1. At the meeting of the Working Party on Structural Adjustment and Trade Policy on 2 July 1981, it was agreed that the secretariat should invite all contracting parties to provide by the end of 1981 the information required in paragraph II(b) of the Annex to L/5120, taking into account the objectives outlined in paragraph I of the Annex and the work already done (L/5177, paragraph 10). Paragraph II(b) of the Annex to L/5120 states that one of the tasks to be undertaken is "consistent with the GATT and the results of the MTN, an exchange of information and discussion on the experience of all contracting parties with regard to structural adjustment, along with an overall analysis of the experience".

2. Contracting parties were invited in GATT/AIR/1742 of 13 July 1981 to provide the requested information. The submissions of the individual member States of the European Communities (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands and the United Kingdom) are reproduced in the Annex to this document.

3. Delegations which have not yet submitted information are requested to do so as soon as possible.
Belgium, being a very open economy, was particularly exposed to the two oil shocks of 1973 and 1979. Moreover, problems arose because of the structure of Belgian trade since the major part of its exports was orientated towards the EEC countries which were facing similar adjustment problems, thus limiting their potential to absorb Belgian exports. The importance attached to largely traditional sectors, such as steel and textiles, where competition from newly industrialized countries was fierce, also held back the adjustment effort of Belgian industry.

The unsatisfactory performance of the deficits of the current account of the balance of payments, the external public debt (practically zero in 1977, but corresponding to 10.7% of GDP by the end of 1981), the general government deficit (cash deficit: 16% in 1981) point to the basic problem facing the Belgian economy: the need to transform economic structures and improve production and export potential in the presence of serious financial imbalances.

Changes in trade structure (1)

The share of various sectors in total exports shows the following changes. Food, beverage, and tobacco represented 9.55% of total exports in 1973 while in 1980 the same sector accounted for 9.34% of exports, although during the 1963-1973 period the exported share of the sector jumped from 6.80% to 9.55% peaking in 1975 to reach 10.03% of total exports. The mineral fuels' sector saw its share declining from 1963 till 1973 but starting from that year a remarkable upturn was observed that brought the sector's share from 2.76% in 1973 to 8.21% in 1980. Unworked metals is a sector that experienced a regular declining trend over the 1963-1980 period, showing the continuing problems of the sector and the loss of its competitiveness in international markets. From 5.34% of total exports in 1963, it represented 3.83% in 1973 and only 2.16% in 1980. Furthermore, the iron and steel branches, which correspond to the single most important export sector of Belgium industry, show a uniform loss of market share up to 1973 and

(1) Calculations based on OECD trade data. Figures include Luxembourg's exports and imports.
which they became particularly dramatic from 1975 onwards: from the 18.23% of total exports that iron and steel represented in 1963, the sector accounted only for 13.67% in 1975 and 10.24% in 1980. Basic chemicals were doing well up until recently when during a single year the sector's share dropped from 5.94% to 4.66% (1977) and then to 4.66% in 1978 continuing to remain low in subsequent years. The textiles sector of Belgian industry is clearly in difficulties since its export share was almost halved during the 1963-1980 period when it fell from 10.38% of total exports to only 4.69%. Clothing followed the decline of the textiles sector but to a lesser extent since its share fell smoothly from 2.05% in 1963 to 1.50% in 1980, although the decline after 1973 is continuing at a fast pace.

The sectors that seem to have increased their share in exports are the power generating machine, optical, clock and photo equipment sectors, and above all plastic rubber and other manufactured goods (1). From 1973 to 1980 the share in total exports of the four sectors mentioned rose from 0.37% to 0.83%, 1.45% to 2.00%, 4.32% to 5.79% and from 2.47% to 4.38% respectively.

**Structural policy**

Until 1975 industrial policy was dominated by the objective of boosting investment, especially by encouraging foreign inward investment (one-third of value added of Belgian industry is attributable to multinationals) and the diversification of the industrial base. The problems encountered by the main growth industries - steel, chemicals and vehicle assembly - after 1973 interrupted this pattern of development. A review of industrial policy was undertaken in 1978; the blanket approach of investment incentives was considered no longer appropriate, given the need to develop new industries and help the restructuring of older ones.

The recovery programme decided this year has as its main purposes:
- the reduction of public deficit;
- the moderation of the development of aggregate incomes (by means, inter alia, of a modification of the wage indexation system);

(1) These include among other things, musical instruments, jewellery, cinema film, office and stationary supplies.
- the reinforcement of the competitiveness of firms by reducing wage and tax costs (the basic rate of corporation tax was reduced from 48% to 45%);

- the stimulation of productive investment, in particular through tax measures. The previous investment taxation was replaced by a new system, with firms being allowed to reduce their taxable profits by an investment deduction. Work is going on to replace the expansion Laws of 17 July 1959 and 30 December 1970, with a shift in investment incentives from investment allowances to tax stimuli, with limited scope for granting in addition special allowances for small and medium firms and energy saving investment. Tax incentives were also decided so as to encourage young people to start their own businesses; exemptions from personal and corporate income tax were provided in order to increase the supply of risk capital to enterprises.
DENMARK

Due to its heavy dependence on imported oil, Denmark had to face particularly severe adjustment problems during the second half of the 1970's. Depressed economic activity, a large current external deficit, a double digit inflation rate and a sharp rise in unemployment manifested themselves only recently. Since the mid-1970's the deterioration of the public sector financial position has been particularly marked, reflecting a sluggish economy, a rising unemployment and the automatic response of the unemployment insurance system. Although Denmark's government deficit of 6.9% of GDP in 1981 is not among the highest by international standards, it nevertheless shows a dramatic change over the past few years, if one compares it to the 5.8% surplus of 1973.

Changes in Trade Structure (1)

Denmark's share in total exports of goods of the OECD countries fell from the 1.9% that is recorded in 1963 to 1.5% in 1973, and to 1.4% in 1980. Intermediary and energy products had a relatively weak representation in Denmark's export trade, with respect to current consumption and manufactured goods in general. On the other hand the importance of the agricultural sector distinguishes this country when compared with its EEC partners (except for Ireland). Although the weight of the agricultural sector is constantly diminishing within the total of Denmark's exports, it still accounted for about 38% of total exports in 1980, even if substantially lower than the 58% of 1963. The share of iron and steel has been increased from the 1.23% level in 1973 to reach 2.39% in 1980. Basic chemicals, on the other hand, show a quasi-stability in their export market share since that share revolves around 2.65% all through the second half of the 1970's. This is not, however, the case for the rest of chemical products which experience a growth in their export market share, especially in 1980 when the weight of that product group reached 3.71% of total exports, as compared to 3.35% in 1975.

(1) Calculations based on OECD trade data.
Electrical machinery has been a particularly successful sector during the 1960's but the situation changed in the 1970's: this sector amounted to 3.58% of total exports in 1980 while in 1970 its share was 4.16%. In the same way, the power-generating machine sector saw a loss in its export market share, falling from 1.30% in 1973 to 0.99% in 1980.

Denmark has a remarkably strong representation in the machine tools and other machinery branches (1); as far as exports are concerned. This group of products constitutes the second most important category of exported goods, accounting for approximately 11% of total exports during the seventies, while only agricultural exports have a larger share.

Optical, clock and photo equipment make up a dynamic group of products that is continually acquiring larger shares in Denmark's total exports. In 1963 this sector accounted for 1.46% of total exports, in 1973 its share rose to 2.27% to reach the 3.20% level in 1980. Equally well has performed the road-vehicles sector that increased its share from 1.07% in 1973 to 1.75% in 1980.

On the contrary, a major setback of the transport equipment (other than road-vehicles) was felt during the second half of the 1970's. Denmark has had a big tradition in shipbuilding and as early as in 1963 we note that transport equipment (other than road-vehicles) accounts for 4.81% of total exports. This figure was maintained in 1970 and was even bettered until 1975, when it reached its maximum value of 6.44%. Since then the sector experienced huge difficulties and its relative share decreased to only 2.17% of total exports.

Textiles, on the other hand, seem to hold their market share of approximately 2.5%. Unlike other countries that have relied heavily on textiles for their industrial specialization, Denmark is now at the comfortable position of not having to worry about the loss of competitiveness of this particular sector.

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(1) Machine tools for working metals, papermill machines, printing machines, food processing machines, pumps and centrifuges, heating and coding machines, construction and mining machines, sewing machines.
Two of the sectors that need to be mentioned for their successful performance are the plastic rubber and the wood furniture sectors. Plastic rubber experienced a prosperous evolution during the second half of the last decade, rising from 2.83% of total exports in 1975 to 3.33% in 1980. Wood furniture has always shown a strong representation in Denmark's exports but in 1980 managed to acquire a 4.13% share in total exports, while in 1975 it represented only 2.88% of the total.

On the whole, it can be said that Denmark's export structure seems to be rather consistent with the change of comparative advantage.

Structural Policies

The new Danish Government in October 1982 launched a major programme for economic recovery, the main elements of which are aimed at solving the important problems of imbalances in the economy - the high rate of unemployment, the central government budget deficit, and the external deficit. Another key issue is the promotion of private investment.

The specific measures include cuts in planned public expenditure (downward adjustment of income transfers and improved productivity in the public sector) and improved international competitiveness by a deceleration of wages and other costs (abolition of automatic wage indexation for a period of 2 1/2 years, a maximum annual wage increase in the public sector of 4% for the coming two years, and a moderate tax reduction if wage increases in the private sector are kept within the same limits).

Private investments are to be increased by strengthening research and development efforts, improving cooperation between industry and public research institutions, increasing direct and indirect government support of technological development in private industry, a redistribution of public investment with a view to further technological progress, enlarging the amount of capital
available for private industry, giving the Danish stock exchange a more important role as a source of capital, and a number of tax incentives.

In conclusion, the structural adjustment policy of the Danish Government can be described as aiming at facilitating the process of adjustment especially by improving the capacity of the private sector to respond to a changing international economic environment.
After the first oil shock France came through a period of acute recession more rapidly than her main European partners. The recession began in 1974 and affected both industries and services. It was particularly felt in 1975 in manufacturing industry but a very strong recovery in 1976 brought sectoral growth rates back to their level of 1970-1973. However, the strongly rising trend of 1975 and 1976 did not continue and growth has since settled at lower rates.

The fight against inflation is now a main policy target, in order to improve competitiveness and so allow for a reduction of unemployment; restractive policy centers on the control of public expenditure.

Changes in Trade structure (1)

Since 1963 France has managed to increase her market shares in OECD exports from 8.2% in 1963 to 9% in 1973 and then to 9.3% in 1980 for goods, while for the respective years exports of manufactured products amounted to 8.3%, 8.7% and 9.3%.

Raw materials have suffered serious losses of market shares during the last twenty years. However, agricultural and food products had registered strong gains up to 1973 and this continued but at a slower rate after that year.

Intermediary products also gained market shares in world trade between 1963 and 1980. The French share of world trade in basic chemicals rose from 6.6% in 1963 to 11.2% in 1980. Also metal products of French production experienced an expansion as their share in world trade increased from 8.1% to 9.9% during the same period. Only the iron and steel branch accounted for a smaller percentage of world trade in 1980 than in 1963 (from 13.2% it passed to 11.9%).

Equipment goods represent the group of products whose trade increased at a much faster pace for France than for world trade in general. Particularly strong had been the performance of electrical machinery that represented 7.7% of world trade in 1963, 9.3% in 1973 and not less than 10% in 1980. Also, the share of power generating machinery increased substantially over the years and especially during the 1973-1980 period when France's share in world trade passed from 7.6% to 9.8%.

(1) Calculations based on OECD trade data.
On the contrary, France’s weight in the current consumption goods trade has diminished over the past two decades. In particular, leather goods that had a share of 15.1% in world trade saw their importance decreasing over the years. Thus, their share dropped to 12.6% of world trade in 1973 and 9.7% in 1980. It was only paper and plastic and rubber among current consumption goods that progressively acquired more importance in France’s trade accounts.

Changes in France’s share of OECD exports are reflected in the evolution of its trade structure from 1963 to 1980. Raw materials from 27.64% of the country’s exports, represented only 23.51% in 1980; total manufacturing products passed from 72.36% to 76.49%; intermediary products from 23.59% to 23.93%; equipment goods recorded a remarkable increase from 28.08% of total exports to 35.55%; finally, current consumption goods lost weight in the export basket as their 20.69% share in 1963 was reduced to 17.01% in 1980.

**Structural Policy**

Until the early 1970’s, France pursued an industrial policy of selecting and launching major projects in certain sectors which were given priority status (aerospace, large computers, chemicals, nuclear technology, steel). At the beginning the projects reflected a concern for technological independence, without much regard to profitability prospects. Since 1976, this approach has been partially replaced by a policy aimed at reinforcing industrial structures by coordinating public financial assistance over several years in a small number of fields, so as to provide support for the strategies pursued by successful firms selected on their own merits.

While the approach is still selective, therefore, emphasis is shifting from major projects to specific areas of activity that are considered to be of strategic importance, and to development programmes proposed by the firms themselves. At the same time, relations between the government and firms receiving public aid are increasingly governed by multiannual contracts.
In order to influence positive adjustment, specific measures have been taken in regard to small and medium-sized enterprises. The CPME set up in 1980 is a recent example of functional specialization and rationalization of intervention instruments. All the activities for financing the equipment expenditure of small and medium-sized firms have been brought together under the CPME, so as to simplify the procedures for obtaining bank credit. The government is the major shareholder in the new institution, which is also responsible for providing small and medium-sized firms with medium-term and long-term financing in a more decentralized way.

In 1979 a programme for increasing the capital of the Institut de Developpement Industriel (IDI) was adopted. IDI's primary function is to solve financial problems of rapidly developing medium-sized firms.

In the field of R&D, a major effort has been recently decided with the aim of increasing total expenditure to 2.5 per cent of GDP by 1985, so as to attain the amounts spend in this field by the main industrialized countries.

A new energy policy has been adopted by the French authorities, giving particular importance to public energy enterprises and to new government agencies. This policy consists of launching massive energy-substitution programmes, especially in the field of nuclear energy, coal and solar energy. On the other hand, a parallel effort to reduce the energy intensity of French industry was undertaken, together with energy-saving programmes for private households. Thus, bonification of 2% for loans related to coal conversion and grants up to 72 ECU per toe saved were some of the specific measures that came into being thanks to this new energy policy.

(1) This is the CODIS, set up in 1979.
(2) Crédit d'équipement des petites et moyennes entreprises.
Employment measures constitute an integral part of France's restructuration effort at the course of the last decade. When jobs are sacrificed for the sake of structural adjustment, the ANPE intervenes in order to assure new employment possibilities to laid-off workers.

From 1973 till 1980 there were 67,000 jobs lost per year in industry; the steel, textiles, clothing and shipbuilding sectors have been mostly hit by conversion plans, that reduced considerably the number of workers in those fields of activity. Training programmes exist as instruments of structural adjustment in France for many years, but it was only after 1975 that they started to be used extensively.

More recently, there has been an important change in employment (retraining) matters that tends to grant particular attention to young people. The Pacte pour l'Emploi and the Plan avenir jeunes (PAJ) that are already entering their third one year period aim at the provision of practical skills to young people who either find a difficulty in getting a job or whose jobs are in danger. According to those training schemes private enterprises accept unemployed youths as interns, they offer them training courses, or the State assumes part of the social security expenses that would otherwise fall on the employer.

(1) Agence Nationale pour l'Emploi.
The German economic experience before the oil crisis provides a good example of how extensive structural adjustment may be achieved without undue difficulties if it takes place within a climate of rapid economic expansion. By and large, commitment to a market economy, effective fiscal and monetary policies, and good industrial relations all contributed to fast economic growth in most years since the early 1950's.

Apart from adjustment requirements which were externally imposed on the German economy (such as the oil price increases, slow growth of demand in international markets and the emergence of new competitors), the last ten years have also witnessed increasing internal tensions between adjustment pressures and the capacity of the economy to respond positively. The most important factors include the consequences of past exchange rate policies and large increases in real unit labour costs on the one hand, and growing rigidities on the supply side, on the other.

**Changes in trade structure (1)**

Germany's share in world trade has not changed significantly, if the totality of goods is considered, from 1963 to 1980 when 16% of world trade was accounted for by Germany. However, some sectors of economic activity have registered considerable gains, while others have lost position during the past two decades.

In Germany, food, beverages and tobacco accounted for only 2.4% of world trade in 1963, while that sector rose to 8.4% in 1980. Moreover, exports of that sector represented only 2.2% of total German exports in 1963 but rose to 5.3% in 1980.

Intermediate products, by contrast, have not performed as well in export markets. Their share in total exports was higher in 1963 (26.6%) than in 1980 (23.7%). This fall is mainly due to losses by the iron and steel branches which saw their share in total exports reduced from 7.8% in 1963 to 6.3% in 1980. A deceleration of exports was also recorded by the metal products and chemical products sectors but to a lesser extent.

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(1) Calculations based on OECD trade data.
As far as equipment goods are concerned, a three point loss by that group of products is recorded between 1963 and 1980, although they still represented 47% of total exports in 1980. Industrial machinery is almost entirely responsible for this performance as its relative share in Germany's exports fell from 17.7% in 1963 to only 13.9% in 1980. On the other hand, the automobile industry was able to increase its share from 13.3% to 14.3% during the same period.

The big winners were, nevertheless, products that are classified as current consumption goods. This product group represented 14.6% of total exports in 1963 but managed to increase its share to 18% by 1980. However, it is worth noting that this development had already taken place before 1973 and throughout the past eight years the level of current consumption goods in Germany's export mix did not change substantially. The branch that contributed substantially to the increase of the share of current consumption goods was that of rubber and plastics which rose from 3.8% of total exports in 1963 to 5.6% in 1980.

Structural policy

It is a basic principle in Germany that firms themselves are left the power of decision and responsibility for bringing about adjustment to changing market conditions in good time. For its part economic policy can contribute by reinforcement and improvement of market effectiveness.

The primary task of structural policy is to remove obstacles to structural change and facilitate economic restructuring originating from the market, by adjusting the socio-economic framework to changing domestic and international economic conditions.

Furthermore, it is considered that structural policy can be effective in producing structural change by:

a) improving the conditions for job-creating investment by means of forward-looking and environment-respecting extension of infrastructures;

b) encouraging research and development;

c) increasing the mobility of the factors of production — labour and capital — through general measures;

d) making sure that existing obstacles to investment and innovation and any obstacles to structural change, which may appear, are removed.
The Federal Government believes that it is not possible to assure the efficiency and competitiveness of the German economy using traditional demand management instruments alone. Instead, a more medium-term oriented growth policy is required, centred on the creation of a more favourable investment environment for both private and public investors. A policy aiming at the strengthening of incentives and willingness to take risks can be shaped through taxation and social security systems, in a way that encourages private initiative.

In concrete terms, Federal Government economic policy measures since 1976 have been aimed at:

1) increasing the earnings and financial strength of enterprises and giving incentives to self-employed people and wage-earners through tax relief. Thus, the Bundestag adopted a "Law on tax relief and investment promotion" in October 1977. Apart from tax relief measures for employees, this law also provided for an improvement in the degressive depreciation of movable assets and the reintroduction of the degressive depreciation for industrial buildings and privately financed housing construction. Tax revenue lost on account of this law was calculated at DM 1.7 billion in 1977 and roughly DM 10.8 billion from 1978 onwards. The policy of tax relief was continued in 1980/1981.

2) Facilitating the balancing of supply and demand on the labour market through a promotion of mobility and an increase of skills of the labour force.

This is a difficult problem to solve as it is estimated that over 60% of the unemployed have inadequate skills, and only a small fraction of the unemployed is potentially mobile (16% according to a 1978 opinion survey).

Professional and regional mobility is promoted by numerous instruments; for example, persons taking part in a full-time course of further vocational training are entitled to maintenance assistance amounting to 80% of their net income. Similarly, in the case of retraining, employers are entitled to a grant for employing persons who are not fully effective until after the completion of an initial period. This grant is not to exceed 80% of the collectively agreed income and is awarded for a maximum period of one year.
3) Accelerating the modernisation process through support measures to reinforce and better utilize innovation potential, for instance through increased aid to research and in particular in the case of small and medium-sized enterprises.

The promotion of innovation and technological development has been a priority aim of State intervention in favour of industrial firms. With the adoption of a plan aiming for a "global research and technological advance for small and medium-sized firms" in 1978 the government shifted the orientation of R&D policy more in the direction of general R&D in industry. Therefore, this new policy is no longer connected to individual projects but to R&D labour costs in the enterprise. These staff costs that are now passing to the Federal budget may represent up to 40% of total labour costs, and can be claimed from a special Federal Fund (that amounted to DM 300 million in 1981).

Programmes to promote the development of new products and processes also exist in Germany. Aid of this kind can be similar to non-repayable grants: firms are granted 8-year loans at 6.5% with an interest-free period of three years, the loans being repayable only if the investment is successful. Since 1975, firms in data-processing, medical technology, electronic components, undersea exploration and mining technology have received aid of this type.

4) Increasing energy conservation and reducing dependence on oil.

In this way, a law amending the Petroleum tax law was adopted in 1978, that increased the tax on light heating oil from DM 1 to DM 2 per 100 kilograms. Furthermore, diesel-fuelled installations for electricity and heat generation were to be allowed to use heating oil taxed at a reduced rate. Grants and depreciation facilities were also made available for energy-saving investment in dwellings. The total cost of this energy programme to the Federal and Länder governments was estimated to be DM 4.5 billion between 1978 and 1982. On the whole, it is realized that public confidence in adequate security of energy supplies acts as a stabilizing element in the economy. It is worth noting that a particular difficulty for structural adjustment on the supply side has arisen in Germany through the strong opposition to the diffusion of nuclear energy.
Greece is a late-comer to the group of industrialized nations and all through the after-war period was trying to catch up with the more advanced Western nations. During the 1950's and the 1960's, she experienced fast growth rates and passed from the state of an agrarian society to that of an industrialized country. Even up to 1975, growth in Greece was faster than the OECD's average but this trend was brutally reversed thereafter.

Since 1975 however, Greece's rate of growth has decreased, in particular because of slow and insufficient adaptation of the economy to changing economic conditions, notably those resulting from the first energy crisis of 1973-74.

In 1963 the share of agricultural and raw materials exports accounted for more than 90% of total exports, a fact that reflects the level of economic development of the industrial sector. Massive investment in capital-intensive manufacturing industries that followed gave rise to the emergence of aluminium, refineries, steel, fertilizers and other branches of industrial activity that were hitherto unknown in Greece.

Changes in Trade Structure (1)
During the early sixties leather shoes and textiles were the only branches that had a share of more than 2% in total exports, if we exclude the agricultural and raw materials sectors. The food industry slowly increased its share over the past 20 years and it amounted to 8.0% of total exports in 1980, while in 1963 its share was of 1.2%.

Exports of unworked metals saw their share diminishing to 5.12% in 1980 after peaking at 9.86% in 1968.

On the contrary, exports of non-metallic mineral products increased spectacularly, because of bauxite's contribution, to reach 8.43% of total exports in 1980. This uninterrupted increase of that sector's share is particularly evident after 1973, when the contribution of the sector increased from 2.39% to 6.44% in a single year and continued to increase at a slower pace thereafter. Iron and steel had an irregular representation in Greece's exports because of the dominance of a single firm in the production of steel. The share of iron and steel was lower than 1% till 1967, jumped to 8.84% and 11.29% of total exports in 1969 and 1970 respectively to finally drop at 5.83% in 1980.

(1) Calculations based on OECD trade data.
Also, basic chemicals suffered a loss in export shares after 1973, while for the five previous years the sector has registered important gains. Equipment goods have never succeeded in capturing significant shares in total exports, and the need to import capital goods is still very pressing in Greece.

Textiles was, and still is, a fast growing sector that amounted to 9.37% of total exports in 1980. Also, clothing has emerged as a strong export sector that reached 7.22% of total exports, while in the beginning of the 1970's the sector's share was between 1% and 2%. Leather shoes is a traditional export sector that reached its maximum share in 1977 when it accounted for 5.35% of total exports, but since then its share has constantly contracted.

A sector that needs particular reference is that of mineral fuels. Up to 1972 Greece's exports of mineral fuels were around 1% of total exports. Suddenly in 1973 this share becomes 13.95% and fluctuated since then at relatively high levels to reach its maximum value of 15.55% in 1980. This vigorous change can be explained by the establishment of oil refineries on Greek territory, that were granted permission to operate in Greece on the condition that they export their output.

On the whole, total manufacturing production has progressed rapidly: from 9.57% of total exports of goods in 1963 it rose to 48.99% in 1980; the primary sector's contribution in exports was reduced accordingly, reflecting the industrialization of the Greek economy. Exports of equipment goods represented only 2.44% of total exports in 1980; at the same time manufacturing production was concentrated in current consumption and intermediate goods, representing 24.15% and 22.40%, respectively, of total exports in 1980. The year 1980 was particularly good for Greek exports but this is not due to their competitiveness but to a favourable cyclical upturn. It was also the year that for the first time exports of a single manufactured product, namely cement, were higher than exports of tobacco (1).

(1) Tobacco exports were valued at £ 206 million whereas the value of cement exports rose to £ 217 million.
Structural Policy

Structural adjustment is essential for Greece, since her exports of manufactured products are concentrated in areas facing weak demand at the international level. Competition from newly industrialized countries with low labour costs puts Greek textiles, shoes and clothing industries in danger. Greece's industrialization process was based on labour and raw material intensive sectors during the 1960's but today this trend cannot be maintained.

The country's present comparative advantage lies in sectors that can base their production on domestically produced primary products. Mining and quarrying together with agriculture can provide the necessary output for further transformation within Greece's territory. Instead of exporting goods of low value-added, for example unworked minerals, it is to the benefit of the country to establish production chains having vertical links that add to the value of the final product.

Efforts are being made to move into the production of improved quality and technologically advanced products. Also, training programmes are to be set up soon, so that the new skills at the marketing and information technology will become available to Greek industry. The Greek Productivity Centre, in collaboration with the EEC's Social Fund, will finance those programmes that will upgrade the quality of the country's labour input.

Insufficient private investment is a major problem to a restructuring programme for Greek industry. The new law on investment incentives, adopted by the Parliament in June 1982, aims at the stimulation of the private sector. In particular, the underdevelopment of capital markets represents a constraint on investment activity.

A serious symptom of the structural weaknesses of the Greek economy is the overdevelopment of the services sector compared with production sectors. The structure of agricultural production and associated processing industries is also inadequate. Further weaknesses result from:
- stagnation of agricultural investment;
- inadequate investment in advanced technology industries;
- a high level of dependence in industry on imported raw materials and semifinished products, leading to low import elasticity.
To counter these weaknesses, the Five Year Economic and Social Development Plan for 1983-87 has been established and implemented by the Government. An effective development policy will be put into operation to help to stimulate private initiatives and to increase the role of Government by new major investment projects which will be critical for agricultural and industrial development as well as for technological progress in Greece. Sectors of advanced technology such as electronics, computer, telecommunications, anti-pollution equipment and energy-saving technology will be given special attention. Furthermore, the establishment of Industrial Regions that will be created away from the main cities of Athens and Thessaloniki will serve decentralisation purposes, and at the same time will provide the infrastructure that will cover the needs of 5,000 firms and 250,000 workers.
IRELAND

Ireland undertook a major effort in the early 1960's to become an industrial nation. Fast growth rates related to inflow of foreign investment marked Ireland's recent economic development. Nevertheless, the oil price shocks and world recession, especially that in the U.K., have created major difficulties for the economy which is very open.

The current account deficit was about 13% of GDP in 1981, compared with over 9% of GDP in 1980. GDP grew by somewhat over 1% from 1980 to 1981, which is low compared to previous growth rates. Unemployment is already a serious problem and is growing fast. In 1981, 8.6% of the labour force were without a job; the comparative figure is now around 12%. Furthermore, Ireland is a high inflation country with inflation running at an annual rate of 18.8% in 1981.

One of the problems that dominate economic policy is that of the large deficit on the current budget. The continued increase in the current budget deficit has led to a rapid build-up of Exchequer debt, particularly external debt, and has increasingly constrained economic policy. In 1981, the Exchequer's borrowing requirement was nearly 17% of GDP.

Changes in Trade Structure

Ireland’s productive structure has changed to a large degree over the past 20 years. During this period, the country passed from a primarily agrarian state to an industrialized state. Ireland's gross value-added by branch of economic activity in 1981 showed a 12% share for agriculture, forestry and fishing, a 37% share for industry, while the reminder was attributed to the services sector. While in 1963 food, beverage, tobacco and agricultural products for industry represented 68% of total exports, by 1980 the share of the above branches had fallen to only 38% of total exports, thus showing the considerable change in the allocation of productive resources. Manufactured goods, on the contrary, acquired a larger share in the export mix of Irish products.

(1) Calculations based on OCDE Trade Data.
Basic chemicals did not have any significant share in total exports during the 1960's, since their share was lower than 1%. A spectacular rise started in 1972 and has continued since then leading to a much larger share in total exports. The 2.30% share of 1972 increased to 8.68% in 1980. Exports of other chemical products did not perform as well and their share of total exports of 3.76% in 1969 fell back in the early 1970's.

The electrical machinery, machine tools and other machinery (1), office and telecommunications equipment, and the optical, clock and photo sectors also had a strong export performance. In 1963 these four groups of products represented 3.66% of total exports, while in 1973 their share had already risen to 9.31% of the total. The increase in the share of these sectors in total exports of Irish goods continued right through the 1970's and finally reached 17.95% in 1980; of these four sectors it was the office and telecommunications equipment sector that registered the most rapid growth, with its share rising from 0.78% in 1972 to 7.44% in 1980.

Exports of road vehicles increased substantially in 1979 and 1980 jumping from 0.76% of total exports in 1978 to 1.96% and 2.02% in the two years that followed. On the other hand, the product group comprising other transport equipment (2) suffered losses of export shares in 1978, 1979 and 1980 because of reduced activity in shipyards.

Textiles have always had a strong representation in Ireland's export mix, with the highest share of 7.35% of total exports recorded in 1973 and 1974. Since then, however, the relative share of textiles has fallen and by 1980 it accounted for only 5.30% of total exports. Also, clothing faces similar problems and has lost export shares. The sector's percentage contribution to the total of exports was lower in 1980 than in any year during the period 1963-1980.

Leather shoes, a strong branch of industrial activity up until 1973, has also lost ground and in 1980 it represented only 1% of total exports. Paper is not doing badly, although its share of total exports has declined marginally. Plastics, rubber is a growing sector of Irish industry with 3.90% of total exports in 1980. Even more important is the group of other manufactured goods (3) that accounted for 6.27% of total exports in 1980.

(1) Machine tools for working metals, papermill machines, printing machines, food processing machines, pumps and centrifuges, heating and coding machines, construction and mining machines, sewing machines.

(2) Aircraft, railways, ships and boats.

(3) This include among other things musical instruments, jewellery, cinema film, office and stationery supplies.
Structural policy

Because of her openness, Ireland is very vulnerable to foreign competition. Terms of trade deteriorated during the recent past and the competitive position of the country is weakening. The main policy problem is to find a way to improve employment and medium-term growth without negatively affecting inflation and the balance of payments situation. Moreover, the size of the budgetary deficit does not give much room for manoeuvre, either towards a reduction of foreign deficit or a stimulus for employment.

Therefore, efforts are made to bring the public deficit under control; a package of expenditure cuts recently announced represents a first step in this direction. While a need persists for further public capital investment, it is recognized that each project's potential benefits to the economy must be strictly scrutinized with a view to obtain a better return from scarce resources.

As Ireland's development is based to a major extent on foreign manufacturing investment, it seems essential for the country to continue providing the advantages (a mix of fiscal and financial measures, together with the existence of a skilled labour force) that have made it a desirable production location.

In 1981, the special tax relief on export profits was replaced by a reduction in the rate of corporation tax to 10% for manufacturing industry. Industrial policy is being reviewed at present in order to adapt it to the increased difficulties of attracting foreign direct investment. A major investment plan was drawn up in 1981 in order to provide or improve basic infrastructure (roads serving major urban areas, water supply and sewage) and telecommunications (telephone service, telex, data transmission and telegraphs).

The rise in oil prices since 1973 have necessitated structural adjustments in the Irish economy which is heavily dependent on energy imports. Thus, the government provides incentives to stimulate energy saving and fuel switching investment.

Grants of 33% for renovation in private dwellings were given for energy saving investment projects. Also, grants up to 35% were made available to business for capital expenditure to reduce energy consumption in industry.
ITALY

The main structural problems of the Italian economy are the lagged development of the Mezzogiorno, the heavy dependence on imported energy (83% in 1979) and an industrial specialization which makes it potentially more vulnerable to competition from low-wage countries.

Structural adjustment has to be carried out in an unfavourable macroeconomic context characterized by high inflation rates and budget deficits. A slowdown in inflation, a determinant factor for improving the competitiveness of the economy, remains a fundamental policy objective. The major elements of the counter-inflationary strategy are the ceilings set for the general government borrowing requirement and total domestic credit; the government also proposed a 16% wage rise target for 1982 to be respected in the collective agreements under negotiation. Discussion about possible modifications of the automatic wage indexation system is under way.

Changes in Trade Structure

Italy was responsible, in 1980, for 6.6% of overall world trade, and for 7.4% of world trade in manufactured goods.

While agricultural products and raw materials represented a declining proportion of Italy's exports over the last two decades, manufactured goods managed to represent more than 86% of total exports in 1980. This increase of the role of manufactured products was mainly due to the gain of market shares by current consumption goods and, to a lesser extent, by intermediate goods. On the other hand, equipment goods maintained an unchanged weight in Italy's export mix over the last twenty years.

Iron and steel as well as metal products have contributed to the expansion of manufacturing exports. However, the iron and steel exports started to lose ground proportionately during the second half of the seventies.

Textiles represented 10.71% of total exports in 1963 but their share has been steadily decreasing. In 1980 the sector's contribution in Italy's exports had dropped to approximately 5%. Clothing has performed much better than textiles and managed to represent a solid 5% of total exports.

(1) Calculations based on OECD trade data.
The leather shoes sector is of particular weight in Italy's export basket. The value of leather shoes exported in the course of 1980 was greater than that of iron and steel or clothing and was comparable to the share of agricultural exports. The leather goods sector is a prime example of the dynamism manifested by Italian current consumption goods.

Wooden furniture proved to be a rapid growth sector in Italy's industrial production as its share in total exports rose from 1.93% in 1973 to 3.40% in 1980. The recent export performance of a series of small manufactured articles, like musical instruments, office and stationery supplies, sporting goods etc. has also been spectacular. This group of manufactured goods increased its share in Italian exports substantially between 1973 and 1980, as the 2.97% became 5.33%.

**Structural policy**

The burden imposed by the regional problems on the Italian economy is witnessed by the fact that, at the end of the seventies, the Mezzogiorno represented 32% of the active population but only 30% of employment and less than 24% of the GDP.

A substantial flow of funds, mainly through the Cassa per il Mezzogiorno (whose main source of funds is the State budget) has succeeded in avoiding a further widening of the North-South disparities; however, apart from some limited local successes, a general self-sustained process of economic development has still to materialise.

A new bill concerning the Mezzogiorno incentives has been submitted to Parliament; the main innovations concern a simplification of procedures, the adoption of employment incentives and the enlargement of regional and local authorities' powers.

While since the fifties a series of laws providing incentives to industries had led to often ad hoc and uncoordinated interventions, in the second half of the seventies a debate has opened on how guidelines and procedures should be adapted in order to improve structural policies. The need was recognized to increase research expenditure (public financing of R&D, while increasing since 1974 as a percentage of GDP still represents only about half the equivalent percentage in other EEC's countries), to facilitate restructuring and reconversion of the
manufacturing sector, to improve vocational training, to reduce energy
dependence and to improve the performance of public enterprises. An
Applied Research Fund and, more recently, a renewable Fund for Technological
Innovation, providing financial incentives for R&D and innovation, were
set up. Public investment projects aiming at reducing structural bottle-
necks or imbalances, which will be financed through the new Investment
and Employment Fund, will be pre-selected by an assessment committee
composed of experts in the financial analysis of investment projects.

In the energy sector, the legislative implementation of the Energy Plan,
now engaged, should remove an important constraint to growth. The main
objectives of the plan for 1990 are to promote energy saving and a more
rational use of resources in all sectors of consumption; to reduce
dependence on oil; to reduce risks through diversification of sources.
During the last decade, the Luxembourg economy has undergone important shifts in its output composition; the share of industry in total output fell from 42.5% to under 25% during the course of the seventies. The decline in industrial production is due to the fall in steel output, while the other industrial sectors registered a stagnation in output reflecting the weakness of world demand but also a loss of competitiveness. By contrast, the volume of market services has increased by 8% p.a. during the seventies, the main area of growth being the financial sector.

Employment has declined in many industries: since 1974, the reduction in the steel industry alone (8,100 persons) has exceeded the creation of jobs in new industries established since that date. It was the tertiary sector that sustained employment growth, so that the level of total unemployment is much lower than the EEC average. Manufacturing employment, which has been declining by 3% p.a. since 1975, now accounts for only 26% of total employment compared with nearly one third at the beginning of the seventies.

**Structural policy**

Structural policy in Luxembourg aims at industrial restructuring by reducing the relative importance of the steel industry.

In order to reduce the effects of the crisis of the steel industry, the government has subsidised temporarily wage costs for steel industry workers employed in the "Anti-crisis division" (to be phased out by 1984). Some 2,000 workers were profiting from the scheme at the end of 1981. A further 1,000 steel industry workers were given employment in the "special work of general interest" scheme. In order to improve labour mobility, the conditions of the temporary re-employment benefit were improved so that the re-employed steel industry worker receives 100% of his former salary for the first six months, and at a slowly diminishing rate thereafter. Other industry measures include the granting of a bonus for a worker who voluntarily transfers to a "new industry", retraining aids, the setting up of employment information centres and early retirement.

Temporary aids were accorded for investment in the steel industry, which were subject to restructuring conditions in the context of the EEC's guidelines.
Introduction

In the 1950s and 1960s manufacturing was one of the engines of economic progress and made a major contribution to the rising prosperity of the Netherlands. Manufacturing accounted for some 30% of all jobs, as it did in the neighbouring countries. A vigorous growth of Dutch exports and mounting imports confirmed the open character of the country's economy and its increasing interdependence with foreign countries. It was mainly the integration effects following the establishment of the EEC and the progressive liberalisation of trade with the other industrialised countries, which had a positive effect on international trade.

In that same period economic development in the Netherlands is marked by three major events which came into being in the 1960s: the introduction of free wage negotiations in 1963, leading to increases in real wages exceeding the rise in productivity; the discovery of immense fields of natural gas and the beginning of a steep increase in public spending.

However, it was in the mid-1970's, when energy prices increased drastically, that the effects of the above mentioned factors were felt by Dutch industry.

In the period before the energy crisis economic problems were tackled by counter cyclical measures and it was only during the last few years that their structural nature was fully appreciated.

Macroeconomic aggregates showed a clear deterioration during the course of 1981. Gross domestic product fell by 1% in real terms, unemployment increased substantially to reach 7.7% of the labour force, while the investment climate remained unfavourable. Nevertheless, the Netherlands strengthened their competitive position in world markets and this resulted in a surplus on the current account of the balance of payments, for the first time since 1977.

Inflation, at a rate of about 7%, is not a pressing problem as it is for other countries.
The availability of relatively cheap energy in the 1960s implied that industrial development has been energy-intensive. This holds particularly for basic industry which uses 64% of the total industrial energy consumption. The price hikes of natural gas and oil, with which the Netherlands generates over 85% of its electricity, led to an extra weakening of the Dutch industry's competitiveness in the 1970s, as compared with other European countries which rely to a greater extent on coal, nuclear energy and hydropower for their electricity production.

Energy fluctuations affect Dutch exports to a high degree, since 30% of total exports are made by four energy consuming sectors, namely, shipping and aviation, chemicals, oil and mining, whereas their share in total value added is no more than 13%.

Changes in industrial and trade structure (1)

The Netherlands' industrial structure is mainly characterized by the foods, drinks and tobacco industry, the chemical industry, the oil industry, the metal products industry, the engineering industry and the electrical engineering industry, which between them account for some 60% of manufacturing jobs and nearly 80% of industrial exports. Compared with other West European countries, the first two sectors occupy a major place in Dutch exports.

Besides, the group of exporting industries is relatively small in the Netherlands, with less than 100 companies accounting for 65% of all exports, and a further 570 firms for another 26%. These 670-odd companies employ nearly 470,000 workers between them, which is nearly half the total workforce in industry.

The remaining 9% of exports are for the account of over 4,000 firms, which provide 30% of the employment in manufacturing. In 1980, the food, beverage and tobacco branches, that had historically the largest share in total exports, lost their first place to the fast growing sector of mineral fuels, that accounted for 21.96% of all Dutch exports of goods during that year.

(1) Calculations based on OECD trade data.
It is very interesting to follow the increased market shares of the mineral fuels' sector during the 1970's. In 1970 the share of the sector in total exports was 10.52%, in 1973 it rose to 12.97%, 16.96% in 1975, and finally 21.96% in 1980.

Iron and steel has been hit in the 1970's when the sector's market share passed from its 1974 peak of 4.59% to the modest 3% in 1980. Equally bad has been the performance in export markets of the once highly competitive sector of electric machinery that represented 5.59% of total exports in 1963, 4.51% in 1973 and only 3.57% in 1980. The share of office and telecommunication equipment has also diminished in recent years but this process had started long before the energy crisis. From 4.88% of total exports in 1963, this sector represented only 2.69% in 1973 and saw its share increasing up until 1978 when it reached 3.78% of total exports, to fall again to 3.24% in 1980. On the contrary, road vehicles increased slightly their export share from 1973 onwards when they passed from 2.02% of exports to 2.32%. Paper and plastic rubber exhibited a good export performance during the second half of the seventies, as their market share was maintained at steady levels.

This cannot be claimed for the textiles or the other transport equipment sectors that have been hard hit during the past five years. It is, however, true that these sectors were in difficulty even before the 1970's. The share of textiles was reduced to 3.06% of total exports in 1980, while it was 5.36% in 1973 and 7.02% in 1963. The recession affected the aviation and shipbuilding industries, so that the share of the other transport equipment sector represented only 2.07% of total exports in 1980, compared to 3.49% in 1973.

Overall, industry is declining in importance in the Netherlands in terms of both employment and value-added. The share of manufacturing industry in Dutch value-added fell from 28.2% in 1970 to 27.2% in 1977 at constant 1970 prices, which is in fact the smallest share among the main community countries. Employment in manufacturing has fallen to a level which is relatively even below that of 1950. During the period '70-'77, growth was sustained by the services sector, the energy industry and the agro-food industry.
**Structural policy**

The main policy target being the reduction of unemployment, the government for a number of occasions took statutory powers to restrain the rise in wage costs; it was decided in 1980 to suspend automatic indexation, and to give only partial compensation for inflation. With regard to budgetary policy, the aim is to reduce the general government borrowing requirement; major change appear to be inevitable, particularly in the field of transfers and public consumption. Recently, the government expressed the intention to lighten the pressure of social contributions on business enterprises.

Since the problems of the Dutch economy were recognised to be more structural and longer term than of a cyclical nature, the general objective of economic growth was replaced in the second half of the seventies by the objective of "selective growth". This policy orientation means that, in order to stimulate economic growth, the same importance is to be attached to economic growth as to other objectives relating to natural environment, use of energy and raw materials, physical planning and international economic division of labour; the bias is strongly away from defensive help towards specific sectors and enterprises and towards general measures to promote investment and innovation, in order to facilitate the adaptation of enterprises to changes in world demand and conditions.

In 1978 a system of investment subsidies of an automatic but selective nature replaced the former tax facilities (accelerated depreciation, deductions, etc.). In 1981, the total of investment subsidies paid amounted to 5,8 milliard florins.

Labour market policy is directed especially at the qualitative discrepancy between supply and demand. In particular, the role of education, schooling and learning is recognized to be of paramount importance for the success of the re-industrialization effort, since effective R&D is highly correlated with the quality of research staff.
With regard to the energy problems, an intense energy saving programme has been developed to lead to an improvement in energy efficiency and to a diversification among the greatest possible number of primary fuels, with a view to spreading the risks.
UNITED KINGDOM

The open structure of the UK market has brought about considerable structural re-adjustment over the past three decades with sharply declining activity in previously traditional industries such as steel, textiles, vehicle manufacturing and shipbuilding where the reduction in the size of those industries has been both severe and rapid. Nevertheless the UK has maintained a primarily open economy with over 80% of visible imports in 1980 being admitted duty free (compared with about 75% in 1970). Whilst some imports are restricted by non-tariff measures (eg restraints on textiles and levies on agricultural products) these form a small proportion of total imports - less than 10% of UK imports are covered by such restraints and levies. These restraints have been introduced to bring about a socially acceptable pace of industrial adjustment or to slow down unreasonably high surges of imports which would disrupt otherwise viable UK industries.

Over the last three decades the UK economy has been characterized by relatively slow growth, an ageing industrial structure, and since 1971 a high rate of inflation. Moreover, some decline in international competitiveness has been particularly felt during the past few years because of large increases in labour costs and the strength of the pound. The British economy registered a [1.2%] growth rate per year during the second half of the 1970's, while the corresponding figures for OECD, France and Germany were 3.5% and 3.6% respectively. From 1974 till 1980, productivity gains were of the order of 1.2% per year while unit labour costs were rising by 16% per year during the same period. Since 1980 output per head in manufacturing has risen sharply. Unemployment is at high levels and 10.5% of the labour force were without a job in 1981.

Profound structural changes have resulted from the decline in competitiveness at the international level. Thus, the share of manufacturing in GDP decreased from 32.8% in 1970
to 25.6% in 1980. To some extent this decrease reflected the growth of the North Sea oil sector which by 1980 accounted for about 5% of GDP. Also, total employment has been decreasing by 1.1% per annum since 1971 in industry, while it has been rising by [1.6%] per annum in the services sector.

**Changes in trade structure (1)**

In 1963 the United Kingdom accounted for 11.9% of OECD's exports, while in 1980 its share was down to 9.3%. Market shares of the manufacturing sector registered a weak performance during the 1963-1980 period, as they declined from 13.8% of OECD's manufacturing exports in 1963 to 9.4% in 1980 although some recovery has been made since the low figure of 8.7% in 1973.

As one would expect, the category of mineral fuels, that includes coal, gas and petroleum, followed a U-shaped evolution. In 1963 the UK accounted for 11.5% of OECD's exports but by 1973 this has fallen to 6.4% as coal exports declined and before the flow of North-sea oil had begun. The situation reversed when North-sea oil started to be exported and in 1980 the UK had a 17.1% share of OECD's mineral fuel exports. Unworked metals have been exported by the UK at a uniformly faster rate than by the OECD through the 1963-1980 period. Thus, the sector that represented 5.4% of OECD's exports in 1963 increased its share to 5.7% by 1977 and rose to 8.2% in 1980.

Intermediary products have performed less well in export markets when compared to the rest of OECD countries. Iron and steel exported by the UK in 1963 was 10% of the total of OECD exports of that sector but the UK share dropped to 4.5% in 1973 and to only 3.6% in 1980. Also, exports of metal products and chemicals were increasing at a slower rate in the UK than in the OECD-zone as a whole.

(1) Calculations based on OECD trade data
British equipment goods also lost market share in world trade during the 1963-1980 period except for other transport equipment (1) which thanks to the contribution of aircraft and aircraft engines increased its export share. For example, whereas other transport equipment exported by the UK in 1950 represented 17% of that sector's exports for the whole of OECD, in 1963 and in 1973 the UK's share had declined to 8.2% and 5.6% respectively.

Current consumption goods including textiles lost ground to other OECD countries although clothing on the whole did better.

As far as the export structure of British trade is concerned similar observations can be made. Thus, it is not surprising to find that rising exports of North Sea oil boosted the share of raw materials in total UK exports, and that manufactured goods, intermediary products, equipment goods and current consumption goods consequently had lower weights in 1980's export mix than in 1963.

The change was particularly noticeable after 1975 for manufactured goods. This group of products accounted for 82.5% of UK's exports in 1963, 83.3% in 1975, while in 1980 their share was down to just 75.2% of total exports.

On the other hand, raw materials have increased sharply their share in UK's export mix. From their 14.6% share in 1963, raw materials reached a 28.7% share of total UK exports in 1980, due to the discovery and exploitation of North-Sea oil. Hence, the mineral fuels branch that represented 4.0% of UK's exports in 1963 jumped to 13% of the country's total exports in 1980.

(1) Aircraft, aircraft engines, railways and ships
Employment statistics paint a similar picture. For the whole of the industrial sector a net loss of 1,041,620 jobs was observed between 1972 and 1980. During the same period in the equipment goods sector the labour force was reduced by 350,000 persons, while the loss of jobs in the current consumption goods sector was of 393,000 people.

**Structural policy**

A major element of industrial policy since the last change of government has been the commitment to reinforce the role of the market.

However, some measures are being taken by the government in order to assure the fastest and less painful adaptation of the UK industry in the new international conditions and to reduce regional imbalances. This minimum intervention is considered to be necessary by the British authorities and concentrated in the following areas: regional development; small and medium-sized enterprises; new promising industrial activities; employment.

Regional policy has been made more selective and more concentrated. Global aid in real terms as well as the extension of the assisted areas have been reduced.

The UK Government has put much emphasis on improving the climate for small businesses. As a source of innovation and enterprise, they see the sector as having a role in structural adjustment of the industrial base. There have been a range of measures aimed at increasing the volume of premises available (eg by acceleration of Industrial Buildings Allowance under the Small Workshops Scheme), and reducing administrative and legislative burdens.

The UK Government has also taken a number of steps to improve the flow of finance through fiscal incentives and by way of specific schemes including:
The pilot Loan Guarantee Scheme announced in the 1981 Budget seeks to stimulate commercial investment by banks and financial institutions to new and existing small businesses with a viable proposition which need a Government guarantee because of lack of security or a track record.

On the other hand the Business Start-up tax relief is aimed at encouraging the individual member of the public to invest in enterprise. A further incentive is the Venture Capital Scheme under which losses on disposal of shares owned by individuals and investment companies can be set against income rather than capital gains tax.

Additional resources and manpower have been allocated to the Small Firms Services which provides information and counselling to the small firms, and it has been complemented by the introduction of a Small Firms Technical Enquiry Service.

Under the "Support for Innovation" arrangements, assistance is available to companies in or closely associated with the manufacturing sector to undertake research and development related to an industrial need, and to develop new or significantly improved products and processes. In addition to these general arrangements, special measures are announced from time to time to encourage the application of important new technologies such as microelectronics, robotics, computer aided design, fibre optics, information technology and biotechnology. These arrangements include support available generally under "Support for Innovation" (eg grants, pre-production assistance) but may also include awareness activities, demonstration projects, encouragement of training, and support for consultancy.
With unemployment now affecting almost 1 in 7 of the United Kingdom workforce, the Government is planning substantially to increase its spending on training in order to support industry's own efforts and to help establish a more flexible and adaptable workforce for the future. It is also increasing spending on special employment measures to alleviate the impact of the recession on particularly vulnerable groups. The Government's New Training Initiative provides a framework within which the reform of United Kingdom training system is to be carried out. The New Training Initiative has three major objectives: a) the reform of skill training, including apprenticeships; b) the development of comprehensive foundation training for young people; and c) the opening of wider opportunities for adults to train and retrain.

a) On the reform of skill training, the Government has set a target date of 1985 for training to standards in all the main craft, technician and professional skills to replace time-serving and age-restricted apprenticeships.

b) The introduction of £1 bn a year Youth Training Scheme in Autumn 1983 will guarantee all 16 year olds entering the labour market a year's foundation training. The scheme will eventually replace the existing Youth Opportunities Programme.

c) In 1982/83, some 60,800 adults are expected to complete courses of vocational training supported under the Training Opportunities Scheme. Here, the emphasis is being placed increasingly on providing training in the skills which industry and commerce need, especially in computing and other new technologies. The recently established Open Tech will also increase significantly the opportunities for adults to train and retrain in technician and supervisory skills using open and distance learning methods. The Government is considering currently other ways of increasing opportunities for adults to train and retrain.
Recently introduced special employment measures include a new "Community Programme" providing opportunities for community work and voluntary services for the long term unemployed; the "Young Workers Scheme" which provides subsidies to employers who take on additional youngsters at rates of pay which reflect their lack of training and relative inexperience; and, from 1 January 1983, measures to encourage job splitting. Altogether the Government is spending in 1982-83, £1½ billion on special employment and training measures providing places for some 900,000 people.