

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

Spec(80)15/Add.3
5 June 1980

Textiles Committee
Working Group on Adjustment 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

Addendum

Attached is the reply received to the above-mentioned airgrams from Austria.

A. Autonomous adjustment processes

The processes by which the Austrian textiles and clothing industries have adjusted to the changing pattern of market and competition are demonstrated by the development of employment. At the end of 1973, the Austrian textiles industry employed 63,701 persons. That figure decreased continuously in the following years and reached at the end of 1979 a level of 46,626 persons. This means that the number of employees decreased by 26.8 per cent during the aforementioned period. The Austrian clothing industry employed at the end of 1973 38,774 persons and at the end of 1979 33,370 persons; the number of employees decreased by 23.9 per cent.

A similar tendency can be observed in respect of the number of factories. The number of factories in the Austrian textiles industry decreased from 710 factories (December 1973) to 578 factories (end of 1979) or by 18.6 per cent. During the same period the number of factories of the clothing industry decreased from 617 to 534 factories or by 20.3 per cent.

These few statistical data already illustrate the autonomous adjustment process of the textiles and clothing industry which at present is under way. This process is further illustrated by the development of the share in domestic market held by the Austrian textiles and clothing industry. In 1973, 52.4 per cent of the Austrian market were supplied by the domestic textiles industry. Through increasing import competition, in particular through extremely tough competition in certain areas (predominantly with respect to prices), its share of the domestic market declined continuously and was reduced to 31.4 per cent in 1979. The domestic market share decreased therefore by 21 percentage points or by 40.1 per cent, respectively. The share of the domestic clothing industry in the Austrian market was in 1973 70.3 per cent, in 1979 only 41.3 per cent; it decreased by 29 percentage points or by 41.3 per cent, respectively.

The efforts undertaken by the Austrian textiles and clothing industry in this autonomous adjustment process are also illustrated by the investments made. Provisional data show that the Austrian textiles industry invested in 1979 S 1,023 Mio. and that investments of the clothing industry reached S 251 Mio.

B. Government measures

The textiles and clothing industries are entitled to the same benefits which the Austrian Government makes available to industry as a whole. In order to facilitate the financing of investments and structural adjustments, to develop, to rationalize and to improve the productivity of the Austrian

economy and the mobility of labour, the respective legal texts include, inter alia, provisions for speeded-up depreciation allowances, investment reserves, the fiscal treatment of undistributed profits, the reduction of Corporation Tax, the improvement of economic structures in the smaller industries and trades, the support of investment serving development and re-equipment, the promotion of research and competition, active labour market policies and financing facilities. It should be underlined that these measures are not restricted to the textiles and clothing industry as such.

Experience has shown that it has not been practicable for firms to move out of the textile sector into other sectors of industry. This was in particular illustrated by major difficulties which arose with respect to the restructuring of clothing industries in rural frontier areas. The Austrian Government has therefore decided to promote the efforts undertaken by the textiles and clothing industry to shift the emphasis of production to products of special quality and of high fashion. For investments with a restructuring effect of the type mentioned government offers grants which are limited in time. Linked to such grants is the engagement by the factories to scrap the outdated machinery. This policy takes in particular account of the fact that a neutral country like Austria cannot abandon its textiles and clothing industry (security of approvision).

C. Increasing access to the market

As the steady increase in sales by foreign firms demonstrates, the Austrian import régime for textiles is extremely liberal. Imports have increased as follows: in 1973, textiles of a value of S 10,297 Mio. have been imported; this figure increased continuously since then and reached in 1979 a value of S 17,268 Mio., showing thereby an increase of 67.7 per cent. During the same period, imports of clothing increased from S 2,977 Mio. to S 8,472 Mio. or by 184.6 per cent over a period of six years.

Foreign trade in textiles and clothing shows a considerable import surplus which widened significantly during the last years. The deficit in foreign trade in textiles trade increased from S 723 Mio. in 1973 to S 2,267 Mio in 1979. Even more marked is the increase of the import surplus for the clothing sector. The trade deficit increased from S 588 Mio. in 1973 to S 3,439 Mio. in 1979. These figures demonstrate that access to the Austrian market has been continuously facilitated for foreign suppliers.

The liberal character of the Austrian trade policy in this sector is best demonstrated by the fact that a number of quantitative restraints which were previously maintained in accordance with the MFA have been terminated over the last years. With respect to textiles, by 1 January 1978 all

quantitative restraints vis-à-vis Egypt and Pakistan have been abolished. Furthermore, by 31 July 1979, the quantitative restraints on the following items have been abolished vis-à-vis the Republic of Korea: terry towelling and similar terry fabrics; other woven fabrics; gloves, mittens and mitts, knitted or crocheted, not elastic nor rubberised; stockings, under stockings, socks, ankle socks, sockettes and the like, knitted or crocheted, not elastic nor rubberised; undergarments, knitted or crocheted, not elastic nor rubberised; outergarments and other articles, knitted or crocheted, not elastic nor rubberised; men's and boy's woven outergarments; women's, girl's and infants' woven undergarments, bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles.