

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Textiles Committee

REPORT ON ADJUSTMENT ASSISTANCE MEASURES

Introduction

1. At its meeting on 18-19 December 1974, and 22 April 1975, the Textiles Committee invited the participating countries in the Arrangement Regarding International Trade in Textiles to provide information on adjustment assistance measures so as to enable the Committee to carry out its tasks required of it under Article 10, paragraph 2, of the Arrangement. The reciprocal nature of this obligation was stressed and thus all participants were urged to communicate the relevant information. It was agreed, in this regard, that the information contained in GATT's 1972 Textiles Study (L/3797) should be brought up to date and, where necessary, its coverage should be broadened. Based on such information as may be provided by the members, the secretariat would prepare an updated report for the Committee, which would then decide on its adequacy and whether or not further work should be undertaken.

2. In this connexion, the relevant information has been received from a number of participating countries, namely, Austria, Australia, Canada, the EEC member States, Finland (except Italy), Hungary¹, Japan, Norway, Pakistan, Spain, Sweden, Switzerland and the United States. While some of these countries have communicated changes in their adjustment assistance measures, others have indicated that the situation has remained unchanged since their last reporting on the subject and thus, in their cases, the original information as contained in L/3797 has been used. Hong Kong, Sri Lanka and Ghana have indicated that no such measures exist in their cases. On the basis of this information the secretariat has drawn up this report to help the Textiles Committee in its present review in accordance with Article 10:2 of the Arrangement. In view of the fact that information has not been received from a large number of participants the secretariat has reproduced the material previously supplied by some of these countries for the 1972 textile study with a view to providing the Committee with as complete a picture as possible.

¹In view of the late submission, the information received from Hungary has been reproduced in full as an addendum to this document.

3. The present report is divided into four sections. In Section A information regarding government measures to assist adjustment in the textiles industry as supplied by the participating countries has been given. Section B contains information in respect of government measures to assist industrial adjustment generally, while Section C outlines the various measures adopted by the Textile and Clothing industries themselves. In Section D a brief account is given of the purposes and effectiveness of adjustment assistance measures mostly in the developed countries.

Measures of Industrial Adjustment

The textile industry has undergone many structural changes in the last two decades in several of the industrialized countries. The motivating factors in these structural adjustments have been the coming of age of the industry which warrants some re-organization and modernization; increasing international competition resulting from a considerable expansion in world production capacity; and the speeding up of technical innovations necessitating huge investments in new plants, rationalization of the existing machinery and scrapping of the old and obsolete production facilities.

In some of the developing countries also, which have long been traditional textile producers, structural transformation has taken the form of modernizing old equipment and setting up of modern textile mills in order to penetrate into international export markets more competitively. However, by and large emphasis is generally placed on an expansion of the industry rather than restructuring or eliminating excess capacity.

Other developing countries, by reason of linkages on the input and output side, find textile industry to be a catalytic agent in the process of industrialization. The textile industry is given priority not only because of its contribution to the utilization of domestic resources of raw materials and labour, but also because it offers possibilities of import substitution and consequently the saving of scarce foreign exchange resources.

This has inevitably contributed to an expansion in world production capacity and has led to a shrinkage in the share of textiles and clothing in world trade and a declining ratio of international trade to production. Competition forces the developed countries to gradually move into more sophisticated lines of production, bringing in train a series of structural adjustments. This has changed the location of the textile industry throughout the world as well as the pattern of international trade.

The tendency towards the development of new chemical fibres and their extended use has made the textile industry a multifibre and multiprocess industry. It often entails the adaptation of the existing machinery and the manufacturing processes, which naturally call for large investments in new plants. Mergers and concentration have thus become a characteristic feature of the industry. Marginal units have been disappearing and the proportion of total manufacturing capacity accounted for by the largest undertakings has increased. While the developing countries have experienced a substantial increase in the number of machines installed, employment and number of units, the trend has been just the opposite in the developed countries, but this was accompanied by a substantial increase in machine and labour productivity.

All these autonomous and induced changes require some encouragement from the government in a market economy. In some countries the textile industry itself has exerted pressure to bring about or quicken the process of change. In countries where a liberal trade policy is followed, government assistance to particular industries tends to be small. In these countries, nevertheless, there usually exist governmental adjustment measures to assist industry generally. These measures, aimed at improving efficiency through reorganization, rationalization, relocation of plant, technical research, retraining of workers and regional development schemes, entail benefits for the textile industry also.

A. Government Measures to Assist Adjustment
in the Textile Industry

CANADA

The Canadian Government adopted a national textile policy in 1970 under which the Canadian textile and clothing industries could continue to move progressively towards viable lines of production on an increasingly competitive basis internationally. As a prerequisite to special measures of protection against imports which have been found to cause or threaten serious injury, individual textile and clothing sectors of these industries are required to submit suitable plans involving the restructuring, phasing-out, upgrading of production or continued development along efficient lines. Such special measures of protection cannot be applied unless the sector concerned has prospects of becoming internationally competitive in the Canadian market without any protection other than that normally provided by the customs tariff.

To assist in this restructuring, the General Adjustment Assistance Programme was amended in 1970 to permit companies in the textile and clothing industries to apply for the necessary financial assistance in carrying out approved restructuring plans. Moreover, to reduce the extent of worker dislocation, certain textile and clothing workers displaced as a result of import competition can obtain early retirement benefits under the Adjustment Assistance Benefit Regulations established in 1970.

A Fashion Design Assistance Programme was introduced in 1970 to encourage the employment of fashion designers. In addition, the Government has offered to establish Development and Productivity Centres for the Canadian textiles and clothing industry.

EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES

The Commission of the EEC has examined the problems of the textile industry within the Community and, in order to assist structural adjustments, it has considered the introduction of a consistent policy on the social and trade aspects of the matter and also with regard to government aid. In the latter case, it should be pointed out that the Treaty of Rome already carried the implication of Community discipline and institutional control. One of the forms which this has taken has been a strict control at the Community level of assistance to the textile industry.

By Council Decision of 19 December 1972¹, the Council of the European Communities decided to authorize intervention by the European Social Fund in favour of persons occupied in the textile industry on the basis of Article 4 of the Decision of 1 February 1971² on the reform of the European Social Fund. The purpose of such intervention is to facilitate the employment and the geographical and occupational mobility of workers affected by measures of adjustment brought about by the introduction of new techniques or fundamental changes in market conditions. Assistance from the Social Fund takes the form of vocational training assistance (financial contribution towards the cost of organizing classes and courses and to participation costs) and assistance in moving home or settling in a new social and working environment. It is open both to workers in the textile industry itself and to those being retrained for other activities.

Assistance from the Community is at the rate of 50 per cent of expenditure in the cases of operations carried out on public account, or represents the total costs assumed by public authorities in the case of operations carried out by private enterprise.

The European Social Fund is part of the budget of the European Communities. In the 1974 budget, assistance grants from the Social Fund for workers in the textile industry amounted to some 8.1 million units of account out of a total budget for the Social Fund of 308.5 million.

¹Official Journal No. L 291/160 of 28 December 1972.

²Official Journal No. L 28 of 4 February 1971.

The Council Decision regarding intervention by the European Social Fund in favour of the textile industry expires on 1 January 1976. Since its entry into force, however, the employment situation in the industry has shown no recovery and the arguments adduced in support of the original decision remain just as valid today. It therefore seems probable that it will be prolonged.

The Council of the Communities will be taking a decision before the end of the year on the extension of this provision to the clothing industry.

FRANCE

The Professional Association of the Cotton Industry was set up in 1960, with government approval, to make adjustments involving the elimination of 1,200,000 spindles and 25,000 looms in ten years. The association has helped a number of firms to close down by providing compensation for the destruction of obsolete machinery and by helping redundant workers to redeploy, for example through the reconversion of enterprises in other sectors of industry.

Special government assistance towards adjustment in the textile industry is at present channelled exclusively through allocations by the Textile Industry Structural and Commercial Modernization Committee (Comité Interprofessionnel de Rénovation des Structures Industrielles et Commerciales de l'Industrie Textile) (CIRIT) from its share of the quasi-fiscal textile levy.

The quasi-fiscal textile levy is charged at the rate of 0.44 per cent of the value of textile products. The annual receipts of the levy amount to some F 70 million and are allocated as to 5/7ths to the Textile Industry Structural and Commercial Modernization Committee (CIRIT). The forms of assistance which the CIRIT is authorized to furnish within the limits of the funds available to it from the above-mentioned quasi-fiscal levy are as follows:

- Assistance towards adjustment consisting of the re-grouping of undertakings, generally small or medium sized, by the acceptance of responsibility for part of the non-productive expenditure occasioned by such operations. This type of assistance has been given since 1966.
- Assistance towards rationalization (i.e. encouragement to the closing of marginal production units) by payment of compensation to redundant personnel and contributions to the cost of retraining. This type of assistance has also been given since 1966.

- Assistance in the financing of the activities of certain forms of collective action such as the Economic and Observation Centre, the Fashion Co-ordination organizations and certain studies of a general character.
- From 1971 to 30 June 1974, the CIRIT was authorized to assist in the modernization of production units, mostly small or medium sized. This was really a kind of assistance to adjustment and in no case was its purpose to increase production capacity. Assistance of this type has been discontinued since 1 July 1974.

ITALY¹

In Italy provision has been made through Act. No. 1101 of 1 December 1971 for assistance in the adjustment, reorganization and conversion of the textile and clothing industries and handicrafts. In essence, this Act provides for the grant of credits at preferential rates, up to an overall maximum of Lit 100,000 million; a not inconsiderable part of this is for reconversion to non-textile purposes in areas where the textile industry predominates. It should be emphasised that this assistance will only be given on condition that it does not lead to the creation of surplus capacity.

NETHERLANDS²

In 1967 the Netherlands Government decided to grant the cotton, rayon and household linen industries a loan of f. 50 million, guaranteed by the Government, on normal interest and redemption terms, for the period 1968/70. The purpose was to help to finance the investment programmes of the industries in question, the modernization of their production machinery and the improvement of their competitive power. In view of the long delay in the delivery of the necessary machinery, the period of the loan was extended several times. At the beginning of 1975 it was decided to grant these industries an additional loan of f. 50 million, subject to the condition that the projects for which the loans had been granted should be completed by the end of 1976.

¹No new information has been received and so the secretariat was obliged to reproduce what was contained in L/3797.

²Translation by the secretariat from original French text.

FEDERAL REPUBLIC OF GERMANY

Between 1964 and 1969, two Länder, namely Bavaria and Baden-Württemberg, had put adjustment programmes into operation for the cotton and wool-weaving industries; these provided certain credit facilities, up to a relatively small overall maximum. These measures have not been continued.

UNITED KINGDOM

The Cotton Industry Act 1959 was special purpose legislation devised to promote a programme of organized contraction and re-equipment by the United Kingdom Cotton Textile Industry and to empower the Government to provide financial assistance for this programme. Grants were paid to firms for scrapping obsolete equipment and for the installation of modern machinery. Provision was also made for compensating employees displaced as a result of these measures. In all some £39 million was spent under the terms of the Act of which £25 million was provided by the Government, the balance coming from levies imposed on the industry. The Act is no longer in use and it is intended that it should be repealed. In the wool sector the Government has since 1953 undertaken the printing and despatching of forms and has collected funds to be paid over to the Industry's Research Association. It has also allocated research grants in the knitting, dyeing and finishing sectors. In 1970 a short-term scheme was introduced to provide finance for the medium sized and smaller firms in the cotton and allied textile industry engaged in modernization. The scheme was terminated in June 1971 after funds totalling approximately £2 million had been committed.

The following measures have been introduced since 1972:

The purpose of the £15 million scheme, which was announced in July 1973, is to secure a viable long-term future for the wool textile industry. It is designed to help it maintain its competitiveness by rationalizing its production facilities, improving its structure and eliminating uneconomic capacity. The scheme provides:

- (a) grant aid for re-equipment (linked with the scrapping of the equipment replaced) and rebuilding;
- (b) support by loans or interest relief grants to wider-ranging projects involving rationalization, mergers, relocation, etc.;
- (c) grants to encourage the closing of marginal firms and production units (realization).

A scheme of assistance to the clothing industry was announced by the Secretary of State for Industry on 23 July 1975. The objective of the scheme is to improve the industrial and commercial structure of the clothing industry and commercial concentration of activity in more efficient units, and by restructuring and reorganization within firms without an overall increase in the capacity of the industry. The scheme is also intended to lead to improvements in productivity and efficiency and to encourage the dissemination and implementation of advice on productivity through the establishment of a productivity centre. Details of the scheme were announced on 15 October 1975 and applications for assistance from clothing firms will be considered up to the end of 1976. Up to £20 million will be made available for this scheme.

GHANA

No adjustment assistance measures are applied in the textile industry which is still at a very rudimentary stage of development.

HONG KONG

No adjustment assistance measures are in force.

INDIA¹

Spindleage and loomage capacity in the cotton sector is regulated by the Government, whose prior approval is needed for additional installations. In addition, the Government has encouraged rehabilitation and modernization by allowing a 35 per cent (later 25 per cent) investment tax credit for the purchase of new machinery, and by deferred payment facilities on the purchase of indigenous textile machinery through the Industrial Development Bank. Credit facilities are also available for the purchase of imported machinery by the Industrial Credit and Investment Corporation of India. Loan facilities at concessional rates of interest are made available to the export-oriented mills by the Industrial Finance Corporation. A few units were forced to close down because of obsolete machinery and techniques but because of employment opportunities provided by them, the Government had to step in and take them over and continue to run them for the sake of the labour, and those which are taken over are managed by the National Textile Corporation and not the National Industrial Corporation and the scheme is named "Unemployment Relief Scheme".

¹No new information had been received and so the secretariat was obliged to reproduce what was contained in L/3797.

JAPAN

Under the Provisional Measures for Adjustments of Textile Industry Equipment Act, 1964, the installation of new spindles was prohibited in Japan over a five-year period. The Specific Textile Law, 1966, was followed by the Act on Provisional Measures for Structural Re-organization of Specified Textile Industries, 1967, covering spinning (cotton, man-made and mixed fibres) and weaving (cotton, man-made and silk). The programme has consisted of grants, tax incentives, loans at concessional rates and credits guaranteed by Governmental organizations aimed variously at encouraging the scrapping of old machinery, the modernization of facilities and the integration and concentration of facilities. In 1969 the knitting, dyeing and finishing industries were brought under a similar programme. The Textile Industry Rationalization Agency has been created to administer these programmes with capital contributed by the Government.

The Japanese Government took special relief measures to alleviate the acute predicament met by the textile industries mainly as a result of the export restraint against the United States. The measures included purchase supported partially by the Government fund of production equipment of textile falling into surplus as the result of export restraint and financing of longer-term as well as short-term loans. These relief measures, which were to be carried out from 1971 to 1973, included:

- (i) government expenditure totalling ¥48.9 billion (about US\$163 million, US\$1 = ¥300) for the support of the purchase of surplus equipment; and
- (ii) financing facilities to be made available by the Government-supported banking institutions totalling ¥131.7 billion (about US\$439 million) for the financing of current fund.

The Act on Provisional Measures for Structural Re-organization of Specified Textile Industries, 1967, was revised in 1974 into the Act on Provisional Measures for Structural Re-organization of Textile Industries.

In accordance with the 1974 Act, the Government has been carrying out the structural re-organization of the textile industries in general (for the period 1974-78).

The structural re-organization based upon the 1967 Act pursued scale merit, renewal of facilities, and mergers of small enterprises etc., to change labour-intensive textile industries into capital-intensive ones. The new structural re-organization based upon the 1974 Act, however, aims at developing information-intensive textile industries in the light of the drastic changes in the international and domestic circumstances such as recent stagnation of exports and sudden increase of imports etc.

The structural re-organization measures of the 1974 Act include favourable treatment in taxation (accelerated depreciation) as well as loans from the Corporation for the Promotion of the Small and Medium-Sized Enterprises and the Japan Development Bank.

REPUBLIC OF KOREA¹

Since 1960 the Government of the Republic of Korea has occasionally assisted the cotton textile industry by making loans of scarce foreign exchange by the acquisition of modern textile machinery meeting criteria aimed at avoiding excess capacity and at installing equipment designed to produce for export rather than for import substitution.

The Government assistance to the Cotton Textile Industry is nominal and it is limited to reduction of some customs tariffs on the imported raw material for re-export purpose and provision for short-term credit.

PAKISTAN

The installation of additional looms and spindles requires the prior approval and sanction of the Government. Government approval is also necessary for replacement, balancing and modernization of existing textile units, which is encouraged as a conscious government policy. Loan facilities at concessional rates of interest from the Industrial Development Bank of Pakistan and from the Pakistan Industrial Credit and Investment Corporation, both of foreign and local currency are available for new units as well as for replacement, balancing and modernization.

SPAIN

Although imports of textiles into Spain have shown a continuous increase, the sector has been, and still is, a net exporter of products of the textile industry, of which its own is typical, generally speaking, of a developing country. This dual aspect, and the fact that it was established more than a century ago, made it essential to undertake a restructuring of the textile industry in order both to improve its efficiency and to ensure that its products were competitive at the international level.

¹No new information had been received and so the secretariat was obliged to reproduce what was contained in L/3797.

That is the reason why, as far back as the decade from 1950 to 1960, a study was made of the possibility of modernizing the cotton and wool sub-sectors. This led to the First Restructuring Plan for the Cotton Industry in 1960 and for the Woollen Industry in 1964, designed to increase productivity by the modernization of industrial plant and machinery and the concentration of small undertakings into major ones. For this purpose imports of capital goods were facilitated and foreign capital investment was authorized without restriction. At the same time minimum investment levels were fixed.

Later on, the Optional Plan for the Restructuring of the Cotton Textile Industry was drawn up by the industry itself and approved by the Government in 1969, with the aim of increasing productivity and achieving greater concentration mainly by closing marginal undertakings. This Plan led to the elimination of 9,898 looms (112 per cent of forecast), 213,214 spindles (71 per cent of the maximum forecast) and to the retraining of 11,006 workers who were transferred to other sectors of production. The Plan was financed jointly and equally by the Government and those undertakings which continued in production. The latter were obliged to give priority in employment to workers who had lost their jobs as a consequence of the application of the Plan, and they were not allowed to engage new workers until all these had been absorbed. As regards proposed labour policy measures, the most noteworthy include the reduction by five years of the age of retirement, the grant to workers retired or laid off of compensation of twenty days real wages for each year of service, and the provision of insurance benefit equivalent to 90 per cent of real wages for a maximum period of eighteen months. The number of undertakings which closed down completely was 146, while another forty-three closed down a part of their activities. Of this total of 189 undertakings, thirteen were engaged in spinning, seventeen in spinning and weaving and 159 in weaving.

Six years after the introduction of this Plan, it was felt necessary to carry out a more extensive reconstruction and so on 3 April 1975, Decree 693 was issued establishing a new Plan entitled "Plan for the Modernization and Regulation of the Cotton Process Textile Sector". This Plan continued the work begun in 1969, but with the following differences:

- (a) it is broader in scope, since it covers not only the cotton industry but also what remains of the cotton process textile sector, namely, those undertakings using a manufacturing process similar to that for cotton;
- (b) it has no date of expiry;

(c) no figure is laid down for the number of production units to be closed.

The first period for the submission of applications runs from 10 August 1975 to the following 15 October.

But modernization of the sector did not have to be confined to the cotton sub-sector. It was felt necessary to institute at the same time a reorganization of the woollen industry in order to bring it more up-to-date. For this purpose the woollen textile sector initiated reconstruction measures through its Plan for the Restructuring and Regulation of the Woollen Textile Industry, approved by Decree 694 of 3 April 1975.

This Plan represents an innovation for the sector. Its aims are quantified and in maximum figures amount to: the elimination of 200 combing machines, 7,000 carding spindles, 60,000 yarn spindles and 1,300 looms, and the reduction of the present labour force in the sector by 5,500. The cost is estimated at Ptas 1,800 million.

Applications for acceptance as a beneficiary of the Restructuring Plan may be submitted from 4 August 1975 to 31 December 1976.

As regards forecasts, it is estimated that some fifty undertakings in the wool textile sector have expressed a desire to exercise their right to shut down. As regards the cotton sector, forecasts for the first stage of the Plan are that about fifty undertakings will take advantage of it.

SRI LANKA

No adjustment assistance measures are applied on textiles.

SWEDEN

Based on proposals that were made by an ad hoc commission, the Government adopted measures in 1970 and 1971 aimed at the integration, concentration, rationalization and readjustment of firms in the textile and clothing industries and the stimulation of exports. The governmental measures fell under three categories, export promotion, conversion support and educational and management training. These measures included grants and credit guarantees.

In 1975 it was decided that the aforementioned measures, which were initially established for a period of four years, should continue for a further period of two years as concerns the conversion support and educational programmes and three years as concerns the export promotion programme. The governmental funds used for these three programmes during the period 1970/71 - 1974/75 amount to SKr 51.3 million.

The principal aim of the conversion support measures is to stimulate expanding enterprises to utilize consultants to investigate methodically all possibilities of amalgamating (with or without partial or total purchasing) with other, economically weak and less competitive firms. Other amalgamations may take the form of co-operation agreements, the establishment of a joint marketing company, etc. The investigations can also concern structural adjustments within the enterprises, primarily those of an organizational nature, including the need for specialization. With few exceptions grants are approved to cover not more than 50 per cent of the total cost of consultant investigations.

The educational programme is designed to stimulate development in the principal spheres of company management and finance, production and marketing, personnel management and co-operation. The programme includes courses and conferences which are free of charge for participants. During the first four years of the programme 295 courses and conferences have been held with a total of 6,866 persons at all levels participating.

The aim of the export promotion programme is to facilitate structural adjustment in the textile and clothing industry by stimulating export of textile products. The programme shall be concentrated on progressive enterprises. Export projects which promote a better structure of the industry should be given priority, for example joint export actions. The support for projects can only be considered for covering initial expenses. In this context grants can be paid to cover not more than 50 per cent of total costs for market analyses, marketing planning, and product adjustment. Support can also be granted for collective activities such as fashion displays.

In addition to the measures mentioned above certain governmental credit support measures in the form of i.a. depreciation loans were introduced in 1972 to secure the supply of essential textiles in case Sweden was cut off from its present sources of supply. The objective is to initiate investments which are necessary from the supply point of view. The companies which benefit from the credit support are according to agreements with the National Board of Economic Defence obliged to maintain a certain production or production capacity. The governmental funds spent so far on this type of loan amount to SKr64.2 million.

TURKEY¹

With Government encouragement the textile and clothing industries have been expanding rapidly in Turkey. In the knitted, clothing, cotton and some worsteds sectors there are counterpart investment allowances, the percentage depending upon the particular area in question. There are also customs duty deferral facilities for up to five years at advantageous interest rates, as well as total exemption from duties in the case of some new cotton spinning plants.

¹No new information had been received and so the secretariat was obliged to reproduce what was contained in L/3797.

UNITED STATES

There are no Government adjustment assistance programmes directed specifically at the United States textile and apparel industries.

B. Government Measures to Assist Industrial Adjustment Generally

In addition to the specific measures summarized in the preceding section, many governments have maintained adjustment assistance programmes aimed at industry generally. These frequently benefit the textile and clothing industries.

AUSTRALIA

In April 1974 the Government adopted a long-term programme of assistance to individuals and firms affected by structural changes resulting from the transfer of resources from one use to another. The scheme provides for a range of measures in specific relationship with the actions of the Government or some special circumstances.

The forms of special assistance for firms include (i) closure compensation which is broadly 85 per cent of loss on sale of assets; (ii) granting of half of the consultancy costs up to a maximum of \$10,000; and (iii) guaranteeing of 90 per cent of loans meant for viable restructuring programme in line with Government's intentions in relation to the use of national resources.

Individuals affected by structural change and who satisfy eligibility criteria may be paid income maintenance for a period of six months up to the level of his average earnings (excluding overtime as from 19 January 1975) in the previous six months but not in excess of one and a half times the national average weekly earning rate. (Such income maintenance is distinct and separate from unemployment benefits - a person receiving income maintenance is not eligible for unemployment benefit.) The person is also eligible to apply for retraining and/or relocation assistance. An important feature of the adjustment assistance scheme is that it is flexible enough to enable owners of small-scale enterprises to be treated as employees if they wish.

The Government has also implemented a programme of special assistance to non-metropolitan manufacturing firms designed to alleviate the short-term problems of industrial employment which have developed recently in some country towns. This programme primarily takes the form of direct payment of subsidies to firms for sustaining or phasing out of existing production and employment. In special cases where eligible firms face immediate liquidity problems, an interim grant in the form of a lump sum pre-payment of subsidy may be made.

Other forms of assistance are capital grants, feasibility study grants, subsidies for commuters and loan guarantees. Assistance is restricted to the same prescribed cases as the general structural adjustment assistance programme and is conditional on the firms which are being helped participating in industry restructuring wherever feasible.

Other forms of financial assistance of a generalized nature provided by the Australian Government include:

- the Industrial Research and Development Grant Scheme designed to encourage industrial innovation and technological capability;
- Visiting Industrial Experts Grants Scheme to assist manufacturers meet the cost of employing overseas industrial experts;
- assistance to the Inventors Association of Australia Ltd., to help stimulate the flow of private inventions available to industry;
- inter-firm comparisons to enable firms to compare its performance with norms for the industry;
- grants to the industrial Design Council of Australia; and
- grants to the Standards Association of Australia to promote standardization in industry.

The structural adjustment assistance programme (both SAA and SANMA) applies generally to all industries affected by one of the prescribed cases. However, in the case of the recent extension to the 13 April 1975 for the closing date of receipt of applications based on the 25 per cent tariff cut and the lifting of textile quotas, applications in the metropolitan areas were confined to individuals and firms who had been affected by the Government's decisions as they affected the textile, apparel and footwear industries.

The SANMA programme (Special Assistance to Non-Metropolitan Areas) is designed to assist localized employment problems in some non-metropolitan areas. In so far as the textile and clothing industries have been significantly affected by Government tariff actions, and that a significant part of these industries are located outside metropolitan areas, they have consequently been a major recipient of the special assistance under this programme.

Funds for structural adjustment programme are provided by Parliamentary appropriation under the normal Appropriation Act. Other funds are available through specific legislation or Departmental appropriation to cover general measures of financial assistance.

Assistance to firms under the structural adjustment assistance programme (SAA and SANMA) had totalled approximately \$47 million by the end of March 1975.

In addition, various Federal bodies currently provide financial assistance to the Australian manufacturing industry. The integrated nature of the schemes preclude a separation of expenditure into either conversion or modernization of industries. Those schemes (and 1974/1975 expenditures to 31 March 1975) are as follows:

- . Industrial Research and Development Grants Scheme (\$9,238,217)
- . Visiting Industrial Experts Scheme (\$ nil)
- . Industrial Design Council of Australia (\$316,689).

In addition, other Australian Government agencies such as CSIRO and National Small Business Bureau, and the Standards Association of Australia provide assistance of a non-pecuniary nature.

Expenditure for 1974/1975 to date on the three schemes providing social assistance is:

- . Regional Employment Development Scheme (\$9,836,913)
- . National Employment and Training Scheme (\$10,678,711)
- . Structural Adjustment Assistance Scheme - income maintenance scheme (\$21,791,766).

The Government is keeping under continuing consideration the appropriateness of current criteria and measures for adjustment assistance and the possible desirability of developing new techniques and measures as circumstances develop. Such changes in circumstances would include changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries.

Normally, under the structural adjustment assistance programme applications are to be received for one year only after a particular government action or other event has been prescribed. Terminal dates for application (including extensions in several cases) are prescribed in each case separately.

The administrative task in relation to the many applications which have been received following the 25 per cent reduction in tariffs has been considerable. A general problem which has arisen is that in some cases it has not always been easy to clearly distinguish the prime cause for the retrenchment of an employee or the financial difficulties of a firm. Another cause of concern is the existing relation between income maintenance and unemployment benefit and other normal social security benefits. An examination of this and related aspects is currently being undertaken.

AUSTRIA

In the absence of specific measures to facilitate structural adjustment in the textile and apparel industries, the firms of this segment are entitled to benefit from the measures taken by the Austrian Government in favour of industry as a whole. In order to facilitate the financing of investments and structural adjustments, to develop, to rationalize and to improve the productivity of the Austrian economy and the mobility of labour, the following laws include, inter alia, provisions for speeded-up depreciation allowances, investment reserves, the fiscal treatment of undistributed profits, the reduction of Corporation Tax, the improvement of economic structures in the smaller industries and trades, the support of investment serving development and re-equipment, the promotion of research and competition, active labour market policies and financing facilities.

CANADA

In addition to the measures under the new textile and clothing policy adopted in 1970, Canadian firms have been able to benefit from the General Adjustment Assistance Programme (1968) which was set up to assist firms generally to adjust to new trading patterns resulting from the Kennedy Round tariff negotiations in GATT. This Programme provides for governmental loan guarantees to assist restructuring plans considered sound, as well as grants for hiring consultants to help devise such plans. In 1970 the Programme to Enhance Productivity was introduced to aid in this latter activity.

The Manpower Adjustment Programme (1965) and the Manpower Mobility Programme (1967) are designed to facilitate the retraining and relocation of workers.

Research has been stimulated (formerly by tax deductions and now by special grants) under the Industrial Research and Development Incentives Programme, the Programme for the Advancement of Industrial Technology and the Industrial Research Assistance Programme, as well as through the efforts of the National Research Council which, along with the Ontario Research Foundation and some universities,

is equipped to help certain textile firms on an ad hoc basis. The Programme for the Advancement of Industrial Technology is a shared-risk scheme set up in 1970. New or expanded firms in certain designated regions of slow economic growth or chronic unemployment can seek federal grants and government guarantees of loans. The Provinces of Ontario and Quebec also have adjustment assistance programmes.

The textile and clothing industries are also eligible for assistance under the Regional Economic Expansion act. While this Programme is basically designed to encourage regional development by means of grants for new plants and/or expansion of existing operations, the textile and clothing industries also utilize it in such a process to modernize and integrate their facilities.

EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES

Regulation No. 724/75 of the Council of 18 March 1975¹ establishing a European Regional Development Fund provides for the setting up of a Community system of incentives to regional development encouraging investment in industrial or service activities as well as in the infrastructures necessary for development of those activities, in regions and areas characterized in particular by disequilibrium resulting from agricultural predominance, industrial mutations or structural unemployment.

FRANCE

Although there are no specific programmes for adjustment assistance, the textile and clothing industries have benefitted from measures for regional adjustment. Under the regional aid programme there are credit facilities and equipment premiums to promote the economic development of the various regions. The industrial reconversion programme under the ERP fund provides for certain credit facilities for reconversion operations.

FEDERAL REPUBLIC OF GERMANY

Whereas no specific adjustment assistance programmes have been established, the German textile and clothing industries have benefited from measures directed towards industrial adjustment generally. The Programme for Reorganizational Purposes, set up in 1968, has provided special credit facilities with a view to the restructuring which internal and external competition obliges undertakings to

¹Official Journal No. L 73 of 21 March 1975

carry out as well as promoting regional economic development. Concessionary loans and guarantees for rationalization projects have also been available from some of the Laender governments. Tax relief has been extended for the conversion of the form of enterprises as well as for mergers. In addition, the dispersal of fixed assets in favour of new facilities has benefited from fiscal incentives. Priority has been given to small and medium-sized enterprises, of which there are an especially large number in the textile and clothing industries. Subsidies have been made available to non-profit industrial research associations. There has also been set up an Institution for the Rationalization of the German Economy (RKW). Labour mobility has been sought through a Labour Promotion Law aimed at assisting the adjustment of older workers or those difficult to place as a result of technological progress.

NETHERLANDS¹

Apart from the sectoral measures already described, it is possible for the Netherlands Government to take measures of the same kind (State-guaranteed credits at normal rates of interest) to help individual firms experiencing special difficulties (it has done so in the past in the case of firms in the cotton and clothing industries). It is only exceptionally that the textile sector has benefited from regional assistance.

ITALY²

Up to the introduction of Act No. 1101 on the textile industry, textile firms in Italy benefited extensively from assistance on a regional basis. This assistance is given as a part of a complicated group of measures that include credits on favourable terms and tax advantages.

UNITED KINGDOM

Under the United Kingdom's Regional Industrial Policy, preferential measures of Government assistance are available to industry expanding or developing in the assisted areas. These include grants, loans, Government advance factories for sale or rent with in some cases rent-free periods, and in special development and development areas the regional employment premium. Certain free training services are also available. Under measures to eliminate surplus industrial capacity, several schemes in the wool combing industry have provided corporation tax exemptions for contributions to a central fund for scrapping and replacing plants. Research has been supported in industry generally by means of levies in the sector concerned.

¹Translation by the secretariat from original French text.

²No new information has been received and so the secretariat was obliged to reproduce what was contained in L/3797.

DENMARK

Although there have been no adjustment assistance programmes directed specifically at the Danish textile and clothing industries, regional development measures have been established to provide loan guarantees and financial facilities to industry generally. In addition, plans for the modernization and rationalization of handicraft and smaller industries can benefit from government loans. Under the Vocational Training for Unskilled Workers Act (1960) the needs of individual industrial sectors are examined with a view to preparing training courses for unskilled individuals.

IRELAND¹

There are no special adjustment assistance measures for the textile and clothing industries, but the latter can benefit from the measures applicable to industry in general. One of the principal forms of such aids is the re-equipment subsidies scheme, under the Industrial Development Act, 1969.

Under other forms of aid, technical assistance credits are granted covering 50 per cent of the cost of employing management advisers, with a view to improving the productivity of individual undertakings.

For small and medium-sized undertakings a similar service is furnished by the Irish Productivity Centre (partly financed by the State).

Since 1963, the Textiles Division of the Institute for Industrial Research and Standards has been encouraging modernization and development in the textile and clothing sectors by furnishing facilities for experience, technical assistance and the development of new products and processes.

In addition undertakings, which contribute in the amount of 1 per cent of wages paid can receive credits under the Vocational Training Programme introduced in 1970 by the Industrial Training Authority (AnCO).

FINLAND

No specific measures of adjustment have been adopted for the textile and clothing industry in Finland, but the branch derives partial advantage from the governmental support aimed to industry generally. Particularly the textile and clothing industry can be seen to benefit from the measures to support export activity, to promote research and development (R & D), to encourage investment, to promote small and medium-sized industry as well as different kinds of measures to promote the industry in the developing areas.

¹ Translation by the secretariat from original French text.

The share of exports in Finnish textile industry is roughly 30 per cent and it has been steadily increasing. Tariffs and other barriers to international trade gradually falling off, the textile industry has been forced to adjust itself to the increasing competition in the international markets. The governmental support to the marketing of export products as well as export exhibitions and campaigns have promoted the export efforts in the textile industry and assisted adjustment in the changing circumstances.

Support to R & D activities is made available to industries generally. The share of textile and clothing industry of this support has, however, remained comparatively small and amounted to only 1.8 per cent (which is about Fmk 2.3 million) during 1967-1974. In the selection of R & D projects consideration is given inter alia to the exporting opportunities of the products to be created, to their innovational value, the share of domestic inputs involved, to the availability of raw materials and to aspects related to environmental protection. The maximum share financed by the State is one half of the direct costs resulting from an R & D project.

Investment loans at subsidized interest rate are granted to industry to be used for financing the construction of industrial buildings and the acquisition of machinery and equipment. In connexion with loan decisions consideration is devoted especially to such aspects of investment projects as the branch rationalization, improvement of productivity and profitability, the raising of international competitiveness of industry and savings in the use of energy. The share of the textile and clothing industry of the loans granted has been (in 1974) less than 3 per cent.

For the small-sized industries located outside the developing areas, loans are made available at a subsidized interest rate. The loans are granted for investments to establish a new enterprise or to expand or develop an existing one. Loans to the textile and clothing industry are granted more than three times as much as investment loans mentioned above and the share of the textile and clothing industry of the total amount of loans has amounted (in 1974) to 11.7 per cent. Also the State guarantees on loans granted by banks and other financing sources are available for small and medium-sized industries.

The textile industry established in the developing areas (about 20 per cent of the textile industry in the whole country counted on the basis of employees) enjoys a different kind of adjustment assistance aimed to industry in these areas. The loans for investments to start, expand or develop an enterprise in a developing area may be accepted as interest subsidized developing area loans.

Further, according to the developing area legislation, firms in developing areas are exempt from property tax as well as from stamp duties. The financial support for the productive activity in the developing areas assists the industry to adjust itself to problems relating to availability of skilled labour force. Accelerated depreciations are applied only in the developing areas and they constitute a part of the tax reliefs available to industry for expanding capacity and creating new jobs in these areas. Finally, a specialized credit institution called the Regional Development Fund Ltd. grants loans principally for small and medium-sized industries in the developing areas, acquires shares in a company whenever financing of this form is regarded as important, as well as participates in the financing of industrial estates in developing areas.

JAPAN

One of the fundamental characteristics of the industrial structure in Japan is the existence of a great number of small and medium-sized enterprises. The textile industries consist mainly of small and medium-sized enterprises. Modernization of their facilities, optimization of scale, rationalization of management, technical progress, business conversion etc. are the basic problems of the Fundamental Act of 1963 on the small and medium-sized enterprises. Many of them give favourable treatment to textile and clothing industries.

The Act on the Promotion of Modernizing the Small and Medium-sized Enterprises was passed in 1963 with a view to helping the small and medium-sized enterprises modernize their facilities and was revised in 1969, and in 1974.

The 1974 Act even deals with some development plans in new fields including disposal programmes of surplus facilities. In the latter half of the 1960's, the 1963 Act was applied to most of the small and medium-sized textile industries, including weaving, knitting and apparel industries, but the 1974 Act only deals with rope manufactures (mainly synthetic ropes) on account of the application of the 1974 Act on Provisional Measures for Structural Re-organization of Textile Industries.

The international monetary crisis of 1971 resulted in the enactment of the Act on Provisional Measures for the small and medium-sized enterprises for the implementation of adjustment measures in international economy. (Period 1971-1976.) The Act aims at stabilizing management and smoothing business conversion against the fluctuation of exchange rates and deals with some assistance measures such as recognition of conversion programmes, special treatment in taxation etc. This Act covers various fields of textile industries.

In 1973, the Government passed the Act on Provisional Measures for small and medium-sized enterprises concerning preferential tariff measures to smooth the business conversion and modernization of the small and medium-sized enterprises seriously affected by the sudden increase of import caused by the preferential treatment. (The Act has not been used for small and medium-sized textile enterprises yet.)

With regard to specific measures in taxation for helping business conversion, a fund was established for the preparation of structural re-organization, in accordance with the Act on the Fund Assistance for the Modernization of the small and medium-sized enterprises.

Specific measures of accelerated depreciation were also adopted for the depreciation of equipment to be disposed of in business conversion based upon the programme of business conversion recognized by the Government in accordance with the 1971 Act on provisional measures for the small and medium-sized enterprises for the Implementation of Adjustment Measures in International Economy and the 1973 Act on Provisional Measures for small and medium-sized enterprises concerning preferential tariff measures.

NORWAY

No specific programmes have been adopted in Norway, but general measures were adopted in 1963 to support industrial reconversion. Long-term mortgage loans are available, as are guarantees by the State Guarantee Fund for Industry (Tiltakstondet). Manpower mobility generally has been fostered by the State Labour Agency through assistance to actually or potentially unemployed workers as well as through training schemes. Vocational training grants are provided under a Regional Development Fund set up in 1971, as is compensation for certain relocation and running-in costs. There is also an Institute, established in 1965, that extends medium-term loans aimed at promoting industrial research and development.

Due to the general economic recession, the Norwegian Government has initiated preventative measures with the aim of minimizing unemployment. These measures have also been applied to the textile and clothing industries. It is, however, difficult to quantify the effects so far.

In the course of 1975, the Norwegian Government has introduced a selective policy instrument for the clothing industry. A programme concentrated on export promotion and education has been formed. As part of this programme the Government will render assistance to export promotion projects which last up to three years, by covering 50 per cent of the promotion costs.

The total amount which the Government has put at disposal is limited to Nkr 7.4 million for the year 1975. In this amount, various training projects are also included.

PAKISTAN

The Government of Pakistan allows tax concessions to encourage establishment of industries in the backward regions of the country. This concession is also available to the textiles industry. Moreover, the National Investment Trust and Investment Corporation, can also aid adjustment by helping to finance local currency requirements through underwriting or by participating in joint-stock companies.

SPAIN¹

Under the Rationalization Plan aimed at industry generally, workers in the textile and clothing industries can be included in measures aimed at retraining manpower and at increasing unemployment and retirement compensation. This is in addition to the specific reorganization steps described in the preceding section.

These are adjustment measures aimed at industry generally, but which can also benefit the textile industry. They have been introduced over a period of years and nearly all of them are of a fiscal nature.

The aim of these measures is to encourage the rationalization of industry and the promotion of economic development; the most important of them are the following:

1. Tax incentives for the concentration and restructuring of firms engaged in industry and trade, granted by the Ministry of Finance after a specific study of each case.

¹This information has been reproduced from document L/3797.

Among these the following should be mentioned:

- (a) A reduction in or exemption from the "general tax on transfers and legal instruments", for instruments and documents executed in connexion with company concentrations and restructuring.
 - (b) A reduction in the "general company tax" in the case of the surplus values that may result from concentration or integration.
 - (c) A rebate of up to 90 per cent on the "tax on capital income" if reserves generated by surplus values resulting from concentration are distributed.
 - (d) A reduction in the turnover tax levied on capital equipment and tools on first installation and in the "fiscal licence" during the period when this equipment is being installed.
 - (e) A reduction of up to 95 per cent on the "tax on capital income" on the product or interest of loans issued by firms to finance new physical investment in sectors of the economy considered to be of clear importance to development.
2. In addition to the advantages mentioned above, which may be regarded as exceptional, there is also the general incentive to investment provided by a reduction in the "general company tax" and the "industrial tax profits schedule" in cases where undistributed profits are used to create an investment reserve or "Investment Reserve Fund".
3. Permission for accelerated depreciation in the case of industries belonging to sectors that have been given a preferential status.
4. Temporary fiscal benefits (in connexion with the "general company tax" and the "industrial tax profits schedules" in the case of investments which, though originally intended for the expansion of economic activities (Decree of 1 December 1971) subsequently provided an indirect stimulus to industrial adjustment.
5. Certain fiscal advantages granted to industries located in "poles, zones, and polygons of promotion and development" introduced with a view to promoting the economic advancement of depressed areas, or to industries belonging to sectors classified as "priority sectors", or forming part of the "concerted action" between industry in a particular sector and the government.

6. The other aids to investment have been of a less direct kind, but their effects will undoubtedly have been felt in the sectors concerned. One example has been the government policy for the vocational training or reconversion of labour so that it can be transferred to the more important sectors of the economy.

SWEDEN

One of the general measures is the establishment in 1967 of the national investment bank with the aim to assist in financing - on commercial terms - especially such investment projects that aim at rationalization, structural adjustment and development. With regard to research and development the Board for Technical Development (STU) was set up to promote research and development through existing or new techniques, to support technical innovations and to raise the general level of technology through grants or concessionary loans.

In addition to the above-mentioned measures it should be mentioned that Government credit guarantees are available for small and medium-sized enterprises. Recently there has also been established a system for credit guarantees aimed at facilitating the structural transformation within some industries, among them the textile and clothing industries.

Mention could also be made of labour market and regional policy measures since these measures too are of importance for the development within the textile and clothing industry.

In Sweden the greatest importance has been attached to manpower policy measures, i.e. assistance to labour. This assistance is mainly in the form of labour training and stimulation of mobility. To stimulate mobility different kinds of grants are given to labour. The main objective of these measures is to facilitate geographic mobility. The total expenditure on mobility stimulation, not only to the manufacturing industry, was SKr 55 million during the fiscal year 1972/73. The labour training has its importance as a means of fighting unemployment caused by structural changes, but it is also important as a means of support

for those who have no previous professional experience, the handicapped and others. During 1973, 26,000 persons of the manufacturing industry participated in labour training. The total expenditure on labour training, not only to the manufacturing industry, was SKr 790 million during the fiscal year 1972/73.

In addition to the direct measures to labour there are in Sweden also measures aimed at assisting individual firms. These measures are also to the greatest extent based on manpower considerations. Of greatest importance in this context is the regional development assistance which is intended to facilitate the establishment and extension of industry in certain areas. The different forms of assistance are regional support, training grants and employment premiums. Regional development assistance to the textile and clothing industry between 1968-1973 amounted approximately to SKr 135 million (of which regional grants were SKr 17 million; regional loans SKr 47 million; training grants SKr 66 million and employment premiums SKr 5 million).

TURKEY¹

In addition to the investment allowances and customs duty concessions described in the preceding section, Turkish textile and clothing firms can obtain credit from the Investment Bank. There are also funds allocated for industrial modernization under the Five Year Plan and the 1968 and 1969 Programme. Accelerated depreciation allowances are provided and there have been tax reductions in certain less-developed departments to encourage investment. The National Productivity Centre has made available the results of technical research; and retraining courses are organized in the factories.

UNITED STATES

The Trade Act of 1974, enacted on 3 January 1975, authorized a new and substantially expanded programme of trade adjustment assistance for firms, communities and workers adversely affected by the impact of imported products. The provisions of the Trade Expansion Act of 1974 superseded the provisions of the Trade Expansion Act of 1962 on 3 April 1975.

¹No new information had been received and so the secretariat was obliged to reproduce what was contained in L/3797.

The new approach to adjustment assistance differs in several important respects from the former programme under the Trade Expansion Act of 1962. The programme includes assistance for communities for the first time. Petitions for certification of eligibility must be filed with the Secretary of Commerce by one or more communities or by the Governor of a State on behalf of communities.

For firms and workers the qualifying criteria for assistance are significantly relaxed and it is expected that many more will be able to qualify for assistance than under the previous programme. The United States International Trade Commission (formerly the Tariff Commission) will no longer play a direct rôle in determining the eligibility of firms for adjustment assistance. Petitions for eligibility to apply for adjustment assistance are filed with the Secretary of Commerce by individual firms and with the Secretary of Labour by groups of workers.

Apart from these provisions in the 1974 Act, there have also been fiscal advantages such as accelerated depreciation allowances under 1961 and 1971 legislation, as well as investment tax credits on production machinery or buildings. The Small Business Administration has extended assistance in the form of loans or guarantees to industrial firms generally. The Economic Development Administration was established to encourage business investments in areas with high rates of unemployment and low incomes. Research and development have been aided by Government programmes and grants. Manpower training funds have also been supplied by the Government to industry generally. These programmes, however, have resulted in relatively insignificant assistance to the textile and apparel industries and workers.

C. Measures Taken by the Textile and
Clothing Industries Themselves

In addition to the governmental steps specifically directed at the textile and clothing industries or aimed at industry generally, in a number of countries there have been adjustment assistance measures carried out by associations or firms themselves. In many such instances it may be noted, however, that the cost of their implementation is largely financed by governments, and that the latter have generally supported such efforts.

Summarized below are the non-governmental measures in the textile and clothing industries.

AUSTRALIA

No specific steps have been taken by industry itself, which could strictly be regarded as adjustment assistance measures in the sense intended by the questionnaire. Industries, through their associations, and through consultative bodies between industry and Government such as the existing industry panels, do assist adjustment by encouraging desirable efficiency, modernization and rationalization. There is a continuing process carried on by individual firms themselves whereby many firms, in some cases following particular Government action, are taking steps to rationalize and restructure their operations.

AUSTRIA

In addition to the Government assistance measures taken in favour of industry as a whole, measures have been carried out by the textile and apparel industries themselves in order to get adjusted to the changed pattern of international trade in textiles. In doing so, substantial investments were made by these industries. Such investments amounted to S 1,545 million in 1972, S 1,757 million in 1973 and S 1,447 million in 1974.

The textile and apparel industries have also benefited from the State-supported activities of the Fibre Research Institute, the Carpet Research Institute and the Association for the Promotion of Research and Development in the Textile Industries.

In 1951, the Fibre Research Institute was founded, whose work, under Government authorization, relates to the whole field of textiles. The Institute's activities embrace pure research and the entire area of textile testing. Research and development projects include, inter alia, investigations of specific chemical quality tests and research into the strength of single fibres. In addition to extensive serial analyses in the course of quality testing, the Institute engages in counselling and issues expert opinions.

In 1967, the Austrian Carpet Research Institute was founded. The Institute watches developments in the field of research and development equipment relating to textile floor coverings, and elaborates testing methods and procedures for such products.

The Association for the Promotion of Research and Development in the Textile Industries was founded in 1954 for the purpose of promoting, inter alia, research and developmental work in the scientific - technical and economic - technical field

of the textile and allied industries, for giving information on related matters, for the provision of analyses, expertises and other inquiries, for the procurement and dissemination of scientific - technical and social findings concerning the textile and allied industries, and the editing of publications suitable for the promotion and development of these industries.

CANADA

While there are no adjustment assistance programmes carried out in Canada by non-profit trade associations, or by firms in co-operation with one another, there has been in recent years a great deal of forward integration, mergers, removal of obsolete equipment and moving out of lines of production that have no prospects of becoming internationally competitive, all of which is resulting in a thorough rationalization of the industry. Industry-sponsored joint research projects are being carried out by non-profit industrial research organizations and a close co-operation, financial and otherwise, exists between the industry and the textile colleges in Canada. Largely as a result of private initiatives the industry has been moving towards a much more capital-intensive structure.

EEC MEMBER STATES

In Belgium, where there is no Government research institute for the textile industry, the "Scientific and Technical Centre for the Belgian Textile Industry" (Centexbel) can occasionally receive indirect State subsidies, partly covering the financing of its research programmes, through the intermediary of the "Scientific, Industrial and Agricultural Research Institute" (IRSIA).

An approved research centre is now in course of establishment; its initial establishment costs will be partly subsidized by the State, while its operating costs will be covered entirely by the industry. This approved centre will replace the one mentioned in the preceding paragraph.

The voluntary conventions financed by the cotton and substitute fibre spinning mills, providing for the scrapping and replacement of obsolete equipment without affording any new production capacity have become outdated and have not been renewed. Nevertheless, this industrial sector as a whole is now observing a tacit rule of restraint by making only rationalization investments that are combined with progressive and continuing reduction of production capacity.

In France the Comité Interprofessionnel de Rénovation des structures industrielles et commerciales de l'Industrie Textile (CIRIT), which benefits from a government-collected levy as indicated in a preceding section, makes grants for a joint industrial centre to conduct business studies in the sector, for costs

connected with mergers or internal reorganizations aimed at structural rationalization, and for shutting-down operations aimed at streamlining operations. The CIRIT also makes grants to the Comité de la mode for its activities in the field of fashion and design, and ensures that redundant workers are compensated for the loss of employment. It is noteworthy that with government consent it has been possible for a professional group in the cotton textile industry, financed by professional bodies themselves, to take effective action during the closing down of weaving mills and spinning mills, particularly in the period up to the 1965 crisis. Research and development have been encouraged by the State-supported French Textiles Institute and its affiliated Joint Research Centres.

A Board for Rationalization of the German Economy has been formed in the Federal Republic of Germany by trade unions and interested firms with government contributions to promote rationalization schemes. There have also been joint research projects, promoted by federal funds, which are conducted by non-profit industrial research associations.

The cotton industry in the Netherlands¹ engaged in a very thorough rationalization without financial aid from the Government until 1967, at which time State credits were made available to enable the industry to improve its competitive position. In this connexion, the industry itself has established an export promotion foundation which conducts market analyses and consults with fashion institutes in following fashion and design trends. In occasional collaboration with scientific research institutions, institutes (including the Netherlands Textile Institute) carry out retraining courses, as do the larger textile mills themselves. There is also the Applied Scientific Research Organization (TNO), a non-profit body supported by voluntary contributions and by State subsidies in addition to the consultancy fees received by the organization for its services in this field.

At the request of the United Kingdom Government, the Textile Council in 1966 made suggestions for increasing productivity and efficiency in the industry. In 1969 the Council recommended more competition, and asked for Government protection and for financial assistance for restructuring the industry. Research in the industry has been encouraged through levies and through grants to research associations, which also do consultancy work for firms on a fee basis. In 1961 the Rayon Research Association and the Cotton Industry Research Association merged to form the Cotton, Silk and Man-Made Fibre Research Association (the "Shirley Institute"). In the other sectors there are the Wool Industry Research Association and the Hosiery and Allied Textile Research Association. In addition there are

¹Translation by the secretariat from original French text.

Industrial Training Boards (ITBs) in the following sectors: cotton and allied textiles; wool, jute and flax; carpets; knitting and lace; and man-made fibres production. There is also the Northern Ireland Textile ITB.

Since 1973 the Textiles Division of the Institute for Industrial Research and Standards has promoted technological modernization and development in the Irish textile and clothing sectors by providing testing facilities, technical consultancy and the development of new products and processes.¹

JAPAN

In 1967, in accordance with the Act on Provisional Measures for Structural Re-organization of Specified Textile Industries, Japanese spinners on their responsibility decided to dismantle surplus facilities. A total of 1,120,000 spindles were bought up and disposed of including 840,000 spindles of those who went out of business and 280,000 spindles from those who decided to scrap spindles. The cost required to buy up the surplus facilities was shared by the remaining spinners in accordance with the respective number of spindles possessed. These remaining spinners totalled 242 companies. The total amount they spent for this purpose was ¥ 29 billion. The textile industries have been carrying out obligatory disposal of surplus facilities in accordance with The Act on the Organization of the small and medium-sized enterprises. About 40,000 looms are due to be disposed of by the end of 1977. Another adjustment measure pursued under the initiative of the textile industries is the loan system for the joint disposal scheme of surplus facilities by the Corporation for the Promotion of the small and medium-sized enterprises created by the 1971 Act on Provisional Measures for the small and medium-sized enterprises for the Implementation of Adjustment Measures in International Economy.

The purchase of surplus facilities under the initiative of the Government has not been made since the special relief measures concerning the export restraint against the United States for the period 1971-1973. Generally speaking, the structural re-organization of the textile industries has a characteristic of the Government taking the initiative as they mostly consist of the small and medium-sized enterprises. However, each individual textile enterprise is also tackling the disposal problem of surplus facilities on a fairly large scale in the current depression.

¹ Translation by the secretariat from original French text.

NORWAY

Private research institutes have been set up by the trade associations or groups of firms, including those in the textile and clothing industries. These institutes carry out joint research activities that are administered by a Fund for the Promotion of Research.

PAKISTAN

There are institutions in Pakistan carrying out research activities aimed at increased productivity. There are also institutions, such as the Industrial Technical Assistance Centre, polytechnics and technical colleges and training schools. The cotton textile industry has assisted some of these institutions through financial contributions.

SWEDEN

The specific government measures taken towards the textile and clothing industries in Sweden are rather limited in terms of the size of the budget expenditure concerned. The aim of the measures is rather to alleviate and smooth the readjustment than to change the main course of developments within the industries concerned. The main responsibility for the adaptation to the new pattern of international competition remains with the textile and clothing industries themselves and their own organizations, i.e. in the form of product development, design, export promotion and marketing financing, education, etc. As an example it should be mentioned that the educational programme referred to on page 6 is carried out in collaboration with the Swedish Textile Employers' Association and the Swedish Ready-Made Clothing Employers' Association and that this programme is an addition to the extensive training which for a long time has already been given by the textile and clothing industries' own organizations.

SWITZERLAND

In Switzerland the structural adjustment in the textile and clothing industries is sought and realized without assistance or support by the Government.

It is due to private initiatives that within two decades the labour-intensive textile industry was turned into a highly capital intensive branch of the economy. To facilitate adjustment the industry is strongly advocating co-operation between firms, particularly among the small enterprises. As a result of this process an enlargement of the units of production can be observed.

Firms in the clothing industry also give priority to rationalization and modernization projects. A number of manufacturers are engaged in transplanting part of their production to foreign, especially developing countries.

Associations of some sectors of the textile industry have facilitated the removal of obsolete machinery by offering financial aid to factories.

In addition, an agreement has recently been concluded between the Central Associations of employers and wage-earners concerning the guidelines to be followed in the event of closure of undertakings and staffing cuts. This agreement provides a series of concrete measures to be taken in order to ease as much as possible the harmful effects of closure of undertakings and staffing cuts, and to facilitate the re-employment of the workers affected.

This agreement, which at the private level, is part of an overall programme designed to offset the effects of the international economic recession which Switzerland has also been experiencing since 1974. Nevertheless, these measures of a general character are not based on industrial policy considerations. The measures adopted by the Confederation bear in particular on reactivating investment and maintaining an appropriate level of activity in the construction sector, on the development of unemployment insurance and, by an increase in the rate of cover, on adjustment of the conditions of our export credit guarantee scheme to those of our main trading partners.

Lastly, the National Bank has concluded two conventions with Swiss banking circles in order to alleviate the financing difficulties of export industries.

UNITED STATES

The Apparel Research Foundation, previously mentioned, was established in 1964 and was partially funded by Government grants (totalling \$1.6 million) over a five-year period. The Foundation ceased operations in 1972. A non-profit research organization, it carried out research and development studies.

D. Purposes and Effectiveness of Adjustment
Assistance Measures

In an earlier survey by the OECD, it has been found:

"that the measures of assistance to the textile and apparel industry, as pursued by governments, primarily focus on problems relating to structural adjustment in its broadest sense, and on research and development; almost all countries have programmes in these fields, either general or specific. It became clear, however, that because of the importance of the textile and apparel industry to the economies of most member countries, the measures taken in these fields by some countries aim at improving the industry's position in the face of foreign competition. Further areas of concern are problems relating to manpower, regional development and small and medium businesses.

"Governments have found it necessary in several of the identified areas, to provide, within general measures, particular assistance to the textile and apparel industry as well as specific measures designed for this industry. Especially in the field of structural adjustment, they supplement their general measures by such specific programmes."¹

¹DIE/IND/TE/72.212, page 4.

These conclusions would seem to be an accurate summing-up of the outline in the preceding sections. In general, the measures are aimed at improving the competitive position of a country's textile and clothing industries, mainly in the home market. Apart from this basic goal of an improved competitive position the measures also often have specific and complementary purposes.

First, as often is the case, the measures have been adopted to attain an optimum scale of operations in the industry. This may or may not involve the reorganization of one or more sectors of the industry. Second, a purpose of many adjustment assistance measures has clearly been to reduce excess capacity, including the phasing out of certain product lines or the elimination of obsolete equipment. Third, a number of measures have been designed to promote research and development in industry. Fourth, many measures have had as their purposes an increased mobility of labour in order to improve the quality, and frequently to adjust the quantity, of manpower available to - and employed in - the textile and clothing industries. Fifth, there are measures aimed at facilitating the reconversion to other industries.

The measures that have been adopted, some aiming at more than one of the purposes named above, are the following:

- (a) financial assistance in the form of grants or loans, and credit guarantees;
- (b) investment (including foreign) incentives;
- (c) fiscal measures such as tax credits, rebates and exemptions, accelerated depreciation and write-offs;
- (d) levies to support research and development efforts, including those aimed at multi-fibre operations and in the field of fashion and design;
- (e) incentives towards conversion into corporations, mergers or other groupings;
- (f) supervised scrapping of obsolete equipment;
- (g) equalization of market fluctuations;
- (h) training and retraining of workers;
- (i) early retirement or relocation compensation for workers made redundant;

- (j) plant site relocation;
- (k) regional development schemes;
- (l) aid to small and medium-sized firms.

As regards the effectiveness of these adjustment assistance measures, and the degree of success that has been attained in relation to the objectives behind them, one could refer to the successful scrapping of obsolete machinery and rationalization in the Belgian spinning sector, the contraction in the cotton textiles sector in Sweden and in the United Kingdom or the apparent success of training programmes generally. On the other hand, limitations of the effectiveness of their measures have sometimes been mentioned by the governments themselves, e.g. the difficulties encountered in the weeding out of obsolete equipment in the Korean industry, the narrowing of the thrust of 1962 measures in the United States resulting from stringent eligibility requirements and the effects of a tight capital market in Finland on the adjustment assistance measures there.

The observations that are made explicitly or could be inferred from the description of the national measures in the preceding paragraph would seem to support the following conclusion that has been offered by the OECD Working Party:

"Positive results have generally been identified in those cases where the number of jobs (created or eliminated) or of machines (installed or scrapped) provides evaluation in quantitative terms. Thus, the ad hoc Working Party found that in a number of countries, the objectives stated in such areas had been attained. Such is also the case for some countries as regards measures concerning technological research and the use of consultants.

"In some areas of structural adjustment measures, however, there appeared to be no clear evidence as to whether the intended results had been reached. It is partly so because it is ambitious to establish in this area a clear cause-effect relationship; it is mainly, however, because of the special characteristics either of the assistance provided or of the volatile nature of the market in textiles and clothing itself. It seems even generally doubtful, in some countries, in view of the multiplicity of the factors involved, that the structural adjustment policies, as pursued by governments so far, have in fact yielded substantial positive results.¹

¹Ibid., page 4