Rapidly changing market conditions has made it necessary for the Swedish textile and clothing industries to carry out adjustment measures such as close-downs and amalgamations, which have led to substantial decreases in production. Adjustment has also taken the form of intensified product development as well as increased efforts in design, marketing, finance, and training of personnel. The specific government measures affecting the textile and clothing industries in Sweden have primarily aimed at alleviating and smoothing the readjustment. It should, however, be recalled that the MFA recognizes the importance of avoiding damage to the minimum viable production of countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production. In view of the very serious decline in Swedish textile and clothing production during the last decade, adjustment in forms which would imply further shrinking of the industries concerned does not seem to be consistent with the objective mentioned above.
Production within the Swedish textile and clothing industry has decreased substantially during the 1970s, particularly since 1975. In 1982, Swedish production of textiles and clothing in terms of production indices had gone down to 70 and 41 respectively with 1975 as base year (100). The decrease has above all affected the clothing industry and has continued during the last few years. From 1980 to 1982 the production of clothing diminished by 25 per cent.

The number of employees within the Swedish textile and clothing industry fell from 67,500 in 1970 and 50,400 in 1975 to around 29,000 in 1982 and its share of the total industrial employment declined from 8 per cent in 1970 to 3.5 per cent in 1982.

In 1975 the Swedish textile and clothing industry encompassed about 1000 production units. The number of units has diminished in parallel with the decreases in production. In 1981 the textile and clothing industry consisted of approximately 650 production units. The overwhelming part of eliminated production units has been made up of small-sized companies of less than 100 employees. In 1981 only 20 production units had more than 200 employees.

The decreases since 1975 are primarily due to the fact that the clothing industry has successively lost market shares in Sweden. Imports in fixed prices increased by more than 5 per cent annually during 1975-1980. After a reduction in 1981 imports increased again in 1982.

In a longer perspective the Swedish textile and clothing industry has been more successful on the export markets than on the home market. Exports have increased by about 3.5 per cent annually 1975-1980. However, in the last few years the export volume of both textiles and clothing has diminished. Exports today accounts for about half the production of the textile and clothing industry.
In the adjustment to new trade patterns and changes in relative labour costs Swedish clothing industry has established some production abroad, thereby improving the viability of production units at home. At present approximately 60 factories in Finland, Portugal and other countries, with a total of some 7,500 employees, are managed or owned by Swedish clothing companies.

Fierce competition has led to low profitability in the textile and clothing industry. Almost 30 per cent of the employees are working in unprofitable plants.

B. Government measures

One of the principal aims of government measures targeted on the textile and clothing industries in Sweden is to encourage companies to concentrate on product areas where there are possibilities of being competitive without any future government support in the form of trade policy measures of otherwise.

Government measures to assist structural changes, rationalization and readjustment in order to increase the competitiveness of the textile and clothing industries have been in operation since 1970 and 1971. Measures to secure the supply of essential textiles in case Sweden would be cut off from foreign supply sources have been in operation since 1972.

During recent years government has practised an active labour market policy in the form of both general and sector specific measures. Measures with regard to the textile and clothing industries have progressively in-
increased in importance. Their purposes have primarily been to assist in maintaining a minimum viable production and to handle the decrease in employment and other adjustment effects in a socially acceptable manner. Among the measures taken in this context mention could be made of grants for education of employees, threatened to be laid off, as well as temporary grants to companies employing persons above the age of fifty within the textile and clothing industries.

The Government has recently (March 1983) in a bill proposed a change in the policy concerning the textile and clothing industries. The total amount spent on different measures is proposed to decline during a three year period. An increased proportion is proposed to consist of measures aiming at strengthening the competitiveness of the textile and clothing industries thereby increasing their ability to do without special government measures in the long run. The bill proposes a gradual decrease in the temporary employment grants to companies employing persons above the age of fifty. The Government has also proposed a new form of educational assistance for newly hired personnel in the textile and clothing industry.

In other respects the government policy for the textile and clothing industries is unchanged. The government continues to attach great importance to the aim of maintaining a minimum viable production in this sector in order to secure the supply of essential textiles and clothing in case Sweden would be cut off from imports.
Government measures to encourage business which are less competitive internationally to move progressively into more viable lines of production or improve viability of current lines of production

Government measures to promote the competitiveness of the textile and clothing industries include certain marketing support, primarily in the form of export promotion, as well as support for conversion, training of workers and management, depreciation loans for investments in increased efficiency and support for research and development.

The aim of the conversion support measures is to stimulate enterprises to utilize consultants in finding ways of amalgamation or cooperation between firms or in the primarily organizational changes needed within enterprises facing rapid adjustment and specialization.

The educational programme is designed to stimulate development in the main spheres of company management and finance, production and marketing and personnel management. The programme includes specialized courses and conferences.

Within the export promotion programme projects which promote a better structure of the industry are given priority, e.g. joint export actions. Project support can only be considered for covering initial expenses.

In this context grants can be paid to cover part of costs for market analysis, marketing planning and product adjustment. Certain assistance can also be given to collective activities, such as fashion displays.
For fiscal year 1983/84 Skr 60,5 million have been proposed by the Government for programmes of this kind. The Government has proposed that these programmes shall be extended until the end of fiscal year 1985/86.

A special programme of support measures for the rationalization within the clothing industry has been in operation since 1976. The aim of the programme is to encourage the introduction of new production techniques through support for investments increasing efficiency, grants for use of consultants when introducing new production techniques and increased support for research and development. The support for investments increasing efficiency takes the form of special depreciation loans. When applications for such loans are examined, special attention is given to the possibilities for a long term and stable access to markets for the product areas concerned. For the fiscal year 1983/84 Skr 20 million have been proposed.

Government credit guarantees can be given textile and clothing companies which are expected to be competitive in the long run. Such guarantees are given on the condition that concrete plans for rationalization in the companies concerned have been established. The guarantees also aim at stimulating structural changes within or between companies. The limit available for new guarantees is Skr 32 million.

The government measures aiming at securing the supply of textile and clothing products in case Sweden would be cut off from imports consist mainly of depreciation loans. These loans were earlier intended to initiate investments necessary to secure emergency supply capacity. In 1982 the measure was changed into being an instrument for the National Board of Economic Defence to procure from companies
the general service of maintaining a certain emergency production capacity. Companies are now required to take steps which can result in eliminating in the long run any need for new loans. Therefore the loans will impact more directly than before on the adjustment process. For fiscal year 1983/84 Skr 78 million have been set aside principally for loans of this kind.

In 1978 the Government took over three major and some smaller companies within the textile and clothing industries and merged them into one company. The structural changes have been more extensive in this company than in the textile and clothing industries as a whole. Up to 1982 the number of employees in Sweden within the company has diminished by almost 50 per cent while employment in the Swedish textile and clothing industries has been reduced by one third. Thus the share of the government-owned company in relation to total employment in these industries decreased from 13 per cent at the time of merger to 10 per cent in 1982.

In 1977, an advisory council for the textile and clothing industries was set up under the Ministry of Industry, with representatives from the Government, employers and employees. The main task of the council is to follow developments within the textile and clothing industries, mainly long term trends, including the analysis of consequences of these developments on the labour force and on the structure of the industry. The measures consist of grants and concessional loans.

Government support to research and development is extended by the Board of Technical Development in the form of grants and concessional loans.

Government measures to encourage business to move into other sectors of the economy

The main example of policies in Sweden, designed to assist
business in abandoning unprofitable sectors and moving into other more profitable sectors of the economy, is the government funds spent on an active labour and regional policy. Measures within this framework are available to assist industrial adjustment in general: no specific evaluation has yet been made to assess their effects in the textile and clothing industries. Earlier the decrease in employment within these industries, to a large extent, took place within regions with a comparatively diversified industrial sector. Decreases are now being registered mainly in areas with a relatively one-sided industrial life. With the purpose of diminishing negative effects in employment in areas dominated by the textile and clothing industries, the Government is offering enterprises in other sectors, willing to establish themselves in these areas, localization support and possibilities of using their investment fund.

In 1982 Skr 15 million were set aside for a three year period as a special measure to create employment in five municipalities with a high concentration of textile and clothing companies.

One objective of the government credit guarantees mentioned above is to encourage business to move out of the textile and clothing sector.

C. Increased access to the market

Production within the Swedish textile and clothing industry has decreased substantially during the 1970s and the decrease continued in the first years of the 1980s. In 1981, Swedish production of textiles and clothing in terms of production indices had gone down to 66 and 45 respectively with 1973 as base year (100). During the same period, Swedish imports of textiles and clothing have increased rapidly, from Skr 3.9 billion in 1973 to Skr 10.8 billion in 1982. In 1982, imports of clothing accounted for 83 per cent of the total supply.
The import share of textile products has developed in the following way since 1977.

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<tbody>
<tr>
<td>Share in % of total supply in tonnes</td>
<td>74</td>
<td>76</td>
<td>77</td>
<td>78</td>
<td>78</td>
<td>77</td>
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Calculated in fixed prices the import share in 1982 was 74 per cent.

As far as clothing industry is concerned the import share has developed as follows.

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<tr>
<td>Share in % of total supply in fixed prices</td>
<td>71</td>
<td>74</td>
<td>79</td>
<td>81</td>
<td>80</td>
<td>83</td>
</tr>
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The quantitative share of developing countries in Swedish imports of clothing almost amounted to 37 per cent in 1981. In this context it may also be noted that GATT statistics (cf. COM, TEX/W/134) give Sweden a position as the world's biggest importer per capita of clothing from developing countries.