1. At its fourth meeting on 2-3 December 1975, the Textiles Committee agreed that in order to carry out the major review of the Arrangement as required by Article 10:1 more detailed and up-to-date information was required on adjustment assistance measures from all the participating countries. The importing participating countries were, in particular, invited to supply information showing achievements in terms of Article 1:4 of the Arrangement, i.e. what particular efforts had been made to encourage their textile industries to move progressively into more viable lines of production or into other sectors of the economy; and in what way such adjustments had led to increased access for textile products from developing countries.

2. Information relating to adjustment assistance measures has been received from a number of participating countries, namely, Australia, Austria, Canada, the EEC, Finland, Hungary, India, Japan, Norway, Pakistan, Poland, Spain, Sweden and the United States. A small number of these countries have indicated that their adjustment assistance measures have remained substantially unchanged, therefore, their previous submissions as contained in document COM.TEX/4/25 and Corr.1 have been reproduced in this report. Other participants have communicated certain changes or additions; these have been added to what these countries had previously reported on this subject so as to give an up-to-date account of the situation. While certain participants in their submissions have specifically dealt with the question of achievements in terms of Article 1:4 of the Arrangement, it was not possible for others to specify the extent to which the structural changes resulting from government measures directed to industry in general or to the textile and clothing sectors, as well as from the measures taken by the industry itself, can be ascribed to the factors set out in paragraph 4 of Article 1.

1The Permanent Mission of Australia has informed that "The Australian Government is undertaking a review of the adjustment assistance scheme introduced by the previous Australian Government. At this stage no new adjustment assistance measures are being made available to the textile and apparel industry, and therefore no new developments to report additional to those already reported to the Textiles Committee."
3. Hong Kong, Sri Lanka and Ghana have, as before, reported that no adjustment assistance measures existed in their cases. Information has not yet been received from a large number of participating countries, and thus the secretariat has reproduced the material previously supplied by some of these countries in order to provide the Committee with as complete a picture as possible. In this connexion it is to be recalled that when the question of adjustment was discussed at the Textiles Committee’s meeting in April 1975, the reciprocal nature of the obligation on all parties to the Arrangement to report on their measures was particularly stressed.

4. Apart from an introduction which reviews the general trends in the participating developed countries, the report is divided into three sections: Section A gives information relating to government measures to assist adjustment in the textile industry, while Section B contains information in respect of government measures to assist industrial adjustment generally; Section C sets out the various measures adopted by the textiles and clothing industries themselves to adjust their production facilities to changes in market conditions.

INTRODUCTION

5. Over the last two decades, various measures have been pursued by developed participating countries, at one time or another, with a view to assisting and facilitating the process of adjustments in the textile and clothing industry. By and large the measures of assistance to this sector are generally aimed at improving the competitive position of the industry. The expansion of the industry in many developing countries has inevitably contributed to a considerable increase in world production capacity and has led to a shrinkage in the share of textiles and clothing in world trade and a declining ratio of international trade to production. This has changed the location of the textile industry throughout the world as well as the pattern of international trade. Competition forces the developed countries to gradually move into more sophisticated lines of production, bringing in train a series of structural adjustments. In some instances, where the pace of structural change is out of step with the mobility of resources, the domestic industry is faced with a situation of disruption and hardship. A wide range of measures has been adopted to cope with the pace of structural adjustment, while at the same time avoiding any adverse social effects of this process.

6. Apart from this principal aim of an improved competitive position, the measures also often have specific and complementary purposes. In the first place the measures have been adopted to attain an optimum scale of operations. Mergers and concentration of production have resulted in a reduction in the number of enterprises, marginal units have been disappearing and the proportion of total production capacity accounted for by the largest undertakings has increased. This marked shift to a more concentrated structure has been stimulated by and associated with the development of new chemical fibres and their extended use which has made the textile industry a multifibre and a multipurpose industry.

1 As at 11 October 1976.
7. There are still, however, in some segments of the industry (e.g. the wool textile, hosiery and knitwear industries) a few large firms and a great many small ones. While these small firms tend to affect the overall profitability they are indispensable for the industry's well-being because of the need for flexibility and specialized products. The fact remains, therefore, that the problems relating to small and medium business continue to be areas of concern in the field of structural adjustments.

8. Secondly, a purpose of many adjustment measures has clearly been to reduce excess capacity, including the phasing out of certain product lines or the elimination of obsolete equipment. With this end in view there has been a marked reduction in the number of spindles and looms. This process of contraction has not come to an end and is continuing in a number of countries. This, however, was accompanied by a substantial increase in machine and labour productivity. This process has been effected in some countries through decisions by individual firms, while in others scrapping programmes have been adopted jointly on an industry-wide basis. In many countries the governments have assisted in the scrapping of obsolete machinery and in the closing down of several firms by providing compensation.

9. Thirdly, a number of measures have been designed to promote research and development in industry. In some countries the industry has benefited from government research programmes or from the activities of State supported textile institutes. In addition, the appearance of new fibres and fibre blends, new finishing processes and other technical innovations has made it incumbent on the textile and clothing industries themselves to accelerate technological research and promotional activity aimed principally at adjusting production to the constant change in market requirements.

10. Finally, many measures have had as their purpose an increased efficiency and mobility of labour in order to improve the quality of manpower available to the industry, and to facilitate the reconversion to other industries. Training programmes have generally helped the industry by upgrading the skills of labour needed to operate and maintain the modern sophisticated machinery, as have economic development programmes aimed at increasing the industrial activity in depressed areas.

11. In general it is the industry itself which takes the responsibility of restructuring and decides on the steps to be taken to make itself viable and competitive. Apart from the numerous factors which induce and influence structural changes, the industry in most participating countries has shown itself to be sensitive to foreign competition and has continually streamlined its processes of production to take advantage of technological innovation and to shift to more profitable lines of production. In some countries where greater reliance is placed on the play of market forces and a liberal foreign trade policy is pursued, government assistance to the textile and clothing industries tends to be minimal. However, in these countries, as in the case of others, there usually exist government adjustment measures to assist industry generally, and which also benefit the textile and clothing industries.
12. Almost all governments have adopted measures in these fields, either general or specific; some aiming at more than one of the purposes mentioned above. These measures could be summarized in the following: (a) financial assistance in the form of grants or loans, and credit guarantees; (b) investment (including foreign) incentives; (c) fiscal measures such as tax credits, rebates and exemptions, accelerated depreciation and write-offs; (d) levies to support research and development efforts, including those aimed at multifibre operations and in the field of fashion and design; (e) incentives towards conversion into corporations, mergers or other groupings; (f) supervised scrapping of obsolete equipment; equalization of market fluctuations; (h) training and retraining of workers; (i) early retirement or relocation compensation for workers made redundant; (j) plant site relocation; (k) regional development schemes; (l) aid to small and medium-sized firms.

13. From the recent information received, it is clear that the industrial adjustment process has in no way been interrupted or discouraged in most of the participating countries. Competitive forces and autonomous decisions by the industry regarding production, investment, employment, as well as fashion and consumer preference and technology have all influenced the structural adjustments independently of government policy considerations. Article 1:4 of the Arrangement Regarding International Trade in Textiles provides that in addition to such autonomous adjustment processes, actions taken by participating countries under the Arrangement should be accompanied by the "pursuit of appropriate economic and social policies in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries and which policies would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy, and provide increased access to their markets for their textile products from developing countries".

14. The material supplied does not make it possible to ascertain whether, and to what extent, these requirements have specifically been met. Only four countries, namely, Austria, the EEC, Japan and Sweden have dealt with the question of achievements in terms of Article 1:4 of the Arrangement. The United States has indicated that the question of increasing access to its market for textile products from developing and other exporting countries is broader than Article 1:4, since the increase in access to the United States market is not the direct result of adjustment assistance measures.

15. While the adjustment measures as undertaken by participating countries since the coming into force of the Arrangement differ widely from one country to another greater emphasis would appear to have been placed, as far as can be judged from the information received, on the clothing industry. In 1975/76 a number of countries, e.g. the Netherlands, Norway, Sweden and the United Kingdom, have adopted certain specific measures to facilitate structural adjustments in the clothing sector. These measures aim at improving the industrial and commercial structure of this sector by encouraging the introduction of new production techniques, greater concentration of activity and export promotion projects. At the Community level the Council's decision of 1972 authorizing intervention by the European Social Fund to assist in the reconversion of workers affected by adjustment measures in the textile industry was extended in 1976 to the clothing industries.
16. The overall decline in economic activity in 1974-1975 and, in certain cases, the sharp increase in imports, particularly of clothing, have been among the main motivating factors leading to the adoption of such measures. These factors have also led certain governments not only to intensify the existing adjustment measures, specific or general, but also to extend their application to other segments of the industry. Preventive measures with the aim of minimizing unemployment have also been introduced recently.

A. Government measures to assist adjustment in the textile industry

**CANADA**

The Canadian Government adopted a national textile policy in 1970 under which the Canadian textile and clothing industries could continue to move progressively towards viable lines of production on an increasingly competitive basis internationally. As a prerequisite to special measures of protection against imports which have been found to cause or threaten serious injury, individual textile and clothing sectors of these industries are required to submit suitable plans involving the restructuring, phasing-out, upgrading of production or continued development along efficient lines. Such special measures of protection cannot be applied unless the sector concerned has prospects of becoming internationally competitive in the Canadian market without any protection other than that normally provided by the customs tariff.

To assist in this restructuring, the General Adjustment Assistance Programme was amended in 1972 to permit companies in the textile and clothing industries to apply for the necessary financial assistance in carrying out approved restructuring plans. Moreover, to reduce the extent of worker dislocation, certain textile and clothing workers displaced as a result of import competition can obtain early retirement benefits under the Adjustment Assistance Benefit Regulations established in 1970.

A Fashion Design Assistance Programme was introduced in 1970 to encourage the employment of fashion designers. In addition, the Government has offered to establish Development and Productivity Centres for the Canadian textiles and clothing industry.

**EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES**

The Commission of the EEC has examined the problems of the textile industry within the Community and, in order to assist structural adjustments, it has considered the introduction of a consistent policy on the social and trade aspects of
the matter and also with regard to government aid. In the latter case, it should be pointed out that the Treaty of Rome already carried the implication of Community discipline and institutional control. One of the forms which this has taken has been a strict control at the Community level of assistance to the textile industry.

By Council Decision of 19 December 1972, the Council of the European Communities decided to authorize intervention by the European Social Fund in favour of persons occupied in the textile industry on the basis of Article 4 of the Decision of 1 February 1971, on the reform of the European Social Fund. The purpose of such intervention is to facilitate the employment and the geographical and occupational mobility of workers affected by measures of adjustment brought about by the introduction of new techniques or fundamental changes in market conditions. Assistance from the Social Fund takes the form of vocational training assistance (financial contribution towards the cost of organizing classes and courses and to participation costs) and assistance in moving home or settling in a new social and working environment. It is open both to workers in the textile industry itself and to those being retrained for other activities.

Assistance from the Community is at the rate of 50 per cent of expenditure in the cases of operations carried out on public account, or represents the total costs assumed by public authorities in the case of operations carried out by private enterprise.

The European Social Fund is part of the budget of the European Communities. In the 1974 budget, assistance grants from the Social Fund for workers in the textile industry amounted to some 8.1 million units of account out of a total budget for the Social Fund of 308.5 million.

Two main factors have affected the Community textiles and clothing industrial structures during the period 1974-1975: on the one hand the general contraction in demand resulting from the world recession in the level of economic activity and, on the other, the persistence, despite the crisis, of a rapid rate of increase in imports of clothing articles from less-developed countries.

Between 1972 and 1974 deliveries had increased from $1 to $2.2 thousand million and a 30 per cent increase was recorded between 1973 and 1974. Expansion of these sales continued in 1975 at a rate of between 20 and 40 per cent depending on the member State concerned.

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2. Official Journal No. L 28 of 4 February 1971
The considerable contraction in outlets still available to the Community ready-made clothing industry affects the whole of the textile line, thereby enhancing the trend towards elimination of equipment, the closing down of factories and loss of employment in all stages of processing.

Between end 1972 and end 1974, elimination of equipment was as follows:

- In France: 217,000 spindles and 7,000 looms
- In the Netherlands: 55,000 spindles and 3,000 looms
- In the Federal Republic of Germany: 470,000 spindles and 14,000 looms
- In Belgium: 193,000 spindles and 750 looms
- In the United Kingdom: 740,000 spindles and 13,600 looms

For the above-mentioned countries taken as a whole the decline in the total equipment amounted to slightly over 10 per cent in spindleage and to 13 per cent in loomage.

Over the same period, the Community as a whole registered a loss of 193,000 jobs in the textile industry and 120,000 jobs in the clothing industry.

The closing down of factories in the textiles and clothing sectors respectively was as follows:

- In France, 212 and 445 production units for the period 1972/74
- In Denmark, a total of 86 units over the same period
- In the Federal Republic of Germany, 609 and 647 units for the period 1972-1975
- In Ireland, 22 and 15 units for the period 1970-1975
- In Belgium, 104 and 129 units for the period 1972-1975
- In the United Kingdom, 386 units over the same period for the textile industry only.

1 September 1972 - September 1975
2 In the case of weaving looms: cotton industry only
3 Between 1972 and 1975
4 Data for the clothing industry are not available
The means available to the Community and its member States in order to further the adjustment of the industrial set-up to market developments and new competitive circumstances, and to remedy the serious social consequences of such structural adjustment have been discussed in the preceding parts of this report.

The following paragraphs will merely set forth the new initiatives taken, while specifying, in appropriate cases, the funds allocated to the various types of operations over the last few years.

At the Community level, the Council decision of 19 December 1972 authorizing interventions on the Modernized European Social Fund (Fonds social européen rénové) for textile workers was extended and supplemented on 8 February 1976 by a decision granting this benefit to clothing industry workers.

The Fund's interventions concerning mainly the reconversion of workers were as follows:

- In 1973: 4,000,000 accounting units
- In 1974: 8,000,000 accounting units
- In 1975: 10,000,000 accounting units

It is envisaged that 20 million accounting units will be allocated to such operations in 1976. In addition, the Commission, in pursuance of the provisions of the Rome Treaty, maintains strict controls over government aids to the textile and clothing industries in any member State. Such controls are intended to avoid public interventions leading to competitive distortions in industries where appreciable surplus capacity already exists; on the other hand, aids to research, structural adjustments in order to eliminate excess capacity, or reconversion to other sectors of industry, are regarded as consistent with the provisions of the Treaty.

BELGIUM

Prospective programmes for government assistance to structural adjustment

The Belgian administration and relevant government departments are at present dealing with the establishment, the definition and the extent of the responsibilities and activities of a "Committee for the structural adjustment of the Belgian ready-made clothing and textile industries" (Comité de restructuration des industries belges de la confection et des industries textiles).

1 About $1.2
2 Based on recent information submitted
The task of this Committee will be to study and draw up projects for the structural adjustment and rationalization of textile industries and activities, so as to enable the national industry to conform to the objectives laid down by GATT special bodies in the field of liberalization of international trade in the textile sector.

France

The Professional Association of the Cotton Industry was set up in 1960, with government approval, to make adjustments involving the elimination of 1,200,000 spindles and 25,000 looms in ten years. The association has helped a number of firms to close down by providing compensation for the destruction of obsolete machinery and by helping redundant workers to redeploy, for example through the reconversion of enterprises in other sectors of industry.

Special government assistance towards adjustment in the textile industry is at present channelled exclusively through allocations by the Textile Industry Structural and Commercial Modernization Committee (Comité Interprofessionnel de Rénovation des Structures Industrielles et Commerciales de l'Industrie Textile) (CIRIT) from its share of the quasi-fiscal textile levy.

The quasi-fiscal textile levy is charged at the rate of 0.44 per cent of the value of textile products. The annual receipts of the levy amount to some F 70 million and are allocated as to 5/7ths to the Textile Industry Structural and Commercial Modernization Committee (CIRIT). The forms of assistance which the CIRIT is authorized to furnish within the limits of the funds available to it from the above-mentioned quasi-fiscal levy are as follows:

- Assistance towards adjustment consisting of the regrouping of undertakings, generally small or medium sized, by the acceptance of responsibility for part of the non-productive expenditure occasioned by such operations. This type of assistance has been given since 1966.

- Assistance towards rationalization (i.e. encouragement to the closing of marginal production units) by payment of compensation to redundant personnel and contributions to the cost of retraining. This type of assistance has also been given since 1966.

- Assistance in the financing of the activities of certain forms of collective action such as the Economic and Observation Centre, the Fashion Co-ordination organizations and certain studies of a general character.

Based on recent information submitted
From 1971 to 30 June 1974, the CIRIT was authorized to assist in the modernization of production units, mostly small or medium sized. This was really a kind of assistance to adjustment and in no case was its purpose to increase production capacity. Assistance of this type has been discontinued since 1 July 1974.

Contrary to some other European governments, the French Government, notwithstanding the magnitude of the recession which has affected the textile industry since the fourth quarter of 1974, has not felt it necessary to apply a specific programme of assistance to the structural adjustment of this industry or its various branches.

However, the Interministerial Committee for Industrial Structural Adjustment (Comité Interministériel d'Aménagement des Structures Industrielles) set up with a view to helping the French industrial sector as a whole to ride through the recession had to intervene frequently on an ad hoc basis in the textile sector in order to encourage by means of loans from the Economic and Social Development funds, undertakings in difficulty to adjust their structures with a view to adapting to new competitive requirements and maintaining employment.

ITALY

The only adjustment assistance measure for the textile industry taken by the Italian Government is Act No. 1101 of 1971, which provides for State grants to undertakings within an overall maximum of Lit 135 billion, spread over fifteen years. The grants are applied to interest and cover an average of 45 per cent of the investments programmed.

To date, 1,015 applications have been made with a view to restructuring industries or reconverting to non-textile purposes. In all, 384 of these applications have been approved, but so far no grant against the overall maximum referred to above has been made in respect of investments for the years 1972-1974.

Owing to administrative difficulties, it is estimated that the first grants for 1972 will be made at the end of the current year.

Since no new information has been received from the EEC with respect to Italy, what was contained in document COM.TEX/W/25/Corr.1 has therefore been reproduced here.
The following table shows all the investments for which grants have been requested and those which have been approved:

<table>
<thead>
<tr>
<th></th>
<th>Firms</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Planned</td>
</tr>
<tr>
<td>Natural fibres</td>
<td>197</td>
<td>239</td>
</tr>
<tr>
<td>Artificial fibres</td>
<td>62</td>
<td>86</td>
</tr>
<tr>
<td>Re-conversions</td>
<td>93</td>
<td>71</td>
</tr>
<tr>
<td>New plants</td>
<td>32</td>
<td>76</td>
</tr>
</tbody>
</table>

It should be emphasized that this assistance will only be given on condition that it does not lead to the creation of surplus capacity.

**NETHERLANDS**

In 1967 the Netherlands Government decided to grant the cotton, rayon and household linen industries a loan of f. 50 million, guaranteed by the Government, on normal interest and redemption terms, for the period 1968/1970. The purpose was to help to finance the investment programmes of the industries in question, the modernization of their production machinery and the improvement of their competitive power. In view of the long delay in the delivery of the necessary machinery, the period of the loan was extended several times. At the beginning of 1975 it was decided to grant these industries an additional loan of f. 50 million, subject to the condition that the projects for which the loans had been granted should be completed by the end of 1976.

More recently, interventions by the Netherlands Government towards the textiles/clothing industry structural adjustment have mainly taken the form of subsidies to research projects and investments in advance techniques.

Depending upon the specific case, such government subsidies cover 20 per cent or 50 per cent of expenditures for such research based on a programme for the 1974/1977 period: f. 7 million have already been allocated under this programme. In 1975 and 1976 the Government has already undertaken a structural adjustment scheme for the ready-made clothing industry in connexion with the Strucon Institute; f. 25 million have already been allocated to member undertakings.

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1 Based on recent information submitted.
The Cotton Industry Act 1959 was special purpose legislation devised to promote a programme of organized contraction and re-equipment by the United Kingdom Cotton Textile Industry and to empower the Government to provide financial assistance for this programme. Grants were paid to firms for scrapping obsolete equipment and for the installation of modern machinery. Provision was also made for compensating employees displaced as a result of these measures. In all, some £39 million was spent under the terms of the Act of which £25 million was provided by the Government, the balance coming from levies imposed on the industry. The Act is no longer in use and it is intended that it should be repealed. In the wool sector the Government has since 1953 undertaken the printing and despatching of forms and has collected funds to be paid over to the Industry's Research Association. It has also allocated research grants in the knitting, dyeing and finishing sectors. In 1970 a short-term scheme was introduced to provide finance for the medium-sized and smaller firms in the cotton and allied textile industry engaged in modernization. The scheme was terminated in June 1971 after funds totalling approximately £2 million had been committed.

The recent world-wide economic depression led to an exceptionally deep trough in the textile cycle in 1974/1975 and the severe trading difficulties of 1975 forced many mill closures with a consequent decline in employment. The measures the United Kingdom has taken to restructure the industry should be considered against this background.

The structure of the wool textile industry is such that as recently as 1973/1974, 265 firms out of a total of approximately 420 accounted for less than 10 per cent of the industry's output. Such a structure leads to a problem of undue fragmentation since many of these smaller firms are uneconomic and tend to affect the overall profitability of the industry. Against this, however, it must be recognized that independence and diversity are two of the long-standing qualities of the industry and that the industry's well-being requires a reasonable number of small firms because of the need for flexibility and specialized products and services.

The clothing, hosiery and knitwear industries have similar structures to the wool textile industry, i.e., a few large firms and a great many small ones. Once again this is both the strength and the weakness of the industry.

The man-made fibre spinning and weaving of man-made fibres and cotton has a different structure. In addition to a number of major companies there are a large number of smaller companies. The very difficult trading conditions in the United Kingdom in 1975 have resulted in a significant number of mill closures and companies going out of business.

Based on recent information submitted.
**Aims of specific schemes:** The need to take account of changing conditions has led to the recent Industry Act schemes for the wool textile and clothing sectors with the aim of encouraging and assisting the process of adaptation which has been brought about by market forces. This adaptation has also been aided by Regional Assistance which is generally available to industries in Assisted Areas (i.e. Development Areas, Special Development Areas and Intermediate Areas). The majority of the clothing and textile industry is situated in these Assisted Areas and is thus able to benefit from this type of assistance.

The two Industry Act schemes mentioned in Section B below have more specific purposes and one of the aims of both schemes is the restructuring of, and rationalization within, these industries but without an overall increase in capacity. In the wool textile scheme structural change was seen as taking two forms, a reduction in the number of establishments (rationalization of production) and a reduction in the number of organizations (take-overs, mergers, amalgamations). The objective of the clothing scheme is to improve the industrial and commercial structure of the industry by actively encouraging a greater concentration of activity in more efficient units and the restructuring and reorganization within firms without an overall increase in the capacity of the industry.

**Length of programme:** The Wool Textile Scheme was announced in July 1973 and applications had to be received by 31 December 1975; applicants have until 31 December 1977 to complete approved projects. The Clothing Scheme was announced in October 1975. Applications must be submitted by the end of 1976 and projects completed by 31 December 1978.

**Types of finance:** The various forms of regional assistance i.e. Regional Development Grants (RDG), Loans, Interest Relief Grants (IRG) and Removal Grants are not aimed at restructuring purposes as such. They are for renewal of plant, machinery and buildings, or for establishment in, or removal to, an Assisted Area etc.

Part of the Wool Textile Scheme was the provision of low interest loans or IRG's for projects which involved elements of restructuring or rationalization e.g. the concentration on one site of a firm's production facilities and the merger of two or more firms along with the rationalization of their production.

The Clothing Scheme provides grants towards consultancy fees, grants towards the cost of investment projects as well as loans or IRG's towards projects involving restructuring or reorganization.

**Achievements to date:** On general regional assistance to textiles and clothing during the year ended 31 March 1975 RDG's of £8.8 million were paid on expenditure of £86.8 million to clothing, textile and footwear firms out of a total to all industries of grants of £212.8 million paid on expenditure of £1,032.3 million. Loans, IRG's and Removal Grants to clothing, textile and footwear firms amounted to £4.3 million out of a total of £69.2 million.
On the Wool Textile Scheme, modernization of plant and machinery and housing it in modern or modernized buildings has been the major result bringing about investment in plant and machinery of £59 million and in building works of £22 million over the period 1974-1977. By 31 March 1976 grants of £7 million had been paid on about £33 million of this investment. The total Government expenditure under the Wool Textile Scheme in respect of capital investment will amount to about £16 million. Under the part of the Wool Textile Scheme aimed specifically at restructuring (Category 3) there were eleven applications of which eight represented rationalization. These eleven involved expenditure of about £1.5 million on which IRG's of £0.5 million will be paid. In addition some re-equipment/rebuilding projects (Category 2) also involved rationalization through concentration of production on fewer sites. A further part of the scheme has encouraged smaller uneconomic firms to cease production and this has resulted in the closure of some ninety firms or production units.

Under the investment assistance part of the Clothing Scheme, applications based on expenditure of £15.8 million have so far been received. Six offers have been made comprising £195,500 in re-equipment grants and £20,500 in IRG's, the latter towards a project involving restructuring. Actual payments amount to £8,900 so far.

The assistance given to the textile and clothing industries under the Industry Act, particularly that under specific schemes, illustrates how far the United Kingdom has implemented the Multi-Fibre Arrangement in terms of restructuring its industry.

Other possible industry schemes: The Economic Development Committee for Wool Textiles has recently put forward proposals for assistance towards further restructuring in the Wool Textile industry and these are currently being considered by the Department. From among the other sectors of the United Kingdom textile industry the representative organization for the cotton and man-made fibre sector of the textile industry (the British Textile Employers Association) has prepared a case for assistance to this sector of the industry through an industry act scheme. In addition the British Jersey Fabric Board has recently also put forward a case for an industry scheme as has the Flaxspinners and Manufacturers Association of Great Britain. These are all under consideration.

GHANA

No adjustment assistance measures are applied in the textile industry which is still at a very rudimentary stage of development.

HONG KONG

No adjustment assistance measures are in force.
Historical review

Before World War II, and also later, during the two postwar decades, the textile industry had been in the Hungarian economy one of the most significant industrial branches which manufactured export products. In the other branches of the industry there had not been adequate development. In all other industrial branches - and this applies also to the field of textiles - the quantitative growth of the production was of primary importance, and not a co-ordinated production of up-to-date articles which would have satisfied both the internal and external markets even in the long run.

During the postwar decades the total light industry had only a small scale share of the industrial investments. The following figures were recorded:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1955</td>
<td>5 per cent</td>
</tr>
<tr>
<td>1960</td>
<td>8 per cent</td>
</tr>
<tr>
<td>1965</td>
<td>9 per cent</td>
</tr>
<tr>
<td>1970</td>
<td>10 per cent</td>
</tr>
</tbody>
</table>

Of the total investments in the light industry, only 4 per cent was for the textile and clothing industry. Of the net national products manufactured by the industry, in 1970 14 per cent fell on the clothing industry, and only 8 per cent was the share of this branch in the industrial fixed assets. The high rate of outdated machinery, and the low rate of sorting out the old machines was so to say characteristic of those times. Consequently, the productivity fell much behind an average industrial output.

In spite of the low technical level, there was an ever increasing labour demand in the textile and clothing industry but this problem could be temporarily solved through the reorganization and the mechanization of the agriculture and by setting to work always more and more unskilled female hands.

The necessity and realization of the reconstruction in the textile industry

The determined extent of a rise in living standards, as well as the ever increasing demand for Hungarian textile products on behalf of Hungary's foreign economic partners made imperative the modernization also of the textile and clothing industry.

1Reproduced from document COM.TEX/1/25, Add.1.
It has come to the reconstruction of the textile industry during the Fourth Five-Year Plan of 1971-1975, and it will continue within the frame of the Fifth Five-Year Plan, in the period of 1976-1980. The value of the investments foreseen for the modernization of this industrial branch, and for the realization of the programme, comes to some Ft 30 milliard, and out of this, developments in the value of some Ft 14-15 milliard have so far been realized in the period of 1971-1975.

As a result of the reconstruction, the light industry had in 1973 a share of 13.2 per cent (Ft 5.1 milliard) in the total of the industrial investments, and within this ratio, Ft 3 milliard fell on the investments in the textile and clothing industry. In 1974 the share of the light industry, in the total of the industrial investments was 15.1 per cent (Ft 6.3 milliard) and within this ratio, investments in the value of Ft 3.5 milliard were realized in the clothing industry. It is expected that by the end of 1975 the value of the investments will come to Ft 3.2 milliard. As a result of the investments a growth was recorded in respect of the fixed assets which were in operation in the light industry, and in 1973 13.2 per cent of the total of the industrial fixed assets - with the exception of those of the food industry - fell on the light industry. On the national economy level there has been an ever-growing volume of investments, from which in 1974 13.4 per cent was for the stock of fixed assets operating in the light industry, and by the end of 1975 the rate of 13.3 per cent will be expected.

In the early seventies, it was not possible any more to redirect labour from the agriculture to the industry. Also the female labour reserves got exhausted, and since 1973 a gradually increasing labour shortage has been recorded in all the sectors of the textile industry. In accordance with the Government's social political programme young mothers get infant care allowance during three years. This, and also other important benefits granted to female labour has affected in particular the manpower employed in the light industry, and has led to a decrease in female labour in the field of the production. Only with new, up-to-date machinery and through the increase of the productivity could the reconstruction and also the development of the production be realized.

Resources for the reconstruction

Under the Fourth Five-Year Plan three resources serve to realize the development of the textile industry, as per following rates: 30 per cent from the profits accumulated with the plants (some Ft 5.4 milliard), 50 per cent from bank credits, (some Ft 6 milliard), and 20 per cent (some Ft 1.6 milliard) from budgetary assistance which is practically concentrated on the erection of new plants. The reconstruction is based fundamentally on the own resources of the producing enterprises, with the aim to promote the manufacture of up-to-date products within the frame of the market oriented, and independent decision-making system of the companies.
Some practical aspects of the development of the Hungarian textile and textile clothing industry

The Hungarian producing companies and co-operatives are present on the world market in cooperation with the foreign trading companies, a cooperation based on profit-sharing contracts. The foreign trade informs the industry about the impulses of the markets, bears influence on the trends of industrial development, and from time to time even contributes financially to the modernization of the production from the profit accumulated with the foreign trading companies.

In our reply given to the all-round inquiries of the Textile Agreement we do not mean the "assistance" given to the foreign trading companies, but that given to the producing companies. In Hungary, on basis of the State and co-operative ownership, not only the development resources of the textile industry, but also those of the other industrial branches are the same, namely the profit accumulated with the plants, the bank credit and the budgetary assistance. As in the last analysis the development of other industrial branches takes place from these same three resources, - when speaking of the total industrial economic structure, we cannot say that in the course of the development preference is given to the textile industry. The mere fact that the development figures in the Government programme, shows that certain bank credits are earmarked for the realization of the development scheme. In other words, when categorizing the credits, preference is given to those credit applications which are submitted for the realization of a certain special development figuring in the Government programme.

Still, when categorizing the applications for credit, decisive factors are: the creditability of the companies, the aims of the production, the volume and structure of products scheduled for production, the production value and also the marketing programme.

In case of investment credits received in forint, the interest rates are generally the following: long-term credit up to ten years 8 per cent per annum, medium-term credit up to five years 9 per cent per annum. Apart from these there is also the system of credits for special purposes. These credits are granted by the bank in foreign currency for certain investments, at the current rate of interest of the foreign currency concerned. Credit of this kind shall be repaid by the company in foreign currency.

Budgetary assistance plays only a complementary rôle in investments for the reconstruction of the textile industry.

Such assistances are given either in the form of direct grants, i.e. the company pays only a certain percentage as investment contribution or on a repayment basis in which case the company gets partial or total remission on its
profit tax. In both cases the company undertakes contractual obligations towards the bank to fulfil certain definite targets (production volume, sales volume). 60 per cent of company funds accumulated from redemption may be used for development and 40 per cent has to be paid to the treasury.

Accumulated profits of the manufacturing companies have been used up to a large extent for reconstruction purposes. On the other hand, changes in world market prices have had an adverse effect on profits (increases in the price of raw materials are reflected only later and only at a smaller rate in the price of finished products).

In the next five-year period the reconstruction of the textile industry shall be financed mainly through loans.

The extent and direction in which the reconstruction of the textile industry shall be geared in the next period depends on future Government decisions, respectively on budgetary considerations.

Effects of the reconstruction on home production and the structure of imports

In order to reach the targets set by the reconstruction programme, the following conditions have to be met:

1. The obsolete machine park of the entire textile industry (spinning, weaving, knitting, finishing, converting machines) have to be scrapped and new equipment put into consideration.

2. The necessary raw material shall be made available from import.

3. More highly skilled manpower is required to operate the more sophisticated machinery.

So far these conditions have been met only partially and further serious efforts are necessary in order to complete the reconstruction programme.

In certain sectors of the industry, such as knitwear, etc. we expect to import substantial quantities of finished products.

- The plan for 1971-75 envisaged the installation of new spinning machinery with a production capacity equalling 158,000 spindles and also 4,500 automatic weaving machines. Most of this new machinery is already operating. Some major textile mills have shifted to up-to-date knitting technology. The linen and hemp industry has introduced polypropylen fibre production.
- Raw materials for the textile industry are imported mainly from traditional sources, thus cotton from the Soviet Union, synthetic fibre from Poland and the German Democratic Republic but there are also other countries among our important suppliers. Raw materials and other commodities (e.g. cotton and cotton yarn) from developing countries are imported under a preferential system, customs duty on these is 0 to 5 per cent of the usual tariff (e.g. cotton yarn from developed countries is subject to 50 per cent customs duty). Certain ground materials, semi-finished products are purchased against tariff quotas established on basis of the most-favoured-nation clause. Companies importing from developing countries are entitled to financial facilities such as, for instance, lower bank charges on opening L/C, etc. We grant ever increasing chances for more labour intensive products coming from the developing countries.

- It is our aim to shift production in the textile industry - as everywhere else - from extensive to intensive methods. Production of the most labour intensive basic and semi-finished products shows a definite downward tendency owing to labour shortage. Thus, for instance the production of yarn has declined not only in proportion to requirements but also in absolute terms.

This tendency is reflected in growing yarn imports:

<table>
<thead>
<tr>
<th>Year</th>
<th>Metric Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>5,036</td>
</tr>
<tr>
<td>1972</td>
<td>3,856</td>
</tr>
<tr>
<td>1973</td>
<td>6,957</td>
</tr>
<tr>
<td>1974</td>
<td>8,370</td>
</tr>
<tr>
<td>1975</td>
<td>8,700</td>
</tr>
</tbody>
</table>

Long-term plans will have to take into consideration a further decline in the labour force.

- After meeting the requirements of the home market, the textile industry exports about 25-30 per cent of its production, the major part of which goes to socialist countries but sales to markets with convertible currencies are also growing. However, in relation to the total textile imports of the purchasing countries, our exports are not significant.

The data contained in the enclosed tables illustrate changes in home production and turnover.
### Development of Exports in Respect to Some Textile Products

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-member countries of GATT</td>
<td>Member countries of GATT</td>
<td>Non-member countries of GATT</td>
<td>Member countries of GATT</td>
</tr>
<tr>
<td></td>
<td>Q</td>
<td>V</td>
<td>Q</td>
<td>V</td>
</tr>
<tr>
<td>Ready cotton and cotton-type fabrics (in sq. metres)</td>
<td>-</td>
<td>818.9</td>
<td>-</td>
<td>1,227.9</td>
</tr>
<tr>
<td>Ready woollen and wool-type fabrics (in sq. metres)</td>
<td>-</td>
<td>206.6</td>
<td>-</td>
<td>191.6</td>
</tr>
<tr>
<td>Ready rayon and rayon-type fabrics (in sq. metres)</td>
<td>-</td>
<td>214.9</td>
<td>-</td>
<td>182.2</td>
</tr>
<tr>
<td>Under and outerwear articles made of woven fabrics</td>
<td>-</td>
<td>2,567.5</td>
<td>-</td>
<td>1,708.9</td>
</tr>
<tr>
<td>Made of knitted fabrics</td>
<td>-</td>
<td>1,913.8</td>
<td>-</td>
<td>959.2</td>
</tr>
<tr>
<td>Made of knitted fabrics</td>
<td>-</td>
<td>585.6</td>
<td>-</td>
<td>439.4</td>
</tr>
</tbody>
</table>

Q = quantity  
V = value
## Development of Exports in the Clothing Industry as Compared to That of the Total Hungarian Export-Turnover

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports in the clothing industry (Ft milliard); annual growth rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-member countries of GATT</td>
<td>1.73 100</td>
<td>0.97 100</td>
<td>1.74 100</td>
<td>0.97 100</td>
</tr>
<tr>
<td>Member countries of GATT</td>
<td>57.6 100</td>
<td>50.4 100</td>
<td>71.4 123.9</td>
<td>59.9 118.8</td>
</tr>
<tr>
<td>Structure of exports in the clothing industry (expressed in percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-member countries of GATT</td>
<td>64.0 36.0</td>
<td>54.8 45.2</td>
<td>54.0 46.0</td>
<td>45.9 54.1</td>
</tr>
<tr>
<td>Member countries of GATT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure of total Hungarian export (expressed in percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-member countries of GATT</td>
<td>78.6 21.4</td>
<td>54.4 45.6</td>
<td>49.9 50.1</td>
<td>45.8 54.2</td>
</tr>
<tr>
<td>Member countries of GATT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total export in the clothing industry (Ft milliard); annual growth expressed in index percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-member countries of GATT</td>
<td>2.7 100</td>
<td>3.2 117.7</td>
<td>3.8 119.8</td>
<td>4.4 116.0</td>
</tr>
<tr>
<td>Member countries of GATT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Hungarian export (Ft milliard); annual growth expressed in index percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-member countries of GATT</td>
<td>108.0 100</td>
<td>131.3 121.5</td>
<td>159.6 121.6</td>
<td>180.1 112.8</td>
</tr>
<tr>
<td>Member countries of GATT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Development of Imports in Respect to Some Important Textile Raw Materials and Textile Products

(expressed in Ft million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-member countries of GATT</th>
<th>Member countries of GATT</th>
<th>Non-member countries of GATT</th>
<th>Member countries of GATT</th>
<th>Non-member countries of GATT</th>
<th>Member countries of GATT</th>
<th>Non-member countries of GATT</th>
<th>Member countries of GATT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q</td>
<td>V</td>
<td>Q</td>
<td>V</td>
<td>Q</td>
<td>V</td>
<td>Q</td>
<td>V</td>
</tr>
<tr>
<td>1971</td>
<td>Raw cotton (in thousand tons)</td>
<td>36.7</td>
<td>1,005.3</td>
<td>19.0</td>
<td>881.5</td>
<td>41.2</td>
<td>1,140.2</td>
<td>12.6</td>
</tr>
<tr>
<td></td>
<td>Cellulose fibre</td>
<td>9.9</td>
<td>156.1</td>
<td>5.6</td>
<td>155.4</td>
<td>11.1</td>
<td>176.3</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Rayon</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.5</td>
<td>266.1</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>Washed wool</td>
<td>0.2</td>
<td>15.3</td>
<td>2.2</td>
<td>187.7</td>
<td>0.3</td>
<td>21.8</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Wool tops</td>
<td>-</td>
<td>-</td>
<td>1.9</td>
<td>243.6</td>
<td>-</td>
<td>-</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Man-made fibres</td>
<td>-</td>
<td>-</td>
<td>0.9</td>
<td>47.3</td>
<td>-</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>Synthetics</td>
<td>0.3</td>
<td>12.3</td>
<td>3.1</td>
<td>218.4</td>
<td>0.4</td>
<td>14.7</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>Cotton and cotton-type yarns</td>
<td>0.5</td>
<td>21.2</td>
<td>5.0</td>
<td>320.3</td>
<td>0.5</td>
<td>24.2</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Ready cotton and cotton-type fabrics (in sq.m)</td>
<td>-</td>
<td>64.1</td>
<td>-</td>
<td>195.8</td>
<td>-</td>
<td>43.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Ready woollen and woollen-type fabrics</td>
<td>-</td>
<td>117.4</td>
<td>-</td>
<td>332.9</td>
<td>-</td>
<td>57.9</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Ready rayon and rayon-type fabrics</td>
<td>-</td>
<td>20.8</td>
<td>-</td>
<td>26.3</td>
<td>-</td>
<td>46.3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Under- and outerwear articles</td>
<td>-</td>
<td>221.1</td>
<td>-</td>
<td>457.2</td>
<td>-</td>
<td>224.1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Made of woven fabrics</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Made of knitted fabrics</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Q = Quantity  
V = Value
INDIA

Spindleage and loomage capacity in the cotton sector is regulated by the Government, whose prior approval is needed for additional installations. In addition, the Government has encouraged rehabilitation and modernization by allowing a 35 per cent (later 25 per cent) investment tax credit for the purchase of new machinery, and by deferred payment facilities on the purchase of indigenous textile machinery through the Industrial Development Bank. Credit facilities are also available for the purchase of imported machinery by the Industrial Credit and Investment Corporation of India. Loan facilities at concessional rates of interest are made available to the export-oriented mills by the Industrial Finance Corporation. A few units were forced to close down because of obsolete machinery and techniques and so the Government had to step in and take them over. The taken-over mills are managed by the National Textile Corporation Ltd., a public sector organization which has schemes to rehabilitate and organize them.

JAPAN

Under the Provisional Measures for Adjustments of Textile Industry Equipment Act, 1964, the installation of new spindles was prohibited in Japan over a five-year period. The Specific Textile Law, 1966, was followed by the Act on Provisional Measures for Structural Re-organization of Specified Textile Industries, 1967: covering spinning (cotton, man-made and mixed fibres) and weaving (cotton, man-made and silk). The programme has consisted of grants, tax incentives, loans at concessionary rates and credits guaranteed by governmental organizations aimed variously at encouraging the scrapping of old machinery, the modernization of facilities and the integration and concentration of facilities. In 1969 the knitting, dyeing and finishing industries were brought under a similar programme. The Textile Industry Rationalization Agency has been created to administer these programmes with capital contributed by the Government.

The Japanese Government took special relief measures to alleviate the acute predicament met by the textile industries mainly as a result of the export restraint against the United States. The measures included purchase supported partially by the Government fund of production equipment of textile falling into surplus as the result of export restraint and financing of longer-term as well as short-term loans. These relief measures, which were to be carried out from 1971 to 1973, included:

(i) government expenditure totalling ¥ 48.9 billion (about US$163 million, USS1 = ¥ 300) for the support of the purchase of surplus equipment; and

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2 Reproduced from COM.TEX/W/25.
(ii) financing facilities to be made available by the Government-supported banking institutions totalling ¥ 131.7 billion (about US$439 million) for the financing of current fund.


The structural re-organization based upon the 1967 Act pursued scale merit, renewal of facilities, and mergers of small enterprises etc., to change labour-intensive textile industries into capital-intensive ones. The new structural re-organization based upon the 1974 Act, however, aims at developing information-intensive textile industries in the light of the drastic changes in the international and domestic circumstances such as recent stagnation of exports and sudden increase of imports etc.

The aim of the 1974 Act on Provisional Measures for Structural Re-organization of Textile Industries is to promote structural re-organization in the textile industries and to contribute to healthy development of the national economy as a whole by adopting measures needed to develop new products and new techniques, to modernize equipment and to achieve optimal scale and methods of production and management. In fiscal 1975, the Minister of International Trade and Industry received seventy-six applications from enterprises for its approval, of which thirty-three were approved and given financial assistance. Thus, the structural re-organization measures, based on the 1974 Act, have been encouraging the textile industries to be viable as a more sophisticated industry by strengthening their competitiveness in the field of promising products.

Recently, the textile industries in Japan have been in austere circumstances in which they have been losing international competitiveness in the face of a severe competition from developing countries and, furthermore, suffering from the recession due to the oil crisis, resulting in an increase in the number of bankruptcies.

The Textile Industries Council, an advisory body to the Minister of International Trade and Industry which consists of experts from private sector, has been studying further measures to promote the industrial re-organization envisaged in the 1974 Act and to cope with the structural problems they face in a spirit of self-help. The Council has been studying the possibility to distinguish clearly those which cannot cope with international competition from those which can survive with greater efforts and to encourage the former to move into other sectors of economy.
There has been no restriction in Japan on the imports from developing countries of textile products covered by the MFA countries.

The import of textile products from developing countries (excluding centrally-planned economy countries) has recently accounted for about 50 per cent of the total imports of textile products as below.

**Textile imports from developing countries**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>(Per cent of the total imports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>5260 million</td>
<td>(48 per cent)</td>
</tr>
<tr>
<td>1973</td>
<td>6982 million</td>
<td>(57 per cent)</td>
</tr>
<tr>
<td>1974</td>
<td>6988 million</td>
<td>(54 per cent)</td>
</tr>
<tr>
<td>1975</td>
<td>6699 million</td>
<td>(51 per cent)</td>
</tr>
</tbody>
</table>

The decline of imports in 1975 resulted from the recession but the long-term trend in the imports of textile products from developing countries is an upward one.

According to the report of the Industrial Structure Council, an advisory body to the Minister of International Trade and Industry, it is estimated that import ratio\(^1\) of textile products will be from 10 per cent in 1975 to 20 per cent in 1980 and 25 per cent in 1985.

**REPUBLIC OF KOREA**

Since 1960 the Government of the Republic of Korea has occasionally assisted the cotton textile industry by making loans of scarce foreign exchange by the acquisition of modern textile machinery meeting criteria aimed at avoiding excess capacity and at installing equipment designed to produce for export rather than for import substitution.

The Government assistance to the Cotton Textile Industry is nominal and it is limited to reduction of some customs tariffs on the imported raw material for re-export purpose and provision for short-term credit.

**NORWAY**

In 1975 the Norwegian Government introduced a selective policy instrument for the clothing industry. A programme concentrated on export promotion and education was formed. As part of this programme the Government renders assistance to export promotion projects which last up to three years, by covering 50 per cent of the promotion costs.

\[^1\] Import ratio = \(\frac{\text{Import}}{\text{Production - Export - Import}}\)

\[^2\] Reproduced from COM.TEX/V/25

\[^3\] New information received
A selective policy instrument for the textile industry has been introduced in 1976 with the same objectives and practical measures as the programme for the clothing industry. Nkr 10 million (Nkr 5 million to each industry) have been put at their disposal by the Government through the Industrial Readjustment Fund (Omstillingsfondet) for the year 1976. In this amount various training projects are included.

**PAKISTAN**

Cotton textiles is the biggest sector of manufacturing industries in Pakistan with over 3.4 million spindles and 29,000 looms. The share of the manufacturing sector in GNP in 1974-75 was 15.2 per cent (11.7 per cent of large scale and 3.5 per cent of small scale). Cotton textiles accounted for about 30 per cent of the share of the manufacturing sector in the GNP. The textile sector employs almost half the labour force in major industrial establishments. The labour engaged in power-looms, hand looms, and ancillary textile industries is even more than that employed in mills. Therefore, in large scale as well as small industry, textile industry is the biggest employer.

Cotton textiles is the biggest source of foreign exchange earnings to the country. Twenty-nine per cent of Pakistan's total export earnings are contributed by the cotton textile Group. Pakistan occupies an important place among the developing countries exporting textiles. It is the largest exporter of cotton yarn in the world. Pakistan is ideally suited for development of textile industry because it possesses the necessary resources, such as basic raw materials and technical skills, to give it a definite comparative advantage in the production of cotton textiles. It is accordingly entitled to better and expanding export outlets.

The textile industry, which is an export-oriented industry, has been facing a difficult situation since 1973-74, due to international recession. Pakistan's exports of cotton yarn declined from 183,000 tons in 1972-1973 to 76,000 tons in 1974-75. Similarly, cotton cloth exports also decreased from 77,000 tons in 1972-73 to 59,000 tons in 1974-75. This decline in cotton textile exports has dealt a serious blow to the industry. Out of the total 160 units, 43 units were partially or totally closed by the end of 1975. By April 1976, idle capacity had increased to about 600,000 spindles (out of a total of 3.4 million) and 4,000 looms (out of a total of 29,000). One third of the 58,000 power-looms in the non-mill sector were similarly closed. Consequently, cotton yarn output has gone down from 387,000 tons in 1973 to the level of 354,000 tons in 1975. The output of cotton cloth has declined from 92,000 tons in 1973 to 83,000 tons in 1975.

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1 Based on recent information submitted
The Government of Pakistan took the following adjustment measures to minimize losses incurred by the industry and to promote exports of cotton textiles:

(a) The export duty on cotton yarn and cotton cloth was abolished in August 1974 which resulted in a revenue loss of Rs. 300 million.

(b) Government sponsored financial institutions had to reschedule the loans advanced to the textile units.

(c) Workers laid off due to total or partial closure of the textile units are compensated to avoid serious social repercussions.

In the normal circumstances the installation of additional looms and spindles requires the prior approval and sanction of the Government. Government approval is also necessary for replacement, balancing and modernization of existing textile units, which is encouraged as a conscious government policy. Loan facilities at concessional rates of interest from the Industrial Development Bank of Pakistan and from the Pakistan Industrial Credit and Investment Corporation, both of foreign and local currency are available for new units as well as for replacement, balancing and modernization.

POLAND

The textile and clothing industry in Poland represents an important branch of the national economy. Its development is conditioned by the needs of the country and is carried out in compliance with the general provisions of the development plans of the Polish economy as set out in the national economic plans. Over the last fifteen years the textile and clothing industry in Poland has focused, in conformity with the requirements of the domestic market and with a view to dynamically increasing trade with abroad, on the development of the production capacity for the clothing manufacture both from knit goods and woven fabrics. With the rising national income and with the growing standard of living of the population the social demand was during this period directed and continues to be directed towards high quality products. This trend is accompanied by increased investments in the clothing and knitting industry through both modernization and expansion of existing plants and construction of new plants.

The increasing production potential found in the years 1965-1975 is reflected in an over 3-times growth of sales of ready-made clothing and knitted manufactures. These sales accounted for (at selling prices from the producers in billions of zlotys):

<table>
<thead>
<tr>
<th>Year</th>
<th>1965</th>
<th>1970</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.9</td>
<td>32.9</td>
<td>63.9</td>
</tr>
</tbody>
</table>

1New information received
With the aim to safeguard an appropriate raw-material basis for production in the clothing industry Poland has been developing imports of both the raw-materials and semi-manufactures, accelerating its purchases from the developing countries.

Notwithstanding a rapid growth of consumption of synthetic raw-materials in the years 1965-1975, also the consumption of natural raw-material increased substantially: of cotton from 143 thousand tons in 1965 to 193 thousand tons in 1976, of wool from 22 thousand tons in 1965 to 35 thousand tons in 1975.

The imports of semi-manufactured and ready-made textiles from the developing countries increased in the same period 15-times (in million zlotys) as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>1965</th>
<th>1970</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.2</td>
<td>53.6</td>
<td>184.6</td>
</tr>
</tbody>
</table>

The import items of semi-manufactures are mainly cotton yarn and raw cotton fabrics.

With regard to ready-made products the imports consisted of silk fabrics, knitted woollen fabrics, cotton fabrics and, in the recent years, of clothing manufactures like shirts and pyjamas.

The investment programmes during the years 1976-1980 provide for further expansion in imports, in particular of those from the developing countries, of semi-manufactures made from natural raw-materials as well as of ready-made textiles, especially of cotton fabrics.

**SPAIN**

Although imports of textiles into Spain have shown a continuous increase, the sector has been, and still is, a net exporter of products of the textile industry, of which its own is typical, generally speaking, of a developing country. This dual aspect, and the fact that it was established more than a century ago, made it essential to undertake a restructuring of the textile industry in order both to improve its efficiency and to ensure that its products were competitive at the international level.

That is the reason why, as far back as the decade from 1950 to 1960, a study was made of the possibility of modernizing the cotton and wool sub-sectors. This led to the First Restructuring Plan for the Cotton Industry in 1960 and for the Woollen Industry in 1964, designed to increase productivity by the modernization of industrial plant and machinery and the concentration of small undertakings into major ones. For this purpose imports of capital goods were facilitated and foreign capital investment was authorized without restriction. At the same time minimum investment levels were fixed.

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1. Based on recent information submitted
Later on, the Optional Plan for the Restructuring of the Cotton Textile Industry was drawn up by the industry itself and approved by the Government in 1969, with the aim of increasing productivity and achieving greater concentration mainly by closing marginal undertakings. This Plan led to the elimination of 9,898 looms (112 per cent of forecast), 213,214 spindles (71 per cent of the maximum forecast) and to the retraining of 11,006 workers who were transferred to other sectors of production. The Plan was financed jointly and equally by the Government and those undertakings which continued in production. The latter were obliged to give priority in employment to workers who had lost their jobs as a consequence of the application of the Plan, and they were not allowed to engage new workers until all those had been absorbed. As regards proposed labour policy measures, the most noteworthy include the reduction by five years of the age of retirement, the grant to workers retired or laid off of compensation of twenty days real wages for each year of service, and the provision of insurance benefit equivalent to 90 per cent of real wages for a maximum period of eighteen months. The number of undertakings which closed down completely was 146, while another forty-three closed down a part of their activities. Of this total of 189 undertakings, thirteen were engaged in spinning, seventeen in spinning and weaving and 159 in weaving.

Six years after the introduction of this Plan, it was felt necessary to carry out a more extensive reconstruction and so on 3 April 1975, Decree 693 was issued establishing a new Plan entitled "Plan for the Modernization and Regulation of the Cotton Process Textile Sector". This Plan continued the work begun in 1969, but with the following differences:

(a) it is broader in scope, since it covers not only the cotton industry but also what remains of the cotton process textile sector, namely, those undertakings using a manufacturing process similar to that for cotton;

(b) it has no date of expiry;

(c) no figure is laid down for the number of production units to be closed.

The first period for the submission of applications was from 10 August 1975 to the following 15 October.

But modernization of the sector did not have to be confined to the cotton sub-sector. It was felt necessary to institute at the same time a reorganization of the woollen industry in order to bring it more up to date. For this purpose the woollen textile sector initiated reconstruction measures through its Plan for the Restructuring and Regulation of the Woollen Textile Industry, approved by Decree 694 of 3 April 1975.
This Plan represents an innovation for the sector. Its aims are quantified and in maximum figures amount to: the elimination of 200 combing machines, 7,000 carding spindles, 60,000 yarn spindles and 1,300 looms, and the reduction of the present labour force in the sector by 5,500. The cost is estimated at Ptas 1,800 million.

Applications for acceptance as a beneficiary of the Restructuring Plan were to be submitted from 4 August 1975 to 31 December 1976.

Thus, in 1976 three plans were in effect for restructuring the textile production sector: Restructuring Plan for the cotton processing textile industry, Restructuring Plan for the wool processing industry and Restructuring Plan for the silk and continuous fibre processing textile industry.

As at 30 June 1976, implementation of these plans had yielded the following results:

Restructuring Plan for the Cotton Textile Processing Industry

This Plan was approved under Decree No. 693 of 3 April 1975 and its implementation can be considered to have begun on 29 July 1975. Up to 30 June 1976 the results were as follows:

Out of thirty-one requests for acceptance as a beneficiary under the Plan twenty-two were accepted of which fifteen for complete closure and seven for partial closure. The nine applications not accepted were either refused or withdrawn.

Number of persons affected:

1,022 workers were affected by the accepted applications. Applications affecting 412 additional workers are pending.

Machinery affected:

To date 30,272 spindles and 72 looms have been scrapped. Pending scrapping, 4,000 spindles and thirty-two looms have been taken out of operation.

Restructuring Plan for the Wool Processing Textile Industry

This Plan was approved under Decree No. 694 of 3 April 1975. Up to 30 June 1976 the results obtained from implementation of the Plan were as follows:

Applications:

Eighty-nine applications were presented, of which eighty-four were accepted, three were withdrawn and two were refused. Of the eighty-four applications accepted, seventy-three were for complete closure and eleven for partial closure.
Number of persons affected:

3,459 workers were affected, including 1,694 men and 1,765 women.

Machinery affected:

201 combing machines, 12,836 carding spindles, 39,741 yarn spindles and 623 looms have been scrapped.

Restructuring Plan for the Silk Textile Industry

This Plan was approved under Royal Decree No. 1243 of 7 May 1976 and supplementary orders by the Ministry of Labour dated 28 July 1976 and 29 July 1976.

It does not affect the entire silk and continuous fibre sector but only silk spinning in the strict sense, weaving in its various forms, narrow fabrics, trimmings and embroidery industry in the field of special manufactures and woven goods. It is expected that the following results will be achieved:

Number of persons affected:

Approximately 3,000 workers, representing 18.7 per cent of the labour force in the sector.

Machinery scrapped:

Spinning industry: spinning machines of various kinds, representing a total of approximately 1,120 thread extremities.

Weaving industry: 3,800 looms with a total of 5,000 metres of combing capacity, in addition to 250 spooler pins, 3,000 winder pins and fifty warpers.

Narrow fabrics industry:

680 looms of various types, 45,000 braiding spindles, 5,100 lacemaking spindles and various machinery for the manufacture of trimmings.

SRI LANKA

No adjustment assistance measures are applied on textiles.
Based on proposals that were made by an ad hoc commission, the Government adopted measures in 1970 and 1971 aimed at the integration, concentration, rationalization and readjustment of firms in the textile and clothing industries and the stimulation of exports. The governmental measures fell under three categories, export promotion, conversion support and educational and management training. These measures included grants and credit guarantees.

In 1975 it was decided that the aforementioned measures, which were initially established for a period of four years, should continue for a further period of two years as concerns the conversion support and educational programmes and three years as concerns the export promotion programme. The governmental funds used for these three programmes during the period 1970/71-1974/75 amount to SKr 51.3 million. The programmes for conversion support and education have been further extended for one more year until the end of fiscal year 1977-78 and these two programmes have been merged into one single programme as from 1976-77. Also the funds made available for the three-year period ending 1977-78 have been increased by SKr 15.5 million, which means that total funds set aside for these programmes during this period amount to SKr 44 million.

The principal aim of the conversion support measures is to stimulate expanding enterprises to utilize consultants to investigate methodically all possibilities of amalgamating (with or without partial or total purchasing) with other, economically weak and less competitive firms. Other amalgamations may take the form of co-operation agreements, the establishment of a joint marketing company, etc. The investigations can also concern structural adjustments within the enterprises, primarily those of an organizational nature, including the need for specialization. With few exceptions grants are approved to cover not more than 50 per cent of the total cost of consultant investigations.

The educational programme is designed to stimulate development in the principal spheres of company management and finance, production and marketing, personnel management and co-operation. The programme includes courses and conferences which are free of charge for participants. During the first four years of the programme 295 courses and conferences have been held with a total of 6,866 persons at all levels participating.

The aim of the export promotion programme is to facilitate structural adjustment in the textile and clothing industry by stimulating export of textile products. The programme shall be concentrated on progressive enterprises. Export projects which promote a better structure of the industry should be given priority, for example joint export actions. The support for projects can only be considered for covering initial expenses. In this context grants can be paid to cover not more than 50 per cent of total costs for market analyses, marketing planning, and product adjustment. Support can also be granted for collective activities such as fashion displays.

1Based on recent information submitted
In addition to the measures mentioned above, certain governmental credit support measures in the form of i.a. depreciation loans were introduced in 1972 to secure the supply of essential textiles in case Sweden was cut off from its present sources of supply. The objective is to initiate investments which are necessary from the supply point of view. The companies which benefit from the credit support are according to agreements with the National Board of Economic Defence obliged to maintain a certain production or production capacity. The governmental funds spent so far on this type of loan amount to SKr 64.2 million.

Moreover, the government quite recently has presented proposals for further government adjustment assistance measures within the textile and clothing industries. The main element in these new proposals is a special two-year programme of rationalization within the ready-made clothing industry. The aim of the proposed programme is to encourage the introduction of new production techniques through support for investments increasing productivity grants for the use of consultants at the introduction of new production techniques and increased support for research development. The support for investments increasing productivity is proposed to take place in the form of special depreciation loans. When applications for such loans are examined, special attention is supposed to be given to the possibilities for long term and stable access to markets for the product areas concerned.

In order to ensure sufficient strategic resources within the country for spinning and weaving of textiles, certain governmental support measures in the form of depreciation loans and other loan facilities are included in the new government proposals. These new measures are intended to complement the measures mentioned before, and aim at securing the supply of essential textiles in case Sweden was cut off from its present sources of supply.

As to the special request to importing participating countries to supply information demonstrating achievements in terms of Article 1:4 of the Textiles Arrangement - i.e. policies to encourage business which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries - the following observations may be made in addition to the information already provided.

One of the principal aims of the government measures specifically directed towards the textile and clothing industries in Sweden is to encourage the companies to concentrate their production to product areas where they will have possibilities of being competitive. The adjustment measures are not intended as a means of preserving such companies which cannot compete without government support in the form of trade policy measures or other measures. This means that the aim of these adjustment measures in Sweden is in line with the principles in Article 1:4 of the Textiles Arrangement.
Special studies have been made to describe the experience gained so far of the measures mentioned above. The evaluations made indicate that company behaviour has been favourably affected in several respects. This would seem to be the case especially as concerns the programme of management training and the conversion support programme.

As to the programme of management training, the findings indicate that educational measures have had favourable effects on the companies taking part. More positive attitudes can be observed towards questions of education and development and greater attention is paid to financial, administrative and product engineering problems of the companies concerned. Furthermore, the companies have shown greater willingness to deal with their problems according to the methods learned on training courses and at conferences.

Among the results obtained from the evaluation of the conversion support programme, which provides for financial support for consultant investigations concerning both adjustments within individual firms and various kinds of collaboration between firms, the following may be noted. Of the total amount spent on adjustment within individual firms, 39 per cent went to projects which would not otherwise have materialized and 37 per cent went to projects which would otherwise have been conducted on a smaller scale. Thus three quarters of the total amount spent on individual projects appear to have influenced the action taken by companies. Adjustment projects of simpler kinds, mainly concerning product rationalization, predominated among the individual projects, but almost half of the total amount spent went to projects with more thoroughgoing adjustment, for instance concerning company management. Three quarters of the companies involved stated that supported projects had resulted in a certain or substantial improvement of their profitability and competitive status. Support for joint projects have materialized on a far smaller scale than might have been expected. On the other hand, this kind of support plays an important role once a company has realized that it needs to widen its product range and to raise its output capacity etc., and is considering a merger or the acquisition of other companies as a possible alternative.

The main example of policies in Sweden designed to facilitate for business to abandon non-profitable sectors and to move into other more profitable sectors of the economy is the extensive government funds spent on an active labour market and regional policy. The measures within this framework are available to assist industrial adjustment generally and no specific evaluation has yet been made to measure the effects of these measures in the textile and clothing industries. The decrease in employment within the textile and clothing industries, which earlier to a large extent took place within regions with a comparatively diversified industrial life, is now occurring mainly within areas with a relatively one-sided industrial life. With the purpose of restricting the negative effects on employment in areas dominated by the textile and clothing industries, the government is offering companies, willing to establish themselves in these areas, localization support and possibilities of using their investments fund whereby new jobs have been created within other branches of the economy.
TURKEY

With Government encouragement the textile and clothing industries have been expanding rapidly in Turkey. In the knitted, clothing, cotton and some worsteds sectors there are counterpart investment allowances, the percentage depending upon the particular area in question. There are also customs duty deferral facilities for up to five years at advantageous interest rates, as well as total exemption from duties in the case of some new cotton spinning plants.

UNITED STATES

The United States does not have a government adjustment assistance programme directed specifically at the textile and clothing industries.

B. Government measures to assist industrial adjustment generally

In addition to the specific measures summarized in the preceding section, many governments have maintained adjustment assistance programmes aimed at industry generally. These frequently benefit the textile and clothing industries.

AUSTRALIA

In April 1974 the Government adopted a long-term programme of assistance to individuals and firms affected by structural changes resulting from the transfer of resources from one use to another. The scheme provides for a range of measures in specific relationship with the actions of the Government or some special circumstances.

The forms of special assistance for firms include (i) closure compensation which is broadly 85 per cent of loss on sale of assets; (ii) granting of half of the consultancy costs up to a maximum of $10,000; and (iii) guaranteeing of 90 per cent of loans meant for viable restructuring programme in line with Government's intentions in relation to the use of national resources.

Individuals affected by structural change and who satisfy eligibility criteria may be paid income maintenance for a period of six months up to the level of his average earnings (excluding overtime as from 19 January 1975) in the previous six months but not in excess of one and a half times the national average weekly earning.

1 Reproduced from document COM.TEX/W/25.
2 Reproduced from document COM.TEX/W/25, see footnote on Page 1.
rate. (Such income maintenance is distinct and separate from unemployment benefits - a person receiving income maintenance is not eligible for unemployment benefit.) The person is also eligible to apply for retraining and/or relocation assistance. An important feature of the adjustment assistance scheme is that it is flexible enough to enable owners of small-scale enterprises to be treated as employees if they wish.

The Government has also implemented a programme of special assistance to non-metropolitan manufacturing firms designed to alleviate the short-term problems of industrial employment which have developed recently in some country towns. This programme primarily takes the form of direct payment of subsidies to firms for sustaining or phasing out of existing production and employment. In special cases where eligible firms face immediate liquidity problems, an interim grant in the form of a lump sum pre-payment of subsidy may be made.

Other forms of assistance are capital grants, feasibility study grants, subsidies for commuters and loan guarantees. Assistance is restricted to the same prescribed cases as the general structural adjustment assistance programme and is conditional on the firms which are being helped participating in industry restructuring wherever feasible.

Other forms of financial assistance of a generalized nature provided by the Australian Government include:

- the Industrial Research and Development Grant Scheme designed to encourage industrial innovation and technological capability;
- Visiting Industrial Experts Grants Scheme to assist manufacturers meet the cost of employing overseas industrial experts;
- assistance to the Inventors Association of Australia Ltd., to help stimulate the flow of private inventions available to industry;
- inter-firm comparisons to enable firms to compare its performance with norms for the industry;
- grants to the Industrial Design Council of Australia; and
- grants to the Standards Association of Australia to promote standardization in industry.

The structural adjustment assistance programme (both SAA and SANMA) applies generally to all industries affected by one of the prescribed cases. However, in the case of the recent extension to the 18 April 1975 for the closing date of receipt of applications based on the 25 per cent tariff cut and the lifting of textile quotas, applications in the metropolitan areas were confined to individuals and firms who had been affected by the Government's decisions as they affected the textile, apparel and footwear industries.
The SANMA programme (Special Assistance to Non-Metropolitan Areas) is designed to assist localized employment problems in some non-metropolitan areas. Insofar as the textile and clothing industries have been significantly affected by Government tariff actions, and that a significant part of these industries are located outside metropolitan areas, they have consequently been a major recipient of the special assistance under this programme.

Funds for structural adjustment programme are provided by Parliamentary appropriation under the normal Appropriation Act. Other funds are available through specific legislation or Departmental appropriation to cover general measures of financial assistance.

Assistance to firms under the structural adjustment assistance programme (SAA and SANMA) had totalled approximately $A 7 million by the end of March 1975.

In addition, various Federal bodies currently provide financial assistance to the Australian manufacturing industry. The integrated nature of the schemes preclude a separation of expenditure into either conversion or modernization of industries. Those schemes (and 1974/1975 expenditures to 31 March 1975) are as follows:

- Industrial Research and Development Grants Scheme ($9,238,217)
- Visiting Industrial Experts Scheme ($ nil)
- Industrial Design Council of Australia ($316,689).

In addition, other Australian Government agencies such as CSIRO and National Small Business Bureau, and the Standards Association of Australia provide assistance of a non-pecuniary nature.

Expenditure for 1974/1975 to date on the three schemes providing social assistance is:

- Regional Employment Development Scheme ($9,586,913)
- National Employment and Training Scheme ($10,678,711)
- Structural Adjustment Assistance Scheme - income maintenance scheme ($21,791,766).

The Government is keeping under continuing consideration the appropriateness of current criteria and measures for adjustment assistance and the possible desirability of developing new techniques and measures as circumstances develop. Such changes in circumstances would include changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries.
Normally, under the structural adjustment assistance programme applications are to be received for one year only after a particular government action or other event has been prescribed. Terminal dates for application (including extensions in several cases) are prescribed in each case separately.

The administrative task in relation to the many applications which have been received following the 25 per cent reduction in tariffs has been considerable. A general problem which has arisen is that in some cases it has not always been easy to clearly distinguish the prime cause for the retrenchment of an employee or the financial difficulties of a firm. Another cause of concern is the existing relation between income maintenance and unemployment benefit and other normal social security benefits. An examination of this and related aspects is currently being undertaken.

AUSTRIA

In the absence of specific measures to facilitate structural adjustment in the textile and apparel industries, the firms of this segment are entitled to benefit from the measures taken by the Austrian Government in favour of industry as a whole. In order to facilitate the financing of investments and structural adjustments, to develop, to rationalize and to improve the productivity of the Austrian economy and the mobility of labour, a number of acts include, inter alia, provisions for speeded-up depreciation allowances, investment reserves, the fiscal treatment of undistributed profits, the reduction of Corporation Tax, the improvement of economic structures in the smaller industries and trades, the support of investment serving development and re-equipment, the promotion of research and competition, active labour market policies and financing facilities.

Achievements in terms of Article 1:4 of the Arrangement are described in Section G below.

CANADA

In addition to the measures under the new textile and clothing policy adopted in 1970, Canadian firms have been able to benefit from the General Adjustment Assistance Programme (1968) which was set up to assist firms generally to adjust to new trading patterns resulting from the Kennedy Round tariff negotiations in GATT. This Programme provides for governmental loan guarantees to assist re-structuring plans considered sound, as well as grants for hiring consultants to help devise such plans. In 1970 the Programme to Enhance Productivity was introduced to aid in this latter activity.

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1 Reproduced from document COM.TEX/w/25
2 Based on recent information submitted.
The Manpower Adjustment Programme (1965) and the Manpower Mobility Programme (1967) are designed to facilitate the retraining and relocation of workers.

Research has been stimulated (formerly by tax deductions and now by special grants) under the Industrial Research and Development Incentives Programme, the Programme for the Advancement of Industrial Technology and the Industrial Research Assistance Programme, as well as through the efforts of the National Research Council which, along with the Ontario Research Foundation and some universities, is equipped to help certain textile firms on an ad hoc basis. The Programme for the Advancement of Industrial Technology is a shared-risk scheme set up in 1970.

The textile and clothing industries are also eligible for assistance under the Regional Economic Expansion Act. While this Programme is basically designed to encourage regional development by means of grants for new plants and for expansion of existing operations, the textile and clothing industries also utilize it in such a process to modernize and integrate their facilities. The provinces of Ontario and Quebec also have adjustment assistance programmes.

**EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES**

Regulation No. 724/75 of the Council of 18 March 1975 establishing a European Regional Development Fund provides for the setting up of a Community system of incentives to regional development encouraging investment in industrial or service activities as well as in the infrastructures necessary for development of those activities, in regions and areas characterized in particular by disequilibrium resulting from agricultural predominance, industrial mutations or structural unemployment.

**FRANCE**

Although there are no specific programmes for adjustment assistance, the textile and clothing industries have benefited from measures for regional adjustment. Under the regional aid programme there are credit facilities and equipment premiums to promote the economic development of the various regions. The industrial reconversion programme under the ERP fund provides for certain credit facilities for reconversion operations.

**FEDERAL REPUBLIC OF GERMANY**

Whereas no specific adjustment assistance programmes have been established, the German textile and clothing industries have continued to benefit from measures directed towards industrial adjustment generally. The Programme for Reorganizational Purposes, set up in 1968, has provided special credit facilities with a view to the restructuring which internal and external competition oblige.

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1. Reproduced from document COM.TEX/W/25
undertakings to carry out as well as promoting regional economic development. Concessionary loans and guarantees for rationalization projects have also been available from some of the Laender governments. Tax relief has been extended for the conversion of the form of enterprises as well as for mergers. In addition, the dispersal of fixed assets in favour of new facilities has benefited from fiscal incentives. Priority has been given to small and medium-sized enterprises, of which there are an especially large number in the textile and clothing industries. Subsidies have been made available to non-profit industrial research associations. There has also been set up an Institution for the Rationalization of the German Economy (EKW). Labour mobility has been sought through a Labour Promotion Law aimed at assisting the adjustment of older workers or those difficult to place as a result of technological progress.

NETHERLANDS

Apart from the sectoral measures already described, it is possible for the Netherlands Government to take measures of the same kind (State-guaranteed credits at normal rates of interest) to help individual firms experiencing special difficulties (it has done so in the past in the case of firms in the cotton and clothing industries). It is only exceptionally that the textile sector has benefited from regional assistance.

ITALY

Up to the introduction of Act No. 1101 on the textile industry, textile firms in Italy benefited extensively from assistance on a regional basis. This assistance is given as a part of a complicated group of measures that include credits on favourable terms and tax advantages.

UNITED KINGDOM

Under the United Kingdom's Regional Industrial Policy, preferential measures of Government assistance are available to industry expanding or developing in the assisted areas. These include grants, loans, Government advance factories for sale or rent within some cases rent-free periods, and in special development and development areas the regional employment premium. Certain free training services are also available. Under measures to eliminate surplus industrial capacity, several schemes in the wool-combing industry have provided corporation tax exemptions for contributions to a central fund for scrapping and replacing plants. Research has been supported in industry generally by means of levies in the sector concerned.

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The Industry Act 1972 provides financial assistance to industry in certain regions of Great Britain (Assisted Areas) and elsewhere. Where the textile and clothing industries are situated in Assisted Areas they are eligible to benefit from this assistance along with other industries. In addition there are specific schemes of assistance to certain industries. Industrial Training is mainly self-financed from levies payable to the separate Industrial Training Boards. The Government expenditure shown in Section A thus represents only a limited proportion of total expenditure on training and the share of these grants which benefits the textile and clothing industries is unlikely to be larger than the proportion of total employment which is accounted for by these industries. In the year ended 31 March 1975 grants of £7.9 million were paid out to all industries (a breakdown by industries (SIC orders) is not undertaken).

DENMARK

Although there have been no adjustment assistance programmes directed specifically at the Danish textile and clothing industries, regional development measures have been established to provide loan guarantees and financial facilities to industry generally. In addition, plans for the modernization and rationalization of handicraft and smaller industries can benefit from government loans. Under the Vocational Training for Unskilled Workers Act (1960) the needs of individual industrial sectors are examined with a view to preparing training courses for unskilled individuals. The textile and clothing industries have continued to benefit from these measures.

IRELAND

There are no special adjustment assistance measures for the textile and clothing industries, but the latter has continued to benefit from the measures applicable to industry in general. One of the principal forms of such aids is the re-equipment subsidies scheme, under the Industrial Development Act, 1969.

Under other forms of aid, technical assistance credits are granted covering 50 per cent of the cost of employing management advisers, with a view to improving the productivity of individual undertakings.

For small and medium-sized undertakings a similar service is furnished by the Irish Productivity Centre (partly financed by the State).

Since 1963, the Textiles Division of the Institute for Industrial Research and Standards has been encouraging modernization and development in the textile and clothing sectors by furnishing facilities for experience, technical assistance and the development of new products and processes.

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1 Reproduced from document COM.TEX/11/36
In addition undertakings, which contribute in the amount of 1 per cent of wages paid can receive credits under the Vocational Training Programme introduced in 1970 by the Industrial Training Authority (AnCO).

FINLAND

No specific measures of adjustment have been adopted for the textile and clothing industry in Finland, but the branch derives partial advantage from the governmental support aimed to industry generally. Particularly the textile and clothing industry can be seen to benefit from the measures to support export activity, to promote research and development (R & D), to encourage investment, to promote small and medium-sized industry as well as different kinds of measures to promote the industry in the developing areas.

The share of exports in Finnish textile industry is roughly 30 per cent and it has been steadily increasing. Tariffs and other barriers to international trade gradually falling off, the textile industry has been forced to adjust itself to the increasing competition in the international markets. The governmental support to the marketing of export products as well as export exhibitions and campaigns have promoted the export efforts in the textile industry and assisted adjustment in the changing circumstances.

Support to R & D activities is made available to industries generally. The share of textile and clothing industry of this support has, however, remained comparatively small and amounted to only 1.8 per cent (which is about Fmk 2.3 million) during 1967-1974. In the selection of R & D projects consideration is given inter alia to the exporting opportunities of the products to be created to their innovational value, the share of domestic inputs involved, to the availability of raw materials and to aspects related to environmental protection. The maximum share financed by the State is one half of the direct costs resulting from an R & D project.

Investment loans at subsidized interest rate are granted to industry to be used for financing the construction of industrial buildings and the acquisition of machinery and equipment. In connexion with loan decisions consideration is devoted especially to such aspects of investment projects as the branch rationalization, improvement of productivity and profitability, the raising of international competitiveness of industry and savings in the use of energy. The share of the textile and clothing industry of the loans granted has been (in 1974) less than 3 per cent.

For the small-sized industries located outside the developing areas, loans are made available at a subsidized interest rate. The loans are granted for investments to establish a new enterprise or to expand or develop an existing one. Loans to the textile and clothing industry are granted more than three times as
much as investment loans mentioned above and the share of the textile and clothing industry of the total amount of loans has amounted (in 1974) to 11.7 per cent. Also the State guarantees on loans granted by banks and other financing sources are available for small and medium-sized industries.

The textile industry established in the developing areas (about 20 per cent of the textile industry in the whole country counted on the basis of employees) enjoys a different kind of adjustment assistance aimed to industry in these areas. The loans for investments to start, expand or develop an enterprise in a developing area may be accepted as interest subsidized developing area loans. Further, according to the developing area legislation, firms in developing areas are exempt from property tax as well as from stamp duties. The financial support for the productive activity in the developing areas assists the industry to adjust itself to problems relating to availability of skilled labour force. Accelerated depreciations are applied only in the developing areas and they constitute a part of the tax reliefs available to industry for expanding capacity and creating new jobs in these areas. Finally, a specialized credit institution called the Regional Development Fund Ltd. grants loans principally for small and medium-sized industries in the developing areas, acquires shares in a company whenever financing of this form is regarded as important, as well as participates in the financing of industrial estates in developing areas.

JAPAN

One of the fundamental characteristics of the industrial structure in Japan is the existence of a great number of small and medium-sized enterprises. The textile industries consist mainly of small and medium-sized enterprises. Modernization of their facilities, optimization of scale, rationalization of management, technical progress, business conversion etc. are the basic problems of the Fundamental Act of 1963 on the small and medium-sized enterprises. Many of them give favourable treatment to textile and clothing industries.

The Act on the Promotion of Modernizing the Small and Medium-sized Enterprises was passed in 1963 with a view to helping the small and medium-sized enterprises modernize their facilities and was revised in 1969, and in 1974.

The 1974 Act even deals with some development plans in new fields including disposal programmes of surplus facilities. In the latter half of the 1960's, the 1963 Act was applied to most of the small and medium-sized textile industries, including weaving, knitting and apparel industries, but the 1974 Act only deals with rope manufactures (mainly synthetic ropes) on account of the application of the 1974 Act on Provisional Measures for Structural Re-organization of Textile Industries.

\(^1\)Reproduced from document COM.TEX/W/25.
The international monetary crisis of 1971 resulted in the enactment of the Act on Provisional Measures for the small and medium-sized enterprises for the implementation of adjustment measures in international economy. (Period 1971-1976.) The Act aims at stabilizing management and smoothing business conversion against the fluctuation of exchange rates and deals with some assistance measures such as recognition of conversion programmes, special treatment in taxation, etc. This Act covers various fields of textile industries.

In 1973, the Government passed the Act on Provisional Measures for small and medium-sized enterprises concerning preferential tariff measures to smooth the business conversion and modernization of the small and medium-sized enterprises seriously affected by the sudden increase of import caused by the preferential treatment. (The Act has not been used for small and medium-sized textile enterprises yet.)

With regard to specific measures in taxation for helping business conversion, a fund was established for the preparation of structural re-organization, in accordance with the Act on the Fund assistance for the modernization of the small and medium-sized enterprises.

Specific measures of accelerated depreciation were also adopted for the depreciation of equipment to be disposed of in business conversion based upon the programme of business conversion recognized by the Government in accordance with the 1971 Act on provisional measures for the small and medium-sized enterprises for the Implementation of Adjustment Measures in International Economy and the 1973 Act on Provisional Measures for small and medium-sized enterprises concerning preferential tariff measures.

The structural re-organization measures of the 1974 Act include favourable treatment in taxation (accelerated depreciation) as well as loans from the Corporation for the Promotion of the Small and Medium-Sized Enterprises and the Japan Development Bank.

NORWAY

No specific programmes have been adopted in Norway, but general measures were adopted in 1963 to support industrial reconversion. Long-term mortgage loans are available, as are guarantees by the State Guarantee Fund for Industry (Tiltaksfondet). Manpower mobility generally has been fostered by the State Labour Agency through assistance to actually or potentially unemployed workers as well as through training schemes. Vocational training grants are provided under a regional development fund set up in 1971, as a compensation for certain relocation and running-in costs. There is also an institute, established in 1965,
that extends medium-term loans aimed at promoting industrial research and development. Due to the general economic recession, the Norwegian Government has initiated preventive measures with the aim of minimizing unemployment. These measures have also been applied to the textile and clothing industries. It is, however, difficult to quantify the effects.

PAKISTAN

The Government of Pakistan allows tax concessions to encourage establishment of industries in the backward regions of the country. This concession is also available to the textiles industry. Moreover, the National Investment Trust and Investment Corporation, can also aid adjustment by helping to finance local currency requirements through underwriting or by participating in joint-stock companies.

SPAIN

Under the Rationalization Plan aimed at industry generally, workers in the textile and clothing industries can be included in measures aimed at retraining manpower and at increasing unemployment and retirement compensation. This is in addition to the specific reorganization steps described in the preceding section.

These are adjustment measures aimed at industry generally, but which can also benefit the textile industry. They have been introduced over a period of years and nearly all of them are of a fiscal nature.

The aim of these measures is to encourage the rationalization of industry and the promotion of economic development; the most important of them are the following:

1. Tax incentives for the concentration and restructuring of firms engaged in industry and trade, granted by the Ministry of Finance after a specific study of each case.

Among these the following should be mentioned:

(a) A reduction in or exemption from the "general tax on transfers and legal instruments", for instruments and documents executed in connexion with company concentrations and restructuring.

(b) A reduction in the "general company tax" in the case of the surplus values that may result from concentration or integration.

(c) A rebate of up to 90 per cent on the "tax on capital income" if reserves generated by surplus values resulting from concentration are distributed.

1 Reproduced from document COM.TEX/W/25
(d) A reduction in the turnover tax levied on capital equipment and tools on first installation and in the "fiscal licence" during the period when this equipment is being installed.

(e) A reduction of up to 95 per cent on the "tax on capital income" on the product or interest of loans issued by firms to finance new physical investment in sectors of the economy considered to be of clear importance to development.

2. In addition to the advantages mentioned above, which may be regarded as exceptional, there is also the general incentive to investment provided by a reduction in the "general company tax" and the "industrial tax profits schedule" in cases where undistributed profits are used to create an investment reserve or "Investment Reserve Fund".

3. Permission for accelerated depreciation in the case of industries belonging to sectors that have been given a preferential status.

4. Temporary fiscal benefits (in connexion with the "general company tax" and the "industrial tax profits schedule" in the case of investments which, though originally intended for the expansion of economic activities) (Decree of 1 December 1971) subsequently provided as indirect stimulus to industrial adjustment.

5. Certain fiscal advantages granted to industries located in "poles, zones, and polygons of promotion and development" introduced with a view to promoting the economic advancement of depressed areas, or to industries belonging to sectors classified as "priority sectors", or forming part of the "concerted action" between industry in a particular sector and the government.

6. The other aids to investment have been of a less direct kind, but their effects will undoubtedly have been felt in the sectors concerned. One example has been the government policy for the vocational training or reconversion of labour so that it can be transferred to the more important sectors of the economy.

SWEDEN

One of the general measures is the establishment in 1967 of the national investment bank with the aim to assist in financing - on commercial terms - especially such investment projects that aim at rationalization, structural adjustment and development. With regard to research and development the Board for Technical Development (STU) was set up to promote research and development through existing or new techniques, to support technical innovations and to raise the general level of technology through grants or concessionary loans.

1. Reproduced from document COM.TEX/w/25
In addition to the above-mentioned measures it should be mentioned that Government credit guarantees are available for small and medium-sized enterprises. Recently there has also been established a system for credit guarantees aimed at facilitating the structural transformation within some industries, among them the textile and clothing industries.

Mention could also be made of labour market and regional policy measures since these measures too are of importance for the development within the textile and clothing industry.

In Sweden the greatest importance has been attached to manpower policy measures, i.e., assistance to labour. This assistance is mainly in the form of labour training and stimulation of mobility. To stimulate mobility different kinds of grants are given to labour. The main objective of these measures is to facilitate geographic mobility. The total expenditure on mobility stimulation, not only to the manufacturing industry, was SKr 55 million during the fiscal year 1972/1973. The labour training has its importance as a means of fighting unemployment caused by structural changes, but it is also important as a means of support for those who have no previous professional experience, the handicapped and others. During 1973, 26,000 persons of the manufacturing industry participated in labour training. The total expenditure on labour training, not only to the manufacturing industry, was SKr 790 million during the fiscal year 1972/1973.

In addition to the direct measures to labour there are in Sweden also measures aimed at assisting individual firms. These measures are also to the greatest extent based on manpower considerations. Of greatest importance in this context is the regional development assistance which is intended to facilitate the establishment and extension of industry in certain areas. The different forms of assistance are regional support, training grants and employment premiums. Regional development assistance to the textile and clothing industry between 1968-1973 amounted approximately to SKr 135 million (of which regional grants were SKr 17 million; regional loans SKr 47 million; training grants SKr 66 million and employment premiums SKr 5 million).

TURKEY

In addition to the investment allowances and customs duty concessions described in the preceding section, Turkish textile and clothing firms can obtain credit from the Investment Bank. There are also funds allocated for industrial modernization under the Five Year Plan and the 1968 and 1969 Programme. Acceleration depreciation allowances are provided and there have been tax reductions in certain less-developed departments to encourage investment. The National Productivity Centre has made available the results of technical research; and retraining courses are organized in the factories.

1Reproduced from document COM.TEX/w/25
Trade adjustment assistance for firms and workers was established by the Trade Act of 1974 to provide adjustment assistance for firms that have had adverse effects on their business because of increased imports and to help workers who become totally or partially unemployed as a result of increased imports. The objective of the Act is to facilitate the orderly transfer of resources to alternative uses and help in making an adjustment to new conditions of competition. A petition for certification of eligibility to apply for adjustment assistance may be filed by any firm, group of workers or their authorized representative.

The Secretary of Commerce certifies a firm is eligible for assistance and the Secretary of Labour certifies workers as eligible for benefits if they determine:

1. that a significant number or proportion of workers in a particular firm or sub-division have become totally or partially separated, or are so threatened,
2. that sales or production, or both, of such firm or sub-division have decreased absolutely,
3. that increases in imports of articles like or directly competitive with articles produced by such workers "contributed importantly"2 to such total or partial separation, or threat thereof, and to such decline in sales or production.

If a firm is found eligible to apply for adjustment assistance it will receive technical or financial assistance or both from the Economic Development Administration.

Economic Development Administration technical assistance may be furnished by Federal agencies or through private individuals, firms and institutions. When furnished through private sources, not more than 75 per cent of the cost may be borne by the United States.

A loan guarantee shall not exceed 90 per cent of the loan balance. Guaranteed loans are limited to $3 million and shall have interest rates no higher than the maximum established for guaranteed loans made under section 7(a) of the Small Business Act.

1"New information received.
2"contributed importantly" means a cause which is important but not necessarily more important than any other cause.
Direct loans shall not amount to more than one million for any one firm. The interest rate shall be determined by taking into consideration the cost of borrowing to the United States, plus an added amount to cover administrative cost and probable loss under the programme.

If a worker is found eligible to apply for adjustment assistance he may receive weekly payments which, when added to State Unemployment Insurance payments to which a worker is entitled, equal 70 per cent of the average weekly wage before his employment was disrupted by import competition.

The maximum allowance that a worker can receive can be no greater than the national average weekly wage in manufacturing. A worker may receive such allowances for up to fifty-two weeks, unless the worker exceeds sixty years of age, in which case he may receive an additional twenty-six weeks of allowances.

The programme also assists workers to regain satisfactory employment through the use of a full range of manpower services and, if needed, job search and relocation allowances.

### SUMMARY OF TRADE ADJUSTMENT ASSISTANCE

**CASES FOR THE TEXTILE AND APPAREL INDUSTRY**

<table>
<thead>
<tr>
<th>Firms</th>
<th>Petitions accepted</th>
<th>Petitions certified eligible</th>
<th>Petitions withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIC - 22 - Textiles</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SIC - 23 - Apparel</td>
<td>10</td>
<td>9</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workers</th>
<th>Certified</th>
<th>Denied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Petitions</td>
<td>Est. No. Workers</td>
</tr>
<tr>
<td>SIC - 22 - Textiles</td>
<td>9</td>
<td>925</td>
</tr>
<tr>
<td>SIC - 23 - Apparel</td>
<td>133</td>
<td>32,878</td>
</tr>
</tbody>
</table>

C. **Measures taken by the textile and clothing industries themselves**

In addition to the governmental steps specifically directed at the textile and clothing industries or aimed at industry generally, in a number of countries there have been adjustment assistance measures carried out by associations or firms themselves. In many such instances it may be noted, however, that the cost of their implementation is largely financed by governments, and that the latter have generally supported such efforts.

Summarized below are the non-governmental measures in the textile and clothing industries.
AUSTRALIA

No specific steps have been taken by industry itself, which could strictly be regarded as adjustment assistance measures in the sense intended by the questionnaire. Industries, through their associations, and through consultative bodies between industry and Government such as the existing industry panels, do assist adjustment by encouraging desirable efficiency, modernization and rationalization. There is a continuing process carried on by individual firms themselves whereby many firms, in some cases following particular Government action, are taking steps to rationalize and restructure their operations.

AUSTRIA

In addition to the aforementioned Government assistance measures taken in favour of industry generally, measures have been carried out by the Austrian textile and clothing industries themselves to get adjusted to the changed pattern of international trade in textiles. In doing so, substantial investments were made by these industries. Such investments amounted to S 1,545 million in 1972, to S 1,689 million in 1973 and to S 1,537 million in 1974. In 1975 investments decline to only S 1,164 million because of the deteriorating earnings performance of the Austrian textile and clothing industries.

The textile and apparel industries have also benefited from the State-supported activities of the Fibre Research Institute, the Carpet Research Institute and the Association for the Promotion of Research and Development in the Textile Industries.

In 1951, the Fibre Research Institute was founded, whose work, under Government authorization, relates to the whole field of textiles. The Institute's activities embrace pure research and the entire area of textile testing. Research and development projects include, inter alia, investigations of specific chemical quality tests and research into the strength of single fibres. In addition to extensive serial analyses in the course of quality testing, the Institute engages in counselling and issues expert opinions.

In 1967, the Austrian Carpet Research Institute was founded. The Institute watches developments in the field of research and development equipment relating to textile floor coverings, and elaborates testing methods and procedures for such products.

The Association for the Promotion of Research and Development in the Textile Industries was founded in 1954 for the purpose of promoting, inter alia, research and developmental work in the scientific - technical and economic - technical field of the textile and allied industries, for giving information on related matters, for the provision of analyses, expertises and other inquiries, for the procurement and dissemination of scientific - technical and social findings concerning the textile and allied industries, and the editing of publications suitable for the promotion and development of these industries.

1 Reproduced from document COM.TEX/W/25.
2 Based on recent information submitted.
Within the framework of the adjustment measures taken by the textile and clothing industries themselves efforts have also been made to move into more viable lines of production, for example by curtailing production of products which are imported at low prices in increasing quantities, and by shifting the emphasis to products hitherto playing a less important role in the firms overall production, but for which a ready consumer market still existed, or by including new products in the production programme. Experience has shown, however, that in many cases where manufacturers had shifted production to products selling readily at the time the change-over was made, market conditions soon deteriorated because of substantial increases in low-priced imports of such products.

Even greater and in most cases insurmountable difficulties have been encountered by firms which endeavoured to move into other sectors of the economy. The machinery and equipment of factories of the textiles and clothing sector, for example spinning, weaving, knitting, embroidering, finishing, cutting and sewing machines, being unsuitable for the manufacture of products other than textiles, the factory buildings only can be used if production is to be shifted to other segments of industry, so that as a rule the machinery of firms which are prepared to do so has to be scrapped. The proceeds of the sale of the scrap being much lower than the acquisition cost of the new machinery required for setting up an entirely different industrial production, large additional funds are required which are difficult to obtain. Even if such funds were available, the firms would be confronted with labour problems rendering it equally difficult to move into other sectors of the economy. It is a well-known fact that the textile and clothing industries provide access to the industrial labour force for less skilled workers, the majority of them being female workers. Their employment in more sophisticated industries or sectors of the economy would require qualifications the majority of them do not possess. Moreover, there is only a limited number of sectors besides the textile and clothing industries which are by preference open to female workers. Because of these characteristics of the labour force of the textile and clothing industries, the transfer of their workers to other industries is particularly difficult.

As a result of the aforementioned difficulties in respect of capital and labour requirements, Austrian firms which because of substantially increasing imports of low-priced textiles, the decline in exports and the general business recession discontinued production of textiles, had to be shut down.

In the period from 1 January 1973 to 1 January 1976 the number of factories of the Austrian textile and clothing industries declined from 1,380 to 1,249 or by 9 1/2 per cent. During the same period the number of employees fell from 106,536 to 86,378 or by 19 per cent.

This contraction has caused serious economic and social problems.

Despite rising production costs and the corresponding increase in prices, domestic production of textiles decreased from $32,541 million in 1974 to $29,613 million in 1975, or by 9 per cent.
Imports of textiles including semi-finished products from all sources aggregated £15,487 million in 1974 and £15,617 million in 1975. Whilst total imports have remained stagnant, imports of textiles, mostly finished articles and garments, from the developing countries which are parties to the ARRANGEMENT increased from £982 million in 1974 to £1,104 million in 1975, or by 12.3 per cent. This increased access for textile products from the developing countries has been brought about, inter alia, by the decline in domestic production and in its market share, the liberal quotas and growth rates agreed between Austria and certain developing countries for cotton textiles, and the fact that in respect of articles other fibres than cotton, only woven shirts and blouses from certain sources have so far been included in export restraint agreements. For these products too, liberal export levels are provided in the aforementioned bilateral agreements.

CANADA

While there are no adjustment assistance programmes carried out in Canada by non-profit trade associations, or by firms in co-operation with one another, there has been in recent years a great deal of forward integration, mergers, removal of obsolete equipment and moving out of lines of production that have no prospects of becoming internationally competitive, all of which is resulting in a thorough rationalization of the industry. Industry-sponsored joint research projects are being carried out by non-profit industrial research organizations and a close co-operation, financial and otherwise, exists between the industry and the textile colleges in Canada. Largely as a result of private initiatives the industry has been moving towards a much more capital-intensive structure.

EEC MEMBER STATES

In Belgium, where there is no Government research institute for the textile industry, the "Scientific and Technical Centre for the Belgian Textile Industry" (Centexbel) can occasionally receive indirect State subsidies, partly covering the financing of its research programmes, through the intermediary of the "Scientific, Industrial and Agricultural Research Institute" (IRISIA).

An approved research centre is now in course of establishment; its initial establishment costs will be partly subsidized by the State, while its operating costs will be covered entirely by the industry. This approved centre will replace the one mentioned in the preceding paragraph.

The voluntary conventions financed by the cotton and substitute fibre spinning mills, providing for the scrapping and replacement of obsolete equipment without affording any new production capacity have become outdated and have not been renewed. Nevertheless, this industrial sector as a whole is now observing a tacit rule of restraint by making only rationalization investments that are combined with progressive and continuing reduction of production capacity.

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1 Reproduced from document COM.TEX/W/25.
2 Based on recent information submitted.
In France the Comité Interprofessionnel de Rénovation des structures industrielles et commerciales de l'Industrie Textile (CIRIT), which benefits from a government-collected levy as indicated in a preceding section, makes grants for a joint industrial centre to conduct business studies in the sector, for costs connected with mergers or internal reorganizations aimed at structural rationalization, and for shutting-down operations aimed at streamlining operations. The CIRIT also makes grants to the Comité de la mode for its activities in the field of fashion and design, and ensures that redundant workers are compensated for the loss of employment. It is noteworthy that with government consent it has been possible for a professional group in the cotton textile industry, financed by professional bodies themselves, to take effective action during the closing down of weaving mills and spinning mills, particularly in the period up to the 1965 crisis. Research and development have been encouraged by the State-supported French Textiles Institute and its affiliated Joint Research Centres.

At the level of professional associations, the Textile Industry Structural and Commercial Modernization Committee (Comité Interprofessionnel de Rénovation de l'Industrie textile (CIRIT)), set up in 1960, continued its sectoral interventions over the last two years with a view to encouraging the necessary structural adjustment of its industrial apparatus, mainly by assuming part of the non-productive expenditures resulting from such operations.

Interventions by this body were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Structural adjustments (F'000)</th>
<th>Productivity improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>7,720</td>
<td>3,288</td>
</tr>
<tr>
<td>1974</td>
<td>5,903</td>
<td>1,137</td>
</tr>
<tr>
<td>1975</td>
<td>13,441</td>
<td>117</td>
</tr>
</tbody>
</table>

A Board for Rationalization of the German Economy has been formed in the Federal Republic of Germany by the trade unions and interested firms with government contributions to promote rationalization schemes. There have also been joint research projects, promoted by federal funds, which are conducted by non-profit industrial research associations.

The cotton industry in the Netherlands\(^2\) engaged in a very thorough rationalization without financial aid from the Government until 1967, at which time State credits were made available to enable the industry to improve its competitive position. In this connexion, the industry itself has established an export promotion foundation which conducts market analyses and consults with fashion assistance to elimination of non-productive marginal undertakings.

\(^1\)Reproduced from document COM.TIL/3/w/25.

\(^2\)Reproduced from document COM.TIL/3/w/25.
institutes in following fashion and design trends. In occasional collaboration with scientific research institutions, institutes (including the Netherlands Textile Institute) carry out retraining courses, as do the larger textile mills themselves. There is also the Applied Scientific Research Organization (TNO), a non-profit body supported by voluntary contributions and by State subsidies in addition to the consultancy fees received by the organization for its services in this field.

At the request of the United Kingdom Government, the Textile Council in 1966 made suggestions for increasing productivity and efficiency in the industry. In 1969 the Council recommended more competition, and asked for Government protection and financial assistance for restructuring the industry. Research in the industry has been encouraged through levies and through grants to research associations, which also do consultancy work for firms on a fee basis. In 1961 the Rayon Research Association and the Cotton Industry Research Association merged to form the Cotton, Silk and Man-Made Fibre Research Association (the "Shirley Institute"). In the other sectors there are the Wool Industry Research Association and the Hosiery and Allied Textile Research Association. In addition there are Industrial Training Boards (ITBs) in the following sectors: cotton and allied textiles; wool, jute and flax; carpets; knitting and lace; and man-made fibres production. There is also the Northern Ireland Textile ITB.

Since 1973 the Textiles Division of the Institute for Industrial Research and Standards has promoted technological modernization and development in the Irish textile and clothing sectors by providing testing facilities, technical consultancy and the development of new products and processes.

JAPAN

In 1967, in accordance with the Act on Provisional Measures for Structural Re-organization of Specified Textile Industries, Japanese spinners on their responsibility decided to dismantle surplus facilities. A total of 1,120,000 spindles were bought up and disposed of including 920,000 spindles of those who went out of business and 280,000 spindles from those who decided to scrap spindles. The cost required to buy up the surplus facilities was shared by the remaining spinners in accordance with the respective number of spindles possessed. These remaining spinners totalled 242 companies. The total amount they spent for this purpose was ¥ 29 billion. The textile industries have been carrying out obligatory disposal of surplus facilities in accordance with the Act on the organization of the small and medium-sized enterprises. About 40,000 looms are due to be disposed of by the end of 1977. Another adjustment measure pursued under the

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1 Assistance to elimination of non-productive marginal undertakings.
2 Reproduced from document COM.TEX/w/25.
The initiative of the textile industries is the loan system for the joint disposal scheme of surplus facilities by the Corporation for the Promotion of the small and medium-sized enterprises created by the 1971 Act on Provisional Measures for the small and medium-sized enterprises for the Implementation of Adjustment Measures in International Economy.

The purchase of surplus facilities under the initiative of the Government has not been made since the special relief measures concerning the export restraint against the United States for the period 1971-1973. Generally speaking, the structural re-organization of the textile industries has a characteristic of the Government taking the initiative as they mostly consist of the small and medium-sized enterprises. However, each individual textile enterprise is also tackling the disposal problem of surplus facilities on a fairly large scale in the current depression.

NORWAY

Private research institutes have been set up by the trade associations or groups of firms, including those in the textile and clothing industries. These institutes carry out joint research activities that are administered by a Fund for the Promotion of Research.

PAKISTAN

There are institutions in Pakistan carrying out research activities aimed at increased productivity. There are also institutions, such as the Industrial Technical Assistance Centre, polytechnics and technical colleges and training schools. The cotton textile industry has assisted some of these institutions through financial contributions.

SWEDEN

The specific government measures taken towards the textile and clothing industries in Sweden are rather limited in terms of the size of the budget expenditure concerned. The aim of the measures is rather to alleviate and smooth the re-adjustment than to change to main course of developments within the industries concerned. The main responsibility for the adaption to the new pattern of international competition remains with the textile and clothing industries themselves and their own organizations, i.e. in the form of product development, design, export promotion and marketing financing, education, etc. As an example it should be mentioned that the educational programme referred to on page 32 is carried out in collaboration with the Swedish Textile Employers' Association and the Swedish Ready-Made Clothing Employers' Association and that this programme is an addition to the extensive training which for a long time has already been given by the textile and clothing industries' own organizations.

1Reproduced from document COM.TEK/3/1/25
In Switzerland the structural adjustment in the textile and clothing industries is sought and realized without assistance or support by the Government. It is due to private initiatives that within two decades the labour-intensive textile industry was turned into a highly capital intensive branch of the economy. To facilitate adjustment the industry is strongly advocating co-operation between firms, particularly among the small enterprises. As a result of this process an enlargement of the units of production can be observed.

Firms in the clothing industry also give priority to rationalization and modernization projects. A number of manufacturers are engaged in transplanting part of their production to foreign, especially developing countries.

Associations of some sectors of the textile industry have facilitated the removal of obsolete machinery by offering financial aid to factories.

In addition, an agreement has recently been concluded between the Central Associations of employers and wage-earners concerning the guidelines to be followed in the event of closure of undertakings and staffing cuts. This agreement provides a series of concrete measures to be taken in order to ease as much as possible the harmful effects of closure of undertakings and staffing cuts, and to facilitate the re-employment of the workers affected.

This agreement, which at the private level, is part of an overall programme designed to offset the effects of the international economic recession which Switzerland has also been experiencing since 1974. Nevertheless, these measures of a general character are not based on industrial policy considerations. The measures adopted by the Confederation bear in particular on reactivating investment and maintaining an appropriate level of activity in the construction sector, on the development of unemployment insurance and, by an increase in the rate of cover, on adjustment of the conditions of our export credit guarantee scheme to those of our main trading partners.

Lastly, the National Bank has concluded two conventions with Swiss banking circles in order to alleviate the financing difficulties of export industries.

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1 Reproduced from document COM.TEX/W/25
The United States textile and clothing industries have no industry sponsored or organized programmes to encourage structural changes or to provide adjustment assistance. However, under the United States economic system, which leaves to individual firms complete responsibility for production, employment, investment and pricing decisions, the United States textile and clothing industries are clearly taking part in autonomous industrial adjustment processes. Because the production, employment, investment and pricing decisions being made by firms reflect numerous factors: trade patterns, competitive advantage, technical advances, preferences of consumers and users, profit levels, labour, capital and raw material cost trends, aggregate demand levels and government regulations, it is not possible to specify the extent to which the structural changes resulting can be ascribed to the factors contemplated in paragraph 4 of Article 1 of the Arrangement Regarding International Trade in Textiles.

Autonomous forces for structural change in the United States textile and clothing industries will continue in the years ahead. The impact of government regulations on water, noise and air pollution, energy conservation and occupational safety will unquestionably pose difficult challenges for these industries. In addition, the continuing pressure of faster growth in the access imports afforded to our market than in the market itself will increasingly expose United States textile and clothing firms to competition from other countries. These competitive forces and other autonomous processes can be expected, as in the past, to result in actions by United States textile and clothing firms responsive to the objectives of the Arrangement.

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1 New information received