

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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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

### Addendum

Attached are the replies received to the above-mentioned airgrams from  
Egypt, Malaysia and Sweden.

EGYPT

The Egyptian Textile Industry has been urged to improve its industrial structure in spinning, weaving, and finishing capacity, after continued economic difficulties for some years.

The industry itself is responsible for adjustment and restructuring, to cope with changing consumer requirements and the developing pattern of international trade, and the introduction of improved methods of production, together with an overall increase in productivity.

Some semi-governmental bodies are providing testing facilities, technical consultancy and helping in developing new products and processes.

Within the framework of the adjustment measures taken by the textile industry, efforts have also been made to move into more viable lines of production, for example by including new sections such as garment units.

Modernization and replacement are financed by aid loans from several international sources together with government credit guarantees available for such purpose.

Foreign investments are recording a positive rôle in knitting and ready-made joint ventures both locally and in free zone as a response to Egyptian Act No. 43 of 1974.

Some well equipped joint projects have started operations and proved their high efficiency.

All such projects have to be examined by the General Organization for Arab and Foreign Investment and Free Zones, to decide their profitability and contribution to our national economy.

This trend of increasing production, efficiency, and diversification, together with more quality textile and clothing products, has led to a situation in which more attention is given to problems connected with both securing the supply of raw materials - cotton - yarns - fabrics - for different sections of the textile industry, and in the export field.

MALAYSIA

1.A. Recent developments in investment, productivity capacity, and employment for textiles:

Year	Investment	Employment
1976	\$570 million ringgit	33,092
1977	\$750 " "	47,008
1978	\$841 " "	51,441

Production of Textiles and Clothing			
Description	Year		
	1976	1977	1978
Yarn of man-made fibre (tonne)	24,214	38,442	42,733
Yarn of natural fibre (tonne)	17,447	16,489	18,750
Fabrics (km)	174,608	172,934	207,646
Clothing ('000 pcs)	43,844	37,867	42,957
Knitted socks and stockings ('000 pcs)	9,233	11,963	15,872

B. As the Malaysian textile industry has reached a relatively advanced stage, only selected sectors of the textile industry are still being promoted. This included the following:

- (i) Integrated textile projects producing synthetic woven filament fabrics (not produced locally at present) catering for both the local and export markets.

- (ii) Projects proposing to manufacture high quality knitted fabrics and garments and catering basically to non-quota restricted markets.

Presently, there is no direct Government scheme for reorganization, modernization or diversification of the industry.

With the present protective policy adopted by authorities in our traditional export markets, the Malaysian Government's policy is to encourage manufacturers to diversify into other non-quota items as well as to venture into non-quota restricted countries. In the case of new production for domestic consumption approval is given only to small-scale garment converters located in the less-developed areas.

Date	Description	Amount	Remarks
1978/81	...	...	...
1981/82	...	...	...
1982/83	...	...	...
1983/84	...	...	...
1984/85	...	...	...

Source: Information from the Ministry of Trade and Industry, Kuala Lumpur, Malaysia.

Prepared by: [Name] Date: [Date]

SWEDEN

Information on Adjustment Measures in the  
Textile and Clothing Sector

A. Autonomous adjustment process

As a result of changing market conditions, it has been necessary to carry out adjustment measures in the Swedish textile and clothing industries, such as close-downs, amalgamations etc., which have led to substantial decreases in production, and also in the form of product development, design, marketing, finance, education, etc. The aim of specific government measures affecting the textile and clothing industries in Sweden have primarily served to alleviate and smooth the readjustment. It should, however, be recalled that the MFA recognizes the importance of avoiding damage to the minimum viable production of countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production. In view of the very serious decline in Swedish textile and clothing production which has taken place during the last decade, it seems doubtful if adjustment in forms which would imply further decrease of the industries concerned would be consistent with the above-mentioned objective.

Production within the Swedish textile and clothing industry has progressively diminished during the 1970s. In 1975, there was a marked decrease in production within several branches of this industrial sector, which became even more pronounced in the following years. Between 1976 and 1977 production in the textile sector was reduced by 16 per cent and by 21 per cent in the clothing sector. During 1977-1979 production decreased by 8 per cent in the textile sector and by 15 per cent in the clothing sector. The number of employees within the Swedish textile and clothing industry went down from 114,000 in 1950 and 67,500 in 1970 to around 38,000 in 1979. The adjustments which have taken place in production and employment must mainly be ascribed to changes in the international patterns of trade and comparative advantage.

The trend of diminished production and production capacity has led to a situation in which more and more attention is given to problems connected with securing the supply of essential textile and clothing products, in case Sweden would be cut off from its present sources of supply. In 1979, imports of clothing accounted for almost 80 per cent of the total supply.

## B. Government measures

As to policies to encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of economy and provide increased access for textile products from developing countries, the following observations may be made.

One of the principal aims of government measures specifically directed towards the textile and clothing industries in Sweden is to encourage companies to concentrate their production in areas where they will have possibilities of being competitive. Such adjustment measures are not intended as means of preserving companies which cannot compete without government support in the form of trade policy measures or other measures.

During recent years government funds have been spent on an active labour market policy both in the form of general and sector directed measures. Measures with regard to the textile and clothing industries have progressively increased in importance. Their purpose has primarily been to assist in maintaining a minimum viable production and to slow down the rate of decrease in employment in this sector, so that adjustments can be made under socially acceptable conditions. Among the measures taken in this context mention could be made of grants for education of employees, threatened to be laid off, as well as temporary employment grants to companies employing persons above the age of fifty within the textile and clothing industry.

The Swedish government has recently established an emergency planning scheme for the textile and clothing industry for fiscal years 1979/80 and 1981/82, in which certain production goals for different products areas have been set up.

Government measures to encourage business to: (i) improve viability of current lines of production, (ii) move progressively into more viable lines of production.

Government measures to assist integration, concentration, rationalization and readjustment in the textile and clothing industries have been in operation since 1970 and 1971. These governmental measures include export promotion, conversion support and educational and management training.

The principal aim of the conversion support measures is to stimulate expanding enterprises to utilize consultants to investigate methodically all possibilities of amalgamating (with or without partial or total purchasing) with other, economically weak and less competitive firms. Other amalgamations may take the form of co-operation agreements, establishment of joint marketing company etc. Investigations can also concern structural adjustments within the enterprises, primarily those of an organizational nature, including the need for specialization.

The educational programme is designed to stimulate development in the principal spheres of company management and finance, production and marketing, personnel management and co-operation. The programme includes courses and conferences which are free of charge for participants.

The export promotion programme is concentrated on viable enterprises. Export projects which promote a better structure of the industry are given priority, e.g. joint export actions. Project support can only be considered for covering initial expenses. In this context grants can be paid to cover a part of costs for market analyses, marketing planning, and product adjustment. A certain assistance can also be given to collective activities, such as fashion displays.

For fiscal year 1979/80 SKr 44 million have been set aside for programmes of this kind. The Swedish Government has decided to extend these measures until the end of fiscal year 1981/82.

In addition to the measures mentioned above, certain governmental credit support measures in the form of inter alia depreciation loans were introduced in 1972 to secure the supply of essential textiles in case Sweden would be cut off from its present sources of supply. The objective is to initiate investments which are necessary from the supply point of view. Companies which benefit from such credit support are, under agreements with the National Board of Economic Defence, obliged to maintain a certain production and production capacity. Support measures were later extended to a special programme of rationalization within the ready-made clothing industry. The aim of the programme is to encourage the introduction of new production techniques through support for investments increasing productivity, grants for the use of consultants when introducing new production techniques and increased support for research development. The support for investments increasing productivity takes the form of special depreciation loans. When applications for such loans are examined, special attention is given to the possibilities for long-term and stable access to markets for the product areas concerned. Loans to the equivalent of SKr 35 million have been granted until the end of fiscal year 1978/79.

During fiscal year 1977/78, as a result of the difficult situation within the textile and clothing industry, special credit guarantees were introduced for such textile and clothing companies which are expected to be competitive in the longer run. Such guarantees are given on condition that concrete plans for rationalization in the companies concerned have been established. The guarantees also aim at stimulating structural changes within or between companies. The actual scope available for such guarantees is SKr 72.5 million.



In 1977, a special council for the textile and clothing industry was set up under the Ministry of Industry, with representatives from the government, employers and employees. The main task of the council is to follow developments within the textile and clothing industries, mainly long-term trends, and to analyze possible consequences for this sector of industry and the labour force involved.

In 1978, a special Board was established to co-ordinate government measures towards the textile and clothing industries. The National Board of Economic Defence, the National Industrial Board, the Labour Market Board, companies and employees are represented on this Board. As a consultative body, the Board advises the government on policy and programmes for restructuring and rationalizing the industries concerned.

In recent years the government has taken over four major and some smaller companies. These have been merged in one concern.

One of the measures to promote industrial adjustment in general was the establishment, in 1967, of the National Investment Bank with the aim to assist - on commercial terms - in the financing of in particular such investment projects that aim at rationalization, structural adjustment and development, with regard to research and development. A Board of Technical Development was set up to promote research and development through existing or new techniques, to support technical innovations and to raise the general level of technology through grants or concessionary loans. In addition it should be mentioned that government credit guarantees are available for small and medium-sized enterprises.

Government measures to encourage business to: (iii) move out of the textile sector into other sectors of industry

The main example of policies in Sweden, designed to assist business in abandoning non-profitable sectors and moving into other more profitable sectors of the economy, is the government funds spent on an active labour and regional policy. The measures within this framework are available to assist industrial adjustment in general: no specific evaluation has yet been made to assess their effects in the textile and clothing industries. The decrease in employment within these industries, which earlier, to a large extent, took place within regions with a comparatively diversified industrial sector, is now occurring mainly within areas with a relatively one-sided industrial life. With the purpose of diminishing negative effects on employment in areas dominated by the textile and clothing industries, the government is offering enterprises in other sectors, willing to establish themselves in these areas, localization support and possibilities of using their investment fund.



C. Increasing access to the market

Production within the Swedish textile and clothing industry has decreased substantially during the 1970s. In 1978, Swedish production of textiles and clothing in terms of production indices had gone down to 71 and 51 respectively with 1973 as base year (100). During the same period, Swedish imports of textiles and clothing have increased rapidly, from SKr 3.9 billion in 1973 to SKr 8.6 billion in 1979. In 1979, imports of clothing accounted for almost 80 per cent of the total supply.

The quantitative share of developing countries in Swedish imports of clothing amounted to 33 per cent in 1979. In this context it may also be noted that GATT statistics concerning imports of textiles and clothing (cf.COM.TEX/W/53) give Sweden a position as the world's biggest importer per capita of such products from developing countries.