industrial and a co-worker, encourage his willingness to accept responsibility and offer him a maximum freedom within the framework of the system of the undertaking.

Relationship between management and employees is of primary importance for the successful functioning of the undertaking. The worker wants to be valued and treated as a self-responsible individual; he likes to be given insight into the technical and economic requirements of the undertaking as to feel himself a part of it.

Technical development increasingly requires the responsibility of large number. It would therefore be essential to promote the initiative of the worker and expand the scope of his responsibility.

Such a policy should be laid down in an organization plan and in job descriptions which fix the duties of each worker and the requirements of each position.

Job descriptions facilitate the proper selection of the worker. They offer his capabilities the greatest possible latitude and provide him with more opportunity for advancement and reward.

Management should offer the worker the opportunity to develop his capacities by supporting him with the ability to learn. It should make increased efforts with regard to his educational and training facilities in the undertaking itself as well as with the aid of outside educational facilities.

These principles of scientific management are lacking in small mills; in medium and big mills adequate training programs and scientific job descriptions are lacking too.

Other psychological incentives which satisfy the social ego of the worker such as delegation of responsibility, participation in thought and knowledge, promotion of self responsibility etc. are kept at a minimum. However, they are increasingly gaining in favour but not yet on a scale commensurate with their importance to the proper functioning of the undertaking.

The only form of labor policy provided for is the job classification system which is not yet uniform for all mills.

However, public laws such as the Labor Code Law, Social Security Law and law of collective agreements, on one hand, and labor movements for better working conditions and higher wages, on the other hand, make up for most of these deficiencies.

"The Syndicate of Workers and Employees of the Textile Industry," has recently presented, to parties concerned, a project for uniform job classifications, uniform wage rates and overtime compensations having a retroactive effect. Big mills whose pay-rolls conform to those claimed have accorded their general agreement; medium and small mills who do not provide for overtime compensation and whose wage rates are not up to those claimed by the Syndicate, have resisted to these claims. As such these mills, particularly the small ones, will lose the advantage

they so long enjoyed and which is considered to be one of the main causes of their continuity.

3: Cost Control

The cotton textile mills depend on the financial accounting system for the calculation of their cost price. The experts called by the Government to study the situation of the textile industry had advised a uniform cost accounting system to be applied by all mills alike.

The calculation of costs in a certain industry should follow a uniform practice for all undertakings alike as to permit comparison within the industry itself as well as with other similar industries elsewhere.

An elaborate cost accounting system based on established rules is an important tool for controlling costs in the undertaking. It gives management the proper insight into the cost structure of the business, and helps in determining the different elements of cost in a precise way as to make up for those judged high or not in line with the proposed plan of action. Furthermore, management can, in the light of precise calculation of costs, determine more properly sales prices and percentage of profit.

"The Filature Nationale de Coton" has recently introduced cost accounting system with the help of the "International Business Machines Company."

4. Production Control

Scientific production control system is a powerful tool of controlling costs.

Providing for appropriate inventories of raw materials and finished goods at the right time, and controlling qualities and quantities of production at the different operating stages according to a presupposed plan help decrease undue wastes in materials and financial resources.

Local mills do not pay due consideration to these facts. Amounts to be produced, as evidenced by increased accumulation of stocks in warehouses, are not based on objective study of the market; production follow-up is practiced on a limited scale.

III. Productive Capacity as Compared with Actual Production

The cotton textile industry has got a potential of production greatly superior to the requirements for home consumption. The productive capacity of the spinning industry is measured by the number of spindles it possesses; that of the weaving industry is equally measured by the number of looms it comprises.

A. Productive Capacity of the Spinning Industry

It is quite difficult to determine in an exact manner the productive capacity of the spinning industry, since the capacity of the loom differs according to the

quality and kind of yarns to be produced; it decreases for the fine counts and increases as the counts get thicker.

In order to reach an approximate estimation, the Industry Institute in its report about the cotton textile industry in Lebanon had considered the average counts of locally produced yarns as being 20 counts, the average production of a spindle as being 100 gms. in eight hours.

The productive capacity of the local spinning industry on the basis of 24 hours would accordingly be:

300 gms x 300 days x 124,000,000 spindles = 11,160 tons. The actual production for 1959-62 ranged between 33.78% and 34.63% of the productive capacity.¹

1. Requirements for Home Consumption

The amounts of yearly local consumption of yarns are composed of the total produced plus imports minus exports.

Table 9 shows the amount of local consumption and its rate to productive capacity of the Industry.

To reach a more exact estimation of the local consumption, stocks stored in warehouses have to be equally considered.

Inventories of yarns in warehouses do not form an important part of the total produced. In 1961 they were estimated to range between the production of two weeks and that of two months.²

¹Refer to Table 11, p. 97.

²Industry Institute, op.cit., p. 28.

TABLE 9

LOCAL CONSUMPTION OF YARNS AND
RATE TO PRODUCTIVE CAPACITY IN TONS

Year	Actual Production	Imports	Exports	Local Consumption	Productive Capacity (a)	Rate of Local Consumption to Productive Capacity
1959	3770	232.228	46878	4055.350	11160	36.38%
1960	3400	237.710	109.325	3528.385	11160	31.60%
1961	3405	305.765	220.198	3490.567	11160	31.28%
1962	3865	436.850	325.635	3976.215	11160	35.68%

Sources: 1. Table 3

2. Statistics of External Trade 1959-62.

^aProductive capacity is overestimated for 1959, because major expansions took place after that date.

If we consider the average quantity of inventories as being equivalent to that of one month, or 283 tons, the final figures for local consumption have to be reduced by that amount.¹

B. Productive Capacity of the Weaving Industry

The cotton weaving industry comprises 1365 looms:

¹Statistics of inventories in warehouses for other years are lacking.

The productive capacity of a loom is estimated at 79.5 meters in 24 hours of work.¹

The productive capacity of the cotton weaving industry, measured as such, would be:

$1365 \times 79.5 \times 300 = 32,525,250$ meters or the equivalent of 5529292 kilos (average weight of a meter being 170 gms.² The actual production of fabrics for 1959-62 ranged between 38.8% and 49.3% of the productive capacity.³

1. Requirements for Home Consumption

The amounts of local yearly consumption of fabrics are equally composed of the total produced with imports added and exports deducted. Table 10 presents the amounts of local consumption and their rate to productive capacity.

TABLE 10

LOCAL CONSUMPTION OF FABRICS AND
RATE TO PRODUCTIVE CAPACITY IN TONS

Year	Actual Production	Imports	Exports	Local Consumption	Productive Capacity ^a	Rate of Local Consumption to Productive Capacity
1959	2101.460	2757.800	4.216	4855.044	5529.292	87.80%
1960	2343.450	2352.400	22.583	4673.267	5529.292	84.50%
1961	2373.442	1853.900	37.887	4665.380	5529.292	84.38%
1962	2725.900	2156.685	105.064	4882.585	5529.292	88.30%

Sources: 1. Table 3.
2. Statistics of External Trade, 1959-62.

^aProductive capacity is overestimated for 1959 because major expansions took place after that date.

¹Industry Institute, op.cit., p. 29.

²Interview with Imad Nawam and Managers of the mills, December, 1963.

³Refer to Table 11, p. 97.

C. Rate of Actual Production to Productive Capacity

The foregoing discussion gives a clear indication of the uneconomical state of underproduction the industry is undergoing and which is the result mainly of the "Open Door Policy" with its cumulative effects.

Table 11 below illustrates the magnitude of the state of idle capacity for both the spinning and weaving industries.

TABLE 11
RATE OF ACTUAL PRODUCTION TO PRODUCTIVE
CAPACITY CALCULATED ON THE BASIS
OF 24 HOURS, IN TONS

Year	Yarns			Fabrics		
	Actual Production	Productive Capacity	Rate of Actual production to productive Capacity	Actual Production	Productive Capacity	Rate of Actual production to productive Capacity
1959	3770	11160	33.78%	2101.460	5529.292	38.8%
1960	3400	11160	30.47%	2343.450	5529.292	42.4%
1961	3405	11160	30.47%	2373.442	5529.292	43%
1962	3865	11160	34.63%	2725.900	5529.292	49.3%

Source: Table 3.

The figures for local consumption as they appear in the foregoing table are underestimated by the amounts of smuggled textiles from Syria. They are overestimated by

the amounts of inventories in warehouses which form an important part of production.

In the study made by the Ministry of National Economy¹ inventories of fabrics at one of the biggest mills were found, by the end of 1961, to be 766430 meters which would equal to the amount of three months production of the said company. Stocks of other mills were estimated to be equal to the same rate.

By the end of November 1962 inventories at the above-mentioned company were found to be 2,790,000 meters or three times and a half the amount for the year before.²

Therefore and in order to have an exact estimation of the local consumption amounts of inventories have to be deducted.

The amounts of local consumption even as calculated in Table 11 are less than the productive capacity of the weaving mills.

It is a well known fact that to produce at less than the productive capacity would raise fixed costs and depreciation expenses per unit produced. Besides most of the huge modern machines of high productive efficiency, possessed by the big mills, cannot be exploited commercially

¹Refer to p. 8.

²Statistics of inventories for other years are lacking.

unless they are run at their full productive capacity.

IV. Government Assistance

Government assistance was limited in its major to measures of protection through raise in custom duties. The raise in custom duties has proved to be unsatisfactory for the protection and encouragement of the cotton textile industry.

The industrialists, owners of the cotton textile mills, claim radical solutions to their problems similar to those practiced in other countries, such as export subsidies, perfect protection of the domestic market, mainly against dumping and piece-good materials (jobs) and export promotion mainly in Arab and African countries.

V. Characteristics and Volume of Demand

A. Yarns

The demand for yarns is a derived demand. It follows in its course the demand for fabrics and knitted clothes. Producers of yarns, being at the same time consumers, can, to a great extent, other things being equal, anticipate their own needs of yarns. The needs of other local consumers of yarns can be estimated in the light of the past experience and the present situation.

Quantities of yearly consumption of the mills producers were estimated for 1960 to be 53% of the total pro-

duction for the corresponding year. Amounts consumed locally by others amounted to 28.3%.¹

Nevertheless, the overall demand for yarns is conditioned by the degree of protection accorded to yarns, fabrics and ready-made clothes, as well as by prospects of exports for the three of them.

Table 12 below shows the trend of yarn production as it corresponds to that of fabrics:

TABLE 12
PRODUCTION TREND OF YARNS AS IT
CORRESPONDS TO PRODUCTION TREND OF FABRICS IN TONS

Year	Yarns Amount of Production	Fabrics Amount of Production
1959	3770	2101.460
1960	3400	2343.450
1961	3405	2373.442
1962	3856	2725.900

Source: Table 3

Table 12 indicates that the production of yarns corresponds to that of fabrics except for 1959 which is

¹Industry Institute, op.cit., p. 25.

considered to be an exceptional year since it directly followed that of the revolution.

Due to troubles and partial suspension of work in some mills, production of yarns in 1958 was greatly reduced.¹

The possible interpretation for the increased production in 1959 is that producers, in anticipation of the expected increase in the production of fabrics and with view to reduced production and depleted stocks of yarns of the preceding year, had overestimated the demand for 1959. Surplus of yarns is believed to have been stored as inventories as evidenced by the relative big decrease in volume of production for the two years that followed.

B. Fabrics

The demand for fabrics is partially determined by the demand for local ready-made clothes. However, demand for both is mainly determined by the amounts of imports for fabrics and for ready made clothes.

Production forecasts are, therefore, made in the light of protection extended to both industries.

Protection extended to fabrics and ready made clothes in the past five years is as follows:

On September 28, 1959, nonfashioned fabrics and jobs, subject of custom position No. 9/55, were submitted

¹Industrial statistics indicate eighty tons which is but the amount communicated by three out of the seven weaving mills that exist. Due to lapse of time it was not possible to know the names of these other mills as to work out the total produced for the year. However, it is confirmed that production of yarns for 1958 was far less than that of other preceding as well as following years.

to an increase in tariff duty ranging between 25-50 Lebanese piasters per kilo. The raise per kilo of jobs was 75 piasters.

The second increase in tariff was given on November 9, 1960, with a rate of 15% of the actual tariff on cotton fabrics with the exclusion of jobs.²

The third increase in tariff extended on September 19, 1963, was limited to jobs; it ranged between 75 and 161 piasters per kilo depending upon the degree of processing.³

On September 19, 1963, ready-made outwear subject of custom position No. 1/61 and 2/61 were accorded an increase which provided, besides the actual 40% advalorem duty, for a minimum of perception equal to the specific duty adopted to materials made thereof increased by 10%.⁴

The effect of the two former increases in tariff duties was a decrease in the volume of imports for 1960 and 1961.⁵

The increase in imports of fabrics for 1962 over that of 1961 is attributed mainly to an increase in imports of jobs from 675.504 tons in 1961 to 848.655 tons in 1962,

¹Lebanese Republic, Al-Jarida Al-Rassmyah, Vol. 54, October 10, 1959.

²Ibid., Vol. 48, November 16, 1960.

³Ibid., Vol. 78, September 30, 1963.

⁴Ibid.

⁵Refer to Table 13, p. 96.

TABLE 13
DECREASE IN IMPORTS OF FABRICS FOR 1959-62 IN TONS

Year	Amount of Imports	Rate of Decrease
1959	2757.800	
1960	2352.400	14.7%
1961	1823.900	22.46%
1962	2156.685	

Source: Statistics of External Trade, 1959-62.

and in imports from Socialist countries from 199.875 tons in 1961 to 290.372 tons in 1962.¹

However, the last increase in tariff duties extended on September 19, 1963 on jobs is expected to force downward the volume of total imports.

The decrease in imports was actually met by an increase in amounts of local production of fabrics.²

Price Behaviour

The practice followed by textile mills in determining prices is initially cost-plus-pricing method. The range of profit percentage, as based on personal interviews, is 1-10%.

¹Statistics of External Trade, 1961, pp. 443-453, 1962, pp. 429-440.

²Above, Table 3. p. 25.

This range of profit is subject to considerable change since the price of local textiles is not governed by local supply and demand. It is rather governed by the amounts and prices of imports¹ which invade the local market and paralyze all activities on the part of producers to determine prices and forecast demand.

Conclusion

The crisis of the cotton textile industry is the outcome of both external and internal factors.

The external factors are first, the strong international competition mainly from Socialist countries and from countries of planned economy such as Syria and Egypt; second, the contraction of export markets due to industrial development policies and to political policies as well. The internal factors are the limited local market with respect to population and income, the prejudice against local fabrics and the high costs of factors of production.

The costs of factors of production in Lebanon such as raw materials and labour are high when compared with those of Syria and Egypt.

In Egypt and Syria cotton, the basic raw material,

¹Amounts and prices of imports are discussed fully in Chapter IV.

is provided locally. The Lebanese producer has to import the cotton, pay for transport, freight, and exchange expenses. He has to bear also the export tax put to encourage the local procession of cotton. Besides, producers in both countries are granted export subsidies.

The cost of labour in Lebanon is high when compared to that in Syria and Egypt, where efficiency of labour is higher and wages are lower.

In Europe the efficiency of labour is so high that it greatly over-compensates for the high pay of workers.

Industries in Lebanon suffer the shortage of skilled labour due to the lack of a developed system of professional training and education. However, an awareness of the importance of this factor has been recently spreading and serious efforts have been devoted to develop professional training in Lebanon.

These imperfections and deficiencies have led to higher costs of production, to a lower competitive power and to an eventual reduction in volume of production.

The state of idle capacity had contributed in turn to a further raise in costs, and a vicious circle is set in motion.

The Government assistance has been limited to certain raises in tariff duties which were of partial help to the industry.

In reality, a big part of the responsibility for the development of the industry falls on producers themselves. Modern and scientific principles of cost and quality control in all their many-sided aspects have to be more carefully considered no matter what the sacrifices in the short run might be.

CHAPTER V

IMPORTS AND EXPORTS OF TEXTILES

I. Background

The crisis of the cotton textile industry had its start in the year 1956; it has been the subject of continuous struggle ever since among the industrialists, producers and merchants importers.

In fact, the disagreement is of dual character:

1. The disagreement among yarn producers and yarn consumers--weavers and knitters.
2. The disagreement among fabric producers and fabric importers.

1. The Disagreement among Yarn Producers and Yarn Consumers:

In their struggle to get adequate protection for the cotton textile industry, producers of yarns insist on an increase in tariff duties on imported yarns. Weavers and knitters are firmly opposed.

Consumers claim that prices of local yarns are unduly high, and their quality is inferior as compared with those imported, since the good quality of yarns contribute to the efficiency of the spinning machines, and to the quality of fabrics made thereof.

The problem is, to a certain extent, self-explanatory: weavers and knitters undergo the trouble and delay in importing yarns, and in some cases, pay higher prices, freight and insurance charges and tariff duties, and nevertheless abstain from buying local yarns. This attitude on the part of knitters and weavers was a good stimulus to producers to improve the quality of their products; today, all types and sizes of yarns including the mercerized ones are produced locally, in big quantities and at standard qualities.

2. The Disagreement among Fabric Producers and Fabric Importers

The struggle for the protection of local fabrics is of a more serious nature than that for yarns, since local fabrics suffer the competition of dumped goods, jobs and ready-made clothes; while, in the case of local yarns, dumping is practiced on a small scale. In 1961, yarns imported from Socialist countries amounted to only 12% of the total imported.¹

The struggle for the protection of local fabrics is equally twofold:

1. The disagreement among producers of fabrics and importers of fabrics:

¹Statistics of External Trade, 1961, pp. 438-443.

2: The disagreement among producers of fabrics and importers of ready-made clothes.

1: The Disagreement among Fabric Producers and Fabric Importers

Importers of fabrics are opposed to the idea of protection through custom duties; they claim the liberalism of trade under the pretention of safeguarding the interests of consumers and of people working in trade. They pretend that the raise of tariff duties would raise the price of imported fabrics, activate smuggling operations and encourage producers to raise their prices. They propose other means of protection and encouragement to be undertaken by Government such as import and export subsidies trade treaties and advertisement campaigns. They suggest that scientific measures of management and production technics be adopted by producers.

As a matter of fact, importers want to safeguard the advantage they have so long enjoyed, that of importing cheap second choice sometimes out-moded stocks, such as jobs, pay inferior custom duties on them, sell them with good profit in the local market or reexport them.

2: The Disagreement among Producers of Fabrics and Importers of Ready-Made Clothes

The ready-made clothes industry is supplemental to

the textile industry since it promotes the consumption of locally produced fabrics:

This industry has been facing keen competition from clothes imported from Socialist China:

According to international custom regulations, custom duties follow in their course the degree of processing; as such custom duties are higher on ready-made clothes than they are on fabrics. The contrary holds true in Lebanon, for custom duties are higher on fabrics than they are on ready-made clothes:

In a study made by the Association of Lebanese Industrialists it was found that pyjamas made out of popelin or flannelette imported from Socialist China pay 40% according to custom position No. 61-01,¹ at the official rate or 1.34 L.L. $(\frac{40 \times 336}{100})$:

Pyjamas were estimated to weigh 900 gms. Custom duty on one kilo of same fabrics is 3.20 L.L.; for 900 gms. custom duty would be 2.88 L.L. $(\frac{900}{1000} \times 3.20)$

Such is the case, imports of ready-made clothes from Socialist countries imperil still further the situation of the cotton industry as well as that of the ready-made clothes industry. Producers demand that ready-made

¹Ibid., 1962, p. 311.

clothes be submitted to same tariff as that imposed on fabrics made therefrom plus 10-20% as custom duty on confection.

II: Qualitative Analysis of Local Production and Imports

A: Fabrics

The local industry produces almost all kinds of cotton fabrics mainly the heavy ones.¹ The light and thin materials are equally produced but on a smaller scale. Imports of this kind surpass local ones in quality and make, due to the experience and specialization other countries producers of these fabrics enjoy.

Lebanon imports all kinds of fabrics-grey bleached, dyed, printed and jobs.

The main kinds of imports which compete with the local products are: Calico, dawlas, Bazin, vichy, marcella, tobralco, popelin for pyjamas, cretonne, serge, panama, and bed covering materials.

The countries of imports are classified into three categories:

a. The Socialist countries which depend dumping policies such as Soviet Union, China, Hungary, Bulgaria, Poland and Czechoslovakia.

¹Refer to p. 26.

The prices of the majority of textiles imported from Socialist countries which, at the same time, form the highest percentage of total imports, are exceptionally low when compared to local fabrics (Tables 14 and 17): The average price per kilo alternates between 250-500 Lebanese piasters or about the price of raw materials made thereof: As such, the price of one kilos of raw cotton imported from Syria, Cif Beirut, is 235 Lebanese piasters.¹ When carded and combed it loses 22% of its weight.² The price would therefore become 301.3 Lebanese piasters ($235 \times \frac{100}{78}$).

b. The second category of countries of imports is Syria and Egypt:

In order to encourage the processing of cotton, both these countries give direct and/or indirect export subsidies: Besides, high grade cotton is not available for local producers; it is restricted to exportation: As such, producers are limited to less expensive second grade cotton:

Producers benefit further and according to the "Commercial Agreement between Countries of Arab League"

¹Statistics of External Trade, 1962, p. 422.

²Moitry, op.cit., Vol. VI: Mesures de Protection de l'Industrie: p. 38.

TABLE 14

IMPORTS FROM SOCIALIST COUNTRIES, EGYPT AND SYRIA,
 QUANTITY, RATE TO TOTAL IMPORTS, AVERAGE,
 MINIMUM AND MAXIMUM PRICE FOR 1960 AND 1961 IN TONS
 AND LEBANESE PIASTERS

Position No.	Custom Designation	Piece- goods	Applied Commercial Custom Designation	Duty Per Kilo	Year	Quantity	Rate to Total Im- ports	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
9/55/a/1	Jobs	Piece- goods	225		1960	147.150	20%	316	261	408
					1961	153.100	22.68%	352	297	421
9/55/a/3/a	Fabrics Grey 80% or more cotton				1960	0.600	25%	704	704	704
					1961	-	-	-	-	-
1	Grey a- 50 gms. or less in m ²		345		1960	0.020	4%	1178	1178	1178
					1961	-	-	-	-	-
	b. 50-100 gms in m ²		287		1960	6.700	79%	421	400	421
					1961	0.375	33.6%	440	440	440
	c. 100- 150 gms. in m ²		230		1960	59.000	65%	316	235	399
					1961	22.220	59%	252	211	359
	d. 150 gms and above in m ²				1960	59.000	65%	316	235	399
					1961	22.220	59%	252	211	359

TABLE 14 (CONT'D)

Position No.	Custom Designation	Commercial Designation	Applied Custom Duty Per Kilo	Year	Quantity	Rate to Total Im-ports	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
2	Bleached Gauze a. Less than 50 gms.		431	1960	24:100	52%	449	318	830
				1961	30:500	64.3%	499	301	977
	b. 50-100 gms.	Gauze Toile Muslin	431	1960	24:100	52%	449	318	830
				1961	30:500	64.3%	499	301	977
	c. 100-150 gms	Popelin Batiste Dawlas	380	1960	40:500	54%	515	359	830
				1961	48:300	68.5%	567	307	977
	d. above 150 gms	Dawlas	322	1960	41:000	37%	372	358	498
				1961	5:300	19%	393	380	434
3	Dyed a. Less than 50 gms			1960	0.076	12%	3153	3153	3153
				1961	-	-	-	-	-
	b. 50-100	Toile	460	1960	4:200	39.4%	356	376	376
				1961	5:500	45%	607	372	843
	c. 100-150	Batiste Lining Materials coverings	431	1960	89:000	53%	536	378	600
				1961	31:000	34.5%	636	470	760
	d. above 150 gms	Lining Pants Curtains	368	1960	89:000	31%	415	236	436
				1961	71:000	40%	399	273	454

TABLE 14 (CONT'D)

Position No.	Custom Designation	Commercial Designation	Applied Custom Duty Per Kilo		Year	Quantity	Rate to Total Imports	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
			Kilo	Duty Per Kilo						
4	Printed a. less than 50 gms				1960					
					1961					
	b: 50-100 gms	Dresses	546		1960	4:900	56%	761	761	761
					1961	14:500	66%	629	402	917
	c: 100-150 gms	Dresses Coverings	517		1960	12:000	18%	427	430	437
					1961	12:500	17%	535	391	406
	d: Above 150 gms	Curtains Coverings	414		1960	76:000	45%	414	340	460
					1961	86:400	82%	387	300	779

Sources: 1: Statistics of External Trade, 1960, 1961.
 2: Tariff of Custom Duties, 1960, 1961.

from a reduction of 25% in custom duties. Quantities imported from both countries alone amounted in 1960 to 16% and in 1961 to 18.25% of the total of fabrics imported (with the exclusion of jobs).¹

c. The third category of countries of imports are the countries of free economy such as the United States, Japan, Hong Kong, Western Germany, Britain, Switzerland, France, Holland, Belgium, Italy, Spain and Austria.

The price of imports from these countries come nearer to price of local fabrics than that of other imports, with the exception of Japan and Hong Kong where labor is extremely cheaper than it is in Lebanon. In general, these imports do not cause any illegal competition to local fabrics, though prices are to a certain extent higher (see Tables 15 and 17).

The local industry can, through scientific developmental measures, keep up in price and quality with imports of those countries.

The imports of the so-called jobs accentuate still further the situation in view of the considerable quantities imported every year and of the low price relative to that of local fabrics (see Tables 14, 15 and 16).

¹ Statistics of External Trade, 1960, pp. 475-85, 1961, pp. 444-53.

TABLE 15

IMPORTS FROM FREE COUNTRIES, QUANTITY, AVERAGE, MINIMUM AND MAXIMUM PRICE AND RATE TO TOTAL IMPORTS, FOR 1960 AND 1961 IN TONS AND LEBANESE PIASTERS

Position No.	Custom Designation	Commercial Designation	Applied Custom Duty Per Kilo	Year	Quantity	Percentage of total imports of the kind	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
9/55/a/1	Jobs	Piece-goods	225	1960	580:100	80%	333	246;	904
				1961	522:400	77.32%	250	232	263
9/55/a/3/a	Fabrics Grey 80% or more cotton			1960	1:750	75%	1203	1157	2855
				1961	-	-	-	-	-
I	Grey a-50 gms or less in m ²								
b. 50-100 gms in m ²			345	1960	0.430	96%	746	322	1528
				1961	0.084	100%	336	336	336
c. 100-150 gms in m ²			287	1960	1:800	21%-	238	141	2036
				1961	0:741	66.3%	172	125	138
d. 150 gms and above in m ²			230	1960	31:530	35%	300	208	436
				1961	15:460	41%	334	214	489

TABLE 15 (CONT'D)

Position No.	Custom Designation	Commercial Designation	Applied Custom Duty Per Kilo	Year	Quantity	Percentage of total imports of the kind	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
2	Bleached a. Less than 50 gms	Gauze		1960	10:500	100%	1403	630	2721
				1961	10:700	100%	1250	696	2680
	b: 50-100 gms	Gauze Toile Muslin	431	1960	22:150	48%	726	315	1064
				1961	14:000	33.7%	1579	1500	2013
	c: 100-150 gms	Popelin Batiste Dawlas	380	1960	34:200	46%	766	520	1094
				1961	22:200	31.5%	808	532	852
	d. above 150 gms:	Dawlas	322	1960	58:000	63%	407	295	486
				1961	23:000	81%	486	333	557
3	Dyed a. Less than 50 gms			1960	0:551	88%	1742	500	2395
				1961	0:300	100%	2621	2621	2621
	b: 50-100	Toile	460	1960	6:600	60.6%	1445	1385	1517
				1961	6:500	55%	1970	1380	5150
	c: 100-150	Batiste Lining Materials Coverings	431	1960	78:000	47%	677	612	820
				1961	60:000	65.5%	710	631	753

TABLE 15 (CONT'D)

Position No.	Custom Designation	Commercial Designation	Applied Custom Duty Per Kilo	Year	Quantity	Percentage of total imports of the kind	Average Price Per Kilo	Minimum Price Per Kilo	Maximum Price Per Kilo
	d. above 150 gms.	Lining Pants Curtains	368	1960 1961	200:000 109:000	69% 60%	596 562	496 511	718 628
4	Printed a. less than 50 gms			1960 1961	0:072 0:410	100% 100%	1453 1738	1453 600	1453 7680
	b. 50-100 gms	Dresses	546	1960 1961	3:850 7:500	44% 34%	1451 1586	572 1221	1983 1780
	c. 100-150 gms.	Dresses Coverings	517	1960 1961	57:000 62:300	82% 83%	939 881	925 693	1023 1169
	d. above 150 gms	Curtains Coverings	414	1960 1961	95:000 18:800	55% 18%	699 962	650 948	752 976

Sources: 1. Statistics of External Trade, 1960, pp. 475-85, 1961, pp. 444-53.

2. Tariff of Custom Duties, 1960, pp. 240-44, 1961, 242-46.

Due to the relatively low custom duties paid on jobs, 225 piaster per kilo before last increase of September 19, 1963, and in order to evade custom duties, pieces of regular fabrics are cut into small ones in the Free Zone and introduced into the internal market as regular jobs. As such, regulations which require that pieces of jobs be of different colors, prints and quality and that length of piece should not exceed two meters are violated.

Piece goods are imported mainly from the United States, Socialist countries, Britain, Hong Kong and Japan.

B. Yarns

The imports of cotton yarns are far inferior to those of fabrics.¹ They consist mainly of grey monofil yarns up to 1/40 and above 1/40, of bleached double count yarns, mainly the mercerized ones up to 1/40 and above 1/40.

The main countries of imports are the following: Syria, Egypt, France, Western and Eastern Germany, Norway, Italy, Britain, Spain, Czechoslovakia, Poland, Holland, Yugoslavia, Hungary, United States, India, Japan, Soviet Union, Pakistan and China.

Volume and Type of Exports

The Lebanese cotton textile industry was established

¹Above, Table 11, p. 97, and Table 12, p. 100.

TABLE 16
 COST PRICE IN LEBANON FOR 1960 AND 1961
 IN LEBANESE PIASTERS AND KILOS

Position No.	Custom Designation	Commercial Designation	Year	Cost Price in Lebanon	
				As Calculated by Producers	As Calculated by Industry Institute
9/55/a/1	Jobs	Piece-goods	1960 1961		
9/55/a/3/a	Fabrics 80% Grey or more cotton		1960 1961		
	1 Grey				
	a. 50 gms. or less in m ²				
	b. 50-100 gms in m ²		1960 1961		
	c. 100-150 gms in m ²		1960 1961		
	d. 150 gms and above in m ²		1960 1961	680	470
	2 Bleached	Gauze	1960 1961		
	a. Less than 50 gms				
	b. 50-100 gms.	Gauze, Toile Muslin	1960 1961	1300	
	c. 100-150 gms	Popelin Batiste Dawlas	1960 1961	1100	
	d. above 150 gms	Dawlas	1960 1961	800	628-953
	3 Dyed		1960 1961		
	a. Less than 50 gms				

TABLE 16 (CONT'D)

Position No.	Custom Designation	Commercial Designation	Year	Cost Price in Lebanon	
				As Calculated by Producers	As Calculated by Industry Institute
	b. 50-100	Toile	1960 1961		
	c. 100-150	Batiste Lining Materials Coverings	1960 1961	1500	
	d. above 150 gms	Lining Pants Curtains	1960 1961	900	
4	Printed a. less than 50 gms		1960 1961		
	b. 50-100 gms	Dresses	1960 1961		
	c. 100-150 gms	Dresses Coverings	1960 1961	1150	1113-1423
	d. above 150 gms	Curtains Coverings	1960 1961	1460	1390

Sources: 1. Table 18
2. Report of Industry Institute to Commerce and Production Committee, 1959.

as an export industry to satisfy the needs of the nearby markets--mainly the Arab ones.

The urge for economic development on the part of these countries had resulted in an increased awareness of the importance of industry as the backbone of all social, political and economic development; as such the post-war

era had evidenced the creation of many industries in the Arab countries:

Naturally, the production of cotton textiles was given the primary concern, since it realized a doublefold economic aim, the encouragement of industrial activity and of agricultural production, cotton being one of the most important agricultural products these countries grow.

The private investments in this field were greatly supported by the states concerned, through direct and indirect export subsidies, prohibition of imports, credit facilities, quality control, advertisement campaigns, market research and the like. These encouragement measures had enabled these industries to grow and excel in their own markets and in the export markets as well. The Lebanese cotton textile industry was, therefore, deprived gradually of its export markets and was as well threatened in its home market by imports of these same countries.

The lack of similar help on the part of the State of Lebanon had weakened the ability of the cotton textile industry, price-wise and quality-wise, to hold its own in the Arab countries vis-a-vis their own products as well as the products of other importing countries. The same reasons account for the difficulty of opening new markets.

At present, export business is practiced on a very narrow scale and by individual private efforts of producers.

1. Yarns:

The exports of yarns far surpass those of fabrics yet the amounts of these exports and their rate to total produced are very insignificant (Table 17):

TABLE 17
VOLUME OF EXPORTS OF YARNS AND RATE TO TOTAL PRODUCTION
FOR THE YEARS 1959-62 IN TONS

Year	Total Production	Volume of Exports	Export Rate
1959	3770	48.680	1.3%
1960	3400	109.325	3.2%
1961	3405	220.198	6.46%
1962	3865	325.785	8.43%

Sources: 1. Table 3.
2. Statistics of External Trade, 1959-62

The main kinds of yarns exported are the grey ones from below 1/12 up to 1/40 counts, and from 1/40 counts and above and the bleached yarns from 1/24 up to 1/40 counts:

Table 18 below demonstrates the export markets classified with respect to their importance as determined by the volume of yarns imported by each country over the three consecutive years 1960-62:

TABLE 18
 EXPORT COUNTRIES AND VOLUME
 OF EXPORTS TO EACH, FOR 1960-62, IN TONS

Country	Volume of Exports
Pakistan	197:808
Ceylon	55:881
Iraq	52:840
Italy	39:586
Indonesia	36:320
United States	34:692
Jordan	22:107
French Somaliland	16:423
Chile	15:038
Britain	13:128
Ethiopia	10:209
Kuwait	9:264
Egypt	5:085
Switzerland	4:170

Source: Statistics of External Trade, 1960-62.

2. Fabrics

The kinds of fabrics making for the major of exports are the grey cloths of 100-150 grams per square meter, and the printed materials above 150 grams per square meter.

The volume and rate of exports of fabrics are far below those of yarns due to the strong competition of piece-good materials and of dumped fabrics. As such, the volume of exports of fabrics is very insignificant particularly when compared to volume of production (Table 19):

TABLE 19
VOLUME OF EXPORTS OF FABRICS AND RATE TO TOTAL
PRODUCTION FOR THE YEARS 1959-62 IN TONS

Year	Total Production	Volume of Exports	Export Rate
1959	2101.460	4.186	0.2%
1960	2343.450	22.383	1%
1961	2373.422	37.887	1.6%
1962	2725.900	105.065	4%

Sources: 1. Table 3
2. Statistics of External Trade, 1959-62.

The export rate of yarns and fabrics to total production, as indicated in the foregoing tables, is very small. However, the upward trend in volume and rate, though a slow one, should not be overlooked. It cannot but inspire a promising prophecy for development and recuperation of past status.

Table 20 below shows the main export markets classified by order of importance over a period of three years, 1960-62.

TABLE 20
 EXPORT MARKETS AND VOLUME OF EXPORT BUSINESS
 WITH EACH FOR 1960-62, IN TONS

Country	Volume of Exports
Hungary	85:867
Iraq	14:409
Jordan	12:404
Italy	7:065
Kuwait	1:485
Saudi Arabia	1:335
Katar	0:992
Iran	0:476
Yemen	0:364

Source: Statistics of External Trade, 1960-62.

Conclusion

The cotton textile industry has been the subject of struggle for several years among producers of yarns and fabrics, on one side, and consumers of yarns and importers of fabrics and ready-made clothes, on the other.

Producers claim the protection of the cotton textile industry to safeguard the interests of its owners and the relatively big capitals invested in it as well as the interest of the numerous workers for whom the industry is a source of living.

Importers, on their part, advocate the "Liberalism of Trade" for the purpose of protecting the consumer and other people working in trade.

In reality, the protection of the industry through raising custom duties is not but a partial solution to the problem; the difference in price between local fabrics and imported ones is so wide that it cannot be covered with custom duties alone. However, if protection against imports is to be, for any reason, solely depended, it should be resorted to prohibition of imports with all what it may entail of retaliation and bad economic relations with the importing countries.

More reliable measures of development should therefore be worked out at the level of the industry itself through scientific management of production and cost control, as well as at the level of the state mainly through a comprehensive policy of export promotion.

CHAPTER VI

EVALUATION AND RECOMMENDATIONS

The cotton textile industry is considered one of the most important industries of Lebanon with respect to investment opportunities it provides and to gainful employment it offers.

But due to the difficulties mentioned in the foregoing text, quantities of production have been contracted considerably in the past ten years, and hundreds of employees have been discharged.

The causes of this critical situation are both external and internal. They are external with regard to policies of importing countries such as self-sufficiency policy, dumping policy, exports promotion policy, etc. They are internal as regards the limited size of the local market, and the lack of specialization and large scale production which provide for more efficiency and skill in ways of doing things, for lower costs and for better qualities. The lack of scientific management on the part of producers as to financial organization and labour matters accounts for a considerable part of the difficulty.

The "open door" policy with respect to trade accentuates still further the situation. The domestic market is inappropriately protected against illegal competition, which the Lebanese industry, and even industries of other

more advanced countries, cannot withstand.

The lack of true developmental policy on the part of government such as export promotion measures including direct and indirect export subsidies, advertisement campaigns, appropriate participation in international fairs, proper credit policy and a developed system of professional training hinders considerably the growth of this industry.

However, a remarkable awareness as to the importance of industry has been recently spreading. Several developmental projects in the field of management, finance and technology, to the welfare of the industry as a whole, have been realized such as the creation of the Industry Institute, Beirut Management College, Vocational Training Center, Lebanese Institute for Specifications, and the project of the Bank of Development and that of the Central Bank.

The promotional measures taken in the interest of the cotton textile industry were mainly protection measures through increase in custom duties which, as conditions had proved, fell short of the requirements for protection.

In order for the cotton textile industry to grow and prosper, state and private interests should collaborate in working out and applying a comprehensive project of promotion which should encompass all aspects of the industry, financial, technical and commercial.

I. The measures to be taken in the general financial field are mainly the responsibility of the state. They are:

A. A proper industrial credit policy as regards short, medium and long term loans at low rates of interest. The industry needs credit for three main purposes:

1. For initial fixed capital needs.
2. For working capital needs.
3. For building up a perpetual stock of raw materials and finished goods equal to a fixed percentage of the total production of the firm. This type of credit is important in that it enables the producer to provide the customer with a wider choice of finished goods, to take advantage of low prices of raw materials, to face crisis or any unexpected increase in demand as well as any expected shortage of raw materials. It would help him offer proper buying facilities for consumers.

The industry in Lebanon is deprived of this type of so-called blocked capital. The lack of this type of credit has a bad repercussion on the cotton textile industry. Producers are often obliged to dispose of their products at a loss in order to provide for the necessary cash they need.

The Development Bank and the Central Bank are expected to make up for this deficiency as well as for other difficulties in the field of industrial credit, since the present

banking system in Lebanon with its present policy is inadequate to meet the needs of industry for credit.

B: A proper costing system

The government should recommend a uniform cost accounting system for proper cost controlling and price determination purposes.

II: The measures to be worked out in the technical field are mainly the concern of producers themselves. They are:

A: The introduction of scientific principles of management to all aspects of business, financial, technical and commercial.

1: The main problems in financial management worth to be considered by producers are the holding of a proper balance between fixed capital and working capital, and the introduction of an elaborate cost accounting system based on well established rules.

2: The main problems to be considered in the field of technical management is the device of proper production and quality control systems, an adequate maintenance and preservation policy, and a proper social policy as regards the relations between management and workers. The delegation of responsibility, job classifications and descriptions, preventive measures against mechanical injuries and a proper training system as well as other measures which lead to higher

XX
efficiency of labour and to a consequent rise in the standard of living of the worker should be introduced.

3. The main problems to be considered in the field of commercial management is a reconsideration of the present distribution policy of clear-cut sale to wholesalers.

Producers should depend agents who will be bound through agreements determining the minimum amounts to dispose of annually or semi-annually and fixing the percentage of profits these agents are allowed to reap.

Another way of distribution is to sell directly to retailers, or to establish a joint company which will take charge of promoting the distribution of the local fabrics by making market studies as to the potentialities, state of competition and price behaviour for both the local market and the external markets, and by launching advertisement campaigns inside and outside the country.

The responsibilities of the state to develop the cotton textile industry are twofold internal and external. Internally there is need for the protection of the local market through prohibition of imports of dumped fabrics, jobs and fabrics similar to those produced locally, on condition that the latter conform to international standards and specifications. However, if prohibition of imports cannot be practiced for fear of retaliation on the part of countries importing from Lebanon or for keeping good international relations, fabrics should be submitted to import

licencing program, provided that licence giving be based upon studies as to the needs of the local market for the type of fabrics under question.

Another means of protecting the local market is the rationalization of present custom duties. Custom duties should make up for the difference in cost price among local fabrics and imported ones and should allow for a margin of profit. Also ready-made clothes of the Army and Security Corps should be submitted to custom duties. A better procedure to follow is to prohibit the imports of these ready-made clothes and produce them locally and with local fabrics.

Furthermore, the state should fight the smuggling of goods and all fraudulent actions.

On the external level, the state should promote exports mainly through negotiations of trade treaties and amendment of existing ones as to include local fabrics and yarns.

Besides, the government should prohibit imports of fabrics from countries which enter into commercial agreements with Lebanon but do not abide by the spirit of these agreements as regards the importing of Lebanese textiles.

The government should also launch advertisement campaigns through the Lebanese embassies outside and through publicity bureaus and international exhibitions mainly in countries believed to be good export outlets for the Lebanese

products.

As such, the Lebanese industry and particularly the cotton textile industry will be made known to the world abroad, since the prosperity of this industry, as well as that of all other Lebanese industries, in view of the limited size of the local market, depends upon the volume of export business it can develop.

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VII. Interviews

1. Face to Face

- Interview with Mr. Anwar Arida, Manager and Owner, Aritex Company, and Arida Brothers Corporation, December 1963; January and May, 1964.
- Interview with Mr. Shukri Ghibril, Head of Scientific Department, Ministry of National Economy, November, 1963.
- Interview with Mr. Ghazi Jabre, Manager and Owner, Industrial Company for Spinning and Weaving, January, 1964.
- Interview with Mr. Imad Nawam, Expert of Textiles, Ministry of National Economy, December, 1963.

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of Employees of Spinning and Weaving Mills in
Lebanon, March, 1964.

2: Direct Contacts

Mr. Emile Butros, Director, Les Fils de Raffoul Butros,
March, 1964.

Mr. Sami Jabre, Director, Industrial Company for Spinning
and Weaving, May, 1964.

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Mr. Andre Valentin, Director, Filature Nationale de Coton,
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APPENDIX I

SCIENTIFIC SPECIFICATIONS AND ESTIMATED COST PRICE OF SOME
POPULAR TYPES OF LOCAL FABRICS PER YARD

Designation	Yarn Number	Number of Threads in a Centimeter	Weight in Grams	Width in Centimeters	Estimated Cost in Lebanese Piasters
Grey cloth	20/16	24/18	150	138	110
Tobralco	24/36	28/38	115	90	95
Mattress Jacquard	14/20	28/19	202	140	190
Cretonne	24/14	20/16	208	80	130
Dawlass	16/12	26/18	194	205	212
Curtains	16/16	27/14	245	127	248
Flannellette	20/10	24/19	186	82	125
Serge Kaki	12/10	36/18	276	107	167

Source: Interview with Mr. Anwar Arida, May 10, 1964.

APPENDIX II

ELEMENTS OF COST PRICE OF LOCAL FABRICS FOR THE COTTON TEXTILE INDUSTRY AS A WHOLE FOR 1963, IN LEBANESE PIASTERS AND PER YARD^a

	Price of yarn/ kilo	Weight of yarn/yard in grams	Price of yarn/yard expenses	Weaving expenses	Wastes	Other expenses	Pack- ing	Blea- ching	Dyeing	Print- ing	6% ex- pen- ses	Pricee per yd. k11
Grey more than 150 gms/m ²	18/18 364	180	66	15	1,3	24,5	1	0	0	0	6,5	115 680
Bleached 40/30 50-100 gms	600	93 grey 86 white	56	18	1	17	1	7	0	0	4	106 13
100-150 gms	24/24 330	280 grey 230 white	148	23,5	3	48	1,5	25	0	0	16	265 11
more than 150 gms	16/16 360	360 grey 300 white	130	19	3	42	2	25	0	0	14	235 8
Dyed 100-150 gms	36/36 625	180 grey 160 white	115	25	2	45	2,5	0	36	0	15	240 15
more than 150 gms	30/2 8/1 425	310 grey 290 dyed	130	15	2,5	22,5	2	15	45	0	18	250 9
Printed 100-150 gms	30/1 6/1 340	200 grey 160 dyed	68	13	2	22	2	12	20	30	11	180 115
more than 150 gms.	18 24 460	150 grey 130 dyed	70	20	2	25	2	15	20	25	11	190 1460
Bazin more than 150 gms.	16 365	120 grey 105 scratch- ed	44	16	2	25	1,5=10	Scratch- ing 2	14	14	6,5	121 1150

Source: M. Andre Valentin, Chief Director of the "Filature Nationale de Coton", 1963.

a: These costs were depended as basis for the negotiations between government and producers about the determination of the costs of local fabrics.