REPORT BY THE WORKING GROUP ON ADJUSTMENT MEASURES

Addendum

Note by the Secretariat

Attached is a note received from the delegation of Uruguay concerning recent developments in the textile industry in that country.
With reference to airgrams 1611 and 1612 dated 13 March 1980, I have the honour to transmit the following information.

1. Economic policy in Uruguay

   After the Second World War, Uruguay introduced a growth strategy designed to be independent of the problems which had beset the country during the war years. To that end, an import replacement strategy was defined, based on:

   (a) high tariff protection for domestic industry;
   (b) differentiated exchange rates;
   (c) quota restrictions on imports.

   The scheme rapidly yielded the expected results, with gross industrial product growing by approximately 6 per cent annually and employment in the sub-sector by 5 per cent. As was to be expected because of the small size of the domestic market, the strategy lost momentum and as from 1958 there began a period of economic stagnation which, with slight variations, continued up to and including 1973.

   The second phase of this process began with the energy crisis in late 1973 which, as is well known, affected more severely the developing countries that are not petroleum producers.

   In addition to the effects of this energy crisis and the higher price to be paid for petroleum, Uruguay experienced a decline in international market prices of its main export products.

   This crisis obliged the Republic to implement a new economic policy entirely different from that pursued until then, in the form of an outward-looking model designed to achieve self-sustaining economic growth.

   In order to face this situation and reallocate productive resources through the market mechanism, our country adopted a strategy of progressive reduction of tariff protection, in order gradually to lower the high level of protection granted to domestic industry over decades of protectionism.

2. Uruguay's economic policy in regard to industry

   Within the industrial sector, reallocation of productive resources is designed to secure maximum benefit from factors.
This policy has two basic objectives: export expansion and growth of exportable added value, the fundamental concern being always to develop sectors competitive at the international level.

As regards the textiles sector in particular, the aim is to develop exports of a product using domestic raw materials, in which area the country would be more competitive.

3. Indicators

Textiles, footwear and clothing industry

- Variation in level of activity in the first quarter of each year in relation to the first quarter of the preceding year (based on the physical volume index):

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles</td>
<td>107.7</td>
<td>112.7</td>
<td>104.3</td>
</tr>
<tr>
<td>Footwear and clothing</td>
<td>111.3</td>
<td>112.2</td>
<td>84.1</td>
</tr>
</tbody>
</table>

- Employment: variation in the index of hours worked, in the first quarter of each year in relation to the first quarter of the preceding year:

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles</td>
<td>99.1</td>
<td>112.6</td>
<td>104.7</td>
</tr>
<tr>
<td>Footwear and clothing</td>
<td>114.2</td>
<td>112.3</td>
<td>83.6</td>
</tr>
</tbody>
</table>

- Exports of textiles and textile articles; cumulative variation at December in relation to the preceding year (in current dollars):

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>15.2 per cent</td>
</tr>
<tr>
<td>1979</td>
<td>-6.9 per cent</td>
</tr>
</tbody>
</table>

Source: Central Bank of Uruguay.

Note: No separate data are available for clothing.

Remarks concerning production

In 1978, 1979 and 1980 the growth rate had become more rapid but is now slowing down.

As regards employment, from the aspect of the number of hours worked, the index for 1979 was above the previous year's level but dropped back in the first three months of 1980.
In regard to footwear and clothing, the growth rate has been slowing down.

**Investment**

Investment in thousands of current dollars has been as follows:

- 1975 - $3,656.9 dollars
- 1976 - $292.8 dollars
- 1977 - $9,546.9 dollars
- 1978 - $9,145.3 dollars
- 1979 - $13,040.2 dollars
- 1980 - $4,462.5 dollars

These investments are mainly for modernization of industrial capacity, not for its expansion.

It should be noted that textiles account for 15 per cent of total domestic product. For output of the order of $400 million, investment of the order of $50 million is not representative.