MEASURES OF INDUSTRIAL ADJUSTMENT

Draft for Inclusion in the Study on Textiles

1. The attached draft has been prepared by the secretariat on the basis of information available to it at this time. The intention is that, when completed and modified in the light of additional information, comments by governments and discussion in the Working Party, it will constitute Chapter V of the study. For the planned structure of the study see document TEX/W/6.

2. In its present form the chapter will contain four sections, dealing with (a) governmental measures specifically to assist adjustment in the textile and clothing industries, (b) governmental measures for industrial adjustment in general, (c) measures taken by the textiles and clothing industries themselves and (d) purposes, objectives and effectiveness of these policies and measures.
CHAPTER V

MEASURES OF INDUSTRIAL ADJUSTMENT

To meet the exigencies of changing technology and in the face of increased foreign competition, many countries have, at one time or another during the past decade, been obliged to give attention to the need for industrial adjustment. Efforts have been made towards restructuring the industry through the elimination of excess capacity or obsolete equipment, modernization, concentration, redeployment of workers and promotion of technological research and innovation.

The industry has become increasingly capital intensive and has increasingly assumed the rôle of a multi-fibre and multi-process industry. Large sums of money have been invested in new plants or in the modernization of existing equipment. 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 manufacturing capacity accounted for by the largest undertakings has increased. There has also been a marked reduction in the number of machines, workers and firms, accompanied by a substantial increase in machine and labour productivity. While these objectives have partly been achieved through the interplay of market forces, a major rôle has been played by government policies and measures, and in some countries the textile industry itself has exerted to bring about or quicken the process of change.

Technological research and promotional activities have been accelerated with a view to adjusting production to the constant changes in market requirements. The appearance of new fibres and fibre blends, new finishing processes and other technical innovations has enabled the industry in developed countries to diversify away from lines of production which are faced with severe price competition from abroad. In the cotton sector, pure cotton textile production has declined, but this has been offset to a large extent by increases in the production of blends.

In most countries the textile industry has shown itself to be extremely sensitive to pressures of foreign competition and is ever ready to streamline its processes of production, to take advantage of technological sophistication and to specialize in more profitable lines of production. In some developed countries, where greater reliance is placed on the play of market forces and a liberal foreign trade policy is pursued, governmental assistance to particular industries also tends to be minimal. In these countries, nevertheless, there usually exist governmental adjustment measures to assist industry generally. These measures, aimed at improving efficiency through re-organization, rationalization, relocation of plant, technical research and the retraining of workers, are available to the cotton textile industry and are often found to be of great value.

Some governments have taken measures aimed at stimulating investment in new industries or reorienting existing operations towards more profitable lines of production. These usually take the form of grants and loans, funds to finance
rationalization, mergers and fusions, tax exemption, tax rebate and special depreciation allowances. In addition, technical assistance may be provided to help industry to improve its productive and technological position. Legislation may be available for improving employment opportunities and facilitating labour mobility.

General measures providing for tax advantages, adjustment premiums and equipment credits have proved beneficial to textile firms which have made use of them, as have economic development programmes aimed at increasing industrial activity in depressed areas. Some countries have taken steps to deal with the problems associated with the reallocation of manpower and resources released from the textile industry by the continuing process of restructuring and modernization. Training programmes have generally helped the textile industry by upgrading the skills of labour needed to operate and maintain the modern sophisticated equipment. In some countries the industry has benefited from various governmental research programmes.

Among such general adjustment measures, particularly noteworthy have been those taken by some countries, e.g. Austria, to remove obstacles to economic adjustment needed to meet changes in the market situation. In Canada, as a part of the recently introduced textile policy, the General Adjustment Assistance Programme has been made available to manufacturers of textiles and clothing generally.

As regards measures specifically aimed at assisting adjustment in the textile industry, France, Japan and the United Kingdom, have for several years continued to pursue restructuring measures either by compensating firms for the scrapping of obsolete equipment, helping in modernization or encouraging mergers of firms. In the United Kingdom a scheme adopted in 1970 provided for financial assistance to small and medium-sized firms in the cotton and allied textile industries to carry out modernization and re-equipment projects. In other countries, e.g. the Netherlands, the existing assistance policy has been directed to raising the necessary finance for the required adjustments.

A number of countries have recently commissioned studies to ascertain the need for further adjustments in their textile industry, as well as ways and means to be used. In some cases, measures have been adopted on the basis of such studies, or are being formulated. Most of these adjustment measures are geared to help the textile and clothing industries in general. In 1969, the Spanish Government approved a plan for restructuring the cotton textile industry, which was implemented as from the end of that year. In 1970, Canada adopted a policy of rationalization of the textile and clothing industry involving the restructuring and phasing out of certain lines of production so as to create a situation under which no protection other than by the customs tariff would be needed. A special committee was appointed by the Government of Norway in 1968 to make recommendations on the restructuring of the textile industry and certain proposals were adopted to bring about mergers and re-organization. In 1970/71 the Swedish Government, on the basis of specific proposals of an ad hoc commission, adopted certain measures to assist conversion and development, to support training and research and to facilitate labour and regional policies. The EEC is in the process of evolving a new policy to help
the textile industry to carry out the necessary adjustments in a harmonious way within the framework of the Community. The purpose of this policy is to encourage modernization, restructuring and rationalization in accordance with certain criteria and guidelines. The Finnish Government set up a special committee to look into the adjustment problems of the textile industry. This committee submitted its report in February 1971 and the recommendations are being studied by the Government.

The following sections summarize these measures in each country. Some countries' measures are described in greater detail than others, either because more information is available or because a particular measure or set of measures have required fuller treatment in the present context.¹

¹For a more detailed description of some past measures reference may be made to documents pertaining to the Cotton Textiles Committee (notably COT/W/115 and COT/W/139) and the Ad Hoc Working Party of the Industry Committee on the Textile and Apparel Industries of the OECD (DIE/IND/TE/72, 209 and 210).
A. Government Measures to Assist Adjustment in the Textile Industry

Canada

The Canadian Government adopted a new policy in 1970 designed to rationalize the textile and clothing industries so as to improve their competitive position with regard to foreign producers, both domestically and in the world market. In essence, this has involved efforts to restructure the industry so as to phase out certain product lines. In 1971 the Export and Import Permit Act was amended to permit quantitative limitations on imports under certain conditions. When achieved, however, the restructuring policy would call only for tariffs if and when protection were required. In the event of injury caused by excessively disruptive imports, or threat thereof, provision is made for special temporary governmental protective measures to assist a sector considered to be potentially competitive in the world market. In order to qualify for such assistance the beneficiary industry would have to have drawn up plans for restructuring towards a stronger future competitive position.

Also introduced in 1970, a Fashion Design Assistance Programme has encouraged Canadian fashion designers to show greater initiative and to improve the quality of their products. This Programme has been aimed at enhancing the prestige of Canadian fashions, including textiles and clothing, and at encouraging talented individuals to remain in the industry. In this connexion, grants are available for individual designers to advance their professional training. In addition, Development and Productivity Centres have been set up to diffuse benefits from new technology and new products throughout the Canadian textiles and clothing industry. Funds are also available to assist workers dislocated by the restructuring.

European Economic Community and member States

The Commission of the EEC has thoroughly examined the textile industry within the Common Market, and has evolved certain policy measures at the Community level aimed at assisting structural adjustments. This has reflected the realization that the industry's competitive position would partly depend on technological progress that could be exploited in order to compensate for wage differentials as compared with the industries in some developing countries.

France

The Central Committee 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 Committee has also helped several firms to close down by providing compensation for obsolete machinery as well as by helping redundant workers to redeploy, and has subsidized a joint industrial centre for business studies on the textile and clothing industry devoted specifically to following market trends and making short-term and medium-term forecasts.
In 1965 the French Government, with the agreement of the interested trade circles, issued a decree creating a special renovation fund for the textile industry to be financed by a quasi-fiscal textile tax. The proceeds from this levy are made available to the Comité Interprofessionnel de Rénovation des structures industrielles et commerciales de l'Industrie Textile (CIRIT) and to the French Textiles Institute, both of whose activities are described in a following Section.

**Italy**

The Italian Council of Ministers in 1968 approved draft legislation aimed at improving the competitive position of the industry and the profitability of mills without adding to the already existing surplus production.

**Netherlands**

In 1967 the Government of the Netherlands granted the cotton industry a State credit of Dfl 150 million to finance investment for 1968-1970 (which was subsequently extended to include 1972), aimed at improving its competitive position. The borrowing enterprise has in practice obtained the funds from the government-controlled National Investment Bank, at normal interest rates, with a State guarantee. No provision has been made for compensation for the scrapping of obsolete equipment. Firms in the wool sector have been granted flexible credit facilities at normal interest rates. In both sectors deadlines have been set for structural adjustments required for loan eligibility. In addition, the Government has provided guarantees for short-term commercial loans, and has subsidized textile training schools.

**Finland**

The Finnish Ministry of Trade and Industry set up a Special Committee to examine the adjustment problems of the textile industry. In 1971 the Committee recommended certain measures to improve the competitive position of the textile and clothing sectors. (To date there has been no action taken on the recommendation.)

**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. It has also established the National Industrial Corporation to take over and operate potentially viable mills that are threatened with closure.
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 Reorganization 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, as were the twist yarn, blanket and clothing industries in 1970 and narrow fabrics in 1971. The Textile Industry Rationalization Agency has been created to administer these programmes with capital contributed by the Government.

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 for 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.

Portugal

Tax rebates and loans at the market rate have been granted since 1969 to encourage mergers and concentration in the textile and clothing industries. There are also financial advantages in the form of converting short-term machinery renewal loans from the Commercial Bank into medium or long-term advances.

Spain

In 1960 and 1964 the cotton and wool sectors were made subject to reorganization plans providing for increased productivity through plant and equipment renewal and through the concentration of small firms into larger enterprises. To this end, imports of capital goods have been facilitated and foreign capital investment has been freely permitted. Minimum investment levels have also been set.

Sweden

Based on proposals that had been made by an ad hoc Commission, the Government adopted measures in 1970 and 1971 aimed at the integration, concentration and nationalization of firms in the textile and clothing industries so as to stimulate exports. A system of grants was instituted to permit research by expert consultants and to permit retaining of labour with a view to diversifying employment opportunities in accordance with regional policies. There are also credit guarantees available for commercial loans secured in connexion with capital investment, machinery modernization and plant extension, as well as with the integration and concentration of firms.
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 Kingdom

Under the Cotton Industry Act, 1959 the Government supported the contraction and re-equipment of that sector in an effort to improve the competitive position of British plants on the world market. 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, which were financed by levies on firms in the relevant section of the industry. 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. Since 1970 a new programme has provided financial assistance to small and medium-sized cotton and allied textile firms engaged in modernization. The Government has also supported mergers and amalgamations and the formation of groupings in the industry provided these conform to the policy on restrictive business practices.

United States

Under a 1964 law domestic mills have been able to obtain raw cotton grown in the United States at the world price instead of at the supported price as theretofore. The Government has also aided the clothing industry through the Apparel Research Foundation, which has helped some firms improve their handling and other techniques and has disseminated technological information to the industry.
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

Australian firms have been able to benefit from a special feature of the fiscal system allowing taxable income to be reduced by 20 per cent of the cost of new plant and equipment during the first year of use. This special allowance is in addition to the normal depreciation allowance.

Austria

Whereas no special measures have been adopted in Austria to assist adjustments in the textile and clothing industries, there have been a number of general measures aimed at facilitating investment, easing structural adjustment and promoting economic development. These have included fiscal advantages such as accelerated depreciation allowances, permission to accumulate tax-free investment reserves on non-distributed profits, and corporate tax reductions based on qualifying dividend payments. The Conversion of Resources into Share Capital Act, 1966 grants tax relief as well when a partnership is converted into a corporation. Mergers and acquisitions are able to benefit from tax advantages designed to encourage the formation of larger producing units, although there are certain restrictions on the setting up of cartels.

Government loans at concessionary rates, principally financed by European Recovery ("Marshall") Plan counterpart funds, have also been used to stimulate rationalization through concentration, and especially to finance growth projects designed to increase the production of goods for which demand is rapidly increasing. Subsidies are also available for small and medium-sized firms under the Trades and Structural Improvement Act, 1969. Labour mobility, including resettlement and retraining, are also assisted by governmental measures, including grants where necessary. By means of the Industrial Research Promotion Fund, research has been promoted on technical processes and materials testing. It is noteworthy that the spinning and weaving sectors are expected to be particularly affected when the turnover tax is replaced by a value-added tax in 1973.

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 restructuring plans considered sound, as well as grants for hiring consultants to help devise such plans. In 1970 the
Programme to Enforce Productivity was introduced to aid in this latter activity.

Under the Manpower Adjustment Programme (1965) textile and clothing workers displaced by import competition can obtain financial assistance in the event of early retirement. The Manpower Mobility Programme (1967) is designed to facilitate the relocation and retraining of workers.

Research has been stimulated (formerly by tax deductions and now by special grants) under the Industrial Research and Development Incentives Programme 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. New or expanded firms in certain designated regions of slow economic growth or chronic unemployment can seek federal grants or income tax credits. The Provinces of Ontario and Quebec also have adjustment assistance programmes.

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.

European Economic Community and member States

In addition to its examination of the EEC textile industry noted earlier, a general Community measure, the Funds Social Européen Renové, is expected to facilitate manpower conversions in that industry as in others, under criteria established by the Commission.

Belgium

In the absence of special adjustment assistance schemes for the textile and clothing sectors in Belgium, there have been a number of general measures directed at fostering productive industrial investments. Under 1959 and 1971 legislation to promote economic expansion, tax incentives, concessionary loans and government guarantees are provided for the formation, extension, conversion and modernization of industrial firms as well as small firms and craft enterprises. Fiscal incentives including accelerated depreciation allowances have operated to encourage mergers and research; and partial interest rebates can be allowed as well as exemption from anticipatory real property taxes. Under 1962 legislation the National Investment Corporation can participate in new or expanding enterprises, their reconversion needs being taken into account. There are also provisions for capital (but no production or trade)
subsidies, and for making available industrial sites owned or expropriated by the government. Regional assistance has been provided under a 1966 law.

Occupational training assistance in connexion with the establishment, extension or reconversion of firms is granted by the National Employment Office under 1963 legislation. Research is encouraged through interest-free advances up to a maximum of 80 per cent for the perfecting of prototypes or the development of new manufacturing processes.

**France**

In France, in addition to the specific steps earlier described, there are general measures to promote regional development, consisting of equipment credits, local tax relief and training aids. Particularly advantageous in this context have been measures assisting the reconversion of cotton undertakings in regions where they employed a high percentage of local manpower. Under 1964 legislation a premium is made available to encourage new activities in areas threatened with actual or potential unemployment. There have also been some specialized agencies established to facilitate reconversion as well as the training of workers.

**Federal Republic of Germany**

Whereas no specific adjustment assistance programmes have been established, the German textile and clothing industries have benefited from measures directed towards industrial adjustment generally. The Programme for Reorganizational Purposes, set up in 1958, has provided special credit facilities aimed at easing adjustment to international competition as well as promoting regional economic development. Concessionary loans and guarantees for rationalization projects have also been available from some of the Länder 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 (RKW). 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**

In addition to the specific measures already described, a general adjustment assistance measure in the Netherlands is comprised of the activities of the Centre for Applied Scientific Research (TNO), a non-profit body jointly financed by the Government and industry. In addition, credits are extended to industries for technological research and development, on a non-repayment basis in the event of technical or commercial failure. The Government also
shares the cost of training workers under the policy of assisting the unemployed or those threatened with losing their jobs because of technological progress inter alia.

Finland

Research grants are made available to industry generally from funds earmarked in the national budget to allow the Government to defray up to one half the cost of certain research projects. Loans are also extended for research towards new products and processes, when funds are not otherwise available, on a non-repayment basis when the research is unproductive. There was also established in 1965 a government-sponsored training and retraining programme, although direct assistance is not extended to firms for this purpose. Finally it is worthy of note that firms in the textile industry have benefited from legislation created in 1966 in favour of developing areas.

Ireland

In the absence of specific measures, the textile and clothing industries in Ireland have been able to avail themselves of measures applicable to industry generally. For instance, the Industrial Development Act has provided for grants in connexion with the purchase and development of an industrial site, new building construction or purchase of new machinery. In less-developed regions this grant can amount to one half the total funds needed, and up to 35 per cent elsewhere. Concessionary loans are also available for plant modernizations or extension under the "Taisci Stait" programme.

Since 1963 the Textiles Division of the Institute for Industrial Research and Standards has promoted technological modernization and development in the textile and clothing sectors by providing testing facilities, technical consultancy and the development of new products and processes. In 1970 the Industrial Development Authority was established to make grants of up to one half the agreed fixed and current costs of firms improving their efficiency. Technical assistance grants are also made to cover up to half the cost of outside consultancy services. The Advisory Service of the Irish National Productivity Committee also provides consultancy services. In addition, firms participating to the extent of 1 per cent of their payroll can qualify for grants under a vocational training programme introduced in 1970 by the Industrial Training Authority (ANCO).

Japan

Along with the specific measures arrived at adjustment in the textile and clothing industries, legislation adopted in 1963 and amended in 1969 has been designed to help small and medium-sized firms generally make adjustments. There is also a research and development scheme providing, inter alia, grants and subsidies for research on original and basic techniques.
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 (Tiltakstondet). 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 is 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.

Pakistan

Whereas there have been no adjustment assistance measures directed towards the textile and clothing industries in Pakistan, provision has been made for them in the Government programme of using local and foreign currency for the balancing, modernization and equipment replacement in industry generally. Loans are available from the Industrial Development Bank as well as the Industrial Credit and Investment Corporations. Another body, 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.

Portugal

In addition to measures aimed specifically at the textile and clothing industries, industrial firms engaged in equipment modernization can benefit from tax concessions including import duty exemption on foreign-made machinery, temporary exemption from the industrial tax and partial deduction of reserves converted into new plant or machinery. A reduced capital tax on bond issues is designed to attract foreign capital. It is also expected that small and medium-sized firms, including those in the knitting and clothing sectors, will benefit from measures included in the Third Development Plan Programme.

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.

Sweden

A general measure dating from 1968 has been the national investment bank established to help investment projects aimed at rationalization, structural adjustment and development. With regard to research and development, the Board for Technical Development was set up to promote development through existing or new techniques, to disseminate new technology and to raise the general level
of technology through grants or concessionary loans. In 1970 a management training programme was set up under the joint auspices of the National Institute for Company Development (SIFU) and the Swedish Association of Clothing Manufactures.

**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. Accelerated 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.

**United Kingdom**

Under the regional development policy of the United Kingdom, grants or loans are provided for establishing plants in development areas and for new machinery expenditures. The Government has also supported mergers and amalgamations and the formation of groupings aimed at rationalization of an industry, provided they conform to the policy on restrictive business practices. Firms may obtain accelerated depreciation allowances for plant and machinery investments. Also, under 1935 measures to estimate surplus industrial capacity generally, 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. Employment has been stimulated through weekly regional employment premiums for each worker. Finally, the Industrial Training Act, 1964 has set a framework for ensuring an adequate labour force benefiting from efficient industrial training facilities.

**United States**

Along with the specific measures mentioned above, the United States has used a number of adjustment assistance programmes directed towards industry generally. Under the Trade Expansion Act, 1962 financial assistance was made available under certain criteria to firms and employees injured by imports resulting from tariff reductions.

In general, this statute provides that firms or groups of workers may become eligible for adjustment assistance if it can be shown to the satisfaction of the Tariff Commission that there has been an increase in imports due in major part to a previous tariff concession and that this increase in imports has been the major cause of injury. Its purpose is to provide an alternative, in certain cases, in specific situations which may otherwise require a tariff adjustment or other trade restrictive measure.
Owing to a stringent interpretation of the law, the adjustment assistance provision did not become operative until late in 1969. In the textile area two textile firms and several groups of textile workers since have become eligible for trade adjustment assistance. The affected workers have received assistance in the form of benefit payments for an extended period of time, training for new jobs, job placement services, and relocation allowances. The firms have become eligible for technical assistance, loans and certain limited tax benefits. In one instance a textile firm in the South has been converted into a data processing company and most of the workers involved had been re-employed in the new enterprise.

Apart from these provisions in the 1962 Act, there have also been fiscal advantages such as accelerated depreciation allowances under 1961 and 1971 legislation, as well as investment tax credits on production machinery or buildings. Although certain types of mergers among the largest firms have been precluded since 1968 by Federal Trade Commission guidelines, the latter were designed to facilitate potential mergers among small and medium-sized firms. Moreover, the Small Business Administration has extended assistance in the form of loans or guarantees to industrial firms generally. Another agency, the Economic Development Administration, was established to encourage business investments in areas with high rates of unemployment and low incomes. Research and development have been aided by government programmes, including the Department of Agriculture measures at improving the quality of cotton fibres. Manpower training funds have also been supplied by the Government to industry generally.
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.

Austria

Firms in Austria have adjusted to new changing conditions by making special efforts to remove obsolete equipment. They have also benefited from the State-supported activities of the Association for the Promotion of Research and Development in the Textile Industries, and the Carpet Research Institute.

EEC member States

In Belgium, where there is no government research institution for the textile industry, the Scientific and Technical Centre for the Technical Industry (Centexbel) may occasionally receive State subsidies. In addition, between 1935 and 1967 approximately 90 per cent of the industry entered into a convention calling for the non-compensable destruction of obsolete spindles replaced by new equipment. Another voluntary convention financed wholly by the spinning mills made it possible for firms to dispose of their spindles by destruction or transfer with a guaranteed minimum return, the replaced equipment in a recipient firm being itself destroyed in the latter event.

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.
A Board for Rationalization of the German Economy has been formed in the Federal Republic of Germany by 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 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 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.

Ireland

Since 1963 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 the Japanese cotton spinning industry the firms themselves decide their optimum scale of operations. To adapt to changed demand the industry has shifted its production priority from cotton to spun synthetic yarn. In the cotton weaving industry the firms in each region have formed a co-operative, each of which has drawn up its own detailed structural adjustment plan for approval by the Minister of International Trade and Industry. Research on basic textile technology has been carried out by the Research Institute for Polymers and Textiles.

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.

Spain

An optional plan for reorganization of the cotton textile industry was drawn up by the industry and in 1969 was approved by the government. The plan has called for improved productivity and greater concentration through the scrapping of looms and spindles and the elimination of a certain number of jobs. The government and the firms continuing in operation have had an obligation to finance the losses of closed enterprises. The residual firms have also been obliged to employ as many as possible of the redundant workers.

Sweden

The Board for Technical Development (STU) was set up to promote development through existing or new techniques, to disseminate new technology and to raise the general level of technology through grants or concessionary loans. In 1970 a management training programme was set up by the National Institute for Company Development (SIFU) under the joint auspices of the Swedish Association of Textile Industries and the Swedish Association of Clothing Manufactures.

United Kingdom

At the request of the 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 for 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.

United States

The Apparel Research Foundation, previously mentioned, was established by the Government in 1964 and was partially funded by Government grants (totalling $1.6 million) over a five-year period. Thereafter the Foundation operated independently until ceasing operations in 1972. A non-profit research organization, it carried out research and development studies and also helped firms in the ready-made sector, particularly with automated handling problems.
D. Purposes and Effectiveness of Adjustment Assistance Measures

In an earlier survey by the OECD, it has been found:

"that the measures of assistance to the textile and apparel industry, as pursued by governments, primarily focus on problems relating to structural adjustment in its broadest sense, and on research and development; almost all countries have programmes in these fields, either general or specific. It became clear, however, that because of the importance of the textile and apparel industry to the economies of most Member countries, the measures taken in these fields by some countries aim at improving the industry's position in the face of foreign competition. Further areas of concern are problems relating to manpower, regional development and small and medium businesses.

"Governments have found it necessary in several of the identified areas, to provide, within general measures, particular assistance to the textile and apparel industry as well as specific measures designed for this industry. Especially in the field of structural adjustment, they supplement their general measures by such specific programmes."1

These conclusions would seem to be an accurate summing-up of the outline in the preceding sections. In general, the measures are aimed at improving the competitive position of a country's textile and clothing industries, mainly in the home market. Apart from this basic goal of an improved competitive position the measures also often have specific and complementary purposes.

First, as often is the case, the measures have been adopted to attain an optimum scale of operations in the industry. This may or may not involve the reorganization of one or more sectors of the industry. Second, a purpose of many adjustment assistance measures has clearly been to reduce excess capacity, including the phasing out of certain product lines or the elimination of obsolete equipment. Third, a number of measures have been designed to promote research and development in industry. Fourth, many measures have had as their purposes an increased mobility of labour in order to improve the quality, and frequently to adjust the quantity, of manpower available to - and employed in - the textile and clothing industries.

The measures that have been adopted, some aiming at more than one of the purposes named above, are the following:

(a) financial assistance in the form of grants or loans, and credit guarantees;

1 DIE/IND/TE/72.212, page 4.
(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 multi-fibre 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;

(g) 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.

Some of the measures have been applied for a period of years, but many of those discussed above are of fairly recent origin. Apart from the inherent difficulties in evaluation of government measures of this nature in the abstract, that is without fully taking into account the concrete circumstances and problems in each country, it would seem premature on present evidence to draw conclusions on the effectiveness and value of these attempts.

On the whole, however, it might be safe to say that given the necessary time and suitable adaptation in the light of changing circumstances such measures should normally contribute to the achievement of the aims. In this regard one might recall, for example, the successful scrapping of obsolete machinery and rationalization in the Belgian spinning sector, the contraction in the cotton textile sector in Sweden and in the United Kingdom or the apparent success of training programmes generally. On the other hand, limitations of the effectiveness of their measures have sometimes been mentioned by the countries themselves, e.g. the difficulties encountered in weeding out obsolete equipment in the Korean industry, the narrowing of the thrust of the 1962 measures in the United States resulting from stringent eligibility requirements, and the effects of a tight capital market in Finland on the adjustment assistance measures there. It can also be expected that in many cases funds devoted to adjustment assistance may be inadequate for the purpose.

Positive results have frequently been obtained through what might be described as a "spill-over" effect from measures aimed at regional development or at small and medium-sized enterprises. Indeed, the subtle interplay accompanying such a "spill-over" may also be accompanied by secondary benefits. For example, research undertaken or stimulated by a government or by an industrial association may encourage further efforts in individual plants.