Textiles Committee
Working Group on Adjustment Assistance Measures
Technical Sub-Group

INFORMATION ON PRODUCTION, TRADE AND ADJUSTMENTS IN THE TEXTILES SECTOR

Replies Received from Delegations to
Airgrams GATT/AIR/1611 and 1612

Supplement

Attached are the replies received to the above-mentioned airgrams from the EEC member States.
FEDERAL REPUBLIC OF GERMANY

GOVERNMENT AID

I. Improvement in competitiveness of present lines of production

In keeping with its general economic principles, the Federal Republic does not have sectoral programmes to encourage the processes of adjustment taking place in the textile and clothing industries, but enterprises in this sector may utilize the instruments of general economic promotion to support their own efforts to maintain and improve their competitiveness. More specifically:

- Enterprises installed in development zones may apply for funds earmarked for regional promotion, which under certain circumstances are made available for rationalization of production, improvement of productivity, etc.

- In addition, enterprises of the textiles and clothing sector have access, for their rationalization efforts, to the results of the joint industrial research encouraged by the Federal Republic and the Länder. Since the textiles and clothing sector consists mostly of small and medium enterprises that do not have the means to finance all the necessary research and development work by themselves, joint research plays a particularly important part.

The changes that have taken place in productivity clearly bear witness to the successes obtained by the textiles and clothing sector in improving its competitiveness.

Output per worker/hour (1970 = 100)

<table>
<thead>
<tr>
<th>Industry</th>
<th>1973</th>
<th>1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles industry</td>
<td>126.3</td>
<td>174.0</td>
</tr>
<tr>
<td>Clothing industry</td>
<td>111.2</td>
<td>133.2</td>
</tr>
<tr>
<td>Processing industry</td>
<td>119.2</td>
<td>150.1</td>
</tr>
</tbody>
</table>

The increases in productivity recorded in the textiles industry are thus considerably greater than the average for the country's industry as a whole.
It is probable that the Government aid programmes referred to above have contributed to this development, but the effects of such general programmes should not be over-estimated, for,

- regional promotion is designed solely to compensate the disadvantages of geographical location (for example, Berlin or areas bordering the East (the Zonenrandgebiet));

- the volume of financial aid is relatively modest when compared with the total investments of the sector;

- the sector bears half the cost of the joint research, in addition to the entire cost of research and development by individual enterprises.

II. Reconversion to more competitive lines of production

The general government-aid programmes already mentioned also support reconversion to more competitive lines in the textiles and clothing sector.

III. Deterioration of employment in the textiles and clothing sector

The marked expansion of imports, in combination with stagnation of demand, has resulted in the closing down of very many enterprises and in mass dismissals in the textiles and clothing sector.

The social effects of this development are mitigated with the help of the Law for the Promotion of Employment. The measures provided for by that Law benefit the workers and not the enterprises. This involves improvement of general conditions for structural changes in the economy, and not selective State regulation of the process of restructuration.
BELGIUM

GOVERNMENT MEASURES

Government measures to assist the textiles and clothing sector exist at two levels:

1. Measures under legislation for economic expansion.

Under such legislation, the Government has particularly promoted restructuration, reconversion and reorientation investments in the textiles and clothing sector, including investments involving reductions in textile capacity (in favour of other industrial activities) and reduced employment.

2. Specific measures in favour of the textiles and clothing sector comprise:

(a) the Royal Decree of 14 May 1976 granting non-interest-bearing, recoverable advances to clothing industry enterprises and certain sectors of the knitted and crocheted goods industry for the purpose "of promoting the restructuration and modernization of the sectors in question in order to enable them to adjust successfully to new market conditions over the medium and long-term";

(b) the Royal Decree of 20 December 1977 governing the granting of limited credit, for which the interest is paid by the State, to enterprises of the textiles sector as well as to certain enterprises of the clothing sector, the knitted and crocheted goods sector and the linen-fibres sector "which agree to co-operate in studies undertaken or to be undertaken with a view to the restructuration of their sector as well as to the realization of such restructuration".

In addition, in a broader context and in order to make the above-mentioned measures as effective as they should be, the Government is proceeding with a very extensive study on the situation of the textiles and clothing sector, on its future prospects and on all the general restructuration, reconversion and reorientation measures that need to be imposed or encouraged.
DENMARK

GOVERNMENT MEASURES

As regards the three types of measures on which information is requested, Denmark has as yet never adopted official adjustment measures specially designed for the textiles and clothing sector, whether for improving competitiveness, changing lines of production, or facilitating reconversion.

The enterprises concerned can, however, take advantage of the general system of development aids, and there are also general schemes for training and recycling the unemployed, to which the unemployed of this sector have access.
The three objectives mentioned in the questionnaire are actually those which, without being individualized, have been pursued in France's policy of adjustment of the textiles industry. Assistance procedures have been financed both by a quasi-fiscal levy and, to a lesser extent, by funds from the Budget.

1. CIRIT

French assistance specifically for structural adjustment of the textile industry is at present channelled mainly through allocations by the Textile Industry Structural and Commercial Modernization Committee (Comité interprofessionnel de renouvellement des structures industrielles et commerciales de l'industrie textile) (CIRIT) from its share of the quasi-fiscal levy on textiles.

The quasi-fiscal levy on textiles is charged at the rate of 0.44 per cent of the value of textile products. The annual receipts from the levy amount to some F 120 million, of which 5/7ths go to CIRIT. The forms of assistance which CIRIT is authorized to furnish within the limits of the funds available to it from the above-mentioned quasi-fiscal levy are as follows:

- Assistance towards restructuration consisting of the regrouping of mostly small or medium sized undertakings, by assumption of part of the non-productive costs occasioned by such operations. This type of assistance has been given since 1966.

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

- Assistance in the financing of certain collective projects such as the Economic Trends Observation Centre (Centre de conjoncture et d'observation économique), fashion co-ordination organizations and certain studies of a general character.

- CIRIT is also authorized to assist in the modernization of production units, mostly small or medium sized. This is really a kind of assistance to adjustment and in no case is its purpose to increase production capacity.
Another major means of industrial restructuration is aid towards research, innovation and improvement of productivity, where activities are also financed by quasi-fiscal levies. The research programmes in this field are conducted and administered by the Textile Institute of France and the Technical Studies Centre of the Clothing Industries (Centre d'Etude Technique des Industries de l'Habillement). Their work is directed towards the introduction of new products and requires the use of advanced technologies: electronics (computer-assisted design, laser-cutting) robotization, automated control, etc.

2. Funds from the Budget have been allocated either through procedures specific to the textile sector or through general procedures applicable to the modernization and restructuration of industry as a whole.

- The French Government has deemed it necessary to implement, in a few very limited sectors, certain special programmes of aid for restructuration and the improvement of productivity (cotton, combed wool, throwing, texturization). The purpose of such programmes is organized rationalization, and where necessary reduction, of production capacities, and their adjustment to a stationary or slightly contracting market. The aid has been granted in the form of subsidies, at a rate never exceeding 10 per cent of the amount of the programme submitted.

- In addition, within the context of non-specific measures to assist French industry as a whole to withstand the impact of the recession, the French authorities have been led to intervene in the sector, on a case-by-case basis, to encourage, by means of loans from the Economic and Social Development Fund, enterprises in difficulty to restructure themselves in order to adjust to the new requirements of competitiveness and to maintain employment.

To mitigate the effects of redundancy in employment in the textiles sector, the French authorities have financed programmes for training and recycling workers and have made grants to enterprises starting new non-textile operations in the place of their declining activities in the most threatened geographical areas.

In evaluating the effects of these measures, it is difficult to separate them from the consequences of autonomous adjustment processes. It may be said, however, that they have accelerated the process of change, in technological terms, towards better productivity and a range of products that are less vulnerable. For example, furnishing fabrics and fabrics for technical uses have experienced positive growth.

Various figures reflect these publicly assisted efforts: labour productivity has increased at an average rate of 6 per cent annually since 1976, and added value per employee has risen by 13 per cent annually since 1973.
ITALY

GOVERNMENT MEASURES

As reported last year (GATT document COM.TEX/W/65 of 30.11.79), Act No. 1101 of 1971, better known as the "Textile Act", which provided for financial and fiscal aids to the sector, was revoked by Act No. 675 of 12 August 1977.

Consequently, in the total absence of any government measures in respect of this sector in recent years, one can state that all the developments referred to in points 1, 2 and 3 are attributable to internal initiatives within the Italian industry.
NETHERLANDS

STATE AIDS

Government measures were designed:

- to encourage investment in equipment in order to improve the programming and efficiency of production;

- to contribute to valorize the production range. It is generally recognized that mass-consumption goods can no longer, or hardly at all, be produced in the Netherlands. The industry must therefore shift toward high quality products;

- to foster research in the field of market prospection;

- to strengthen the structure of assets;

- to achieve a durable improvement of profitability.

Accordingly what has been achieved, or is the objective, is:

- greater profitability of the traditional production range, not including mass-consumption goods, through improved efficiency;

- adaptation and renewal of the production range through research, so that the undertaking as a whole can offer a better selection of goods and safeguard its competitive position;

- in cases where the possibilities of a given production line are found to be exhausted, active efforts to diversify production, if need be outside the textile field as such.

Within the context of a particular measure, there are incentives to market prospection and to improvement of the positions of undertakings in traditional markets outside the Community and, in parallel, certain facilities designed to encourage a common approach by several undertakings in the context of "group export drives".

I. SECTORAL AIDS

A. Cotton, rayon and linen industry (c.r.l.)

Title: Supplementary assistance scheme for the c.r.l. industry

Purpose: To strengthen the financial position of undertakings and encourage the industry.
In 1976, credits totalled f. 30 million. Until the end of 1978, these credits may be converted into investment premiums (up to 20 per cent of the amount invested).

Validity: Until the end of 1980.

Title: "Netherlands Spinning" project

Purpose: To reduce production capacity by 30 per cent in one year or to restructure capacity.

Aid: Subordinated loan to finance movement of machinery and retraining of redundant personnel for other tasks.

Validity: 1978/79

Title: Restructuring of the c.r.l. weaving and processing sector

Purpose: To reduce or restructure production capacity

Aid: f. 30 million for the transfer of redundant personnel to other activities.


Title: Scheme for the restructuring of financing costs in the c.r.l. weaving and processing sector

Purpose: To transfer and adapt production installations.

Aid: f. 18 million.


Title: c.r.l. credit scheme

Purpose: To strengthen the financial position of undertakings.

Aid: Credits (partially) guaranteed by the State with a rate of interest equivalent to the market rate plus a premium for the guarantee by the State.

Validity: The scheme entered into force on 1 January 1968 and has been regularly extended, most recently in 1978.
B. Knitted and crocheted goods

Title: General provisions regarding the knitted and crocheted goods industry.

Purpose: To improve information systems concerning the sector and markets.

Aid: Subsidies to the extent of 66 2/3 per cent for group efforts in this field for the benefit of the sector as a whole. F. 1.2 million have been earmarked for this purpose.


Title: Investment premium scheme for the socks industry.

Purpose: To encourage investments in machinery so as to contribute to structural improvement in the socks industry.

Aid: A subsidy of up to 20 per cent of the investment cost. F. 1 million have been earmarked for this purpose.


Title: Overall scheme for the knitted and crocheted goods industry.

See "Overall scheme for the ready-to-wear industry".

C. Ready-to-wear industry

Title: 1977-80 multi-annual programme for the ready-to-wear industry.

Purpose: Structural improvement of the ready-to-wear industry with a view to attaining long-term profitability in 1980.

Aid: The following instruments have been brought into operation for reaching the objectives of the multi-annual programme.

(a) Overall scheme for the ready-to-wear industry

Under this scheme, a subsidy of up to 20 per cent of the cost of investments in certain machinery is granted, and in addition there is the possibility of credit guaranteed by the State (at the market rate of interest).
(b) Plan of action for ready-to-wear industries

Under this scheme, undertakings can obtain State intervention in expenditure to improve information, management, organization, efficiency or flexibility of production in the undertaking. This project is therefore in the field of software.

f. 11.5 million have been earmarked for this purpose.

(c) Joint actions

In particular in the field of promoting research, improving market prospection, etc. undertaken for the benefit of the market as a whole and carried out under the auspices of the STRUCON Foundation.

f. 7 million have been earmarked for this purpose (including the equipment costs of the STRUCON Foundation).

Validity: For (a), (b), and (c): up to the end of 1980.

II. REGIONAL AIDS FOR THE TEXTILE AND CLOTHING INDUSTRY

In practice, such measures are rather rare for the textile and clothing industry. Sectoral allocation of regional aids in not generally known.
IRELAND

GOVERNMENTAL MEASURES

In the early 1970's the Irish Government commissioned a firm of consultants (Atkins) to undertake a study of the Woollen and Worsted industry in Ireland. The findings of this survey which included the suggested rationalisation/re-structuring of the industry were adopted as the official Government policy towards this sector. It was also, at this juncture, seen as necessary, in the context of an overall appraisal of the textiles and clothing industry, that the industry re-structure and adapt itself to conditions to world trade. To this purpose firms in these sectors were encouraged to embark on schemes of rationalisation. To facilitate the realisation of this objective, grants were and continue to be made available for:

- re-equipment/re-structuring;
- research and development projects;
- feasibility studies relating to new products/markets; and
- consultancy assignments involving the employing of outside technical expertise to study and advise on various aspects of Companies' operations which were, up to recently, also eligible for grant assistance.

A large measure of the indigenous textiles and clothing Companies did undertake, with State assistance, such programmes which entailed a

- rationalisation of production in many cases through purchase of new machinery and the scrapping of that which had become obsolete; and
- diversification out of unviable product ranges into either different lines of production or into the manufacture of higher quality products in the same range.

In the case of certain areas of the textiles and clothing industry that were considered as having a viable future, new investment was directed towards these sector. Certain overseas Companies were attracted to the Country to establish projects in these lines of production which were seen as having a healthy future; these Companies installed for use only the most technologically advanced machinery. Furthermore, it was decided at that time (the early 1970's) to establish a man-made fibres industry in Ireland. A large element of new investment in the textiles sector in the period under consideration consequently, went towards establishing man-made fibre projects which

- are capital intensive; and
- use the most modern machinery available anywhere.
As the statistics in the accompanying questionnaire show, a significant number of textiles and clothing enterprises in Ireland went out of business in the period under review (1973-1979). In fact the number is greater than is ostensibly apparent, because closures, in the textiles area in particular, are camouflaged by the commencement of operation of new firms in the more viable areas of this sector, both of which developments occurred in parallel. These were, in the main, Companies which

- did not rationalise their operations and/or
- were unable to cope with competing imports on the Irish market from low-cost sources; and/or
- lost their overseas markets due to competition on these markets from low-cost sources.

Measures taken in cases of threatened closures consist of

(i) an attempt to find an alternative proprietor to take over the Company (about to, or gone out of business) in cases where the new proprietor proposes to carry on a more viable operation in lines which are competitive.

(ii) encouraging the revival of a replacement industry (not necessarily in the Textiles business) through grants towards eligible fixed assets.

In cases of cut-backs by textiles and clothing Companies which lead to redundancies, endeavours are made (by the National Manpower Service) to identify suitable alternative employment for the persons made redundant.
UNITED KINGDOM

GOVERNMENT ADJUSTMENT MEASURES

In a market economy such as the UK's the processes of adjustment derive from market forces rather than from Government action. It is not possible to distinguish between measures to improve viability of existing lines of textile production and those designed to encourage a move into more viable lines of production. Moves to other industrial sections have taken place autonomously, but regional policy, for example and other measures of general support (see below) will have played a part in assisting the creation of alternative jobs in other industries in textiles areas and elsewhere. Redundancy payments—financed by employers generally—to those workers in textiles and clothing (as in other industries) losing their jobs will have helped some of the displaced workers make the transition to new jobs.

Essentially it has been the textile and clothing industry itself which has been responsible for the adjustment and restructuring which has taken place, and which has decided on the necessary steps to make itself viable and competitive. There have however been specific sectoral schemes of support for rationalisation and modernisation in the clothing and wool textiles sectors, aimed at encouraging and assisting the process of adaptation which has been brought about by market forces (see below).

Most of the Government measures listed have been of the "pump-priming" type, and have contributed to other industrial sectors to the considerable restructuring, rationalisation and investment in new equipment that has taken place in many sectors of the textiles and clothing industry, and supported moves into new product lines.

(i) Regional Assistance

Although essentially designed to achieve regional objectives, Government Regional Financial Assistance has played a part in the adjustment process for those textiles and clothing firms eligible for this form of support. In July 1979 the Government announced important changes in regional assistance. A strong regional industrial policy is to be maintained broadly along the lines of past policy but is to be made more selective.
The areas eligible for regional assistance are to be reduced and will cover about 25% of the employment of the country compared with just over 40% at present. Important areas for cotton and allied textiles, woollen and worsted textiles, and clothing will cease to be eligible for regional assistance. The financial assistance in the form of regional development grants is to be reduced; Government factory building will continue but with a greater element of self-financing; and the criteria for regional selective financial assistance for viable investment projects with a clear benefit to employment have been tightened to make the scheme more cost-effective. Applicants now have to demonstrate clearly that regional selective financial assistance is necessary to enable a project to go ahead. A test of efficiency is also applied so that the projects supported are those most likely to strengthen the regional and national economy and thereby to promote more productive and secure jobs.

(ii) Employment Measures

In April 1978 restrictions were placed on the amount of Temporary Employment Subsidy which firms in textiles and clothing could receive, and approval of applications from firms in these sectors for TES for more than 125 people for over six months was made conditional on approval of a restructuring plan. The TES Scheme closed for applications on 31 March 1979, which means that no firm received the subsidy beyond April 1980.

A scheme of support for short-time working in textiles, clothing and footwear was introduced in May 1978 to protect jobs which would otherwise be at risk of redundancy as a result of the limitations on the use of the TES Scheme. In April 1979 this was replaced by a general Temporary Short-time Working Compensation Scheme (not confined to textiles, clothing and footwear). Employers who are prepared to introduce short-time working as an alternative to redundancy may under certain circumstances receive compensation for six months for the payments which they make to the employees concerned.

(iii) Selective Investment Facility

First introduced in December 1976, this is designed to promote projects which lead to identifiable improvements in industrial performance. From June 1979 stricter criteria are being implied. Assistance is normally in the form of revenue grants. The facility is available on a selective basis to industry generally, not just textiles and clothing.
(iv) **Sectoral Assistance Schemes in Textiles and Clothing**

**A. Wool Textiles**

Under the sectoral scheme of assistance for wool textiles — one of the more fragmented sectors in textiles — one of the aims was to achieve restructuring and rationalisation without an overall increase in capacity. Structural change was seen as taking two forms: a reduction in the number of establishments (rationalisation of products and a reduction in the number of organisations (take-overs, mergers)). The scheme was announced in July 1973 and applications had to be received by 31 December 1975. Applicants had until 31 December 1977 to complete approved projects. A second more limited scheme was announced in November 1976 with the aim of further encouraging rationalisation and restructuring in order to secure the fullest benefit from the investment generated under the first stage scheme. Applications had to be received by 31 December 1977 but firms had until 31 December 1979 to complete their projects.

Assistance under the first stage wool textile scheme was broken down into four categories. The first category covered re-equipment, the second category re-equipment and re-building and category 3 covered more comprehensive expenditure on rationalisation or amalgamation. The fourth category made assistance available in the form of redundancy payment for closure of companies or production units.

The main result of the first stage Wool Textile Scheme has been the modernisation of plant, machinery and buildings, bringing about investment of some £59 million in plant and machinery and £22 million in building works over the period 1974-1977. Total Government expenditure under this first stage Wool Textile Scheme in respect of capital investment will amount to about £16 million.

The second stage of the Wool Textile Scheme was announced in November 1976. This was principally concerned with further rationalisation of capacity. Applications had to be submitted by 31 December 1977 and projects to be completed by 31 December 1979 if they were to be eligible for support. Expenditure on the second stage scheme is not expected to exceed £7.5 million.

Assistance under the scheme was designed to encourage modernisation linked with internal rationalisation or external merger, by providing assistance in the form of loans at concessionary rates of interest, or, preferably, interest relief grants on national loans, for up to 50 per cent of the qualifying expenditure; plus grants for investment in new machinery and building as an integral part of such a project at the rate of 20 and 30 per cent respectively. The scheme was also designed to help firms employing fewer than 500 by providing a 50 per cent grant for the use of consultants to examine ways and means of improving productivity and efficiency generally.

**B. Clothing**

The Clothing Industry Scheme was designed to improve efficiency and productivity and to encourage the industry to nationalise and restructure into more efficient units, without an overall increase in the capacity of the industry.
The scheme was announced in October 1975. It closed to applications at the end of 1977 and projects must be completed by 31 December 1979 in order to qualify for assistance. Support was available for consultancy fees, for investment projects and for restructuring or reorganisation. Approaching £20 million Government assistance was committed under the scheme.

A Clothing Industry Productivity Resources Agency has been established with assistance from the Government to help to improve the industry's productivity performance.

(v) Research in Textiles and Clothing

Research in the UK industry has been encouraged through levies (in some sectors) to research associations which also do consultancy work for firms on a consultancy basis. Some Government finance is available to support cost-shared research and development projects in the industry and with textile and clothing research associations/institutes.

(vi) Training

There are also Industrial Training Boards covering most sectors of the textiles and clothing industry, mainly self-financed from levies on firms. Where shortfalls in required skills are perceived and where the resources of the ITBs are insufficient to provide them, proposals may be submitted to the Manpower Services Commission for Government support under its Training for Skills programme, provided the appropriate criteria are met.

The Department of Employment may agree a sponsored training programme with any employer where spare facilities for instruction are available at one of the skill centres provided by the Government as a service to industry. A further scheme provides for speculative retraining for occupations not specific to any particular industry; for example, an individual might acquire engineering skills under such arrangements and might then apply these skills in any one of a number of industries.