

RESTRICTED

COM.TD/H/3
3 February 1966

Limited Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Group of Experts on Adjustment
Assistance Measures

ADJUSTMENT ASSISTANCE MEASURES

Material Supplied by the Governments of Developed Countries

1. The Group has been asked to study the material received from governments and to report on the measures being applied, or proposed to be applied, by industrialized countries for assisting adjustments in the changing structure and pattern of production, so as to permit an expansion of international trade in products of interest to less-developed countries and to provide large opportunities for imports from these countries.
2. Prior to the setting up of the Group, such information had been requested from governments of developed countries on the recommendations of Committee III and Sub-Committee 2 of the Action Committee. In response to those requests, a number of governments supplied statements which were circulated as COM.TD/H/W.6. and Addenda thereto. This material was examined by the Group in June 1965 and reflected in note COM.TD/H/2.
3. At the meeting in June 1965 the Group agreed that an attempt should be made to elicit further information, and specifically requested information on the following four points from the developed countries:
 - (a) what measures of adjustment assistance were available under either general or specific legislation;
 - (b) which of these measures could be used specifically for the purpose of providing larger opportunities for imports from developing countries;
 - (c) instances in which measures under (b) had been employed and the progress made in achieving the objective outlines in that sub-paragraph;
 - (d) indications as to programmes in hand, whether in the enactment of new legislation, or in the employment of measures already available in the field of adjustment assistance, to promote imports from developing countries.

Responses to this new request were received from a number of governments including some which had responded to the earlier requests. This new material was circulated as working papers of the Group under the symbols COM.TD/H/W.2 and Addenda thereto.

4. For the convenience of the Group and in the belief that the Group will wish to present to the Committee on Trade and Development and to the contracting parties in general, for their information, all the material it has studied, the secretariat has collated all the statements received and circulates them in consolidated form in the present document.

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AUSTRALIA

The Australian authorities have advised that there are no measures in existence in Australia which could be regarded as adjustment assistance.

AUSTRIA

I

There exists at present no general scheme of adjustment assistance in Austria. In particular Austrian legislation does not deal with such matters in a general way. The structural changes that have occurred in the Austrian economy since 1945 have taken place without any direct intervention by the Government.

In view of national interests involved, exceptionally, certain governmental adjustment measures had been taken in order to maintain two particularly sensitive branches of the economy (coal mining and cereal mills). The experience hereby gained, is, in the view of the Austrian authorities, however, not applicable to those adjustment problems to which increased imports from developing countries might give rise.

The realization of the Austrian liberalization programme has increased the access of developing countries to the Austrian market. This increased access has, so far, not resulted in any structural changes in the Austrian economy. The Austrian authorities are, however, fully aware of the social problems involved in any adjustment and they follow, therefore, the evolution of this problem with great attention.

In the course of structural changes in the Austrian economy since 1945, Austrian enterprises have received certain credit facilities. These credit facilities were granted, taking into account the possibilities of the Austrian credit market. At this juncture no indications can be made, whether such credit facilities would also be available for adjustment measures as a result of increased imports from developing countries.

As to the experience gained in respect of exports of developing countries, I have been instructed to inform you that in our view an intensification of these exports would depend on direct contacts with the Austrian market. Austria is a land-locked country with a relatively small market. The products of developing countries are at present often bought through certain commercial centres in third countries. Direct contacts with the Austrian market could be established through visits of export enterprises of developing countries to the Austrian trade fairs. The Austrian co-operation with the Trade Information Centre serves also the purpose of intensifying direct contacts. Furthermore, the Foreign Trade Organization of the Austrian Federal Economic Chamber is not only concerned with the promotion of Austrian exports but likewise with the establishment of business relations between the overseas supplier countries and the Austrian market.

II

With regard to the specific questions (b) and (c) noted in paragraph 3 of the present document, no information is available at present, as Austria has not yet gained experiences in this field.

A programme of the kind mentioned in question (d) does not exist in Austria at present. Nevertheless, the competent Austrian authorities follow attentively the questions involved.

BELGIUM

I

Paragraph 1. - Evolution of policies and application of governmental measures

Since the beginning of the 1950's, the Belgian Government's policy has been constantly aimed at promoting and encouraging industrial development and the efforts being made to adjust the structure of the Belgian economy. This fundamental action was further intensified during the periods of economic recession of 1954-55 and 1958-59.

It should however be made clear that industrial policy in Belgium has not, as a rule, had individual sectors in view, the measures taken being essentially aimed at general objectives (expansion of the economy and of employment), and the methods applied have been confined to economic stimuli without direct intervention in the management of undertakings.

Since 1953 a series of Acts have been aimed at encouraging productive industrial investments. From 1959 onwards legislation was further directed towards bringing about a better geographical distribution of these investments with a view to coping with the problems of certain regions which were less favoured or undergoing industrial reconversion.

The measures taken were not aimed at favouring a particular industrial sector (except in the special case of the coal mines) but at giving a general impulse to the economy as a whole. One of the main objectives was also to absorb the large-scale unemployment which for many years had prevailed in different parts of the country.

The forms which Government aid can take are varied and include interest rebates, Government guarantees, capital subsidies, exemption from land tax, etc.

Since 1953, the following laws have been enacted with this end in view:

- The Act of 7 August 1953 for the creation, expansion, re-equipment and rationalization of industrial undertakings and handicrafts. In virtue of this Act, loans were granted by credit agencies and if they were clearly in the general economic interest, they were accompanied by a reduction in rate of interest or a Government guarantee.
- The Act of 31 May 1955 concerning financial aid for the construction or purchase of industrial and handicraft buildings. This Act authorized subsidies of up to 30 per cent of the value of the building (with a maximum of 2.5 million francs) and a reduction in the rate of interest to 1 per cent.
- The Act of 12 July 1955 for the benefit of the coal industry, under which a Government guarantee could be given for the repayment of capital, interest and incidental charges on loans granted by public credit institutions or by the ECSC for the financing of the programme of re-equipment of the coal mines or for the construction or enlargement of electric power stations.
- The Act of 10 July 1957 which extended the validity of that of 31 May 1955 except as regards subsidies, which were abolished, and the reduction of interest, which could not be less than 2 per cent.

The Acts of 7 August 1953 and 10 July 1957 were themselves replaced in 1959 by two fresh Economic Expansion Acts:

1. The Act of 17 July 1959 (Royal Executive Decree of 17 August 1959) introducing and co-ordinating measures to promote economic expansion and the creation of new industries.
2. The Act of 18 July 1959 (Royal Decree of 18 August 1959) introducing special measures to combat the economic and social difficulties of certain regions.

The Act of 17 July 1959, also known as the General Act because it is applicable to the whole of Belgian territory, has four distinct aims:

1. To revive the economy and in the longer term to combat structural unemployment.
2. To pursue the rationalization of undertakings and the increase of production.

3. To adapt production to the new prospects of the Common Market.
4. To stimulate fresh action in order to replace undertakings likely to disappear.

A Royal Decree of 19 September 1962 extends the sphere of application of the Act of 17 July 1959 to certain commercial undertakings. In practice, there have been very few beneficiaries of this instrument.

The Act of 18 July 1959, known as the Regional Act, aims at ensuring a more balanced distribution of activity and prosperity between the different parts of the country, and at combatting specific economic and social difficulties of certain among them known as "development regions". These are confronted with at least one of the following serious economic and social difficulties:

- a) The existence of large-scale permanent unemployment in absolute and percentage figures among the gainfully-employed population, or the permanent absence of possibilities of employment.
- b) The permanent emigration of a considerable proportion of the population, having the effect of reducing the number of inhabitants below the minimum essential to the economic maintenance of the public and social services necessary for progress.
- c) Seasonal, weekly or daily displacement of a considerable portion (in number and percentage) of the labour force in conditions unfavourable from the economic and social point of view.
- d) An actual or imminent decline in important economic activities likely to involve the loss of a material fraction of the regional income or of considerable social investments, and to have an unfavourable effect on other regional activities such as public services and commercial undertakings.

The development region should also constitute a coherent unit, the inhabitants of which are faced with common problems of economic growth capable of being solved by durable expansion based on an adequate infrastructure. Fifteen development regions were thus delimited at the end of 1959 for a period of three years, with the possibility of renewal.

In 1959 a special Act was passed on small undertakings, namely the Act of 24 May 1959 to increase the facilities of access of the middle classes to professional and handicraft credit (creation, extension, reconversion, re-equipment and rationalization of handicrafts, small and medium trades and minor industry).

As regards the rules of intervention contained in the previous Expansion Acts, they could be summed up in the idea of general economic interest. In order to be encouraged, investments had to be essentially productive i.e., to be spent on buildings, productive machinery and the essential laboratories and general services.

As regards the implementation of the recent Acts, the examination of applications has become more and more selective, particularly as regards the products to be manufactured and the geographical location.

The Economic Expansion, Social Progress and Financial Reconstruction Act of 14 February 1961 amended certain of the provisions of the Acts of 17 and 18 July 1959 increasing in particular the ceiling up to which a government guarantee could be granted and adjusting assistance policy to the objectives of the government programme. The above-mentioned measures of assistance were reinforced by fiscal provisions aimed at modifying the system of taxing capital gains, encouraging mergers and take-over bids, and permitting accelerated or declining allowances for depreciation.

The bodies responsible for the application of the Expansion Acts are the Ministries of Economic Affairs, of the Middle Classes and of Finance. The public and private credit institutions participate in the application of the laws of economic revival by supplying the investment credits necessary for the undertakings concerned. The government may guarantee these credits and grant interest rebates for a limited period.

Lastly, an Act of 2 April 1962 provided for the establishment of one national and several regional investment companies authorized to take participation in the capital of industrial and commercial undertakings. The only one of these companies so far set up is the National Investment Company which was established in 1962 and is in active operation.

In addition, the Planning Bureau dealt with the aspect of particular sectors in its first expansion programme for 1962-65, prepared in co-operation with public and private circles. This may be regarded as the initiation of an industrial policy with sectorial characteristics. The qualitative characteristics of the different sectors were, however, defined too vaguely and the sectors covered were too wide, so that it proved difficult to put them into practice.

This is a deficiency which the 1966-70 programme will endeavour to correct. The 1962-65 programme laid special stress on the utility of certain types of investment, particularly those concerning types of production for which there is a rapidly growing demand and which call for complex techniques utilizing skilled personnel; those which appear to offer Belgian industry special opportunities within the framework of the Common Market; and those which by their dimensions or nature have a dynamic effect on the development of other undertakings or other sectors.

There is no nationalized industry in Belgium, but by their influence on the electricity sector, the public authorities have endeavoured to secure the greatest possible reduction in the price of electric power, particularly with a view to contributing to a lowering of the cost of energy in Belgium.

The policy of stimulating investments has also aimed at facilitating the establishment in Belgium of foreign undertakings. Not only do the financial aids described above apply to them but they are given facilities and guarantees as regards capital transfers in particular.

The application of the policy of aid to industrial investments has necessitated the reinforcement of different administrative services both at the central and at the regional level, as well as creation of different bodies for research, promotion or action.

Paragraph 2. - Difficulties encountered

One of the principal difficulties has been and remains to make the maximum stimulus afforded by the Expansion Acts coincide with periods of recession. Apart from the unknown factor constituted by the extent or duration of an incipient recession, there are delays which are difficult to shorten (preparation and discussion of bills in Parliament, examination of documentary material). Furthermore, at certain periods the credit agencies are likely to retard or encourage investments according to the volume of funds at their disposal rather than according to the evolution of the economic situation. Except in 1957, however, the capital market has always been sufficiently provided with funds.

Moreover, industrial sectors sometimes display a certain distrust of Government interference accompanied, however, by growing demands for financial assistance; readiness to assume risks is tending to decline; and industrial and regional rivalries complicate or obstruct any attempt to apply a policy of geographical or sectorial selectivity.

Paragraph 3. - Effectiveness of measures taken

It may be estimated that the various Expansion Acts have on an average taken one year to make their effects felt.

The exact effects of the Acts, i.e., their impact on the volume and trends of investment, is difficult to determine owing to the concomitant influence of other factors such as the persistence of prosperity in Europe, the enlargement of overseas markets and scientific progress, but there can be no doubt that the laws have had positive results, industrial investments having risen from 28,800 million in 1959 to 51,600 million in 1963.

Figures on subsidized credits are given in the following table:

Period 1959-63 - Allocation by Sectors of
Subsidized Credits and Corresponding
Investments

	<u>Credits</u>	<u>Investments</u> (in millions of francs)
Mines and quarries	492	1,229
Energy	151	292
Metallurgy	10,380	31,545
Metal manufacture	10,508	18,574
Chemical industry	7,114	14,764
Textile goods	2,542	4,319
Food industries	2,759	4,658
Timber industry	567	1,111
Construction	2,217	3,732
Miscellaneous	969	1,797
	<u>37,698</u>	<u>81,930</u>

ANNEXED NOTE ON A CASE OF REGIONAL RECONVERSION

BORINAGE - CENTRE

The region of Borinage and of the Centre is an example of a region which has suffered from a decline in certain sectors (coal mines, construction of rolling stock, etc.) and for which regional reconversion necessarily involves sectorial reconversion, since the maintenance of a region's economic activity cannot in the long run be ensured by supporting declining branches of industry.

1. Economic situation of Borinage and the Centre in 1961

Since the war the Centre and Borinage had undergone a considerable deterioration in the economic and social situation.

The following table gives an idea of the economic decline of the regions in question:

	Index of economic development (Belgium = 100) - Net income per head (1961)	Annual rate of growth Net income per head (1957-61)
Borinage	77	- 2.1%
Centre	80	- 2.3%
Belgium	100	+ 1.6%

The causes of this decline were the following:

- reduction in coal production,
- absence of undertakings capable of making up for the coal decline by rapid and large-scale expansion.

A fresh loss of employment of about 11 per cent in each of the two regions was to be anticipated in the absence of a resolute policy of reconversion.

2. Objectives of the plan for the reconversion of the Centre and Borinage

The two main objectives aimed at by the plan for the reconversion of Borinage and the Centre adopted on 24 November 1961 for application in 1965 were as follows:

- a) Renewal of the economic and social structures of the two regions:
 - modernization of communications,
 - equipment of industrial zones,
 - improvement in housing,
 - redirection of and increase in industrial activity.
- b) Maintenance of employment at the 1961 level: this involves the creation of something like 7,500 jobs in Borinage and 9,000 jobs in the Centre.

This effort will take place in three principal directions:

- creation of new undertakings,
- intensification of programmes for the expansion of existing undertakings,
- intensification of the public programme for the construction of cheap housing.

3. Methods employed

- a) At the administrative level:
 - collaboration of all the competent departments with private bodies.
- b) At the financial level:
 - intensified application of the Acts of 17 and 18 July 1959 especially for the benefit of projects creating employment;
 - various activities at the expense of the budgets of the competent departments (Public Works, Economic Affairs, etc.) to encourage large-scale projects and the improvement of the infrastructure;
 - various activities on the part of the ECSC;
 - financial assistance by the National Investment Company and the competent Regional Investment Company.

4. Results achieved up to 30 June 1964

- a) In the first place it should be mentioned that the application of the programme in connexion with communications is pursuing its normal course;
- b) As regards the equipment of industrial zones, the results are satisfactory.

In Borinage

- Very important equipment work has been undertaken in the Government zone of Ghlin-Baudour and the number of industrial plants already established is so great that new sectors of the zone will have to be developed.
- The adjoining zone of Hautrage has been reserved for a possible large-scale construction project requiring a large piece of land on a waterway.
- The Frameries zone is being equipped; two factories are already under construction.
- Expropriations are in progress as regards the Dour zone.

In the Centre

- In the Government zone of Seneffe-Manage, some hundred hectares have been purchased and partial infrastructure work has been undertaken to prepare for the construction of a motor car assembly plant.
- Preliminary studies are in progress with a view to the equipment of the Péronnes-Léz-Binche zone.
- The equipment of the Strépy-Bracquegnies zone is in preparation.

5. Investments

Numerous programmes of investment (creation, extension, modernization and rationalization of undertakings) have received advantages in application of the Acts of July 1959 (interest rebate, Government guarantee, interest subsidy).

6. Jobs created

The jobs created as a result of these investments have during the same period numbered about 3,000 in Borinage and about 2,500 in the Centre, which represents 9 per cent of the jobs created in Belgium as a whole.

In addition, the implementation of the programmes initiated and in course of execution will in 1965 and 1966 involve the recruitment of 3,500 persons in Borinage and some 2,000 persons in the Centre.

II

Reply to question (b)

Among measures of adjustment assistance, i.e. measures which assist the reconversion of enterprises in particular, and of industrial or economic sectors in general, one should first mention legislation to assist investment: the Acts of 17 and 18 July 1959 (assistance for the creation of new industries, aid for regions faced with economic and social difficulties) and the Act of 24 May 1959 to facilitate access to professional and handicraft credit. This legislation provides for the following assistance measures:

- interest rebates
- government guarantees for credit
- capital subsidies
- exemption from land tax for five years
- interest-free advances for the completion of prototypes
- expropriation of land for industrial establishments.

All these assistance measures can be granted to productive industrial investments and in particular investments for reconversion, especially for undertakings which wish to abandon certain manufactures and switch to products which are more elaborate or more highly finished, or products for which demand is expanding. The motive for reconversion may be declining demand, manpower shortage, or increased international competition, due among other things to larger imports from developing countries.

One should also mention fiscal measures to encourage faster amortization particularly in regard to research, and fiscal facilities when undertakings are amalgamated. The latter case is often accompanied by reconversion.

In addition, the National Investment Company, established under the Act of 2 April 1962, is authorized to take participation in the capital of new or expanding industrial undertakings. Reconversion requirements can be among the considerations underlying its decisions.

The National Employment Office, for its part, gives assistance for vocational training and rehabilitation (Royal Decrees of 20 and 24 March 1961). Training assistance is available to personnel recruited for the reconversion of undertakings; rehabilitation assistance consists of a contribution to the remuneration of workers affected by the reconversion of their undertakings. In certain cases the Office grants removal, transport and reinstallation allowances.

Another form of assistance to new undertakings is for the public authorities (State, provinces, communes, intercommunal authorities) to make available to industry land belonging to them or which has been expropriated. Mention should also be made of general measures taken for regions, for example infrastructure,

collective equipment, and the creation of industrial zoning, because regional reconversion efforts are connected with the question of reconversion by sector; indeed, the difficulties of regions requiring development stem from the fact that they frequently depend on economic sectors which are in difficulty (agriculture, coal mining, textiles, rolling stock, etc.) and in order to revive the economy of these regions the public authorities must stimulate economic reconversion there; the above-mentioned measures can sometimes be used by the State in order to facilitate reconversion.

It should be noted, however, that none of the measures mentioned above is adopted specifically in order to increase outlets for imports from developing countries; rather, they have the effect of assisting structural adjustments in the event of intensified competition from whatever source, and also of guiding investment and manpower towards the highly technical sectors. One consequence is that Belgian consumption of bulk products or relatively simple manufacturers depends to a larger extent on imports, and the less-developed countries have a share in these.

Reply to questions (c) and (d)

As indicated above, there are no instances of adjustment assistance measures for the specific purpose of providing larger opportunities for imports from developing countries. Nor is there, to our knowledge, any programme for new legislation.

It should be noted that BLEU imports from developing countries rose from \$608 million in 1958 to \$922 million in 1964 - an increase of 51 per cent - while BLEU sales to those countries declined from \$559 million to \$513 million. One may conclude that Belgium's effort continues to be substantial, without reciprocity from the countries concerned.

There are no quantitative restrictions in Belgium aimed at developing countries. Unrestricted admission will be maintained to the extent that imports take place in an orderly manner and do not disrupt the Belgian domestic market.

III

Information supplied by the expert from Belgium at the Group: Belgium maintains no specific adjustment assistance measures relating to trade. In view of the importance of trade in the Belgian economy, any structural adjustment undertaken under general legislation will inevitably have trade repercussions. In fact because the economy is so trade oriented, the application of such measures is often necessitated by changes in trading patterns.

CANADA

I

The Canadian Government provides a variety of measures to assist the adaptation of the Canadian economy to changing patterns of production and trade. Although Canada had achieved substantial economic growth, there have been areas in the economy that have lagged behind the average overall rate of growth. To correct this problem, several programmes of assistance have been established. These programmes are directed towards three general areas of slower growth which require assistance to adapt to industrial and agricultural change. First, an agency has been established to administer the Agricultural Rehabilitation and Development Act - an act designed to assist farmers in maintaining and raising their standard of living in the face of technological changes in agriculture. Second, the Federal Government in co-operation with the provincial governments administers the Technical and Vocational Training Assistance Act which provides financial assistance for the development of technical and vocational training facilities to prepare and train workers for the labour market in the skills required by the economy. Third, under the Department of Industry Act, the Area Development Agency investigates, prepares, and carries out programmes and projects to improve the economic development and industrial adjustment of areas characterized by high levels of unemployment.¹

¹ Single copies of the Acts referred to in this submission as well as certain other documents containing details of the measures authorized, or taken, and other data relevant in this context, are available at the secretariat for consultation.

II¹

In its previous reply, the Canadian Government supplied information regarding several measures designed to assist the adaptation of the Canadian economy to changing patterns of production and trade. These measures are not directly related to assisting sectors of the economy where dislocation has been caused specifically by increased imports, but rather to assist in the adaptation of the structure of the economy, particularly in areas of slower economic growth.

Since the Canadian Government submitted this information there have been some further changes in these measures. The programme to improve the economic development and industrial adjustment of areas characterized by high levels of unemployment and the programme to assist farmers have been revised and expanded; a further programme to assist workers in moving from areas of high unemployment to areas where there are jobs available has been initiated, and a programme of assistance to firms and workers in the automotive sector, to enable this industry to expand and adjust in the light of changes in the pattern of production resulting from the Canada/United States Agreement on Automotive Products, has been developed.

Copies of the new regulations and legislation concerning the Area Development Incentives Act, the revised Agricultural Rehabilitation and Development Agreement and the regulations providing for adjustment assistance for the manufacture of automotive products are attached; copies of the regulations concerning labour mobility grants will be forwarded as soon as they are available.

¹Single copies of the legislation and regulations pertaining to other changes mentioned in the communication are available at the secretariat for consultation.

REGULATIONS PROVIDING FOR ADJUSTMENT ASSISTANCE IN RESPECT
OF THE MANUFACTURE OF AUTOMOTIVE PRODUCTS IN CANADA

Short Title

1. These Regulations may be cited as the Automotive Manufacturing Assistance Regulations.

Interpretation

2. In these Regulations,

- (a) "automobile" means a four-wheeled passenger automobile having a seating capacity for not more than ten persons;
- (b) "automotive programme" means the Canada-United States Agreement on Automotive Products, Order in Council 1965-99, and the Letters of Commitment addressed to the Minister of Industry from the several automotive products manufacturers, taken together;
- (c) "Board" means the Adjustment Assistance Board established under these Regulations;
- (d) "bus" means a passenger motor vehicle having a seating capacity for more than ten persons or a chassis therefor, but does not include any following vehicle or chassis therefor, namely, an electric trackless trolley bus, amphibious vehicle, tracked or half-tracked vehicle or motor vehicle designed primarily for off-highway use;
- (e) "eligible manufacturer" means a person, firm or corporation, not being a manufacturer of automobiles or a subsidiary wholly-owned corporation or subsidiary controlled corporation of an automobile manufacturer or its parent corporation, that in the opinion of the Board is
 - (i) a manufacturer in Canada of parts or accessories or both or of parts of either, other than tyres or tubes, for use as original equipment in automobiles, buses or specified commercial vehicles, or
 - (ii) a manufacturer in Canada of buses or specified commercial vehicles or both;
- (f) "specified commercial vehicle" means a motor truck, ambulance or hearse, or a chassis therefor, but does not include any following vehicle or chassis therefor, namely, a bus, electric trackless trolley bus, fire

truck, amphibious vehicle, tracked or half-tracked vehicle, golf or invalid cart, straddle carrier or motor vehicle designed primarily for off-highway use, or any machine or other article required under Tariff Item 438a to be valued separately under the tariff item regularly applicable thereto; and

- (g) "subsidiary wholly-owned corporation" and "subsidiary controlled corporation" have the meanings assigned to those expressions by the Income Tax Act.

Adjustment Assistance Board

3. (1) A committee is hereby established to be known as the Adjustment Assistance Board, consisting of

- (a) a member to be appointed by the Governor in Council, who shall be the Chairman of the Board, and
- (b) the persons for the time being holding, respectively, the offices of Deputy Minister of Industry, Deputy Minister of Labour, Deputy Minister of Finance, and Deputy Minister of Trade and Commerce, who shall be ex officio members of the Board.

(2) All the powers, duties and functions of an ex officio member may, in the event of his absence or temporary inability to act, or in the event of a vacancy in the office, be exercised during such absence, inability or vacancy by such other officer of the Department concerned as the Minister thereof may nominate for the purpose.

4. (1) The Board shall administer loans made under these Regulations and shall perform such other duties and functions in respect thereof as the Minister of Industry may assign to the Board.

(2) Except for the purposes of the report required under section 13, the Board shall not exercise any powers, duties or functions after the 31st day of December, 1968.

(3) The Minister of Industry may after the 31st day of December, 1968, and with the approval of the Governor in Council, assign to one or more departments or agencies of the Government of Canada the functions previously exercised by the Board in respect to the administration and servicing of loans made under these Regulations.

5. Subject to these Regulations the Board may make such by-laws and regulations as may be necessary for the conduct of its meetings and the management of its affairs and the performance of its duties.

6. (1) In carrying out its duties and functions under these Regulations the Board shall use the existing staff and facilities of departments and agencies of the Government of Canada and such staff and facilities shall, to the extent practicable, be made available to the Board.

(2) The Departments of Industry and Labour, respectively, shall, with the approval of the Treasury Board and subject to the Civil Service Act, establish such positions on their establishments and employ such employees as may be necessary to assist the Board in carrying out its duties and functions.

Adjustment Assistance for Eligible Manufacturers

7. Where, in the opinion of the Board,

- (a) the overall production of an eligible manufacturer is or will be reduced to a substantial extent as a result of the automotive programme and a consequential shift of production from the eligible manufacturer to a manufacturer outside Canada or to a motor vehicle manufacturer in Canada or to another manufacturer making original-equipment automotive products, or
- (b) an eligible manufacturer would not be able without additional investment to achieve the scale of output required to operate viably under the changed conditions of manufacturing resulting from the automotive programme,

a loan may be made to the eligible manufacturer in accordance with these Regulations for the purpose of enabling the eligible manufacturer to acquire, construct, install, modernize, develop, convert or expand machinery, equipment, buildings or land or other facilities or to acquire working capital in a manufacturing or processing enterprise, if, in the opinion of the Board, the loan would provide the eligible manufacturer with a reasonable prospect of a profitable operation that is not available through other sources of financing.

8. (1) An eligible manufacturer who requires a loan under these Regulations shall make application therefor to the Board and shall submit with his application such information as the Board may require.

(2) If the application for the loan is approved by the Board, the applicant shall enter into a loan agreement in such form and subject to such terms and conditions as may be determined by the Board, and a loan in the amount specified, for the purposes specified and subject to the terms and conditions specified, may be made to the applicant by the Board on behalf of the Minister of Industry.

(3) The amount of a loan shall be advanced to the applicant on the requisition of the Board out of the amounts appropriated therefor by Parliament.

9. (1) A loan made pursuant to these Regulations shall bear interest at the rate of 6 per cent per annum and shall be secured, to the extent deemed advisable by the Board, by

- (a) stocks, bonds or debentures of municipal and other corporations, whether secured by mortgage or otherwise or by Canadian, provincial, municipal, British, foreign, and other government securities;
- (b) negotiable warehouse receipts and bills of lading;
- (c) goods, wares and merchandise; and
- (d) mortgages or hypothecs on any real or personal, movable or immovable property, including second mortgages.

(2) A loan made pursuant to these Regulations shall be for such term, not exceeding

- (a) twenty years, if the loan is to be made in respect of the expansion, development, modernization, conversion or acquisition of any buildings or real or immovable property, or
- (b) ten years, in any other case,

as may be fixed by the Board.

(3) A loan made pursuant to these Regulations may be repaid in whole or in part at any time in advance of the due date without notice or bonus.

(4) During the currency of a loan made pursuant to these Regulations the borrower shall maintain such insurance coverage as the Board may prescribe.

10. Any security given for a loan made pursuant to these Regulations may be surrendered, retransferred or reconveyed in exchange for other security upon the approval of the Board or such other agency of the Government of Canada as the Minister of Industry may designate for the purpose.

11. The Board shall keep such records and books and make such reports on its activities from time to time as the Minister of Industry may require.

Adjustment Assistance for Employees

12. (1) Where, in the opinion of the Board,

- (a) ten per cent of the work force or fifty employees, whichever is less, of
 - (i) an eligible manufacturer or of a particular branch or sub-division of his undertaking,
 - (ii) a manufacturer in Canada of automobiles or of a particular branch or sub-division of his undertaking, or
 - (iii) of a particular branch or sub-division in Canada of the undertaking of a manufacturer of automobiles

have been or will be laid off for a period of four weeks or more; and

- (b) the lay-off, or a proportion thereof determined by the Board, was or will be caused by the termination or decrease of production, or other activity arising from the implementation of the automotive programme,

the Board shall so certify to the Department of Labour.

- (2) A certificate issued by the Board under sub-section (1) shall contain
 - (a) a list of the employees affected by the lay-off, together with their social insurance numbers and their addresses; and
 - (b) the effective date of the lay-off;

and shall state whether or not each of the employees named in the certificate is affected by a supplemental unemployment benefit plan in force at the time the certificate is issued and whether the employer has agreed to remit, in accordance with the Transitional Assistance Benefit Regulations, the amount of the benefit to which such employee would be entitled under the supplemental unemployment benefit plan.

13. The Board shall, within three months of the termination of each fiscal year ending before the 1st day of April, 1969, furnish a report to the Minister of Labour in respect of the certification by the Board of employees for transitional assistance benefits during that fiscal year.

CZECHOSLOVAKIA

Economic policy

In the structure of the economy of every country which has attained a certain degree of economic development, there is a law of necessity which commands changes both in the pattern of production and, in a number of cases, in its territorial distribution. In this respect, Czechoslovakia is no exception. Thorough changes in the pattern of production had been made already in the post-war period, strongly characterized by a trend towards intensified industrialization of the Czechoslovak economy, and closely linked to the social and economic changes in the State. An example of the changes in the territorial distribution is the extensive process of industrialization of the formerly predominantly agricultural part of the country - Slovakia.

The system of planned economy has justified itself as an instrument capable of facilitating and accelerating the process of the structural changes which had become economically necessary, or expedient and of carrying out the corresponding shifts in the material and financial resources and manpower.

At the present period, Czechoslovakia has reached that level of economic growth when the need of a further specialization urgently manifests itself. In the foreground of attention are the questions of a rational profile of the Czechoslovak economy and its place in the international division of labour. Also, conditions are being created for taking into consideration in this process the interests of the developing countries in the expansion and diversification of their exports.

Legislative instruments

The basic instrument for the realization of all the structural changes in the Czechoslovak economy is the Plan of National Economy, primarily that part of it which deals with capital construction and investments which are, and will remain, mostly centralized. Consequently, the part of the Plan dealing with investments is the most important instrument for the creation of an optimum structure of the economy. Considerations on the comparative advantage of import and corresponding expansion of export capacities in place of investments for the building of capacities for home production are an integral part of the preparation of the Plan. The Plan, approved by the Government and by the National Assembly, has the nature of a law; it stipulates the basic trends of development and steers the activities of the individual branches. From the plan-law the detailed directives are derived for its implementation.

Mechanism

The basic impulse for carrying out of the structural changes may emanate from different sources or their combinations.

- (1) The internal impulse springs from the consequent comprehensive analysis of the economic effectiveness of the individual kinds of production, or from an advance analysis of the effectiveness of the investment policies under consideration;
- (2) The external impulse springs from the need and expediency of absorbing the objective trends of the world economy;
- (3) The foreign trade impulse springs from the comparison of the rentability of exports/imports of the individual kinds of goods.

The demands for structural changes are confronted - according to competence either in an enterprise or centrally - with the financial and material possibilities for their materialization, while a significant rôle may be played by the time distribution of the contemplated changes.

In carrying out the changes, several alternatives from the point of view of the enterprises may be followed:

- (i) modification of the production programme not requiring investments, in case of adjustments not exceeding the competence of an enterprise;
- (ii) modification of the production programme requiring investments or involving increased operational costs; this is covered either from central funds, or by credits of banks, or from financial resources accumulated by the enterprise;
- (iii) discontinuation of production, and entire reorganization of a production programme which is financed from central funds.

The interest of workers who change their occupation owing to the alterations of production is protected by law in order to prevent a decrease in their wages and their retraining is financed by State or by enterprise.

DENMARK

In Denmark no legislative or administrative measures exist aiming at furthering the adjustment of the Danish industries to the changes in their competitive position as a result of increasing imports. The comprehensive liberalization of imports of industrial goods, which has taken place since 1950, has not been accompanied by any measures aiming at mitigating the influence on industries of this policy. The Danish Authorities have not tried to influence either the adaption of the production of the affected industries or to preserve the existing industrial structure under the changed competitive conditions. The Authorities have confined themselves through information and guidance to persuade the Danish industries to adapt their production to increasing imports resulting from the liberalization.

This development has resulted in an increasing degree of specialization of the Danish industry. Simultaneously the production of certain goods has been discontinued.

FEDERAL REPUBLIC OF GERMANY

I

In a dynamic economy, conditions shaping its structure are in a constant process of variation. In this connexion, the changes resulting from international competition are of special importance. This applies also to the economic structure of the Federal Republic of Germany which, during the coming years, will be substantially influenced by conditions relating to the foreign trade and payments situation, apart from domestic economic processes. Therefore, special attention has been given to future developments of international trade in framing German economic policy.

In this connexion, especially structural problems resulting from industrialization in developing countries play an important rôle. However, the question of rising imports from developing countries cannot be solved in isolation, but rather has to be dealt with in connexion with the general problems of structural adjustment.

In the future, the developing countries will, to an increasing extent, be producers and exporters of certain semi-manufactured and manufactured goods. To the extent that German entrepreneurs will, on account of this, be subject to pressure of competition, it will primarily be their own task to adjust themselves to the changing market conditions. Up to now the favourable economic development of recent years has, in general, contributed to permit such adaptations to be effected smoothly.

In some fields, however, increased imports may cause major difficulties not only to individual entrepreneurs, but to whole sectors of production. In such cases it is the task of the Government to avoid damage arising for the economy and to facilitate the process of adaptation. By such measures the entrepreneur is placed in a position to switch to the production of such goods which promise better economic results. At the same time, the developing countries' possibilities for selling their products on the German market will improve. All this leads to a better international division of labour and to a more efficient use of the existing factors of production of an economy.

Based on these considerations, the German Government has, for some time already, devoted careful attention to structural problems which result from international competition. Also, in the future, increasing attention will be paid to these problems, especially, if structural problems should occur to a rising extent, together with slower economic growth.

Already since 1959, public credits at low interest rates have been made available to industrial enterprises for measures of adaptation and adjustment of production which are necessary as a result of international competition. Such credits have been extended mainly to small and medium-sized enterprises belonging to branches of production which are in the process of major structural changes as a result of disadvantages in comparison with international competitors. These measures of adaptation and re-organization must aim at a substantial change of an enterprise's production

programme. Between 1959 and 1964, a total of DM74 million was made available as credits for such purposes. Another DM25 million have been planned for 1965. These credit lines have not been fully utilized. In addition to this credit programme a special programme of Federal guarantees, designed to serve the same purpose, is at present in the process of preparation. Moreover, a number of the German Länder have developed credit and guarantee programmes which are also designed to assist enterprises to successfully adapt themselves to structural changes resulting from international competition.

II

Government adjustment assistance in cases of changes in the structure and pattern of production in the Federal Republic is designed to facilitate such adjustment in specific sectors of the economy which are in the process of particularly heavy and sudden structural changes. This applies especially to cases where structural changes are caused by international competition; it is thus not envisaged to maintain artificially in existence specific sectors or enterprises. This does, however, not preclude that in exceptional cases temporary protection is required in order to secure adjustment along proper lines. But ultimately, it is up to competition to determine which industries are to satisfy the needs of the German economy.

According to the terms of reference of the Committee and the Group of Experts these statements refer rather to manufacturing industries than to the basic sectors (mining, power production, agriculture and transport).

The overall favourable economic trend in the Federal Republic of Germany is the reason why adjustment assistance available for such sectors is drawn on to a relatively minor extent only. It may, however, be assumed that such assistance will grow in importance in the years to come.

Specifically, the following may be stated in reply to the questions under point 21 of the secretariat note:

ad (a) What measures of adjustment assistance were available under either general or specific legislation?

A. Fostering of the mobility of labour

First of all, it should be noted that in view of the full employment situation the Federal Republic transfers of labour in general take place without any specific fostering; assistance measures for such purposes have been taken to a comparatively minor extent only.

In order to stimulate labour, who are actually out of work, to take a job, approximately a total of DM3.6 million was spent in 1963 of which DM2.9 million came from the Federal Institute for Labour Exchanges and Unemployment Insurance and 0.7 million from Federal budgetary appropriation. Specifically, amounts were granted mainly in the form of temporary assistance (DM1.8 million); as assistance during

learning time (DM0.6 million); travel and transfer cost (DM0.4 million); integration assistance (DM0.5 million). The annual budget estimates for such purposes have been somewhat increased since 1963.

For adult education of labour the Federal budget appropriated assistance to an amount of DM21.4 million for 1963. These funds have likewise been augmented in the subsequent years.

According to the law, dated 22 April 1965, on the formation and administration of a special fund for the stimulation of professional efficiency in the economic field, DM50 million are added every year to the above resources.

B. Adaptation and adjustment of enterprises

I. Information and consultation services

First and foremost there are the grants to stimulate production out of the European Recovery Programme Special Fund, amounting to yearly about DM10 million. Of this amount DM5.1 million are intended for the budget of the Board for Rationalization of the German Economy and DM4.9 million are spent on the following important items:

- (a) Encouragement of joint activity covering more than a single enterprise; market research studies in the European Economic Community market; methods and requirements of inter-plant comparisons on an international basis; methods of joint activity in questions of procurement and distribution as well as in the field of variety reduction and standardization.
- (b) Systematic search for and testing, in close contact with practical realities, of possible new rationalization and adjustment measures; elaboration of principles for rationalizing and re-organizing management.
- (c) Encouragement of industrial consulting.
- (d) Development of management personnel.

An important rôle is, however, also played by business advisers on trends on the world market, such activity being the task of the Federal Agency for Foreign Trade Information and of research institutes.

II. Financial assistance by the Federal Government

Apart from guarantees - financial assistance, as a rule, is granted solely for the switching of production programmes to new items. No financial assistance for subsidizing existing productions is contemplated (paragraph 17 of the secretariat note).

1. Guarantees

The instrument of Government guarantees, as employed in the Federal Republic, is also available for the economic policy of the various industrial sectors. In recent years it has, however, been used for the industries considered in this document in isolated cases only.

A general budgetary authorization is contained in the yearly budget laws. In addition, it is considered to draw up a specific guarantee programme for adaptation and adjustment measures.

2. Credits and grants

(a) Adjustment credits

In cases where enterprises of industrial branches are undergoing structural changes as a result of international competition, they may obtain for the purpose of adjusting for changing their production pattern credits out of the European Recovery Programme Special Fund at reduced interest rates. The text of the relevant directives is annexed to this document.

During the period 1958-1964 a total of DM74 million was made available and the European Recovery Programme Budget of 1965 provides another DM25 million. These credit lines have not yet been fully utilized; up to 15 June 1965, credits to the amount of approximately DM67 million were committed. The recipients of such credits belonged to the following industrial branches:

	<u>in million DM</u>
textile industry	43
ship building	14
lead and zinc smelters	5
crude tar industry	2
other industries	3

III. Financial assistance given by Laender

1. Credits and grants

Financial assistance given by Laender is in general limited to measures which are important from the aspect of regional policy. The fact that this type of assistance produces also an effect on the structure of the various sectors has been mentioned earlier. With the express intention of influencing the structure of the industrial sectors the following programmes have been initiated:

- (a) The Land of Baden-Wuerttemberg grants within the framework of its so-called "Middle Class" programme loans at reduced interest rates as well as interest subsidies for credits extended by banking institutions to handicraft, commercial and small-scale industrial enterprises, inter alia for adaptation and adjustment projects of plants which are undergoing structural changes as a result of technical and economic development. From the spring of 1961 till the end of 1964 loans totalling about DM1.1 million and interest subsidies to the amount of DM150,000 were granted. The interest rate for loans is 4 per cent, and maturity of the loans is twelve years. Interest subsidies may be granted up to a period of five years. The reduction of interest amounts in each individual case to a maximum of 3 per cent per year.

In addition, the Land of Baden-Wuerttemberg grants under its textile industries assistance programme interest subsidies to medium-sized enterprises of the textile industries, in particular to the cotton spinning mills, the cotton weaving mills and to the wool carded yarn sector in the wool weaving industry, in order to facilitate the implementation of the rationalization projects which become necessary for adjusting the industry to international standards. Subsidies to reduce interest for loans under the textile assistance programme are in general granted up to a period of five years, the reduction of interest amounting in each individual case to a maximum of 3 per cent annually. Since the starting of the programme in July 1964 interest subsidies to the amount of DM20,000 have been granted.

- (b) The Land of North-Rhine-Westphalia extends credits to industrial enterprises of economic branches which are in the process of major structural changes as a result of international competition; such credits are designed for investments involved either in the changing of the production programme or in the adjustment of the respective enterprise to the international competitive situation. DM5 to 6 million were spent to this end during each of the last two years.

Interest rate 4 per cent, period to maturity up to seventeen years.

2. Guarantees

The same as financial assistance the guarantees granted by the Laender primarily serve the overall and regional economic promotion. Even if there is no declared intention to influence the structure of the industrial sectors via the guarantee programmes some impact on the sectoral structure must be expected also in this field. The extent of the guarantees assumed by the Laender on grounds of a policy shaping the structure of industrial sectors might be insignificant.

IV. Tax concessions

In order to foster structural policy for the individual industrial sectors tax, privileges are granted to facilitate adaptation and adjustment measures. Thus, according to the Income Tax Amendment Law of 1964, tax payers who alienate real property, buildings, and mobile goods which are subject to wear and tear and have a useful life of at least five years, as well as ships and shares in joint stock companies may deduct, wholly or in part, the profits made thereby from the book values of specific newly procured or produced fixed assets. In this way the secret reserve disclosed at the moment of the alienation may be transferred to the newly procured or produced fixed assets and in special cases also to the newly acquired shares.

The tax regulation which provides for this possibility has taken effect as late as 1 January 1965. The extent of the assistance resulting from such regulation can therefore not yet be foreseen.

With reference to point 16 of the secretariat note, it is referred to the tax law of 1963 concerning development aid. According to this law, capital investments in developing countries (establishment and extension of industrial plant) enjoy the following tax privileges:

German enterprises are allowed to value their investments made in developing countries and to be shown in their domestic balance sheet for taxation purposes on a basis representing a maximum of 15 per cent depreciation.

In addition, up to 50 per cent of the remaining value may be granted in the form of a profit-reducing reserve, whereby a sizeable tax relief can be achieved. Moreover, incomes from investments in developing countries with which no double taxation agreement exists are taxable at the comprehensive rate of no more than 25 per cent.

ad (b) None of the types of the aforementioned assistance is directly designed to foster the importation of goods from developing countries. It is a matter of the enterprises themselves in developing countries to keep their supply at such a price and quality level as to be competitive with the domestic products on the German market or those of other countries. It is, however, true that Government credits and guarantees are especially provided for the purpose of facilitating the adaptation and adjustment of domestic firms which are encountering difficulties as a result of international competition. This system is to enable those enterprises to start activity in other sectors of the economy where they believe they will be in a better competitive situation. This will imply a more favourable situation for foreign firms on the domestic market.

- ad (c) The extent of adaptation and adjustment credits and grants may be seen from paragraphs B II and III.
- ad (d) The Federal Government is steadily endeavouring to improve and develop in the best possible way existing adjustment measures. In this connexion, it is especially intended to increase the volume of assistance calculated to enhance the mobility of labour. Likewise, still existing obstacles, e.g. those of a fiscal nature, which represent a stumbling block on the way to adjusting the economy to changing conditions, are to be removed as far as possible. Still existing foreign trade barriers are kept under constant review in order to ascertain whether their maintenance is further required or not.

Directives Concerning the Granting to Industrial Enterprises
of European Recovery Programme Credits Designed to Finance
Adaptation and Adjustment of Measures Resulting
from International Competition

1. The credits are to finance investments required for adjusting or changing the production pattern of the manufacturing industries. Such enterprises should belong to a production branch which is in the process of substantial structural changes as a result of unequal international competitive conditions. Competitive disadvantages caused by technological progress do not warrant any eligibility under this programme. Adaptation or adjustment measures are deemed to be such measures as involve, in terms of value, a substantial change in the production pattern.
2. Credits may be granted solely in cases where essential parts of the existing production plant are replaced by new ones.
3. Such credits cannot be extended to finance adaptation and adjustment measures which have already been completed at the date of application.
4. The credits are designed primarily to assist small and medium-sized enterprises. Major enterprises may be eligible if their economic and financial situation with due regard to their difficult market position do justify the granting of such credits.
5. The credits are not to exceed the amount of DM1 million in each individual case. In exceptional cases where there is adequate reason larger credits may be extended. The enterprises submitting applications will have to participate to a reasonable extent in the financing of the project allowance being made for their net asset position and their earning power.

6. The credits are disbursed in full. The interest rate to the borrower amounts to 5 per cent per annum, maturity periods being up to twelve years, including up to five years of grace.
7. Securities normal in banking are to be provided for these credits as far as it is possible. In cases where adequate securities cannot be provided, use may be made of guarantees extended by the Laender or credit guarantee associations.
8. Applications for such credits must be lodged with any credit institution acting as the applicant's bank, which will forward the application - with their comment - to the Kreditanstalt für Wiederaufbau in Frankfurt/Main.

III

Statement by the experts from the Federal Republic of Germany

The Federal Government is considering new possibilities for the use of Adjustment Assistance Measures. It is likely, however, that such new measures will be applied under existing general legislation and will not relate specifically to trade.

FINLAND

Finland has no legislation of the kind mentioned in the four points set out in paragraph 3 of the present document, and the authorities are not in a position to undertake any adjustment assistance measures. It should, however, be kept in mind that the industry itself seeks to direct the production into fields which correspond to the country's natural conditions and energy sources.

ITALY

Statement by the expert from Italy: Italy has no overall legislation on Adjustment Assistance.

JAPAN

I

I. (i) In the course of the rapid economic growth after the end of the World War II, the Japanese economy has gone through a remarkable structural change, namely from primary industry to secondary and tertiary industries, and, within the secondary industry, from light industry to heavy and chemical industries. For instance, while the number of workers in the primary, secondary, and tertiary industries was 17,208, 7,812, and 10,605 (thousands) respectively in 1950, it was 14,236, 12,764 and 16,691 (thousands) respectively in 1960.

Such structural change has progressed as the Japanese economy shifted to an open-door economy with liberalization of trade and tariff cuts. Such structural change will be pursued hereafter as well in the course of the growth of the Japanese economy under the prevailing circumstances of the world economy.

(ii) Despite the continuing economic growth and structural change of the national economy as a whole as stated above, the Japanese economy embraces such sectors which still suffer from low productivity, particularly in the fields of agriculture and among small businesses. Although the adjustment measures taken by the Japanese Government do not directly focus on increasing imports from developing countries, the structural change as stated above, together with corresponding measures will result in making such circumstances more favourable for importation of products from developing countries. The following are some examples of concrete measures for changing industrial structure which make it easier for products of developing countries to enter Japan.

II. (i) Textile industry

A new law, the Textile Industry Equipment and Other Temporary Measures Law, was put into effect in October 1964 with a view mainly to promote rationalization of the spinning industry. The law intends to mothball surplus equipment by joint action of the enterprises concerned, and to permit a spinning firm to install new machines or utilize mothballed machines if it scrapped its mothballed machines twice the number so installed. The law thus aims, with the "scrap and build" system, at reducing surplus equipment which for a long time hampered improvement of structure of spinning firms. At the same time, considering that developing countries produce less sophisticated lines of goods, it aims at promoting diversification of products and production of high-grade goods.

(ii) Small business

Modernization of small business is one of the major premises for maintaining balanced, stable economic growth keeping pace with the circumstances of world economy. Industrialization in developing countries is giving considerable effects

on Japan's small business. In this regard, Japan is promoting modernization and rationalization of small-scale enterprises with a series of such measures as modernization of equipment, joint operation of business, rationalization of management and improvement of industrial techniques. At the same time, by these means, the Japanese Government is trying to promote diversification and production of high-grade goods, considering the desirability of mitigating direct competition with products of developing countries. Under the cabinet order, monetary and tax assistance are given to those business sectors in which most business activities are done by small-scale enterprises, and which need to be modernized quickly from the viewpoint of improving industrial structure.

Furthermore, when small-scale enterprises wish to change their business, in order to help them do so, the Government gives necessary guidances, and uses its good offices to facilitate borrowing money from banks and finding new jobs for employees of small-scale enterprises, if considered necessary (Article 15, the Fundamental Law on Smaller Enterprise, and Article 10, the Smaller Enterprise Modernization Promotion Law).

With a view to help stabilize living of retired or redundant small-scale entrepreneurs, and to help them re-start business, the mutual aid system was established in 1965 with the contribution by small-scale enterprises. This system is operated by the Small-Scale Enterprise Mutual Aid Organization, which extends loans to help change their business, besides the ordinary mutual aid activities.

II

Statement by the expert from Japan: The legislation introduced in connexion with the "mothballing" of capacity in the textile industry has been necessitated by technological changes and modifications in the structure of Japan's domestic market but there can be no doubt that the measures will have trade effects.

THE NETHERLANDS

There exists no specific legislation in the Netherlands to give assistance in cases where structural adjustment is required. The structural adjustment that has taken place in the postwar period - which for the most part has consisted in the shift from agricultural to industrial occupation - has been spontaneous. Better overall working conditions in industry have generally been the reason why workers in agriculture have changed over to industrial jobs and why young people have taken up such jobs rather than farm jobs. This has forced agriculture to intensify mechanization, which in its turn has reinforced the tendency outlined above.

The Government has encouraged this trend, by providing technical schools with courses according to the needs of the industries established in the neighbourhood. In cases where skills of too specific a nature are required, the Government gives subsidies to factory schools training for these skills.

For the sake of completeness - although one cannot speak of adjustment measures proper - mention may be made of the Government policy to stimulate industrialization in general, because the measures involved have certainly facilitated adjustment where necessary.

In order to encourage the establishment of industries in the country, sensibly spread over the whole of the territory, the Netherlands Government has designated certain areas as "stimulation areas". In each such area some municipalities are chosen as the most suitable to play the rôle of "development nuclei". In the development nuclei well located sites are made ready for the establishment of new factories, whereas for each stimulation area a programme to improve the infra-structure has been drawn up. This includes the construction or improvement of State, provincial and municipal roads and waterways. The national housing programme provides for the building in the stimulation areas of an extra number of houses, reserved for the workers in new industries.

On behalf of the development nuclei funds are made available to finance investment projects in the social and cultural spheres (village centres, theatre facilities, sports fields etc.).

Finally it should be pointed out that the absence of serious unemployment of any magnitude in the Netherlands since 1945 has contributed to the fact that the Netherlands Government has not been faced with serious adjustment problems. Consequently there has so far been no need to provide for specific legislation in this field.

NEW ZEALAND

There are no measures in existence in New Zealand which can be regarded as adjustment assistance.

NORWAY

The national assistance schemes for both industry and labour facing readjustment difficulties apply generally and are not specifically designed for difficulties arising from an intensification of competition as a result of increased imports.

A brief account is given below of these schemes:

A. Assistance to industry

There are two national facilities for providing assistance to industry:

1. Assistance to structural readjustments in the home industries

The fiscal budget provides for direct assistance to joint measures covering an entire branch or groups of firms in co-operation to ease the adjustment of the home industries to new market formations. Such actions shall normally be financed in part by the firms themselves, while national assistance is limited to whatever measures may be necessary to get desirable action started. The appropriations are based on the assumption that readjustment assistance will be spread over several years and it is intended to supplement this appropriation with further allotments as may be required.

These public funds may be used for all types of joint actions designed to aid the home industries to make necessary adjustments, including measures to expand sales abroad and such innovations as will promote a rational production and a suitable structural development in the branches concerned.

Assistance of this kind cannot be provided for individual firms. The availability of these funds is limited to projects which will benefit whole branches.

2. Industrial Development Fund

The purpose of this Fund is to provide guarantees, acting for the State, for loans granted by the Bank of Industry and other credit institutions to finance industrial projects.

Priority shall be given to guaranteeing loans to projects in sectors where it is of particular importance to expand Norwegian industry. The Fund shall also assist industry in overcoming the adjustment problems arising out of Norwegian membership in the European Free Trade Association. High priority shall also be given to rationalization measures, particularly actions covering several firms in co-operation and also measures designed to develop new products or production methods.

Guarantees can be given to industrial enterprises and to other projects closely associated with industry.

The Fund is required to base its decisions on considerations of industrial policy. It is the task of the Fund to promote the development of a rational and competitively strong industry throughout the country.

The assistance schemes mentioned in the foregoing may be said to be "active" in nature, i.e. they are designed to facilitate a structural adjustment in Norwegian industry.

B. Assistance to labour-measures to alleviate unemployment and under-employment

When manpower becomes unemployed, whatever the immediate cause may be, efforts are made by the State to assist the unemployed to find work in those trades and activities where there is a labour shortage. If employment cannot be provided at the residence of the unemployed, work will be sought for them elsewhere.

Various forms of economic assistance are available in the carrying out of this task:

Travel allowances

Assistance in meeting travel costs can be provided from the unemployment fund to workers already unemployed or about to become unemployed, provided they are willing to take work found for them through the services of the labour exchanges and at the place where it is considered that there is need for the labour. There is no limitation, either geographic or industrial, on qualification for such assistance. There is, however, normally a minimum amount of travel costs for each change. Workers with family responsibilities who get an apartment at the new job will also be eligible for removal assistance to pay for transport of family and necessary belongings.

Family support

Payments to support their families can be made from the unemployment fund to workers with such responsibilities. To qualify for such assistance the worker must show that he has to maintain two households, and that this imposes on him a heavy financial burden. At present this form of assistance is only available to persons given work through the labour exchanges in the sectors of manufacturing, handicrafts and transport and who come from specified areas.

On 1 April 1963, a scheme was introduced for the provision of installation allowances from public funds. This assistance is designed to help meet the costs involved in getting started in a new place and thus ease the difficulties faced by the individual worker in the early period before his ordinary wages enable him

to get along on his own. The job seeker must be given work in the manufacturing sector and come from the same areas as those stipulated in connexion with the family support scheme.

To qualify for the family support and for this new installation allowance, the job seeker must have been granted travel assistance.

Effective from the winter of 1958/59 has been a scheme for extraordinary vocational training for adults. This scheme is planned to increase the supply of better qualified manpower so that adjustments within industry involving the transfer of labour from one branch to another can be facilitated.

The courses are given for the unemployed and the under-employed in a number of trades, as in manufacturing, building and construction, commerce and office work, as well as in hotel and restaurant service, farming, fishing, transport etc. The courses last from one to five months depending on the subject.

These courses are free and participants receive financial assistance while attending them.

In addition to the above-mentioned measures which aim at increasing mobility and easing adjustment to new permanent work, a brief account is given below of certain other aid schemes which can be used in a transitional period while the prospects for reassignment to new work are being investigated.

Special appropriations on the fiscal budget makes possible extension of current public works on main and country roads and also permits the starting of new projects on public building and construction.

Under the act concerning unemployment insurance, assistance may be given from the unemployment funds by way of wages to unemployed persons with the right to daily payments from this fund, and who are working in extraordinary local authority aid projects.

Allowances have also been made from the special employment appropriations way of "aid orders" with factories in temporary difficulties due to market conditions. This is in the nature of an acceleration of orders from the Central Government which would have been placed in any event at a later date.

In certain cases where firms of document importance for the local labour market have run into acute difficulties, short-term loans have also been granted from the special employment appropriations.

It should be added that if the various assistance provisions mentioned in the foregoing cannot be applied at once, workers who become unemployed because of production cuts, for example in firms which have hit difficulties due to increased competition resulting from imports, will normally have worked up the right to a certain amount of payments from the unemployment insurance fund, which will ensure them a reasonable income in a transitional period.

SWEDEN

I

As a result of Sweden's liberal trade policy Swedish industry has in general had to meet a hard competition from abroad and not least from the less-developed countries. As a result of this competition and of the changing situation on world markets there have been adjustments, mergers, fusions and close-downs within the Swedish industry as well as in other countries. This development can be regarded as a continuous process of structural or sector rationalization which is considered to constitute a healthy development from a long-term economic point of view.

There are no specific legislative or governmental regulations in Sweden related to structural adjustment assistance. The adjustment that has taken place has been spontaneous. It has however been facilitated by general official policies such as an active labour market policy. In this connexion reference can be made to the decision of the OECD Council in May 1964, to recommend that member States re-examine their manpower policies with a view to increasing their ability to solve employment problems created by technical and economical developments.

A short account of the aims and objectives of the Swedish policy in this field is given below (cf. "Labour market policy in Sweden", published by OECD in 1965).

Labour Market Policy in Sweden

The National Labour Market Board is responsible for questions relating to labour market policy in Sweden. The Board has been provided with great personal and financial resources enabling it to take prompt and effective measures. The parties of the labour market, workers and employers, are represented within the Board as well as within its regional agencies - the County Labour Boards.

The Swedish employment policy comprises many different measures. The most important administrative condition for a successful labour market policy is considered to be an effective public employment service.

A system of vocational guidance has been formed whereby vocational guidance throughout the country is organized and supervised. Guidance is given in direct relation to the employment opportunities available in the country and is based on the right of free choice of the individual.

Short and long-term forecasting through the employment service contacts and an "advance warnings" system makes it possible to adapt the labour market policy in order to meet changing conditions.

A further aspect of employment policy entails measures designed to create employment. Among the measures used in Sweden to maintain a steady level of employment the following may be mentioned:

- Emergency works can be started quickly and ended just as quickly in order to even out fluctuations in manpower demand. Governmental construction and public works can be increased in the event of unemployment (and decreased in the event of over-employment). Industrial activity can be stimulated by means of additional public contracts, etc.
- Housing construction is used both as a means of general financial policy and for its selective influence on employment.
- Investment funds are used to encourage enterprises to take measures with the aim to even out business fluctuations. According to existing provisions the enterprises may set aside a certain portion of their profits free of tax for future investment.
- Geographical mobility is facilitated by means of placement offices throughout the country.
- Retraining courses are arranged. The programmes of these courses are worked out jointly by the employment authorities and the educational authorities in close consultation with the organizations of workers and employers.

In addition to these measures there are special schemes for the location policy in Sweden.

II

I. Introduction

The conversion of the structure of economic life, which implies that less profitable production is discontinued and labour and capital utilized instead on more profitable lines, constitutes an important prerequisite for economic progress. It is, therefore, desirable to overcome the resistance to the closing down of non-profitable companies and the demands for support or protection of their production, which to a great extent derive from anxiety about the future employment and income of the employees involved. The experience of the Swedish labour market has shown that the problems which arise in connexion with stoppages can be eliminated to a great extent by an active labour market policy, in co-operation with the parties concerned. In recent years, measures to facilitate and stimulate the adjustment process in the labour market have been made an increasingly important element of Swedish economic policy.

Occupational mobility is stimulated by a rapidly expanding scheme for government-sponsored training and retraining of the unemployed. This programme now affects about 30,000 persons each year (in courses lasting six months on the average); the total cost for training and subsistence is in the order of SKr.200 million (\$40 million).

To stimulate geographical mobility in particularly desirable cases (i.e. bringing workers from unemployment areas to labour shortage areas), several types of grants can be given by the employment offices to cover travel, transportation and resettlement costs, including lump sums of up to SKr.2,000 (\$400). In 1964 approximately 35,000 cases (nearly 1 per cent of the labour force) were involved and the total cost was SKr.27 million (\$5 million).

Various arrangements have been undertaken to overcome the particular housing difficulties for migrants.

An active localization policy, aimed at bringing new, more vital firms to the affected areas or to enlarge existing firms, has in certain cases been an effective remedy for the employment problems connected with the closing down of factories. Government subsidies for the erection of industrial buildings, government loan guarantees and various municipal commitments are examples of supporting measures which have been used in this connexion.

Temporary solutions to employment problems are arranged by public works or by selective placing of government production orders with industries. For workers who, due to age or other reasons, could not be given employment in the open market, employment in sheltered workshops or other similar activities has been arranged.

More precise details of the system of measures to promote manpower adaptability or local job creation are given below together with an account of some recent investigations about actual results. As a further illustration an account is given of a concrete case - the closing down of the Oskarshamn shipyard.

II. General measures for adjustment and their results

A. Manpower adaptability

The measures utilized in Sweden to improve geographical and occupational mobility are described in the next few paragraphs. In principle, the allowances in question can be paid to unemployed persons, persons threatened by unemployment because of a foreseen reduction of the work force with the present employer, and persons with particular handicaps which can be compensated by these types of aid; there is now a tendency to extend their utilization to other cases. The employment service can apply these measures when it is deemed desirable to encourage workers to move out of districts or occupations with unemployment in order to take up jobs where there is a labour shortage.

(As a background it should be recalled that the Swedish employment service is rather well developed. The employment offices can be temporarily reinforced in localities with acute employment difficulties in order to give the job seekers good contacts with the labour market of the whole country. An occupational counselling service for adults aims at improving the rationality of job placement - a system of unemployment insurance is also established in co-operation with trade unions and Government.)

Geographical mobility

1. Travel allowances: Round trip ticket and maximum four per diems for job seeker and his wife for interview visit with prospective employer. Transportation costs for family and furniture on actually taking up the new job.
2. Starting help: Lump sum on top of transportation costs - ordinary amount SKr.500¹; proportionately lower if the new job is likely to be shorter than six months (used to overcome labour shortage in certain seasonal employment cases). Repayment of proportionate part if the person in question leaves before six months without taking up new job in a similar area.
3. Resettlement allowance: For whole families moving out of certain special regions with particularly high unemployment. Maximum SKr.2,000.
4. Family allowances: To cover costs of two households up to nine months if the family cannot immediately follow the worker to a new job: SKr.200 per month for wife, SKr.45 for each child, maximum SKr.250 for rent. Reduction by one third after three and six months - one round trip ticket per month for visit with family.
5. Government purchases of houses in depressed areas: The unemployed are often tied to a depressed area by difficulties of selling their house without a loss. In such cases the Labour Market Board can take over the house of a would-be out-migrant on such conditions that he is protected from the loss. (Experimental scheme, started 1965.)

¹ The figures should be judged against the fact that the average hourly earnings of a male industrial worker are around SKr.8.

6. Provision of dwellings in shortage areas: The housing shortage often hinders migration into labour shortage areas. In co-operation with the labour market and the housing authorities the communes in question can receive extra amounts of subsidized building credits on condition that they let immigrants receive some of the new flats along with people on the local waiting lists. (This has been particularly effective as a means to increase the number of building workers in cities where an expansion of residential building was desired.) The Labour Market Board has also been authorized to provide temporary buildings when this could help overcome shortages, particularly of building workers in expanding areas.

Occupational mobility

7. Retraining of adults: Persons over 21 years of age participating in government-sponsored courses receive monthly subsistence allowances ordinarily varying between 40 and 80 per cent of the average wage level for male workers in manufacturing industries. (The amounts depend upon size of family and housing expenses; they can be less than the ordinary minimum in cases of young people living with parents or wives living with a husband earning full income.)

8. Employers who organise adult training (with payments according to collective agreements) may receive a subsidy of up to SKr.1 per hour. In order to stimulate localization of new industries in new areas with acute employment difficulties, the subsidy can be increased; in practice the maximum seems to be SKr.5 or 6 per hour.

Scope of the mobility measures

The number of cases where the various mobility stimuli were used has been rapidly increasing during the last seven years. Those which existed before 1959 were used only for some thousand cases per year.

In 1964, 33,000 persons¹ received travel allowances (point 1 above); about 23,000 of these also received starting help; and a few thousands each one of the other allowances, total costs SKr. 26.8 million.

In the same year 27,000 started in retraining courses (points 7 and 8). The length of the courses varied between a few weeks and two years, average five to six months. Total cost SKr.200 million (estimated order of magnitude).

¹The total labour force is around 3.5 million.

Results of the measures

Geographical mobility: An investigation was made in the beginning of 1964 concerning 1,091 persons who had received "starting help" in January 1963. (At this time the amount was maximum SKr.300 for jobs of at least three months' duration.) One year later 38 per cent kept the job they had originally received, and the same number had other jobs; 20 per cent had no jobs, being either unemployed (5 per cent), in training courses, in the army, at home as housewives, etc.; the results for 4 per cent were unknown. Roughly one tenth of the total seems to have returned to the home community, thus making the arrangement a failure. Those who did not keep to the original employers were in general not to be regarded as failures; on the whole they had got new jobs of similar importance, away from their original home area. The turnover rate does not seem excessively high, compared with the turnover rates otherwise found during the first year with a new employer, particularly when one takes into account that the "starting help" arrangement is used particularly to bridge a relatively large gap both geographically and with regard to social and cultural environments. The persons involved belonged mainly to manual occupations. Often the geographical move also meant a change of occupation.

Occupational retraining: Another investigation concerning 1,674 persons (1,304 men and 370 women) who finished retraining courses in March and April 1963 was made in April 1964 and showed the following: 48 per cent had got a job in the same occupation as the training course and 38 per cent in other (usually allied) occupations. The fact that 14 per cent had not got any jobs was mainly due to such causes as illness, military service, return to home work (by housewives), etc. On the observation date, one year after leaving the courses, 26 per cent had no jobs, mainly for the same reasons. Basis for admittance to the training course: 61 per cent actual or threatened unemployment, 24 per cent partial disablement, 15 per cent other handicaps (mainly "insufficient occupational training", e.g. for housewives who wanted to take up paid employment after many years at home or unskilled workers who were needed in the rapidly expanding building industry).

Types of training: 55 per cent metal work for engineering and building industries, 9 per cent building and civil engineering, 7 per cent office work, 6 per cent household and restaurant work, 5 per cent electrical work, etc. Length of the courses thirty-three weeks average, thirty-eight weeks for men and eighteen for women; variations from a few weeks to two years. Actual length was shorter, roughly half a year, as 29 per cent left before the end of the course, either because they found satisfactory employment or because of illness, lack of interest, family considerations, etc. Average age was nearly thirty years, with 28 per cent below twenty-two years and 16 per cent above forty-four years.

General judgement on mobility programme

A Royal Commission with representatives of the political parties and the labour and management organizations recently surveyed the whole programme and made proposals which are now being considered by the Government. The Commission regarded the programmes as successful and recommended their continuation and reinforcement. Particularly it was regarded as desirable to extend the retraining activities to other than the unemployed and allied categories; the task was as much to alleviate manpower shortages as to eliminate unemployment; therefore the limitation should be discontinued, and the payments should be increased so that one could acquire a better choice of participants, particularly in the retraining courses.

Any judgement on the results must take into consideration, on the one hand, that Sweden has on the whole had full employment (unemployment 1½ per cent of labour force according to American-type sample surveys) with a strong shortage of labour, particularly in metal and building industries in most parts of the country, with unemployment of any importance mainly in the northern provinces (notoriously two to four times the average, with strong seasonal fluctuations) and in more scattered localities in the rest of the country. This means that on the one hand the placement in new jobs has been easy, but on the other hand that the selection of applicants for retraining and moving allowances has been limited and to a great extent consisted of what is sometimes called unemployables. This explains the relatively high "fall-out" at the retraining courses.

B. Local employment creation

In order to stimulate expansion in the under-developed areas in the North (where weak industrialization and rapid rationalization of forestry is reducing the demand for manpower) and in order to re-establish employment in acute cases of local unemployment, the Government sponsors a programme of selective support to creation of local employment. Partially this is provided by temporary public works, giving relief in an unemployment situation and at the same time improving infrastructure in under-developed areas¹. Partially it consists of subsidies

¹The relief works can also be used to stimulate mobility: they sometimes provide a stepping stone for people who, via such employment - located in full-employment area - can find their way out of unemployment areas. Persons with more or less permanent personal handicaps can also be placed in certain forms of relief work or in "sheltered employment".

to the establishment or enlargement of undertakings in under-employed areas (localization policy proper).

According to a recent Parliamentary decision the Localization Policy measures are mainly the following:

Subsidy of 35 per cent (in exceptional cases 50 per cent) of building costs for establishment or enlargement of undertakings in manufacturing industry or tourism. Increased subsidies, covering a large part of the wage costs, (see above) to training and retraining arrangements for adults when this is needed for their establishment or enlargement. The subsidies can be used in certain areas or localities with high unemployment but should only be given to undertakings which can be deemed to become self-supporting in the longer run. It is supposed that this will mean that the undertakings have to be placed in agglomerations which are big enough to be viable eventually as growth centres. In addition to the subsidies, the Government can provide particular credits to support local creation of employment opportunities.

Local action in acute cases

When a certain community is acutely hit by employment difficulties, the Labour Market Board, in co-operation with the provincial and municipal authorities, immediately takes particular action if this is judged to be necessary. (According to agreements between the Board and the various management organizations, important reduction in employment - as well as increases - shall be notified to the provincial Labour Board two months in advance; this gives possibilities for advance preparation of necessary action). This action consists both of measures to help people take up jobs in other areas or industries (reinforcement of the local employment office, information about job opportunities and the means available to facilitate geographical and occupational mobility) and of measures to stimulate localization of new employment into the area. For the psychological situation it is of great importance that persons threatened by unemployment can begin to look around for other employment opportunities before they really lose their jobs, so that they can quietly accustom themselves to the idea of going somewhere else or retrain themselves for a new occupation.

The following section is a description of a particular case where a shipyard was virtually closing down in a town where it had been the biggest source of employment.

III. The Case of Oskarshamn

In the spring of 1962 a shipyard at Oskarshamn, a town on the Swedish south-east coast, notified (in accordance with agreed rules) the local Employment Service about its intention to cut down its staff from 930 to 600. The dismissals were intended to start in August 1962 and be carried through by the end of the year. The shipyard was the largest undertaking in the town, which had about 13,000 inhabitants.

Immediately after receiving the notification, the Country Labour Board took initiative to appoint a "collaboration committee" including representatives of the undertaking, the employees, the municipal authorities and the Labour Board. This committee was to be a forum for mutual information and discussion on problems resulting from the dismissals and on appropriate action to be taken. The committee adopted a programme on the following lines:

1. All assistance should be given to facilitate replacement on the open market; economic aid should be given for removal of those seeking transfer to other areas: the employment service staff should be enlarged in order to intensify placement efforts.
2. Location of new industry should be sponsored in co-operation with the National Labour Market Board and the Association of Swedish Industries.
3. Vocational training and retraining for adults should be extended. Additional localities for this purpose could be supplied by the shipyard.
4. Sheltered employment should be arranged for those workers who could not - because of age or other handicaps - be re-placed on the open market. A primary concern would be to establish a sheltered workshop within the town.
5. A detailed plan should be made showing how the dismissals were to be carried through. In order to synchronize dismissals with the finding of new work opportunities, it might be necessary to place certain Government orders with the shipyard, thus prolonging employment in certain cases.
6. To the extent that it would not be possible to arrange employment by the means mentioned above, public works should be started - with priority for projects which might improve the possibilities of bringing new industry to the place.

In the autumn of 1963, the shipyard management declared that it would not be possible to maintain any shipbuilding activity much longer; during the autumn of 1964 the staff, including by that time about 750 workers and 250 salaried employees, would be gradually dismissed. However, after discussions with the management, orders were secured for the building of three ships so that the dismissals could be carried through at a slower rate. Financial problems involved in the building of one of the ships, a tanker, were solved with the aid of the labour market authorities. In connexion with the closing down of the shipbuilding activity, a decision was taken to form a new company to operate a mechanical workshop with 350 - 400 employees on the old shipyard premises. The capital required for this purpose was secured through Government loans.

During the period from September 1962, when the first dismissals took place, to the end of February 1965, the following measures have been taken to secure new employment for redundant employees.

Employment service

A total of 717 work-seekers coming from the shipyard have registered as work applicants with the employment service. Out of these, 319 had been dismissed while 398 were still working with the shipyard at the time of registration. The number of placements by the service on the open market was 712, of which 171 in employment outside the town of Oskarshamn. Special allowances were granted in order to facilitate geographical movements. In forty-one cases employment was secured in public emergency work projects, and fifteen persons were placed in sheltered employment. (One person may have been subject to two or more placements.)

The number of persons not employed by the end of February 1965 was fifteen, including five persons over sixty-seven years of age and six aged less than fifty-six.

Industrial location

The municipal authorities and the County Labour Board have co-operated in attracting new industry to the town and in stimulating the development of already existing undertakings, and support has been received from various national authorities. This activity has resulted in about 475 new job openings and the figure is expected to more than double during the course of 1965/66.

The costs of preparing new industrial sites, building new premises, enlarging other premises, etc. amount to about Kr. 37 million of which somewhat more than 12 million have been granted as Government subsidies. Furthermore, Government and municipal guarantees have been given for loans to the projects in question.

Vocational training and retraining

As previously mentioned, measures were taken to enlarge the capacity of the training centres located in Oskarshamn. The number of retraining courses was raised and training was also arranged at a vocational school established by the shipyard company and in the ordinary municipal vocational school. In all, 223 persons from the shipyard received training to facilitate re-placement. Part of the training has been supplied in direct connexion with the industrial location activity. Labour recruited to newly located undertakings has received specially designed training, and subsidies to such training have been granted as an integral part of the industrial location programme.

Conclusion

By knowing well in advance the plans for cutting down the shipbuilding activity of the Oskarshamn shipyard and establishing close collaboration with all parties concerned in solving the problems of the forthcoming dismissals, the latter have been carried through with a minimum of friction and difficulties for the employees concerned. The knowledge that action was being taken to solve the problems of the individuals certainly made these dismissals much less dramatic than they would otherwise have been. Unemployment never took on any large scale. New employment opportunities have replaced the old ones and industry has become more varied than it used to be. In fact, industrial and commercial life at Oskarshamn is today in a better position than it was before the announcement of the close-down of the shipyard, which for many years had been of decisive importance for the town's development.

Note: In the foregoing Swedish practices and experience in the manpower policy field have been described both generally and in a specific case of successful conversion of the work force of a shipyard to other employment through various aids to geographical and occupational mobility, the attraction of more viable industries into the area, and utilization of the old premises for new types of production. Sweden has been particularly keen on developing a great variety of measures to promote adjustment in the labour market. It is therefore of particular interest to observe that the experience already gained there has led to the conclusion (in a recent report by a special Commission including representatives of the political parties and the organizations of labour and management) that these measures should be continued even more intensely and on a broader scale.

SWITZERLAND

I

The recommendation by Committee III on this subject is not applicable to Switzerland. Swiss industry is highly specialized in the manufacture of quality products. This state of affairs is imposed on us by natural conditions. Having no raw materials, Switzerland has had perforce to devote itself to the processing and finishing of imported commodities. This also explains why, generally speaking, our industry is not in need of excessive tariff protection. As a result of the liberal trade policy which our Government has pursued for a long time past, the Swiss market is open to free competition in the field of industrial products. Access to this market is already largely assured for products imported from developing countries. My Government has, therefore, had no reason to take the measures indicated in paragraph 42 of the report of Committee III (L/2080).

II

The Swiss authorities are not in a position to add anything new to the communication above. In view of the high level of economic activity for some years past and the large number of foreign workers employed in Switzerland, the problem has not at present arisen in our country. The Government has consequently not felt the need to take legislative measures, the more so since free access for foreign products to our market has not caused any disturbance for our specialized industry which, moreover, being exposed to free competition, can itself take any measures required on account of competitive conditions.

UNITED KINGDOM

I

There is no legislation in the United Kingdom related specifically to the structural adjustment of British industry to take account of changing conditions in world trade.

Certain general measures covering e.g. regional development of industry, income tax allowances to encourage investment in new plant and machinery, and training programmes to review the skilled manpower needs of industry, have been introduced but these are not directly related to the adjustment assistance.

The only example of structural adjustment in a British industry falling within this survey is therefore the adjustment within the cotton textile industry under the Cotton Industry Act of 1959. This was an ad hoc scheme designed to assist the cotton textile industry to adjust to the changing world conditions and has been described in detail to the Cotton Textiles Committee. (In document COT/W/37, reproduced below.)

The British Cotton Textile Industry

The broad history of contraction and re-organization of the British cotton industry over the past decade is well-known: it is illustrated in the attached chart.¹ This was a continuation of a process of contraction but has continued over a long period of time.

Since the Long-Term Arrangement was negotiated the processes of contraction and re-organization have continued and this note briefly indicates the nature of the changes which have been occurring.

The Cotton Industry Act, 1959 provided Government financial assistance for scrapping of excess capacity and for re-equipment. The Government contributed two thirds of the compensation for scrapping excess capacity in the spinning, doubling and weaving sections of the industry and about a quarter in the finishing sector. The remainder was borrowed from the banks who are being repaid out of the proceeds of a levy on firms remaining in the industry. The total amount of compensation paid was £21.2 million of which £11.5 million has been paid by the Government and £9.7 million by the industry.

¹A diagrammatic presentation of developments in production, imports, exports, etc. appended to the document COT/W/37 is not reproduced here.

The Government also agreed to pay one quarter of the cost of approved re-equipment schemes, the remainder being paid by the firms concerned. Although purchase and installation of machinery had to be completed by 8 July 1964, not all claims for grant have yet been received. We believe that the total cost to the Government for re-equipment will be about £12 million.

In addition, there was a levy on firms remaining in the industry in respect of compensation payable to employees who became redundant as a result of scrapping and re-equipment under the Act. The cost so far is £4.5 million but it may be higher in the end.

Although the main schemes under the 1959 Act are now complete, firms in the industry have been continuing the re-organizing and rationalizing production and marketing. Productivity has been increasing and multiple shift-working has become more common. The contraction in production capacity has continued as the following figures indicate:

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Spindles in place (million ring equivalent)	8.7	8.0	6.7	5.9 ¹
Looms in place in Lancashire (thousands)	150	140	126	119 ¹
Production units closed (number)	72	61	73	38 ²
Persons at work (thousands)	194	178	165	162 ³

These trends are likely to continue but prediction is very difficult partly because allowance has to be made for increases in productivity and because assumptions which may be fragile have to be made about trends in consumption in cotton textiles. Over the past year or two major producers of synthetic fibres have acquired substantial interests in the British cotton textile system and this is designed to bring about further modernization of both production and distribution.

¹ Second quarter.

² From beginning of year until end September.

³ Mid-year.

II.

At the Group's meeting on 29 July, the United Kingdom expert referred to a section of a report by the OECD Special Committee for Textiles, appearing in the OECD publication "Modern Cotton Industry", dealing with the re-organization of the British Cotton Industry. The following is the text of the OECD report.

The re-organization of the British cotton industry

1. Throughout the 19th century the British cotton industry satisfied a large proportion of the world demand for cotton goods. In 1912 it still accounted for two thirds of the international trade in cotton goods, when it exported 6,900 million yards out of a production of 8,050 million yards. Between 1912 and 1958, the year preceding the introduction of the Cotton Industry Act, annual production of cotton fabrics fell by almost 75 per cent, i.e. from 8,000 to 2,000 million yards, largely because of the decline in exports from 7,000 million to 450 million yards. As, on the other hand, its imports increased considerably, the United Kingdom became a net importer of cotton fabrics during and after 1958.
2. Between the two World Wars the decline in the British cotton industry had a considerable impact on the country's overall economy, in view of the importance of the sector. By contrast, the decline which continued after the Second World War had only a comparatively limited effect on the general economy, except in East Lancashire, where the cotton industry is largely concentrated.
3. The fall in the demand for British cotton textile goods was accompanied by a marked reduction in machinery installed, although the sector continued to be over-equipped, as already noted in Part II of this Report. Between 1953 and the end of April 1959, 540 mills closed down, of which 175 were spinning, 313 weaving and 52 finishing mills.
4. These difficulties, a direct outcome of the adverse trend of the market, were aggravated by structural defects which are also largely found in other European countries. In particular, the industry's horizontal structure, which divides the various manufacturing stages (spinning, doubling, weaving, finishing and converting), into separate compartments, is suitable for an industry manufacturing for a large and varied world market, but in recent years has proved an increasing source of weakness, as it has facilitated the displacement of nationally produced goods by imports, and has aggravated the trade cycle which regularly affects the textile sector. The multiplicity of small firms has still further complicated the situation.
5. Such were the circumstances which prompted the United Kingdom Government at the end of 1958 to promise the industry that if the latter submitted plans implying a certain degree of direct assistance, the Government would be prepared to consider such arrangements favourably. The conclusion of voluntary agreements between the British industry and the cotton industries of India, Pakistan and Hong Kong limiting imports of low-priced goods provided a particularly favourable opportunity for a complete overhaul of the sector.

6. Discussions between representatives of the industry and of the Government rapidly led to a wide area of agreement on such basic problems as surplus capacity, obsolete equipment and widespread lack of confidence, and on the measures needed to assist the cotton industry in overcoming them.

7. These measures were embodied in the Cotton Industry Act, 1959, which provided for two types of aid to the industry:

- compensation for the elimination of excess capacity under re-organization schemes;
- grants towards the cost of re-equipment and modernization.

8. Under the schemes dealing with excess capacity, the Government agreed to pay two thirds of the compensation for scrapping of obsolete equipment, the remaining third to be paid by firms which remained in the industry. The 1959 Act set out the arrangements to be incorporated in the re-organization schemes for each separate branch of the industry. It empowered the Cotton Board to draw up such schemes in consultation with the industry, and submit them to the Board of Trade for confirmation by Government Order after approval by Parliament. Acceptance of a scheme by the Government was subject to two conditions (1) that the scheme made "adequate provision (in point of time as well as in point of quantity) to the end of eliminating excess capacity" (2) that the industry would itself compensate those who lost their employment in the scrapping process.

9. As regards re-equipment, the Act provided that the Government might make grants of up to 25 per cent of the cost of modernizing existing machinery and buying and installing new equipment in the five years following passage of the Act, in any branch¹ of the industry for which a re-organization scheme had been brought into force.

10. In 1959 re-organization (i.e. scrapping) schemes were prepared and approved for the spinning, doubling and weaving sections. In 1960 similar schemes were approved for yarn processing and the finishing of woven cloth.

11. As the five-year re-organization period is only just at an end, it is still too early to put forward any opinion on the ultimate effects of the Act on the re-organization of the cotton industry. Nevertheless it is possible to give some idea of the effects so far produced by the assistance granted under the Act.

12. The scrapping schemes, in which the Government share of compensation has totalled some £11.2 million, have eliminated from one fifth to one half of capacity in the various branches.

¹This assistance did not cover construction of premises, purchase of vehicles, normal replacements, repairs and maintenance of equipment, or purchase of second-hand equipment.

SCRAPPING OF CAPACITY AND COMPENSATION PAID
UNDER RE-ORGANIZATION SCHEMES AS AT 31 DECEMBER, 1964

	Spinning 1,000 mules equivalent spindles	Doubling 1,000 spindles	Weaving looms	Finishing (yarn processing) million imperial lbs.	Finishing (woven cloth) million linear yards
Installed capacity at 24.4.59	25,345	1,609	259,244	126	2,672
Capacity scrapped under Re-organization Schemes	12,256	544	99,337	33	564
Percentage of capacity scrapped	48.4%	33.8%	38.3%	26.3%	21.1%
Total Government compensation paid	£ 5,919,015	£ 238,245	£ 4,259,459	£ 958,909	

The numbers of machines installed in October 1964, showed the following reductions compared with the situation at the end of the scrapping schemes (December 1961):

Spinning	....	....	....	3 million ring equivalent spindles
Doubling	....	....	....	200,000 spindles
Weaving	....	....	....	20,000 looms

These changes take account of reductions by scrapping and disposal and of some increases through re-equipment and new installations.

13. Results of the modernization and re-equipment phase are less easy to measure, since the last date for installing new equipment or modernizing existing plant was only a few months ago (July 1964). It has however been calculated that, during the five-year period 1959-1964, the total expenditure by firms for machinery and plant eligible for grants was about £57 million, of which the Government's share will represent one quarter. The following table summarizes the re-equipment position at the end of 1964:

APPLICATIONS AND CLAIMS FOR RE-EQUIPMENT GRANTS

Unit: £'000

	Applications received as at 25.12.64	Claims received as at 25.12.64	Claims paid as at 31.12.64
Spinning	51,468	23,882	17,509
Doubling	2,837	1,198	795
Weaving	42,536	20,217	15,539
Finishing (yarn processing)	1,748	1,024	559
Finishing (woven cloth)	16,478	7,578	3,733
Total value	115,067	53,899	38,135
Government's share	28,767	13,477	9,534

14. While only about half the re-equipment schemes for which approval in principle was given have in fact been carried out, actual expenditure over the period has increased, as follows:

INVESTMENT IN COTTON TEXTILE PLANT AND MACHINERY

	£ million
1958	14.2
1959	16.6
1960	20.6
1961	25.5
1962	23.9

15. As regards the overall effects of the 1959 Act the following substantial improvements have been noted:

- (a) Whereas total spindles fell by 65.2 per cent between 1958 and 1963, yarn production decreased by only 28.6 per cent over the same period. Mule spindles now represent only 12 per cent of total spinning capacity. The percentage of automatic looms has increased from 19 per cent before and 28 per cent immediately after the scrapping phase of the Re-organisation Scheme to 37 per cent today.
- (b) Thirty eight per cent of the spinning spindles are running on two or three shifts, compared with 5 per cent before the Re-organisation Scheme. The corresponding figures for looms on two or three shifts are 39 per cent and 20 per cent respectively. About half of the yarn spun on the cotton system and about 60 per cent of the cloth woven in the industry is produced on machinery working two or three shifts.
- (c) Since the Re-organisation Scheme, output per head has increased by something of the order of 20 per cent on average, despite a shorter working week. The most efficient firms are now within sight of United States' levels of productivity.
- (d) A large number of amalgamations have taken place in the last year or so, leading to increased vertical organisation. The man-made fibre producers have taken a leading part in this movement, which has continued, and indeed been intensified, since the end of the five-year period.
- (e) In addition to take-overs and mergers of companies, numerous private arrangements for co-operation and co-ordination of production have been made between firms in different sections of the industry.

16. It is therefore clear that the period covered by the 1959 Act has been marked by substantial progress by the British industry and that the stimulus provided by the Act has been largely instrumental in bringing this about. The full effects of this progress have yet to be reflected in comparative international statistics. Nevertheless it has to be recognised that the industry still has considerable leeway to make up in a number of respects, notably in the high proportion of old machinery and the inadequacy of its shift working arrangements. The industry's problems appear however nearer to solution than seemed possible even a few short years ago.

UNITED STATES¹

I

A. General background. The Trade Expansion Act of 1962 authorizes the President to provide adjustment assistance to an industry, firm or group of workers upon a finding by the Tariff Commission that, as a result in major part of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to be the major factor in causing or threatening serious injury to the industry, firm or workers producing a like or directly competitive product. Adjustment assistance may be provided to eligible firms and groups of workers of firms in an industry or limited to a particular firm or group of workers of a firm. Such assistance to eligible firms may be in the form of (a) technical assistance, including engineering, marketing and management advice; (b) financial assistance in the form of loans, guarantees of loans, or agreements for deferred participation in loans for land, plant, equipment and working capital; and (c) tax assistance in the form of special carryback of operating losses.

Adjustment assistance to groups of workers may be provided in the form of:

- (a) trade readjustment allowances in the form of cash payments during a period of adversely affected employment;
- (b) retraining of workers for other types of employment; and
- (c) relocation allowances to assist families in moving to an area where employment is available.

Adjustment assistance is intended to provide a means to enable domestic industries, firms and workers to adjust to import competition either by becoming more competitive in the same line of production or by moving into other fields of activity.

¹The documents referred to in the submission of the United States are available at the secretariat for consultation.

B. Procedures. A firm or group of workers seeking adjustment assistance must initially petition the United States Tariff Commission. The Commission must promptly make an investigation to determine whether the firm or group of workers is being seriously injured or threatened with serious injury within the meaning of the Trade Expansion Act. The Commission's investigation is limited to the situation of the firm or group of workers and does not encompass the entire industry. The Commission is required to hold public hearings in the course of its investigation if requested by the petitioner or any other interested party. It must take into account all relevant economic factors and report its findings to the President not later than sixty days after the date on which the petition is filed. Before the Commission can make an affirmative finding, it must determine (1) that the imports in question are entering the United States in increased quantities; (2) that the increased imports are due in major part to trade agreement concessions; and (3) that such increased imports are the major factor in causing or threatening to cause serious injury to a petitioning firm or unemployment or underemployment of a significant number of workers of a firm or subdivision of the firm in question. After receiving an affirmative report from the Tariff Commission with respect to a firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance. (This authority to certify eligibility to apply for adjustment assistance has been delegated by the President to the Secretary of Commerce in the case of a firm and to the Secretary of Labor in the case of a group of workers.)

An industry seeking relief must also initially petition the Tariff Commission. If upon concluding an industry investigation, the Tariff Commission makes an affirmative determination that increased imports are the major factor causing serious injury to an industry and that such increased imports are due in major part to trade agreements concessions, one of the remedies which the President may provide is adjustment assistance. Specifically he may provide with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance and that its workers may request the Secretary of Labor for certifications of eligibility to apply for adjustment assistance.

I. Assistance to firms. Eligible firms may file an application for adjustment assistance with the Secretary of Commerce at any time within two years after the date of certification. Concurrently or within a reasonable time after filing a firm must present a proposal for its economic adjustment. Adjustment assistance is provided to the firm only after the Secretary of Commerce has determined the proposal (a) is reasonably calculated materially to contribute to the economic adjustment of the firm, (b) gives adequate consideration to the interests of the workers of the firm and (c) demonstrates that the firm will make all reasonable efforts to use its own resources for economic development. Technical assistance may also be furnished to a firm in the preparation of an adjustment proposal.

The Secretary of Commerce refers certified adjustment proposals for firms to such Federal agencies as he determines appropriate to furnish the technical, tax and financial assistance necessary to carry out the proposal. These agencies include the Departments of Commerce, Agriculture and Interior and the Internal Revenue Service in the case of tax assistance.

II. Assistance to workers. Workers may apply for adjustment assistance with State employment security agencies at any time within two years after a certification of eligibility of a group of workers has been made by the Secretary of Labour. The State employment security agency determines the eligibility of each individual under the standards of the Trade Expansion Act governing adjustment assistance to workers. Adjustment assistance is provided only after the State employment agency has determined the following conditions exist, among others (1) the individual's unemployment or partial unemployment began after the Trade Expansion Act became law, and after the date established in the certification by the Secretary of Labour as the beginning of the import - caused unemployment affecting his group; (2) the individual's unemployment began within a two-year period following the date on which the Secretary of Labour issued the most recent certification for his group; (3) the individual was employed by an import-affected firm or firms for at least twenty-six of the fifty-two weeks immediately before lay-off, and (4) the individual was employed a total of at least seventy-eight weeks in the three-year period immediately before lay-off.

State employment security agencies may provide qualified workers with (1) a cash allowance equal to 65 per cent of the worker's average weekly wage within a certain specified income limitation (\$65 in 1964) for a period normally limited to fifty-two weeks, (2) testing, counselling, training and job placement services, and (3) cash relocation allowances. Qualified workers may be determined to be eligible to receive one or all three forms of assistance.

C. Experience under adjustment assistance provisions. The Tariff Commission has completed nine investigations under the adjustment assistance provisions of the Trade Expansion Act. No affirmative findings of serious injury attributable to increased imports caused in major part by trade agreement concessions resulted from any of these investigations. Consequently no affirmative determinations of eligibility to apply for adjustment assistance have been made.

Four of the nine investigations were instituted at the request of firms seeking eligibility to apply for adjustment assistance. These investigations involved the following products: household chinaware, sodium gluconate, crude petroleum, and ceramic mosaic floor and wall tiles and glazed ceramic (other than mosaic) floor and wall tiles.

The remaining investigations were instituted at the request of five groups of workers seeking adjustment assistance. These investigations involved the following products: unmanufactured zinc, transistor radios, iron ore, cotton sheeting, and ceramic mosaic tile.

D. Legislation and rules. The general policy and procedure governing the provision of adjustment assistance to industries, firms and workers are laid down in Title III of the Trade Expansion Act. The rules and regulations which have been established to carry out the functions and responsibilities of the United States Tariff Commission, the Secretary of Commerce and the Secretary of Labour with regard to the provision of trade adjustment assistance are contained in the Code of Federal Regulations. In particular, the rules and regulations of the Tariff Commission are set out in Part 206 of Title 19, those of the Department of Commerce in Part 310 of Title 48, and those of the Department of Labour in Parts 410 and 411 of Title 48 of the Code.

Part 206 of Title 19 has been reproduced in the Tariff Commission publication Rules of Practice and Procedure, Part 310 of Title 48 in the Department of Commerce publication Rules and Regulations for Adjustment Assistance to Firms, and Parts 410 and 411 of that Title in the Title 48 of the Code of Federal Regulations as of 1 January 1964.

II

"1. The United States submits the following addendum to its reply reproduced in Section I above. That reply dealt entirely with the measures for assistance in adjusting to increased imports provided for under the Trade Expansion Act of 1962. This addendum describes other measures of adjustment assistance within the United States which members of the Committee may find of interest in relation to the problems of structural dislocation and the means which are being developed to combat these problems.

2. Over the years a variety of programmes have been developed to aid in the problems resulting from structural dislocations. These programmes have been designed to correct problems in the locales where they occur when this seems possible and desirable, and also to help in the relocation of industry and individuals when this approach seems more feasible.

(a) The Area Redevelopment Act. This was designed to help depressed areas diversify and rebuild their economic bases. To do this, the Area Redevelopment Act provides loans to help new enterprises get started or help existing firms expand. It makes loans and grants to aid in financing new public facilities, such as sewer systems and access roads, which communities must have to attract or support new or expanding industries. It gives technical assistance in planning programmes of job generating economic opportunities. A new Public Works and Economic Development Act

which expands the scope of the Area Redevelopment Act which is due to expire 30 June has now passed the United States Senate and is being considered by the House of Representatives. The new law provides direct and supplemental grants for, and loans to assist in, financing public works and development facilities. It provides industrial and commercial loans to purchase and develop land and facilities, and will provide for guarantees of working capital loans made in connexion with loan projects. It will subsidize the interest payments of companies who get loans from non-government sources to relocate within redevelopment areas. An Economic Development Revolving Fund in the United States Treasury will keep receipts from these programmes flowing back to provide further financial assistance for such activities. The new Act also provides for technical assistance funds, and for grants for planning and administrative expenses. There will be multi-State economic development plans, prepared with Federal technical assistance, and with Federal financial assistance in amounts varying from 50 per cent to 100 per cent of the cost. For all these activities, the Senate has voted \$660 million.

(b) The Rural Loan Programme. Since 1935 the Farmers Home Administration and predecessor agencies have maintained a programme of supervised credit assistance to family farms threatened by both natural disaster and economic distress. It started by making loans to farms bankrupted by the great depression which helped prevent thousands of foreclosures and revived family farming operations. Services offered under this programme have been broadened over the years, always toward the purpose of preserving independent rural family life.

During the past thirty years, loans enabling family farmers to equip, improve, operate, and buy their farms totalled \$7.6 billion. (Some \$5.8 billion has been repaid with interest, representing more than 99 per cent of payments due.)

Along with loans, the Farmers Home Administration gives its borrowers technical assistance, which may include guidance in diversifying farm products so as to liberate the farmer from over-dependence on traditional crops no longer profitable. This has been exemplified on a massive scale in the southern United States. In helping to dissolve the grip of a "cotton economy" on the South and create a more balanced economy based on cotton and livestock, the Farmers Home Administration has financed the entry of many distressed cotton farmers into livestock production.

Today, the agency is insuring private loans, or making direct loans, both in small towns and the open countryside, for large-scale improvements such as modern housing and water distribution systems.

In the past fiscal year, programmes of the Farmers Home Administration reached directly 1.5 million people, with loans totalling \$800 at \$3.7 billion. In prospect for the coming year is a 50 per cent expansion of this effort by authorization of Congress.

(c) The Small Business Administration. This agency was established to aid, counsel, assist, and protect the interests of small business concerns, and to make loans to small businesses and to State and local development companies. In connexion with these activities, the Administration (a) provides financial counselling; (b) lends funds to small business concerns or groups of such concerns to finance plant construction, conversion or expansion, or to finance the acquisition of equipment, facilities, machinery, supplies, or materials, and to supply such concerns with working capital; (c) helps groups of small business concerns obtain the benefits of research and development.

In addition, it arranges for government procurement agencies to set aside for small businesses the whole or parts of government contracts, and it encourages the letting of sub-contracts by government prime contractors to small businesses. Also, it enters into government prime contracts, and sublets their performance to small businesses. It assists small business firms to obtain government contracts for research and development.

In co-operation with the Area Redevelopment Administration, it furnishes technical guidance to redevelopment areas in the preparation of over-all economic development programme and co-operates in a loan programme to Area Redevelopment Act applicants. It licenses and regulates small business investment companies to stimulate the flow of private capital to small businesses. It lends to State and local development companies to stimulate the flow of capital for the financing of operations, growth, expansion, and modernization of small business concerns.

In 1962 and again in 1963, for example, the Small Business Administration approved loans for more than \$300 million to businesses directly, and in 1964, \$425 million. In addition to this, many more millions have gone into its other programmes.

(d) The Manpower Development and Training Act. Under this Act and its successor act, the Manpower Act of 1965, the Government attempts to determine in what occupations there are existing or foreseeable shortages of workers for which people should be trained, what are the benefits and problems arising from automation and other technological changes and how these changes affect the jobs of workers, how to tell in advance what effect certain changes will have on workers' jobs, what interferes with and what facilitates job mobility. It then develops and makes available information about skill requirements, occupational outlook, job opportunities, labour supply in various skills, and employment trends.

The actual and potential impact of imports from all sources, but particularly those from the less-developed countries, is an important element in the determination of the industries for which workers should - or should not - be trained.

The Government, in furtherance of this, has established a programme of institutional and on-the-job training to prepare workers for job opportunities that have been found through labour market surveys and through other means such as the research programme. In addition, there is a programme of supplemental basic education - training for those workers who, because of inadequate education, could not otherwise qualify for or benefit from occupational training. Also, there is an extensive youth training programme, and there are projects to develop new techniques for training unemployed workers with especially difficult employment problems.

These training programmes are paid for by combinations of Federal and State payments, at no cost to the trainees. In addition, allowances to trainees have been established to make it financially possible for such persons to accept training.

In all, about 320,000 persons have been trained since the passage of the Manpower Development and Training Act, in a total of 6,667 training projects.

(e) The Office of Economic Opportunity (Anti-Poverty Programme). Under the Act establishing the Office of Economic Opportunity, there is a wide variety of programmes, generally aimed at directing individuals into areas where there is an existing or anticipated need for their services and educating them to meet the need.

(1) The Job Corps. A programme of remedial education and job training for young men and women, sixteen through twenty-one years old, provided in rural conservation and urban training centres.

(2) The Neighbourhood Youth Corps. A programme to provide full or part-time experience and training for youths, sixteen through twenty-one, to enable them to stay in or return to school, or to increase their employability. This programme places young men and women in newly created jobs in hospitals, settlement houses, schools, libraries, courts, parks and playgrounds.

(3) Work Experience Programme. Projects to help needy persons, particularly unemployed parents with dependent children, gain constructive work experience and training. Included are basic literacy and vocational training.

In addition, there are several ancillary programmes such as the college work-study programme, the adult basic education programme and the community action programme. These, while not directly labour-market oriented, are intended as supports for those programmes aimed at directing the labour market away from declining areas and into areas of current or potential economic growth.

3. The United States Government has had a continuing programme for more than thirty years that has varied as the exigencies of the times have changed and has been sufficiently flexible to accommodate itself to both current needs and the demands of a changing social and economic structure. Among other facets of the programme that need little or no elaboration are the social insurance programmes that provide unemployment insurance, job counselling and placement for workers affected by unemployment, and retirement and survival benefits for workers and their dependents."

III

Statement by the United States expert

The Adjustment Assistance provisions of the Bill to bring into effect the agreement between the United States and Canada on automotive products are identical to those set out in the Trade Expansion Act, but the conditions that need to be fulfilled before these measures can be applied are somewhat relaxed in the Bill. The view is growing in the United States that the conditions for Adjustment Assistance in the Trade Expansion Act are perhaps too rigid.

EUROPEAN COMMUNITIES

I

Excerpts from the Treaty Establishing the European Coal and Steel
Community Containing the Transitional Provisions

Chapter I - General provisions

Readaptation

Section 23

1. If the consequences of the introduction of the Common Market oblige certain enterprises or parts of enterprises to cease or to change their activities during the transition period defined in Section 1 of the present Convention, the High Authority, at the request of the governments concerned and under the conditions specified below, must help to protect the workers from the burden of readadaptation and assure them productive employment, and may grant non-repayable assistance to certain enterprises.
2. At the request of the governments concerned and under the conditions defined in Article 46, the High Authority shall participate in a study of the possibilities of re-employing the unemployed workers either in existing enterprises or by creating new activities.
3. According to the procedure laid down in Article 54, the High Authority shall assist the financing of approved programmes submitted by the governments concerned for the readadaptation of enterprises or for the creation, either in the industries subject to its jurisdiction or (with the agreement of the Council) in any other industry, of new, economically sound activities capable of assuring productive employment to the workers thus discharged. Subject to the agreement of the government concerned, the High Authority shall give preference in granting such facilities to the programmes submitted by enterprises which have been obliged to cease their activities on account of the introduction of the Common Market.
4. The High Authority shall grant non-repayable assistance for the following purposes:
 - (a) to contribute, in case of the complete or partial closing of enterprises, to the payment of compensation to tide the workers over until they can obtain new employment;
 - (b) to contribute, by means of grants to the enterprises, to assuring the payment of their personnel in case of temporary unemployment made necessary by the change in their activities;

- (c) to contribute to the payment of resettlement allowances to the workers;
- (d) to contribute to the financing of technical retraining for workers who are led to change their employment.

5. The High Authority may also grant non-repayable assistance to enterprises obliged to cease their activities on account of the introduction of the Common Market, provided that the sole and direct cause of this situation is the limitation of the single market to the coal and steel industries, and provided that this situation leads to a relative increase of production in other enterprises of the Community. Such assistance shall be limited to the amount necessary to enable the enterprises to meet payments which are due immediately.

Any request for such assistance must be submitted by the enterprise concerned through the intermediary of its respective government. The High Authority shall have the right to refuse assistance to any enterprise which has failed to inform its government and the High Authority of the development of a situation which might lead it to cease or change its activities.

6. The High Authority shall make the grant of non-repayable assistance under the terms of paragraphs 4 and 5 above subject to the payment by the State concerned of a special contribution at least equal to the amount of such assistance, except where otherwise provided by a decision of the Council acting by a two-thirds majority.

7. The methods of financing laid down for the application of Article 56 apply to the present section.

8. Interested parties may benefit from the provisions of this section during the two years after the end of the transition period if the High Authority so decides and the Council agrees.

Article 56

If the introduction of technical processes or new equipment¹, within the framework of the general objectives laid down by the High Authority, should lead to an exceptionally large reduction in labour requirements in the coal or steel industries, making it especially difficult in one or more areas to re-employ the workers discharged, the High Authority, on the request of the interested governments:

¹ In March 1960 a new section was added to Article 56 to the effect that aid under the Article could be extended also if "profound changes in the marketing conditions of the coal mining or of the iron and steel industry, not directly connected with the introduction of the Common Market, make it necessary for certain enterprises permanently to discontinue, curtail, or change their activities."

- (a) shall consult the Consultative Committee;
- (b) may facilitate, in accordance with the methods provided for in Article 54, the financing of such programmes as it may approve for the creation, either in the industries subject to its jurisdiction or, with the agreement of the Council, in any other industry, of new and economically sound activities capable of assuring productive employment to the workers thus discharged;
- (c) shall grant non-repayable assistance as a contribution to:
 - the payment of compensation to tide the workers over until they can obtain new employment;
 - the granting of resettlement allowances to the workers;
 - the financing of technical retraining for workers who are led to change their employment.

The High Authority shall make the granting of non-repayable assistance conditional upon the payment by the interested State of a special contribution at least equal to the amount of such assistance, unless an exception is authorized by a two-thirds majority of the Council.

II

Extracts from the Treaty Establishing the European Economic Community

Article 125

1. At the request of a member State, the Fund shall, within the framework of the rules provided for in Article 127¹, cover 50 per cent of expenses incurred after the entry into force of this Treaty by that State or by a body under public law for the purpose of:
 - (a) ensuring productive re-employment of workers by means of:
 - occupational retraining;
 - resettlement allowances; and
 - (b) granting aids for the benefit of workers whose employment is temporarily reduced or wholly or partly suspended as a result of the conversion of their enterprise to other productions, in order that they may maintain the same wage level pending their full re-employment.
2. The assistance granted by the Fund towards the cost of occupational retraining shall be conditional upon the impossibility of employing the unemployed workers otherwise than in a new occupation and upon their having been in productive employment for a period of at least six months in the occupation for which they have been retrained.

¹Covers the procedure for implementing Article 125.

The assistance granted in respect of resettlement allowances shall be conditional upon the unemployed workers having been obliged to change their residence within the Community and upon their having been in productive employment for a period of at least six months in their new place of residence.

The assistance given for the benefit of workers in cases where an enterprise is converted shall be subject to the following conditions:

- (a) that the workers concerned have again been fully employed in that enterprise for a period of at least six months;
- (b) that the government concerned has previously submitted a plan, drawn up by such enterprise, for its conversion and for the financing thereof; and
- (c) that the Commission has given its prior approval to such conversion plan.

Article 130

The task of the European Investment Bank shall be to contribute, by calling on the capital markets and its own resources, to the balanced and smooth development of the Common Market in the interest of the Community. For this purpose, the Bank shall by granting loans and guarantees on a non-profit-making basis facilitate the financing of the following projects in all sectors of the economy:

- (a) projects for developing less-developed regions;
- (b) projects for modernizing or converting enterprises or for creating new activities which are called for by the progressive establishment of the Common Market where such projects by their size or nature cannot be entirely financed by the various means available in each of the member States; and
- (c) projects of common interest to several member States which by their size or nature cannot be entirely financed by the various means available in each of the member States.

III

Statement from the expert from the EEC Commission

The Social Fund can be used to remedy dislocations caused by imports from third countries. The Fund can be employed only at the request of the national governments of the member States but the Commission can draw the attention of these governments to the facilities available under the Fund. On receiving requests for disbursements the Social Fund acts in accordance with the procedures provided for in Articles 123 and 125 of the Rome Treaty. The recently established Committee on Medium Term Economic Policy is at present considering questions of economic structure and this work will evolve in the future. It is possible that at the end of the transitional period the Fund will be endowed with greater powers as regards the formulation of policy in connexion with adjustment assistance.