ADJUSTMENT ASSISTANCE MEASURES

Information Supplied by Governments

A meeting of the Expert Group on Adjustment Assistance Measures was held in Geneva on 18 May 1971 to consider what additional information would be helpful in exploring the possibilities for broader use of adjustment assistance measures. For this purpose, it was agreed that governments should be invited to furnish information on the basis of a questionnaire which was circulated in GATT/AIR/859 dated 28 May 1971. Replies received so far from the following countries are contained in the Annex.

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<td>United Kingdom</td>
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</table>
AUSTRIA

Austrian adjustment assistance measures already notified are contained in documents COM.TD/W/92/Add.5 and COM.TD/W/126/Add.1. There is no change to the last Austrian notification in document COM.TD/W/126/Add.1.

Concerning the Austrian notification in the first document COM.TD/W/92/Add.5, the following change has taken place:

The Federal Act on Improvement of Economic Structure ("Strukturverbesserungsgesetz 1969") was amended in 1970 (Federal Gazette No. 417/1970). According to this amendment the scope has been extended to other enterprises and the provisions for promoting adjustments and co-operation have been prolonged to 31 December 1973.

The problem of adjustment assistance measures is under permanent consideration in Austria.
CANADA

A. Measures available

(i) Information on specific or general legislation concerned with adjustment assistance

There are two programmes that provide adjustment assistance to industry:

General Adjustment Assistance Programme (GAAP)

The main aim of the GAAP is to facilitate the adjustment of Canadian manufacturers to changes in the trading environment resulting from the Kennedy Round. It also provides assistance to manufacturers of textiles, clothing goods and footwear to improve their competitive position in domestic or export markets and to adapt efficiently to disruptive import competition that is threatening or causing serious injury.

Automotive Adjustment Assistance Programme (AAAP)

The main purpose of this programme is to assist Canadian manufacturers of original equipment, automotive parts, tooling, specified commercial vehicles and suppliers of material to adjust to the new market environment created by the Canada-United States Agreement on Automotive Products.

(ii) Main provisions of legislation and criteria for qualifying for adjustment assistance

GAAP

Assistance under GAAP is open to manufacturers who have viable adjustment projects for which financing is required but unavailable from other sources on reasonable terms and who:

(a) have significant export opportunities arising out of the Kennedy Round; or

(b) have suffered serious injury or are threatened with serious injury as a result of Kennedy Round tariff reductions made by Canada; or

(c) are manufacturers of textile or clothing goods or footwear and wish to improve their competitive positions in domestic or export markets; or

(d) are manufacturers of textile or clothing goods or footwear and wish to adapt efficiently to disruptive import competition that is causing or threatening serious injury.
Loans have been made to a wide variety of automotive parts producers, including small stampers, automotive hardware manufacturers, electrical component producers and makers of a variety of metal parts. Assistance may be obtained if restructuring is needed to avoid undue injury or if an opportunity exists to expand Canadian sales of automotive parts or specified commercial vehicles and buses.

(iii) How are measures aimed at granting adjustment assistance initiated?
Is there machinery available, either formal or informal, to anticipate the need for adjustment assistance or to make information available to industry which would enable it to consider the need for action?

Applications for assistance are made by the companies to the General Adjustment Assistance Board. Ongoing work by various branches of the Department of Industry, Trade and Commerce serves to bring about a recognition of the need for adjustment assistance.

Officers of the Department with specialized knowledge of the various manufacturing sectors will, if requested, advise and assist manufacturers in the formulation of specific adjustment measures and in the preparation of applications for assistance under GAAP and AAA.

(iv) To what extent is action initiated at the national level supported at the regional or municipal level?

There is no formal policy of backing-up federal assistance through GAAP or AAA with provincial or municipal aid. However, adjustment assistance is sometimes given through GAAP or AAA for projects that are also being aided by provincial governments or by other governmental agencies. Efforts are made to co-ordinate the assistance from the different sources for any particular project that is receiving more than one form of aid.

The Manpower Training Programme of the Federal Department of Manpower and Immigration is closely co-ordinated with the Provinces, in that there is, in each Province, a Federal Provincial Manpower Requirements Committee, which analyzes the need for training and advises on suitable training strategies and plans. As well, some of the training courses are taught by provincially operated schools.

(v) What agency or other authority decides on the need for adjustment assistance and what are the arrangements for administering the implementation of adjustment assistance programmes?

GAAP and AAA are administered by the General Adjustment Assistance Board, on which both private industry and government are represented. The Board is responsible for the approval of applications and uses the staff and facilities of the Department of Industry, Trade and Commerce. A Programme Office has been established within the Department to act as a secretariat to the Board.
(vi) What methods of adjustment assistance are available?

(a) In what form is financial assistance provided to business enterprises?

GAP

Three forms of assistance are available to eligible firms. The principal form is government insurance against the risk of loss on loans made by private lenders for the purpose of financing viable adjustment projects. To obtain insurance for the financing of an adjustment project, an eligible manufacturer is first required to have a specific proposal which must be commercially sound. If this can be demonstrated satisfactorily, a commitment in principle may be made to provide insurance so that the manufacturer and a private lender can negotiate the terms and conditions of the loan to be insured. The lender then may formally apply for the insurance of up to 90 per cent of the loan. An application for insurance may be refused if the terms of a proposed loan make the adjustment project unsound or unworkable. The lender is charged a fee of 1 per cent of the amount of insurance provided on adjustment loans.

The second form of assistance is direct government loans, which may be made to manufacturers of textile or clothing goods or footwear who wish to adapt to serious injury or the threat of serious injury because of disruptive import competition. Also eligible are manufacturers suffering from serious injury or threatened with serious injury as a result of the Kennedy Round tariff cuts made by Canada and who are unable to obtain sufficient financing on reasonable terms from other sources including insured loans for the purposes of making the necessary adjustments. Interest rates are to be not less than the rate charged to crown corporations for a similar term and not more than two percentage points above the rate charged to crown corporations for a similar term.

The third form of assistance is financial grants, which may be made to eligible manufacturers who need the services of qualified consultants to assist in the development of effective proposals to restructure and improve their operations and long-run viability. It is recognized that some firms applying for GAP assistance may not have the "in-house" technical and professional resources to develop effective adjustment proposals fully and may not have surplus financial resources to retain outside consultants. In these circumstances, the manufacturer may apply for a grant of up to one half of the cost of outside consulting services.

ADA

Loans are available to automotive parts manufacturers and suppliers of materials, accessories and tooling used in the automotive industry. To be eligible, the business must be an original equipment parts manufacturer that has been affected by the Canada-United States Agreement on Automotive Products and it must provide evidence that the required financing is not available from other conventional sources of financing. The repayment period of a loan under the programme is related to the borrower's capacity to repay and the circumstances of the loan, and may extend for a period of up to twenty years. The interest rate is to be the rate charged to crown corporations for a similar term plus two percentage points.
The programme also contains a provision for remission of duty on imported machinery for use in the manufacture of automotive parts, accessories and tooling when such machinery is not available from Canadian sources in time to meet production schedules.

(b) **What adjustment assistance is extended to labour?**

The programmes of the Department of Manpower and Immigration include counselling, referral, placement, training, retraining and mobility assistance.

As well, the Department of Labour has a recently begun financial assistance programme which provides early retirement benefits for textile and clothing workers who are displaced as a result of import competition. In order to be eligible for assistance under the programme, a displaced worker must:

1. have used all of his unemployment insurance benefits;
2. be between the ages of fifty-five and sixty-five on the date of his layoff;
3. have been employed for at least ten of the last fifteen years in the textile or clothing industry; and
4. be certified by the Department of Manpower and Immigration as having no present prospect of employment with or without retraining and with or without relocation or have had to take employment for lower earnings than he was making before the layoff.

Under the programme, benefits amount to 50 per cent of the displaced worker's average earnings to a maximum of $75 a week. This benefit will be adjusted, in future, to account for any cost of living increases.

If the displaced worker does find employment at lower earnings than he previously made, his benefit will be reduced by $1 for every $2 he receives from his new job.

Another Department of Labour programme is the Transitional Assistance Benefit (TAB) Programme, whose purpose is to assist Canadian employees in the automotive and automotive parts industries in the event of their becoming unemployed as a result of the Canada-United States Automotive Agreement. Under TAB, the General Adjustment Assistance Board determines if an automotive worker's layoff resulted from the Automotive Agreement. For TAB benefits to be payable, the layoff must affect fifty employees or 10 per cent of the work force of a plant, whichever is less, and must last at least four weeks.
If the layoff is certified by the Board, an employee will be eligible for TáB if he has worked sixteen weeks in the industry in the previous fifty-two weeks and qualified for unemployment insurance.

The benefit period is: one week of benefit for every two weeks worked in the automotive industry in the previous two years. The benefit formula is as follows:

An eligible displaced worker receives the lesser of $A$ or $B$. $A$ is $62$ per cent of his basic weekly wage, plus $2\frac{1}{2}$ per cent for each dependent child to a maximum of $75$ per cent. $B$ is $65$ per cent of the published basic average of wages and salaries for the industry.

The TáB Programme is due to expire on 15 October 1971, after which time there will be no new certifications.

(vii) **What are the sources of funds for adjustment assistance?**

In those cases where the assistance is in the form of government insurance on loans, the funds, themselves, come from lenders in the business sector. In all other cases, the funds come from the Federal Treasury.

(viii) **Is consideration being given to the strengthening of available measures for adjustment assistance or the introduction of new measures having regard to such factors as continuing changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries?**

Canada recognizes the value of adjustment assistance measures that facilitate gradual reductions in tariff and non-tariff barriers to international trade. It is possible that future situations may result in new Canadian adjustment assistance programmes or modification of existing programmes.

(ix) **Have any reviews been carried out of measures taken to facilitate adjustment and has it been found necessary following any such reviews to introduce changes in order to secure more effective results?**

Both GáIP and TáB are frequently reviewed. A number of technical changes, but no major revisions, have resulted from the reviews. The recent extension of GáIP to include the textile, clothing and footwear industries resulted from a need that arose, not from a review of the programme.
B. Measures applied

(i) Where measures of adjustment assistance have been applied, is it possible to distinguish between their use for dealing with changes in import patterns including those resulting from trade negotiations etc., and their use for assistance to adjust to changes resulting from technological developments and other economic factors bearing on the industry's competitive position?

Assistance under AAA is limited to Canadian producers who show that it is needed in order to adjust to trading conditions resulting from the Canada-United States Automotive Agreement.

GAAP was originally designed to help Canadian producers adjust to and take advantage of opportunities arising from the Kennedy Round tariff reductions. The recent extension of GAAP to include special provisions for the textile, clothing and footwear industries resulted from changing patterns in world trade in the products of those industries.

(ii) The extent to which adjustment assistance measures have been taken or are being applied in specific geographical regions to encourage diversification away from the production of goods subject to import competition.

The adjustment assistance programmes are neither designed, nor applied, to meet regional objectives.

(iii) Identify products or sectors of industry in respect of which adjustment assistance measures have been applied. To what extent are these sectors of interest to developing countries?

The AAA programme applies specifically to automotive parts producers. GAAP, although already applying to all manufacturing sectors, was extended, in 1971, to make a specific provision for manufacturers of textiles, clothing and footwear, items of interest to developing countries.

(iv) To what extent, if any, is adjustment assistance used (a) to facilitate trade liberalization in respect of items under restriction? (b) To provide for larger market opportunities for products exported by developing countries?

The GAAP Programme has, as its main objective, to facilitate the adjustment of Canadian firms to changes in the trading environment. The application of the programme will thus contribute to the achieving of a situation in which it would be possible to remove restrictions in the few cases where they exist. Restraints, and in a few cases restrictions, apply to textile and clothing items, which are of interest to developing countries. Removal of restrictions or restraints would, of course, improve access conditions for developing countries in the Canadian market.
(v) Level of funds spent, showing separately amounts used for (a) assistance to industry (e.g., by way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances) for (i) conversion of industries (ii) modernization of industries (b) social assistance, redeployment and retraining of labour.

(a) Since the inception of GMP in 1968, a total of $38,826,000 of government insurance has been provided on loans. No direct government loans have been made. A total of $105,000 has been awarded as grants.

Between 1 April 1971 and 7 September 1971, the amount of GMP insurance provided was $6,446,000.

The total assistance provided to companies under GMP has usually been between $12 million and $15 million of new loans annually. However, the figure for the current fiscal year is expected to be $27 million, an unusually high amount. At present, there are $55 million of loans outstanding. As well, there is an additional $10 million committed for loans, which the companies have not yet drawn down.

(b) Since 1965, a total of $2,032,000 in T.A.B. assistance has been paid to displaced auto workers.

The assistance payments to displaced textile and clothing workers began in June 1971. Estimates, subject to revision, are that $712,000 will be provided in the first ten months of the programme.

C. Effects of measures applied

(i) Are there any instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions?

To date there have been no instances where application of adjustment assistance has been followed by the elimination of import restrictions or restraints.

(ii) Is any indication available of the impact of the adjustment assistance on the level of domestic production and composition of imports from developing countries?

These impacts have not been quantified.
FINLAND

The Permanent Mission of Finland has advised that previous information provided by Finland on adjustment assistance measures and contained in document COM.TD/W/126 is still valid.
ITALY

As already explained in the communication\(^1\) addressed to the GATT secretariat in 1969, the measures taken to promote adjustment in Italy were intended to improve the general internal situation in the country, more especially with a view to bringing about economic expansion and increased employment; they were not designed as a direct means of providing developing countries with better trade openings for their exports.

For this reason, detailed replies to the numerous questions in document GATT/AIR/859 would not be likely to make a useful contribution to the work which the Expert Group on Adjustment Assistant Measures has in mind.

On the subject of adjustment measures likely to facilitate access for the exports of developing countries, the Italian Government still takes the view that the best method would be to leave it to the developed countries themselves to consider what the form and extent of their adjustments should be, having due regard to the special problems arising from respective internal situations, since any possible action in this direction must be closely linked with economic, political and social situations in the various developed countries.

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\(^1\) Reproduced as document COM.TD/W/92/Add.8
The competent authorities of Luxembourg have informed me that they do not have at their disposal any instrument, to be applied in the event of certain developments in the conditions governing foreign trade, that would enable them to intervene in matters of adjustment. For your information, I am enclosing herewith the text of the outline Law[^1] of 5 August 1967 concerning possible action that could be taken in connexion with industrial development.

I would mention, however, that this Law will expire at the end of the year and it is as yet impossible to say what criteria and guidelines will be used in the legislation replacing it.

[^1]: Copy available for examination in the secretariat.
NEW ZEALAND

As indicated in previous years, no adjustment assistance measures are employed in New Zealand.
SWEDEN

A. Measures available

(i) Information on specific or general legislation concerned with adjustment assistance

In Sweden the greatest importance has been given to manpower policy measures, i.e. assistance to labour. The manpower policies are based on the Labour Market Ordinance of 1965, with subsequent amendments (a more detailed description is given in COM.TD/W/92/Add.3). In June 1971 an act on security in employment of older workers in the open market came into force. This legislation prescribes the periods of notice to be observed for employees aged at least forty-five, the right to payment for this period and, as regards dismissed or laid-off employees, their preferential right to re-employment with the former employer. As regards employment of older workers in the open market, it establishes the rules for the measures to be taken by the labour market authorities, in agreement with employers and employees, to improve the employment prospect of this group.

Furthermore, there are in Sweden also measures directly aimed at assisting individual firms. These measures too are to the greatest extent based on manpower considerations. Of greatest importance in this context are the measures within the framework of regional policies (Ordinance on Regional Policies of 1970). Another important form of assistance to industries are the investment funds set up under the Ordinance on investment funds for the equalization of cyclical fluctuations of 1955, with subsequent amendments. This ordinance entitles firms to deduct the part of the profits allocated to special investment funds from their taxable income. The Government or the Labour Market Board then decides when, in view of the labour market situation, the funds may be used for their purpose.

In 1968 there was established a national investment bank to facilitate especially such investment projects that are aimed at rationalization, structural adjustment and development.

Considering the special problems faced by the textile and clothing industry, a system was introduced, as from the fiscal year 1971/72, for a trial period of three years whereby companies within these industries may obtain financial aid for investigations concerning organizational matters, need for specialization, co-operation possibilities etc.

(ii) Main criteria for qualifying for adjustment assistance

The main motive for adjustment assistance measures are broadly unemployment and risks of unemployment caused by structural changes.
(iii)-(v) Central administration agencies for adjustment assistance measures

The Labour Market Board is the agency under the Government responsible for the implementation of the manpower policies and for the administration of the assistance measures within the framework of the regional policies and the investment funds. The Board is assisted by a nationwide regional organization which follows the development in the labour market in all parts of the country.

According to an agreement between the Labour Market Board and the employers and employees organizations employers have to notify to the labour market authorities planned dismissals or lay-offs of personnel as soon as possible. After advance notice has been received a readjustment committee with representatives of the regional labour market authority, the employer, the employees and the municipality concerned is set up. This committee has to plan the measures necessary to facilitate the adjustment of the employees to other employment.

The Board of Commerce is responsible for the temporary programme for facilitating structural changes within the textile and clothing industry mentioned under A(i) above.

(vi) Available methods of adjustment assistance

(a) Financial assistance to business

In order to promote manpower and regional policies, business is mainly assisted in the form of loans and the use of investment funds.

(b) Assistance to labour

The emphasis is on labour market information (employment service, vocational guidance, vocational rehabilitation) and on measures to promote mobility (adult training, transfer allowances). Further: temporary job creation, mainly in the form of public works, and cash assistance to unemployed persons. See also Appendix I.

(vii) Sources of funds for adjustment assistance

Adjustment assistance measures are mainly financed from the Government budget.

(viii) Consideration given to strengthening of available assistance

In Sweden all political parties agree upon the importance of effective adjustment assistance. Rapid structural changes render it necessary to solve the social problems they may create. The measures of the Labour Market Board for the fiscal year 1970/71 were about US$473 million compared with about US$100 million in the early 60's.
(ix) Reviews carried out of measures to facilitate adjustment

Within the framework of a general economic and social policy, adjustment assistance measures have repeatedly been reviewed in order to improve the measures.

B. Measures applied

(i) The effect of adjustment assistance measures on import patterns

It is not possible to distinguish between the use of adjustment assistance measures in the way asked as different factors causing structural changes often appear simultaneously. However, it is obvious that a great part of the measures are aimed at an adoption to changing trade patterns, which in turn is a result of Sweden's liberal trade policy. For instance during the 1960's the Swedish imports of textile and ready-made clothing from the developing countries increased at the same time as the domestic textile and clothing industry underwent considerable structural changes. The developments in these sectors are illustrated in Appendix 2.

(ii) Measures applied in specific geographical regions to encourage diversification away from the production of goods subject to import competition

Special measures to promote diversification have been taken in inter alia areas where the textile and clothing industries are strongly over-represented.

(iii)-(iv) Sectors of industry in respect of which adjustment assistance measures have been applied

Among industries which have been strongly affected by changes in import patterns and to which adjustment assistance measures have been applied, both in the form of assistance to labour and assistance to private enterprises, the textile and clothing, the shoe and leather and the glass industries may be mentioned. Imports to Sweden in these sectors from developing countries have generally increased during recent years, sometimes sharply.

(v) Level of funds spent for assistance to industry and assistance to labour

See Appendix 1.

C. Effects of measures applied

See Appendix 2.
# APPENDIX 1

The Government Expenditure on Manpower and Regional Policies etc.

During the Fiscal Year 1 July 1970-30 June 1971

## A. ASSISTANCE TO LABOUR

<table>
<thead>
<tr>
<th>Service</th>
<th>Money figures in US$ million</th>
<th>As percentage of the government budget 1970-71</th>
<th>As percentage of GNP at market prices (1970)</th>
<th>Persons affected by the measures</th>
<th>As percentage of the average number of persons in the labour force 1970-71</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour market service</td>
<td>400</td>
<td>4.5</td>
<td>1.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1. Labour market information</td>
<td>160</td>
<td>1.8</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(employment service, vocational guidance, vocational rehabilitation)</td>
<td>36</td>
<td>0.4</td>
<td>0.1</td>
<td>3/</td>
<td>-</td>
</tr>
<tr>
<td>2. Adult training</td>
<td>107</td>
<td>1.2</td>
<td>0.3</td>
<td>106,000</td>
<td>2.7</td>
</tr>
<tr>
<td>3. Measures to promote geographical mobility</td>
<td>19</td>
<td>0.2</td>
<td>0.1</td>
<td>25,000</td>
<td>0.6</td>
</tr>
<tr>
<td>Temporary job creation</td>
<td>190</td>
<td>2.1</td>
<td>0.6</td>
<td>(43,000)</td>
<td>1.0</td>
</tr>
<tr>
<td>Cash assistance to unemployed persons</td>
<td>50</td>
<td>0.6</td>
<td>0.2</td>
<td>5/</td>
<td>-</td>
</tr>
<tr>
<td>Money figures in US$ million&lt;sup&gt;1&lt;/sup&gt;</td>
<td>as percentage of the government budget 1970-71</td>
<td>as percentage of GNP at market prices (1970)</td>
<td>Persons affected by the measures</td>
<td>as percentage of the average number of persons in the labour force 1970-71</td>
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<td></td>
</tr>
<tr>
<td>B. ASSISTANCE TO INDUSTRIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Regional development loans</td>
<td>50</td>
<td>0.6</td>
<td>0.2</td>
<td>6/ 0.1</td>
<td></td>
</tr>
<tr>
<td>2. Regional development grants</td>
<td>10</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3. Investment funds</td>
<td>(65)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4. Special programme for textile industry</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> At an exchange rate of US$1 = SKr 5.07.

<sup>2</sup> Improvement in liquidity as a consequence of the possibility to use investment funds.

<sup>3</sup> Not available. The total number of job-seekers through the employment service was according to an estimate based on labour force investigation 300,000 in 1969.

<sup>4</sup> The maximum number of persons affected by these measures in the middle of any month during the period 70/71. These data were reported during the winter of 1971.

<sup>5</sup> Number of benefit-day 8,050,000.

<sup>6</sup> The total calculated additional employment as a consequence of the regional policy measures: about 5,000 persons.
APPENDIX 2

Textile and Clothing Industries 1960-1970

Total number of persons employed in textile and clothing industries

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>94,000</td>
</tr>
<tr>
<td>1968</td>
<td>70,000</td>
</tr>
<tr>
<td>1970</td>
<td>65,500</td>
</tr>
</tbody>
</table>

Unemployed persons as a percentage of the number of members of different unemployment insurance funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>1960</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>The unemployment insurance fund of the textile workers</td>
<td>1.2</td>
<td>2.7</td>
</tr>
<tr>
<td>The unemployment insurance fund of the clothing workers</td>
<td>1.0</td>
<td>3.4</td>
</tr>
<tr>
<td>The unemployment insurance fund of the shoe and leather workers</td>
<td>1.5</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Advance notices on expected dismissals or lay-offs of personnel in the textile and clothing industries

<table>
<thead>
<tr>
<th>Year</th>
<th>Working Places</th>
<th>Affected Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>37</td>
<td>2,700</td>
</tr>
<tr>
<td>1960-69</td>
<td>563</td>
<td>24,681</td>
</tr>
<tr>
<td>1970</td>
<td>180</td>
<td>7,150</td>
</tr>
</tbody>
</table>

The Swedish imports of textiles and ready-made clothing

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>US$233 million</td>
</tr>
<tr>
<td>1970</td>
<td>US$594 million</td>
</tr>
</tbody>
</table>

percentage increase each year 10 per cent

The percentage share of the developing countries of the Swedish imports of textiles and ready-made clothing

<table>
<thead>
<tr>
<th>Year</th>
<th>Textiles</th>
<th>Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>2.7 per cent</td>
<td>6.0 per cent</td>
</tr>
<tr>
<td>1970</td>
<td>4.7 per cent</td>
<td>21.2 per cent</td>
</tr>
</tbody>
</table>

1/ Estimate
2/ Annual average
UNITED KINGDOM

In supplying the following information, the United Kingdom delegation pointed out there is no legislation in the United Kingdom at present operated specifically to assist industry to adjust to increasing imports from developing countries. The information given therefore shows the general measures at present in force in the United Kingdom, including provisions to assist the diversification of industry in certain areas and the adaptation of industry to changing conditions, which are not, however, directly related to the problems which may be caused by increasing imports from developing countries.

A. Measures available

(i) Information on specific or general legislation concerned with adjustment assistance:

1. As the first major country in the world to industrialize, the United Kingdom has been faced throughout this century by the problems of adapting its industrial structure to take account of changes in the pattern of demand, technological change and competition from other countries. Some industries have declined, others have expanded. The older-established industries - iron and steel, shipbuilding, textiles - have naturally taken the main brunt of change. These industries tended to be set up on or near the major coalfields, many of which are in the peripheral areas of the country, whereas the more modern growth industries tended to establish elsewhere. The decline in importance and employment in our older industries has therefore given rise to serious problems of unemployment, low incomes, outward migration and slow growth in the areas where they are located, at the same time as they have left a legacy of outworn industrial housing, dereliction and a decayed environment. Government policies have been directed in the main to dealing with these problems in regional terms and have attempted to diversify the industrial structure of the areas worst affected by the decline of their traditional industries - mostly areas dependent on coalmining, iron and steel, shipbuilding and some of the heavy engineering industries.

2. The areas where the bulk of Britain's textile industries are concentrated have not since the last war experienced heavy and persistent unemployment, although growth has been somewhat slower than in the rapidly expanding areas of the country, and the problems are more serious in the remoter textile areas which have little alternative industry and whose remoteness may deter incoming firms. The only instances in which the United Kingdom has used legislation specifically to assist an industry adjust to increasing imports from developing countries are the Cotton Industry Act of 1959 which provided for a five-year period of reorganization and rationalization in the cotton industry, and the much more limited case of the 1970 scheme of financial assistance for modernization and re-equipment of the cotton and allied textile industries. (See Annex A.)

3. Although policies have been evolved for individual industries to moderate the pace of change (for example, the closure of some uneconomic coal mines has on occasions been delayed for short periods to avoid the sudden creation
of large pools of unemployment) and to assist the declining industries to become more competitive (e.g., as comprehensive policy to promote the modernization of the shipbuilding industry), successive governments have sought to avoid policies merely designed to shore up declining industries. The solution of the problems of areas heavily dependent on declining industries has been seen primarily in terms of creating profitable and expanding enterprises in alternative industries, which will provide a new impetus to growth in areas and the additional employment which they need. In addition to these policies of stimulating industrial development, policies have been pursued of rehabilitating and renewing the environment and providing a modern infrastructure.

(ii) Main provisions of legislation and criteria for qualifying for adjustment assistance:

REGIONAL INDUSTRIAL DEVELOPMENT IN THE UNITED KINGDOM

A dual policy of controls and incentives is used to encourage a balanced pattern of regional industrial development in the United Kingdom.

INDUSTRIAL AND OFFICE DEVELOPMENT CONTROLS

Industrial developments of over 10,000 square feet of floor space (5,000 square feet in the Midlands and South-East) require a certificate from the Department of Trade and Industry before any application for planning permission can be considered. Certificates are issued only if the Department is convinced that the development in question can be carried out "consistently with the proper distribution of industry". In considering applications the Department is required to have particular regard to the need for providing appropriate employment in the assisted areas. Normally, in practice, a certificate may be refused for projects outside the assisted areas unless the Department is satisfied that the project could not reasonably be undertaken in such an area or in Northern Ireland. The control is also used to encourage the dispersal of industry from the over-crowded conurbations to the new and expanded towns being developed to take overspill population.

The Department of the Environment administers the control of office developments under the Control of Office and Industrial Development Act 1965. This currently applies to developments of over 10,000 square feet in the South-East of England.

INCENTIVES FOR INDUSTRIAL DEVELOPMENT

The incentives to industrial development in the assisted areas are graded according to the severity of their problems. A summary of assistance available in the various assisted areas is given at Annex C.
The development areas

Five broad areas covering most of Scotland and Wales, the whole of the Northern Region, Merseyside, and most of Cornwall and North Devon, were designated as development areas under the Industrial Development Act 1966. Within these areas considerable fiscal and financial incentives are available both to new and existing firms carrying out capital investment or providing new employment:

(i) Capital expenditure on new machinery and plant (other than mobile equipment) for use in a development area qualifies for free depreciation, i.e., an allowance equal to the whole of the expenditure will be given for the years in which the expenditure is incurred.

(ii) Capital expenditure incurred on the construction of industrial buildings in the development areas qualifies for an initial allowance of 40 per cent. (The corresponding initial allowance elsewhere in Britain is temporarily 30 per cent but this will revert to 15 per cent after 5 April 1972.)

(iii) Subject to the provision of sufficient employment, and where necessary to a favourable recommendation from an independent advisory committee, the following assistance is available in these areas under the Local Employment Act:

(a) Department of Trade and Industry factories may be provided for rent or sale, and eligible projects new to the area may qualify for rent-free periods.

(b) Building grants are available at the rate of 35 per cent - the normal rate - and at 45 per cent for new undertakings being set up for the first time in circumstances which justify the giving of special assistance.

(c) Loans on favourable terms are available on the recommendation of the Advisory Committee.

(d) Removal grants are also available towards certain expenses incurred in transferring an undertaking to a development area.

(e) Assistance is available towards the costs of transferring and housing key workers, when new projects are set up in development areas. (See paragraph 10 of answer to question A(vi)(b).)

(iv) Grants and other assistance towards training are available from the Department of Employment. Assistance is also available from the Industrial Training Boards. (See A(vi)(b).)

(v) The regional employment premium, a payment towards the labour costs of manufacturing industry (at the rate of £1.50 a week for males, with lower rates for women, boys' and girls) is also available to manufacturing employers in development areas until 1974, when the Government have announced their intention to terminate it.
(vi) A range of measures similar in scope to those applied in the development areas are applied to encourage industrial development in Northern Ireland.

Special development areas

Originally created in 1967, to tackle the problem of parts of the development areas where colliery closures were expected to cause acute unemployment problems; special development area coverage was extended, in February 1971, to include a number of the older industrial conurbations in the Northern, Scottish and Welsh development areas, which had for some years been exhibiting disturbingly high and persistent levels of unemployment. Within the special development areas, further additional assistance is available under the Local Employment Acts for new undertakings providing employment and being set up for the first time:

(i) Rent-free periods of up to five years in Department of Trade and Industry factories (as compared with two years elsewhere in the assisted areas).

(ii) Operational grants related to the wage and salary costs of the undertaking. Grants offered will be at a rate of 30 per cent of eligible wage and salary costs during the first three years of operation, subject to a limit in cases where the employment to be provided does not justify a grant of the full amount.

The intermediate areas

Certain other areas with less acute problems, but where rates of economic growth have given cause for concern (including North-East Lancashire, a textile area where there is little alternative employment) have been designated as "intermediate areas" under the Local Employment Act 1970. These are Edinburgh, North-East Lancashire, North Humberside, Yorkshire coalfields, Notts/Derby Coalfield, Oswestry, South-East Wales and Plymouth, Okehampton and Tavistock. Within these a limited range of the development area incentives are available:

(i) Under the Local Employment Acts 1970, the following forms of assistance are available in the intermediate areas - subject to the same conditions as in the development areas:

(a) Building grants at 25 per cent and in special cases 35 per cent.

(b) Department of Trade and Industry factories.

(c) Payments towards the cost of transferring key workers to new undertakings.

(ii) The full range of development area training grants and other training assistance are also payable throughout the intermediate areas.

(iii) The 40 per cent initial allowances for new industrial buildings and structures in the development areas, also apply through the intermediate areas.
(iii) How are measures aimed at granting adjustment assistance initiated? Is there machinery available, either formal or informal, to anticipate the need for adjustment assistance or to make information available to industry which would enable it to consider the need for action?

1. Responsibility for deciding what areas should have assisted status rests with the Department for Trade and Industry. The criteria for designating development areas and intermediate areas are embodied in the Local Employment Acts. Development areas are "those parts of Great Britain where ... special measures are necessary to encourage the growth and proper distribution of industry" and in designating development areas the Department is required to take account of "all the circumstances actual and expected, including the state of employment and unemployment, population changes, migration and the objectives of regional policy". Intermediate areas are also areas where special measures are necessary to encourage the growth and proper distribution of industry, but with economic problems that are not so acute as to require the full range of development area incentives.

2. Within the development areas, special development areas have been listed by administrative decision. They are subject to more frequent review than development areas, and consist of the older industrial conurbations with heavy and persistent unemployment and problems of dereliction and obsolescent infrastructure, as well as certain localities heavily affected by the run-down in coal mining.

3. Once areas have been designated for assisted status the full range of incentives for the provision of employment becomes available. The circumstances of areas throughout the country are kept under continuing review to ensure that coverage reflects changes in the pattern of need. In assessing the relative needs of different areas account is taken of such factors as the character and scale of unemployment; employment structure and the prospects for major industries; migration; population changes and activity rates.

(iv) To what extent is action initiated at the national level supported at the regional or municipal level?

Local authorities are able to support efforts at the national level to promote industrial growth in the assisted areas in a number of ways, e.g.:

(i) Control over the use of land for industrial purposes by the exercise of their statutory planning powers, subject to the provisions of the approved development plans and to over-riding decisions by the Secretary of State for the Environment in certain cases.

(ii) The purchase of land to sell or lease for industrial development.

(iii) The development of industrial estates, including the building of factories and ancillary works such as roads and sewers.
(iv) The granting of mortgages for the building of factories.

(v) Publicity to promote industrial development.

At the regional level, broad economic and physical planning strategies will be prepared for each region to provide a framework both for the statutory planning work of the local authorities and for policy and investment decisions by central Government. The preparation of these strategies will be a tripartite exercise involving elements of both central and local Government and the regional planning machinery of Economic Planning Councils and Boards. The strategies will identify the main characteristics and problems of the regions and help to determine the most suitable pattern of economic and physical development.

(v) What agency or other authority decides on the need for adjustment assistance and what are the arrangements for administering the implementation of adjustment assistance programmes?

This is primarily the responsibility of the Department of Trade and Industry. The Department of Employment is responsible for training policy.

(vi) What methods of adjustment assistance are available?

(a) In what form is financial assistance provided to business enterprises (e.g. by the way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances)?
(b) What adjustment assistance is extended to labour, e.g. social assistance, redeployment, retraining of labour?

A(vi)(a): See A(ii) above.

A(vi)(b)

1. Under the Industrial Training Act 1964, Industrial Training Boards were set up in order to ensure training of a quantity and quality adequate for the needs of the industries for which they are established. The analysis of training requirements and the production of training recommendations are among the activities of the Boards, which are financed by a levy on employers and by loans or grants from public funds. Total expenditure on grants to employers by all Boards was £177½ million in the year 1969/70.

2. The role of the Government in the field of vocational training provided under the Employment and Training Act 1948 is subordinate to that of industry but Government Training Centres have a capacity for turning out some 17,000 trained men a year. Direct Government grants towards the cost of training workers for new jobs are available to firms in the development and intermediate areas.

Government training

3. The Government Training Centres, of which there are fifty-two at present in Great Britain, make a substantial contribution to the provision of trained workers for industry. Of these fifty-two, twenty-nine are located in development
and intermediate areas and have a capacity to produce over 9,500 trained men a year; by the end of the year it is expected that they will have the facilities to train some 10,000 men annually.

4. The Department of Employment provides a wide range of assistance to firms training workers for additional jobs in development and intermediate areas. This assistance may take the form of financial or direct assistance with training or both, and is available to firms who are providing extra jobs by movement into a development or intermediate area or by expanding the labour force of a business already there. Financial assistance is mainly in the form of weekly grants at the rate of £10 for men, £7 for women, £5 for boys and £4 for girls. Grants are payable for a period not exceeding fifty-two weeks agreed between the Department of Employment and the firm which allows time for a trainee of average ability to acquire the basic skills and knowledge required for the job. Most grants are in respect of training below the skilled level and are therefore for fairly short periods. The average grant period is about ten weeks for men and eight weeks for women.

5. Direct training assistance includes the services of a Department of Employment instructor to organize the training of new workers for production processes and intermediate skills (engineering and allied trades) and to assist in training the firm's instructor to take over the training; and the provision of free Instructor Training Courses or Training Within Industry programmes.

6. The following are figures of Government expenditure in the year 1970/71:

For the whole of Great Britain

<table>
<thead>
<tr>
<th>Type of Training</th>
<th>Numbers trained (1 January - 30 June 1971)</th>
<th>Cost (For 1970/71 Financial Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Training Centres</td>
<td>8,244 (including 2,015 sponsored employees)</td>
<td>£19.5 million (including £4.9 million borne by other Government Departments)</td>
</tr>
<tr>
<td>Other Government Vocational Training Courses</td>
<td>1,230</td>
<td>£1.3 million</td>
</tr>
<tr>
<td>Training Grants in development and intermediate areas</td>
<td>56,000</td>
<td>£5.7 million</td>
</tr>
</tbody>
</table>

7. Training of older unemployed: From 1 January 1971 the Department of Employment has operated a scheme under which grants may be paid to employers in development and intermediate areas who are prepared to train and continue to employ workers aged forty-five and over who have been unemployed for at least eight weeks.
The weekly rate of grant is £10 for men and £7 for women for an agreed period of basic training not exceeding twenty-six weeks. The purpose of this new form of training assistance is not intended in itself to generate more employment but to give older unemployed men and women in the development and intermediate area a better chance of getting jobs that are available.

8. Transfer assistance: There are three transfer schemes in Great Britain (Northern Ireland have their own) which provide some financial assistance to certain limited categories of workers towards the cost of transferring to work in other areas. They are:

(i) Resettlement Transfer Scheme
(ii) Key Workers Scheme
(iii) Nucleus Labour Force Scheme

9. The Resettlement Transfer Scheme applies to transfers anywhere within Great Britain and is designed to assist unemployed workers or those likely to be involved in redundancy within six months (who have no early prospects of obtaining employment in their home areas) to take up employment in an area beyond reasonable daily travelling distance for which no suitable worker can be found locally. Such assistance would be for the purpose of permanent resettlement in the new area or until such time as work becomes available nearer the home areas.

10. Under the Key Workers Scheme the Department of Employment gives assistance, where appropriate, towards the transfer expenses and cost of household removal of certain key employees who move with their employers to a project being set up with Department of Trade and Industry assistance in a development or intermediate area. Under the Nucleus Labour Force Scheme some assistance is also given to unemployed workers recruited in areas of high unemployment who are temporarily transferred to their new employer’s parent factory for training.

Training by industry

11. Figures comparable to those at paragraph 6 above for training carried out by industry are not available. At the present time arrangements for the collection and publication of statistical information on training vary from one Industrial Training Board to another. Because of differences in the sources from which their information is derived, the date it is collected, the occupations identified and the degree of detail in which information is sought, it is not possible for Industrial Training Board statistics to be aggregated. We accordingly are unable to indicate a total quantity of training undertaken throughout industry under the Industrial Training Act 1964. The only, and latest information available, of numbers under training in all industries and services, is derived from this Department's New Earnings Survey undertaken in April 1970. This indicates that at that time there were approximately 1.6 million persons under training of whom about half a million were apprentices. For similar reasons Industrial Training Board expenditure on grants to employers cannot be allocated by types of training or strictly related to particular twelve-month periods.
(vii) What are the sources of funds for adjustment assistance?

Government funds, and local authority funds to a minor extent. In specific cases, the industry itself has contributed funds, e.g. the cotton textile industry (see B(v)(a)).

(viii) Is consideration being given to the strengthening of available measures for adjustment assistance or the introduction of new measures, having regard to such factors as continuing changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries?

The regional industrial policies of the United Kingdom are instituted in response to the overall effect on particular geographical areas of the whole range of economic factors, of which the changing pattern of world trade is only one. In a given situation it is rarely possible or relevant to distinguish between the latter and other causative factors. Regional industrial policies are kept under continuing review; however, in the past year, far-reaching changes have been made in assisted areas coverage and in financial incentives and although the Government of course always has a wide range of options under consideration, no further changes are contemplated at present. Consideration is given to the possibility of providing adjustment assistance to particular industries (c.f. the cotton industry - see Annex A) which may face problems as a result of increased imports or other factors, as the need arises.

(ix) Have any reviews been carried out of measures taken to facilitate adjustment and has it been found necessary following any such reviews to introduce changes in order to secure more effective results?

The evaluation of distribution of industry policies, particularly in the short term, is made difficult by the simultaneous action of other forces within the economy. However, they have resulted in a substantial expansion of jobs in the assisted areas, and most of the new employment promises to be more continuing and secure. Measures are kept under continuing review and improvements have recently been made - in particular, non-selective incentives have been replaced by incentives more closely linked to profitability and to the provision of employment.

B. Measures applied

(i) Where measures of adjustment assistance have been applied, is it possible to distinguish between their use for dealing with changes in import patterns including those resulting from trade negotiations, etc. from the use made of them for assistance to industry to adjust to changes resulting from technological developments and other economic factors bearing on the industry's competitive position?

See B(i) and B(iv)(a) in Annex A.

Regional industrial policies provide for assistance to areas suffering from regional disparities in employment and economic growth, whatever the cause.
(ii) The extent to which adjustment assistance measures have been taken or are being applied in specific geographical regions to encourage diversification away from the production of goods subject to import competition:

Regional industrial policy takes the form of aid to specific geographical areas to encourage industrial diversification.

(iii) Identify products or sectors of industry in respect of which adjustment assistance measures have been applied. To what extent are these sectors of interest to developing countries?

As explained in Annex A, adjustment assistance has been given to the cotton textile industry, which is, of course, of special interest to developing countries. (See also Annex B on the jute industry.)

Assistance under regional industrial policy is given for the benefit of geographical areas, and the incentives are available for any industry prepared to move to or expand in these areas. Attached at Annex D is a table analysing by broad categories of industry the financial assistance offered in the year ended 31 March 1970 towards the provision of employment under the Local Employment Acts only. Naturally it is the newer and more rapidly expanding industries, rather than those that are having difficulty in competing, which are more likely to contemplate such expansion.

(iv) To what extent, if any, is adjustment assistance used
(a) to facilitate trade liberalization in respect of items under restriction?
(b) to provide for larger market opportunities for products exported by developed countries?

B(iv)(a)

To the extent that it lessens the dependence of an assisted area on an industry or firm whose products are the subject of import restrictions, regional industrial policy may ease the path to further liberalization. (See also Annex A.)

B(iv)(b)

Regional industrial policies are not used for this purpose, but indirectly they may help to enlarge the export market for developing countries. (See also Annex A.)
(v) Level of funds spent, showing separately amounts used for:
(a) assistance to industry (e.g. by way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances) for
(i) conversion of industries
(ii) modernization of industries
(b) social assistance, redeployment and retraining of labour

B(v)(a)

Generally, figures are not available under these headings but some details in respect of the cotton textile industry are given below. At Annex E is a table showing annual assistance approved by assisted areas under the Local Employment Acts only, from 1960-1970. Further figures are shown in the table at Annex C, but relate only to 1969/70. As such, they do not reflect the effects of changes in assistance measures.

Details in respect of the cotton textile industry are as follows:

(i) Adjustment assistance funds provided to the cotton textile industry under the provisions of the Cotton Industry Act 1959 for conversion (i.e., scrapping of surplus machinery) amounted to £11.3 million; this was provided from central Government funds. In addition the industry itself contributed £9.2 million.

(ii) Central Government grants towards the cost of re-equipment under the Cotton Industry Act 1959 totalled £13.4 million. All the finance made available under the 1970 scheme was in the form of loans to companies repayable over seven years at 10 per cent interest per annum. Approximately £2 million has been committed.

B(v)(b)

General figures in respect of labour are embodied in the reply to question A(vi)(b) above.

The Cotton Industry Act 1959 provided that employees losing their jobs through re-organization should be compensated from a fund financed by a levy on the industry; there was no Government contribution for this purpose. Compensation paid totalled £4.6 million.

C. Effects of measures applied

(i) Are there any instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions?

Not so far as regional industrial policies are concerned. (See Annex A.)
(ii) Is any indication available of the impact of the adjustment assistance extended on the level of domestic production and composition of imports from developing countries?

It is not possible to distinguish the effects of adjustment assistance on the level and composition of imports from other equally relevant factors, such as tariff levels, improved technology, competition from synthetics and substitutes, etc.
ANNEX A

ANSWERS TO G..TT QUESTIONNAIRE

A. Measures available

(i) (a) The Cotton Industry Act, 1959 was a piece of special purpose legislation devised to promote a programme of organized contraction and re-equipment by the British cotton textile industry and to empower the Government to provide financial assistance for this programme. The legislation was drawn up against a background in the industry of falling output and competitiveness, over-capacity and a worsening balance of trade. It was intended to bring about a re-organized and re-equipped industry which could compete with success in the markets of the world with the types of cloth that are wanted wherever living standards are high. Since firms were given until September 1959 (January 1961 for the finishing sector of the industry) to apply for assistance over scrapping machinery and until July 1962 to obtain approval in principle for their re-equipment proposals, it is now nine years since any of the measures provided for under the Act could be invoked by the industry.

(b) A second scheme was announced in June 1970 to provide financial assistance to small and medium-sized companies in the cotton and allied textile industry to carry out overall modernization and re-equipment projects. Finance was made available by the (now defunct) Industrial Reorganization Corporation under its general powers, contained in the Industrial Reorganization Corporation Act 1966, to promote industrial efficiency and profitability. In a further Government announcement in December 1970, firms were given until 30 June 1971 to submit projects for consideration. The scheme was related to the "package" of decisions following from the recommendations of the Textile Council's study, published in March 1969, on the efficiency and productivity of the industry. The Council proposed that, if the industry was to become fully internationally competitive by 1975, the Government should replace the system of quotas on imports of cotton textiles from low-cost sources by a tariff on imports from the Commonwealth (which entered the United Kingdom duty-free) and that the industry should carry out a very substantial programme of rationalization and re-equipment.

(ii) (a) The 1959 Act provided for two series of schemes to be established for individual sectors of the cotton textile industry (i.e., spinning, doubling, weaving, finishing, etc.). These were for scrapping existing machinery and for re-equipment. The scrapping schemes were voluntary and automatic. The Government paid two thirds of the cost of buying up machinery to be scrapped at standard rates (e.g. £0.40 per mule equivalent spindle, £60-80 per loom), the rates being increased by 25 per cent for firms leaving the industry entirely and reduced by 25 per cent for machinery which was already idle. The other one third of the cost and the administrative charges were met by a compulsory levy on firms in the relevant sector. Firms were given only two months (August and September 1959) to decide what machinery, if any, they wished to be scrapped and to claim benefit. The only exception to this was for finishing machinery where firms were allowed until January 1961. Before the Government approved a scrapping scheme for a particular sector, it required to be satisfied that adequate provision had been made for compensating employees who lost their jobs. The cost of this compensation fell wholly on the industry.
(b) The 1959 re-equipment scheme covered the same sectors as those for scrapping machinery and was open to any firm which could submit evidence that expenditure on which grant was claimed was wholly or partly a considered project for re-equipping or modernizing a mill. Second-hand equipment and buildings were not eligible for grant but certain modifications to equipment which had already been installed were. Firms were required to make a separate claim for every project and in each case there was a minimum value limit of £2,500. They had to make application for approval in principle by July 1962, place orders for new equipment by July 1963 and complete purchase and installation by July 1964. In cases where all the conditions were fulfilled the Government made a grant of 25 per cent of the cost of the project.

(c) The 1970 re-equipment scheme was limited to the small and medium-sized firms in the cotton and allied textile industry. The very large textile groups and firms which were controlled by conglomerates and others outside the textile industry with access to very substantial sources of finance were excluded. However, the scheme was not limited solely to cotton textiles since the spinning of man-made fibres on the cotton system, weaving the yarns produced and man-made fibre filament yarns, and the finishing of the resulting fabrics also qualified. The Industrial Reorganization Corporation was in principle prepared to make finance available to any company within the terms of the scheme for the construction and equipment of new textile factories or for the overall modernization of existing factories. Companies were expected to satisfy the Corporation that they had the management resources to effect significant improvements in manufacturing efficiency and productivity, complemented by a sound marketing strategy. The financial terms in any particular case were for negotiation between the Corporation and the company concerned and depended, inter alia, on commercial lending rates. Projects involving less than £100,000 would not generally be assisted.

(iii) (a) The 1959 Act was initiated by Central Government. Scrapping schemes were administered by the Cotton Board, the existing statutory development council for the industry, which was responsible for drawing up sector schemes for approval by the Government. The Board also had the tasks of making sure that plant and machinery offered for scrapping was actually destroyed, that employees affected received the compensation to which they were entitled, and that any other conditions were fulfilled. The Board also raised the necessary levies to pay for the industry's share of the cost including workers' compensation.

(b) The Cotton Board also played a part in the re-equipment scheme. Grants were paid out by the Government on the basis of recommendations by the Board following their examination of individual projects.

(c) The 1970 scheme was also initiated by the Government which agreed the administrative framework with the Industrial Reorganization Corporation and then left the Corporation to negotiate with individual firms submitting projects and to decide whether assistance should be provided in any particular case.
(d) In all the schemes, machinery to anticipate the need for assistance and to provide information about the industry was available in the form of the Statutory Development Council. This was greatly assisted by employers' associations and trade unions.

(iv) Since the British cotton textile industry is heavily concentrated in the Lancashire area, action was initiated and carried out by Central Government in close consultation and collaboration with regional interests including representatives of the industry itself.

(v) The decision on the need for assistance has in each case lain with the Government Minister in charge of the Department responsible for policy towards the textile industry. The arrangements for implementing assistance programmes are described in (ii) above.

(vi) (a) Financial assistance was provided under the provisions of the 1959 Act in the form of Government grants. In the case of the 1970 re-equipment scheme, companies were generally offered loans repayable over seven years at an unsubsidized rate of interest (generally 10 per cent per annum).

(b) The only case where arrangements have been made beyond the Government's normal employment policies were the provisions for compensating employees losing their jobs through the scrapping of machinery under the 1959 Act. This compensation was entirely financed by means of a compulsory levy on the industry.

(vii) Central Government funds and compulsory levies on the industry.

(viii) Measures have been undertaken on an individual ad hoc basis and not regarded as being continuing or leading to new programmes of assistance.

(ix) The decision on whether or not to take advantage of assistance offered has been left entirely to firms. Money has only been made available for limited periods so firms have been under pressure to make up their minds within a short time. Failure to re-organize and to re-equip by firms which have needed to do so has carried its own commercial penalties; some have gone out of business.

B. Measures applied

(i) Assistance to the British cotton textile industry has been mainly to help it face competition from imports. Problems have arisen primarily because of lack of competitiveness for both economic and technological reasons rather than from the consequences of trade negotiations.

(ii) To some extent assistance has been aimed at diversification away from goods subject to import competition. The 1959 Act provided financial assistance for the scrapping of machinery and one condition required before providing finance under the 1970 re-equipment scheme was that the company concerned should have a sound marketing strategy for the product in question. This implied that the firm would have commercial or technological advantages which would enable it to sell the product against import competition. This has usually meant that the product in question was such that developing countries were not well placed to make or market it.
(iii) The cotton textile industry is readily identifiable and its products are of interest to developing countries.

(iv) (a) The 1970 re-equipment scheme was related to Her Majesty's Government's decision to end quota restrictions on cotton textile imports from the developing countries, other than from certain State-trading countries.

(b) Assistance was not specifically directed towards providing further opportunities to developing countries, imports from which already accounted for a much higher proportion of domestic consumption than in any other major developed country (see C(ii)).

C. Effects of measures applied

(i) See (iv)(a) above.

(ii) It is not practicable to gauge the impact of adjustment assistance on the level and composition of imports from developing countries since this has been obscured by changes in the level of activity in the cotton textile trade generally and by the subsequent imposition of quantitative restrictions first from a few countries individually and finally, in 1966, on all except a handful of developed countries. However, retained imports of cotton cloth as a percentage of apparent consumption within the United Kingdom market have reached a high level. The import penetration figure was 30 per cent in 1960, 37 per cent in 1964 and reached a peak of 43 per cent in 1968; since then it has declined to 35 per cent in 1970, but is currently rising again.
ANNEX B

DUNDEE

1. Dundee's big problem is, of course, the run-down of the jute industry which has long provided a substantial part of the town's employment (16 per cent in 1960 and 13 per cent even in 1969). Between mid-1969 and mid-1970, the latest date for which an estimate is available, the number of insured employees in Dundee jute establishments fell from 12,000 to 9,000. The run-down continues at a rapid rate and is likely to present the area with a big task of reconstruction.

2. There have been difficulties in other existing industries, particularly food processing and office machinery manufacturing, which have caused fairly heavy redundancies and a greatly reduced demand for labour. About 1,400 workers in industries apart from jute became redundant in 1970, and a further 3,000 redundancies have been announced in the first nine months of 1971. This includes 1,200 redundancies recently notified by the National Cash Register Company and yet to take place.

3. The low state of the national economy has made it very difficult for displaced workers to find alternative jobs. In addition, there have been few firms throughout the country wanting to set up new establishments or expand and very little mobile industry wishing to set up in Dundee. It seems likely that incoming firms will make no more than a small contribution to the demand for labour in Dundee during the next year or two. The result of these various factors has been a sharp rise in the unemployment rate from 2.9 per cent in September 1969 to 7.5 per cent in September 1971.

4. The one sizable expansion in Dundee is a new factory for the Michelin Tyre Company. They will be building up their labour force during 1972. By the end of that year the factory is expected to employ several hundred workers. However, this is likely to have little more than a marginal effect on unemployment in Dundee.

5. Dundee is in the Scottish Development Area and therefore firms coming there, or existing firms expanding, may qualify for the various special financial and other incentives offered by the Government. The Government's July measures and those taken earlier this year are expected in time to have a reflationary effect on the economy and, once economic activity picks up again, it is likely that the diversification of employment in Dundee will be able to make progress again.

6. The Department of Trade and Industry has provided three industrial estates and two further individual factory sites in Dundee, housing some 2 million square feet of industrial floorspace, and employing some 14,200 people (8,300 males) as at November 1970. There is at present some 170,000 square feet of vacant Department of Trade and Industry factory space.
7. The following are figures of Government expenditure on training in the Dundee area in the year 1969/70:

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Numbers trained</th>
<th>Estimated cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Training Centres</td>
<td>47</td>
<td>£38,000</td>
</tr>
<tr>
<td>Other Government Vocational Training Courses</td>
<td>18</td>
<td>£14,600</td>
</tr>
<tr>
<td>Training grants in development areas and</td>
<td>550</td>
<td>£28,000</td>
</tr>
<tr>
<td>intermediate areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A Government Training Centre was opened in Dundee in April 1971. When this is fully operational it will have capacity to train about 160 people annually.
### ANNEX C

**ASSISTANCE AVAILABLE IN THE VARIOUS ASSISTED AREAS**

*Note: Measures introduced by the present administration are underlined.*

<table>
<thead>
<tr>
<th>Development Areas</th>
<th>Regional Employment Premium 1967</th>
<th>Investment grants 1966</th>
<th>Investment Incentives</th>
<th>Building grants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free depreciation 1970</td>
<td>Writing down allowances April 1970</td>
<td>Initial building allowances April 1970</td>
<td>Factories sell or rent</td>
</tr>
<tr>
<td>Special Development Areas</td>
<td>†10% a week in respect of employees in manufacturing industry with lesser rates for women and juveniles ( suite in 1974)</td>
<td>40% For new plant and machinery</td>
<td>For new immobile machinery and plant used in all forms of industrial manufacturing or extraction including mining and quarrying, construction and civil engineering and mining works</td>
<td>New industrial buildings: 40%</td>
</tr>
<tr>
<td></td>
<td>Rent-free period: five years</td>
<td>Rent-free period: two years</td>
<td>Rent-free period: two years</td>
<td>Towards costs of moving to DA</td>
</tr>
<tr>
<td>Intermediate Areas</td>
<td>- (40%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Grants now only payable on expediture under contracts entered into before 27 October 1970</td>
<td>50% first year thereafter 25% of reducing balance</td>
<td>Originally for two years only, but now to continue indefinitely</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>35% M</td>
<td>421.5 M</td>
<td>416 M</td>
<td>418.5 M</td>
</tr>
</tbody>
</table>

---

**Note:** Investment Grant Differential, not total grants given in development areas.

3 It is estimated that the additional benefit provided to the £25p/free depreciation in conjunction with additional grants and loans under the Local Employment Acts will be broadly equivalent to the present cost of the regional differentia in the investment grant scheme.

4 It is estimated that the additional expenditure under the Local Employment Acts will build up to about £25 million a year.
### TOTAL ASSISTANCE APPROVED ¹ BY TYPES OF INDUSTRY

Year ended 31 March 1970

<table>
<thead>
<tr>
<th>Types of industry (SIC order numbers or minimum list headings)</th>
<th>Factory building (£'000)</th>
<th>Under section 4 of the 1960 Act Loans (£'000)</th>
<th>Operational grants (£'000)</th>
<th>Building grants (£'000)</th>
<th>Plant and machinery grants (£'000)</th>
<th>Total (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining, quarrying and construction (II and XX)</td>
<td>nil</td>
<td>304</td>
<td>21</td>
<td>nil</td>
<td>nil</td>
<td>1,074</td>
</tr>
<tr>
<td>Food, drink and tobacco including agriculture (I and III)</td>
<td>41</td>
<td>1,105</td>
<td>5</td>
<td>86</td>
<td>27</td>
<td>4,520</td>
</tr>
<tr>
<td>Engineering (including electrical) and metal manufacture</td>
<td>720</td>
<td>2,060</td>
<td>279</td>
<td>406</td>
<td>1,092</td>
<td>4,650</td>
</tr>
<tr>
<td>Radio and other electronic apparatus (364)</td>
<td>813</td>
<td>6,796</td>
<td>348</td>
<td>1,207</td>
<td>5,469</td>
<td>19,330</td>
</tr>
<tr>
<td>Other (VI, VII less 332, 364, VIII and IX)</td>
<td>5,487</td>
<td>6,796</td>
<td>348</td>
<td>1,207</td>
<td>5,469</td>
<td>19,330</td>
</tr>
<tr>
<td>Shipbuilding and marine engineering (370)</td>
<td>nil</td>
<td>175</td>
<td>nil</td>
<td>28</td>
<td>222</td>
<td>425</td>
</tr>
<tr>
<td>Motor vehicles (380, 381 and 382 - part)</td>
<td>522</td>
<td>5,550</td>
<td>81</td>
<td>673</td>
<td>1,068</td>
<td>7,911</td>
</tr>
<tr>
<td>Textiles, clothing and footwear (XIII and XV)</td>
<td>1,368</td>
<td>7,172</td>
<td>39</td>
<td>4,689</td>
<td>3,101</td>
<td>16,369</td>
</tr>
<tr>
<td>Oil and chemicals (262, 271, 277 and 278)</td>
<td>95</td>
<td>218</td>
<td>6</td>
<td>23</td>
<td>1,491</td>
<td>1,833</td>
</tr>
<tr>
<td>Other manufacturing industries (IV less 262; V less 271, 277 and 278; XI less 380, 381 and 382 - part; XII; XIV; XVI; XVII; XVIII; XIX and XXI)</td>
<td>4,296</td>
<td>4,648</td>
<td>466</td>
<td>3,038</td>
<td>6,750</td>
<td>19,234</td>
</tr>
<tr>
<td>Service industries (including hotels and catering) (XXIII to XXVII)</td>
<td>21</td>
<td>53</td>
<td>17</td>
<td>nil</td>
<td>2,977</td>
<td>3,063</td>
</tr>
<tr>
<td>Advance factories not yet allocated</td>
<td>4,625</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,625</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>17,983</strong></td>
<td><strong>28,088</strong></td>
<td><strong>1,262</strong></td>
<td><strong>10,150</strong></td>
<td><strong>26,262</strong></td>
<td><strong>83,853</strong></td>
</tr>
</tbody>
</table>

¹ Includes factories authorized and building grants offered in the intermediate areas between 5 and 31 March 1970. The figures relate to assistance offered (not assistance given),
### Annual Assistance Approved by Assisted Areas

<table>
<thead>
<tr>
<th>Offers in financial years</th>
<th>Development areas or districts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Northern (£'000)</td>
</tr>
<tr>
<td>1960-61</td>
<td>2,100¹/²</td>
</tr>
<tr>
<td>1961-62</td>
<td>1,900¹/²</td>
</tr>
<tr>
<td>1962-63</td>
<td>5,600¹/²</td>
</tr>
<tr>
<td>1963-64</td>
<td>12,600¹/²</td>
</tr>
<tr>
<td>1964-65</td>
<td>4,800¹/²</td>
</tr>
<tr>
<td>1965-66</td>
<td>14,300¹/²</td>
</tr>
<tr>
<td>1966-67</td>
<td>15,201</td>
</tr>
<tr>
<td>1967-68</td>
<td>12,761</td>
</tr>
<tr>
<td>1968-69</td>
<td>17,018</td>
</tr>
<tr>
<td>1969-70</td>
<td>33,651</td>
</tr>
</tbody>
</table>

¹/ Approximate figures

²/ Includes development districts not included in the development areas

³/ The figures relate to assistance offered (not assistance given)
United States

A. Measures available

(i) The basic legislative authority for adjustment assistance for industries, firms and groups of workers is contained in the Trade Expansion Act of 1962 and in the Automotive Products Trade Act of 1965, this portion of which expired in June 1968. The purpose of the adjustment assistance programme is to offer Federal assistance to particular firms and groups of workers found to be adversely affected by increased imports until economic adjustment to the effects of the liberal trade policies set forth in the Acts is attained.

(ii) The Trade Expansion Act of 1962 contains provisions which permit firms or groups of workers who have been seriously injured, or are threatened by, serious injury from imports to petition the United States Tariff Commission for a determination of eligibility to apply for adjustment assistance. The following criteria govern determinations of eligibility to apply for adjustment assistance:

1. Products like or directly competitive with the products that the petitioning firm or groups of workers produce are being imported in increased quantities;

2. the increased imports are in major part the result of concessions granted under trade agreements;

3. the petitioning firm is being seriously injured or threatened with serious injury or a significant number or proportion of the petitioning groups of workers at a plant are unemployed, or underemployed, or are threatened with such unemployment or underemployment; and

4. the increased imports (resulting in major part from trade agreement concessions) have been the major factor causing or threatening to cause the serious injury or unemployment or underemployment to the petitioning firm or groups of workers, respectively.

The Automotive Products Trade Act of 1965 contained special provisions which permitted firms or groups of workers who had been, or were threatened by, injury from the operations of the trade agreement between the United States and Canada relating to duty-free trade in new vehicles and original automotive equipment or parts to petition for a determination of eligibility to apply for adjustment assistance. The determination was made by the President; the factual investigation was made by the Tariff Commission. These special provisions expired 30 June 1968; petitions are now filed under the adjustment assistance title of the Trade Expansion Act of 1962.

The following criteria governed determinations of eligibility:

1. that dislocation of a firm or group of workers had occurred or threatened to occur;
2. that production in the United States of the automotive product concerned produced by the firm, or an appropriate sub-division thereof, and of the automotive product like or directly competitive therewith, had decreased appreciably; and

3. (A) that imports into the United States from Canada of the Canadian automotive product like or directly competitive with that produced by the firm, or an appropriate sub-division thereof, had increased appreciably; or

(B) that exports from the United States to Canada of the United States automotive product concerned produced by the firm, or appropriate sub-division thereof, and of the United States automotive product like or directly competitive therewith, had decreased appreciably, and the decrease in such exports was greater than the decrease, if any, in production in Canada of the Canadian automotive product like or directly competitive with the United States automotive product being exported.

In order to obtain adjustment assistance, firms or groups of workers must initiate a petition to the Tariff Commission and satisfactorily demonstrate that the criteria of the Trade Expansion Act of 1962 have been met.

As previously outlined in COM.TD/W/92, an "early warning" system is being developed whereby the local employment office will alert management officials and union representatives of the services available to firms and groups of workers potentially or actually affected by increased import competition.

The regional offices of the Departments of Labor and Commerce supply local firms and groups of workers basic information about the programme and the petitioning process. The Employment Security agencies in the fifty States (with sub-offices in every sizable community) act as agents of the Department of Labor in administering the adjustment assistance programme for workers to provide benefits to individuals eligible for assistance and also participate in the information programme.

The Trade Expansion Act specifies that a formal petition must be submitted to the United States Tariff Commission for a determination of eligibility to apply for adjustment assistance. In those instances of an affirmative determination, the Secretaries of Commerce and Labor would undertake certification procedures for firms and groups of workers, respectively. The Department of Commerce deals directly with eligible firms in approving their proposals for technical or financial assistance. The Department of Labor specifies the exact group eligible for assistance and then delegates the administering of benefits to individuals to the State Employment agencies of the State in which the group resides.
In cases where serious injury to an entire industry is found in accordance with Trade Expansion Act provisions, the President may authorize firms to apply directly to the Department of Commerce and groups of workers to apply directly to the Department of Labor for certification. In these instances it is the responsibility of the respective Departments to determine whether or not imports have been the major cause of the serious injury incurred by the specific petitioning firm or groups of workers.

(vi) (A) The Department of Commerce may make available to eligible firms (a) technical assistance, such as managerial advice and counselling, research and development assistance and market research; (b) financial assistance, consisting of direct loans, deferred participation loans and guaranteed loans; and (c) tax assistance, in the form of an extension of the normal three-year carryback to five-year carryback of a net operating loss.

(B) The State Employment Security agency, acting as agent of the Department of Labor, administers three types of special benefits to eligible workers: (1) cash allowances equal to 65 per cent of the workers' average weekly wage, which may not exceed 65 per cent of the national average weekly wage in manufacturing; (2) testing, counselling, training and job placement services; and (3) cash relocation allowances for basic moving expenses when a job has been found in another city and there is no suitable job available in his own city.

(vii) The source of funds for adjustment assistance is congressional appropriation to the Department of Labor and Department of Commerce. Funds are disbursed by the Manpower Administration of the Department of Labor to the respective State agencies administering the assistance programme. The Department of Commerce disburses funds directly upon approval of a proposal from eligible firms.

(viii) The proposed Trade Act of 1970, which did not receive final passage during the congressional session, incorporated several major changes in the adjustment assistance programme. These changes, as outlined in COM/TD/W/126, were designed to make adjustment assistance more readily available to firms and groups of workers.

(ix) Trade adjustment assistance is now under review in the light of experience and the report of the President's Commission on International Trade and Investment Policy.

B. Measures applied

(i) By law the trade adjustment assistance programme can only be applied to deal with changes resulting from increased imports. It does not deal with dislocations where the major factor was other than increased imports. The Trade Expansion Act of 1962 specifies that in order to be eligible for adjustment assistance the following criteria must be met:
(a) That trade agreements concessions must be the cause in major part of the increase of imports; and

(b) that the increase of imports must be the major factor in causing or threatening to cause injury.

(ii) The trade adjustment assistance programme is national in scope. Workers in all fifty States, the District of Columbia, and Puerto Rico may qualify for adjustment assistance. Eligible firms have been encouraged to diversify their production lines to ensure a balanced growth and as a hedge against the adverse impact of import competition in like or directly competitive products.

(iii) Adjustment assistance benefits have been made available to firms or groups of workers in the following industries: steel, electronics, non-rubber and rubber-soled footwear, piano, sheet glass, automotive products, household flatware such as stainless or silver-plated, cotton textiles, organs, and barber chairs. Many of these industries such as footwear, textiles, and electronics assembly are of actual or high potential interest to the developing nations.

(iv) Adjustment assistance may be utilized as an alternative to import quotas, higher tariffs and other restrictive trade barriers. Trade adjustment assistance provides the Government with a tool for separating decision-making in the domestic economic sphere, where the preservation of fair competition, job security and the protection of domestic industries are important, from decision-making in the foreign economic sphere, where trade liberalization is sought not only in order to provide expanded markets for exports and imports but also to provide a higher standard of living with a richer choice of products.

(v) The Department of Commerce has approved proposals calling for $8.4 million as of the year ending 30 June 1971 for firm adjustment assistance. These funds were authorized for eligible firms in the form of loans and loan guarantees (which accounted for about $8 million) and technical assistance (which has accounted for approximately $400,000). Loan funds may be applied to diversification, modernization of plant facilities or for use as working capital upon satisfying certain requirements. The technical assistance has been primarily managerial consulting activities.

The Department of Labor, as of 30 June 1971, has made actual payments of about $18 million for adjustment assistance. More than 7,000 workers have received compensation in the form of weekly cash readjustment allowances, funds for subsistence while attending training programmes, or relocation to new jobs.
C. Effects of measures applied

There are no instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions.

There is no indication available of the impact of the adjustment assistance extended on the level of domestic production and composition of imports from developing countries.