MEASURES OF INDUSTRIAL ADJUSTMENT

Revised Draft for Inclusion in the Study on Textiles

1. This revised draft of Chapter V of the Study has been prepared by the secretariat in the light of comments and material received from governments during and since the October meeting of the Working Party. It supersedes the previous draft circulated in Spec(72)96. It is presented for discussion at the Working Party in December 1972.

2. This Chapter contains four sections, viz:

   (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 and effectiveness of these policies and measures.
CHAPTER V

MEASURES OF INDUSTRIAL ADJUSTMENT

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.

As a consequence of changing technology the industry has increasingly assumed the role 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. When it became clear that such adjustments are necessary as the objectives are not being achieved through the interplay of market forces, a major role has been played by government policies and measures. In some countries the textile industry itself has exerted to bring about or quicken the process of change.

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 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.

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 require fuller treatment in the present context.

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(D1/E/IND/TE/72, 209 and 210).
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 and domestically. In essence, 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 as a prerequisite to special measures of protection against imports which have been found to cause or threaten serious injury. 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 1970 to permit companies faced with serious injury from textile and clothing imports 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 and the upgrading of the quality of Canadian products. 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 carries 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.

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.
In 1965 the French Government, with the agreement of industrialists, issued a decree creating a special renovation fund for the textile industry to be financed by a quasi-fiscal textile levy. The proceeds of 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; the activities of both these organizations are described later.

Italy

In Italy provision has been made through Act No. 1101 of 1 December 1971 for assistance in the adjustment, reorganization and conversion of the textile and clothing industries and handicrafts. In essence, this Act provides for the grant of credits at preferential rates, up to an overall maximum of 100,000 million lire; a not inconsiderable part of this is for reconversion to non-textile purposes in areas where the textile industry predominates. It should be emphasized that this assistance will only be given on condition that it does not lead to the creation of surplus capacity.

Textile firms will not actually receive this assistance until about the middle of 1973, owing to the administrative studies and formalities that still have to be carried out.

Netherlands

In 1967 the Government of the Netherlands granted the cotton industry a State credit of Dfl 150 million to finance investment for 1960-1970 (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.

Federal Republic of Germany

Between 1964 and 1969, two Länder, namely Bavaria and Baden-Wurttemberg, had put adjustment programmes into operation for the cotton and wool-weaving industries; these provided certain credit facilities, up to a relatively small overall maximum. These measures have not been continued.

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 but because of employment opportunities provided by them, the Government had to step in and take them over and continue to run them for the sake of the labour, and those which are taken over are managed by the National Textile Corporation and not the National Industrial Corporation and the scheme is named "Unemployment Relief Scheme".

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. The measures include purchase supported partially by the Government fund or 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 are to be carried out from 1971 to 1973, include:

(i) government expenditure totalling 48.8 million yen (about US$158.5 million) for the support of the purchase of surplus equipment; and

(ii) financing facilities to be made available by the Government-supported banking institutions totalling 153.1 billion yen (about US$497 million) for the financing of current fund.

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.
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 have been made by an ad hoc commission, the Government adopted measures in 1970 and 1971 aimed at the integration, concentration, rationalization and re-adjustment of firms in the textile and clothing industries and the stimulation of exports. The governmental measures fall under three categories, export promotion, conversion support and educational and management training. These measures include grants and credit guarantees.

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

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. 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.

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 also provided "seed" money to help start the Apparel Research Foundation. The Foundation, a non-profit organization, now defunct, did a limited amount of research and 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.

**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

The Commission of the EEC recently proposed to the Council that priority be given to the application to the textile sector of the provisions of the Fonds Social Européen Renové, which is expected to facilitate labour mobility and manpower conversion in that industry, under criteria established by the Commission.

Belgium

The textile and clothing industries can take advantage of a number of general measures directed at fostering productive industrial investment, more especially at the regional level. Under 1959 and 1971 legislation to promote economic expansion and regional development, tax incentives, concessionary loans and the modernization of industrial firms as well as small firms and craft enterprises are provided for.
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 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 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 (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

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.
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.

In 1970 twist yarn, blanket and clothing industries, and further in 1971 narrow fabric industries have been respectively brought under this scheme.
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

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 (S.T.U.) 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.

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.

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. The Trade Expansion Act of 1962 included provisions designed to assist firms and workers which have suffered economic hardship due to imports. To become eligible to apply for such assistance, a firm or group of workers must petition the United States Tariff Commission. The Commission then conducts an investigation to determine whether increased imports, due in major part to tariff concessions, have been the major cause of injury. The Commerce Department administers assistance to firms found to be so injured while the Labor Department administers worker adjustment programmes.

Owing to a stringent interpretation of the law, the adjustment assistance provision did not become operative until late in 1969. Since then, and mainly in the current and preceding year, there have been, in the entire textile industry only five firms and six groups of workers declared eligible for adjustment assistance. In the apparel industry no worker groups were declared eligible. The affected and eligible workers may receive 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.

There are other assistance programmes directed towards industry generally. Liberalized depreciation allowances and investment tax credits were available during the first half of the sixties and after lapsing were reinstated in 1971. The earlier programmes, coupled with relatively good industry profits and sales, provided incentives for increased expenditures from 1963 through 1966. The 1971 actions have only had a slight impact to date on the textile and apparel industries. Other assistance programmes are administered by the Small Business Administration, the Economic Development Administration and the Labour Department. The Federal Trade Commission merger guidelines may have facilitated some mergers among small and medium-sized firms but generally have been a deterrent to more efficient sized operations in the textile industry.

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 1967, Japanese spinners on their responsibility decided to dismantle surplus facilities. A total of 1,120,000 spindles were bought up and disposed, including 860,000 spindles of those going out of business and 280,000 spindles from those who decided to scrap and build. The cost required to buy up the surplus facilities was shared by the remaining spinners in accordance with their respective number of spindles possessed. These remaining spinners totalled 224 companies. The total amount they spent for this purpose was 285 billion yens.

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 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 smoothen the readjustment than to change to main course of developments within the industries concerned. The main responsibility for the adaptation 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 7 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.

Switzerland

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.

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 in 1964 and was partially funded by Government grants (totalling $1.6 million) over a five-year period. The Foundation ceased operations in 1972. A non-profit research organization, it carried out research and development studies.
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 complimentary 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;

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(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.

As regards the effectiveness of these adjustment assistance measures, and the degree of success that has been attained in relation to the objectives behind them, one could refer to the successful scrapping of obsolete machinery and rationalization in the Belgian spinning sector, the contraction in the cotton textiles 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 governments themselves, e.g. the difficulties encountered in the weeding out of obsolete equipment in the Korean industry, the narrowing of the thrust of 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.

The observations that are made explicitly or could be inferred from the description of the national measures in the preceding paragraph would seem to support the following conclusion that has been offered by the OECD Working Party:

"Positive results have generally been identified in those cases where the number of jobs (created or eliminated) or of machines (installed or scrapped) provides evaluation in quantitative terms. Thus, the ad hoc Working Party found that in a number of countries, the objectives stated in such areas had been attained. Such is also the case for some countries as regards measures concerning technological research and the use of consultants."
"In some areas of structural adjustment measures, however there appeared to be no clear evidence as to whether the intended results had been reached. It is partly so because it is ambitious to establish in this area a clear cause-effect relationship; it is mainly, however, because of the special characteristics either of the assistance provided or of the volatile nature of the market in textiles and clothing itself. It seems even generally doubtful, in some countries, in view of the multiplicity of the factors involved, that the structural adjustment policies, as pursued by governments so far, have in fact yielded substantial positive results."

Ibid., page 4