

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/W/65
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Special Distribution

Textiles Committee

REPORT ON ADJUSTMENT MEASURES

Note by the Secretariat

1. The Textiles Committee, at its last meeting held on 27 October 1978, agreed to invite all parties to the Arrangement to update the information contained in the last report on adjustment measures which was prepared for the major review of the Arrangement (COM.TEX/W/36 and Add.1). Such an up-to-date information was deemed necessary for the Committee to discharge its functions under Article 10:2.
2. In the course of the discussion in the Committee, it was pointed out that in their submissions, participating countries should include not only measures taken, but also policies adopted by them to encourage such adjustments. The attention of the Committee was also drawn to Article 1:4 under which participating countries are required to pursue policies which "would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries".
3. Furthermore, the Committee agreed that the Technical Sub-Group when meeting in early 1979 could also consider the question of reporting on adjustment measures. At its meeting of 22 March 1979, the Technical Sub-Group, without embarking on any detailed discussion of this question, agreed that an airgram along the lines mentioned above should be sent to participating countries. Participating countries were thus invited and subsequently reminded to send such information (see GATT/AIR's 1554 of 2 April and 1572 of 4 July and 1591 of 6 November 1979).
4. In response, information has been received from Austria, Canada, Colombia, The European Community, Finland, Hungary, India, Japan, Macao, Romania, Sweden and the United States. Some countries have indicated that certain adjustment assistance measures as reported by them previously have remained unchanged. Several participants have communicated certain changes or additions to their previous submissions. Where appropriate, the relevant portions in document COM.TEX/W/36 and Add.1 have been reproduced so as to give an up-to-date account of the situation as it now stands. Hong Kong and Sri Lanka have, as before, reported that no adjustment measures are applied by them.

5. In addition, reports have been received from Argentina and Norway, previously members of the MFA but have not, as yet, signed the Protocol of Extension. These submissions have been included at the end of this report.

6. Information has not yet¹ been received from the following participants: Bangladesh, Bolivia, Brazil, Dominican Republic, Egypt, El Salvador, Ghana, Guatemala, Haiti, Indonesia, Israel, Jamaica, Republic of Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Singapore, Switzerland, Thailand, Trinidad and Tobago, Turkey, Uruguay and Yugoslavia. In this connexion, it is to be recalled that when the question of adjustment was discussed at the Textile Committee's meeting in April 1975, the reciprocal nature of the obligation on all parties to the Arrangement to report on their measures was particularly stressed.

7. The present report, along the lines of the previous one, is divided into three sections:

- A. Government Measures to Assist Adjustment in the Textile Industry (pages 2 to 24);
- B. Government Measures to Assist Industrial Adjustment Generally (pages 25 to 38); and
- C. Measures Taken by the Textile and Clothing Industries Themselves (pages 38 to 49).

Section A

Government Measures to Assist Adjustment in the Textile Industry

AUSTRIA

The information received from Austria relates only to Sections B and C. (See pages 25 and 38.)

CANADA

The Canadian Government, under the national textile policy enunciated in 1970, provided the Canadian textiles and clothing industries with a sense of direction in which they 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, up-grading 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.

¹As at 26 November.

In order to facilitate restructuring efforts, the General Adjustment Programme, originally established to assist firms to avail themselves of opportunities emanating from the Kennedy Round, was amended in 1970 to provide financial restructuring plans. The benefits of this amendment were subsequently extended to all manufacturing sectors. This assistance measure has been recently incorporated within the Government's Enterprise Development Programme in its range of services to industry.¹ Under the Adjustment Assistance Benefits Programme established for textiles and clothing, early retirement benefits are available to certain older workers whose jobs are lost due to import competition or restructuring.

The Federal Government, in affirming that industry sectors have a major impact on economic growth and that industrial growth must be given first priority in the thrust of government policies, established twenty-three industry sector consultative task forces in 1978. These industry task forces were composed of private sector and public officials and were charged with recommending specific policy measures which would bring about improvements in competitive performance. As one of these task forces, the Textiles and Clothing Consultative Task Force presented a number of recommendations for Government's consideration dealing with continued consultation efforts, efficiency improvement programmes and fiscal, trade and competition policy. The Government presented its initial response to these recommendations and is actively reviewing many of the sector recommendations in greater detail as part of the Government's commitment to ongoing consultation on policy and programme development.

The Fashion Design Assistance Programme, part of the 1970 textile policy, has been administered by Fashion Canada. The main objective is to assist and promote Canadian fashion design and designers. Financial assistance is provided to the Fashion Designers Association of Canada and Men's Clothing Designers for production of seasonal trend shows. An Image Development project was initiated in 1978/79 with the publication of Canada Fashion Mode Magazine to promote sectors of the clothing industry. In co-operation with Provincial authorities and colleges, a programme to up-grade and maintain skills in fashion design is provided in Quebec, Manitoba and Ontario. In addition, direct assistance is available under a programme to professionals in the fashion industry to encourage advanced study in the field of design and related areas.

COLOMBIA

The Government of Colombia does not apply any measures to assist adjustment in the textile sector.

¹For details of the Enterprise Development Programme see Section B, page 26.

EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES

General considerations

1. In view of the situation in the textile/clothing industry, the Commission considered it necessary in 1971 to lay down the guidelines - and to supplement them in 1977 - under which it reviews the aids granted by the member States. These guidelines also make it possible for member States to take account of policies whenever it seems advisable to introduce State aids.

In particular, at the time of drawing up the supplement to the approach to aids to the textile industry in 1977, the Commission considered it advisable to take as its basis the trend in the Community industry, which could be summarized as follows:

- (i) The textile/clothing industry is characterized by chronic economic difficulties, shrinking markets and a high level of unemployment.

The textile industry is more acutely affected by problems of employment than other industries; imports from outside the Community and the processing traffic put increasing pressure on the Community textile industry.

Under these circumstances, several member States have been obliged to apply various measures of State assistance to their own industry. The Commission in reviewing these measures, has endeavoured to ensure that the national aids granted to the textile/clothing industry do not have the effect of simply transferring difficulties from one member State to another and creating new surplus production capacity.

- (ii) It nevertheless seemed necessary, in view of the situation noted above, to define certain guidelines to the 1971 approach so that member States may be aware of the position the Commission is obliged to take when reviewing each sectoral aid earmarked for the textile/clothing industry; on the one hand, to avoid exacerbating the problem of over capacity; on the other, to ensure co-ordination of decisions affecting aids to the industry, whether sectoral or under the various types of community aid such as the Regional or Social Fund, or loans from the EIB.

The 1977 supplement to the approach sets out the Commission's position, especially taking account of:

- problems of over capacity;
- the need for possible future aids to envisage and make possible redevelopment;

- the need to examine all assistance to the textile/clothing industry - whatever the form - in the light of the economic situation throughout the Community, within the sector or branch of activity concerned. This requirement is essential particularly to ensure that decisions taken for the same sector, branch or undertaking in the textile/clothing industry, whether involving national or Community assistance, are mutually compatible and consistent.

While taking account of the policies set out in its approach, the Commission has on several occasions defined its position with respect to some specific branches of the textile/clothing industry, by approving at operational level the policy laid down in its general guidelines for the industry as a whole. The following documents were issued:

- the Commission Communication concerning the criteria for assessing the intervention of the various financial instruments and of certain Community policies in the textile and clothing sector;
- the Commission Recommendation addressed to member States concerning the tights and stockings sub-sector of the textile industry;
- the letter of 19 July 1977 to the member States on stopping aids to the Community synthetic fibres industry.

The same policy was followed when the requests for assistance for the purpose of the regional and social funds were being examined.

In its guidelines for the management of the Social Fund, the Commission has indicated certain priorities. The highest priority is given to requests in favour of persons leaving agriculture; operations in textiles and clothing are accorded this same level of priority. Two instances are indicated:

- in favour of persons having to leave the textile and clothing sectors in order to pursue activities in another sector of economic activity and carried out in textile producing areas with a particularly high unemployment rate, or
- in favour of persons employed in the textile and clothing sectors who, as a result of structural adaptation measures, are retrained for jobs in another branch of the same sector showing prospects of viability at Community level in the foreseeable future. Training operations which lead directly to employment in branches considered particularly sensitive because of the high level of market penetration by low-priced

imports¹, or for which a critical situation is recognized on the basis of the internal Community market² can only be considered in so far as the products involved are capable of achieving satisfactory competitiveness particularly as regards average costs.

The continued reductions in employment in the Community textile and clothing industries reflect the profound structural changes which have taken and are taking place in these industries. In the years 1973-1977, 20 per cent of the work force in textiles and 18 per cent in clothing have left the industry, a total of more than half a million jobs. This process continued during 1978, with further closing down of textile and clothing factories, and the loss of a further 96,000 jobs. The industrial adaptation in progress is taking place despite a difficult economic and social climate, particularly in those regions of the Community where the textile and clothing industries are situated.

In the course of the first semester of 1979, despite a recovery of production in the textile and clothing industry of certain member States as compared with the same period of 1978, shut-downs of firms and losses of jobs in the textile industry have continued.

That recovery, which was mainly due to technical factors (building up of stocks...) has strongly slowed down since July and prospects for 1980 are pessimistic.

That trend does not induce firms to hire new employees, all the more as profitability did not improve much mainly because of an increased pressure of imports from all sources and the financial situation of many firms is extremely delicate, even if some of them, generally producing specific goods, have announced an improvement in their profits.

Belgium

The only adjustment assistance measures and measures to aid the textile industry taken by the Belgian authorities are contained in the following legal provisions:

¹The relevant product categories are those listed in Groups I and II of Annex A to Commission Regulation (EEC) No. 3019/77 of 30 December 1977, making the importation into the Community of textile products originating in certain third countries subject to authorization and to quantitative limits (OJ No. L 357, 31.12.1977).

²In particular, man-made fibres, stockings and tights and worsted yarn.

(a) Aid to the ready-to-wear sector

The Royal Decree of 14 May 1976 governing the grant of non-interest-bearing, recoverable advances to enterprises of the clothing and ready-to-wear sector, and to certain enterprises of the knit-goods sector.

The recipient enterprises must undertake to follow the restructuration guidelines indicated by the public authorities, to keep for at least one year 90 per cent of the labour force they employed in 1975, and to repay the total amount of the loan when due.

(b) Aid to the textile industry generally

The Royal Decree of 20 December 1977, governing the granting of credit, for which the interest is paid by the State, to enterprises of the textile sector, certain enterprises of the clothing and ready-to-wear sector, the knitted and crocheted goods sector, and enterprises of the sector within the province of the Linen Fibres Paritary Committee.

The action of the public authorities, undertaken as an exceptional measure, consists of payment by the State of the interest on a maximum credit of BF 20,000 per person employed full time in the industry concerned, beginning with the ninth worker on the payroll.

Enterprises which have received assistance under the Royal Decree of 14 May 1976 are not eligible for this scheme.

It must be stressed that, as thus defined, the scheme's field of application excludes from the basis of calculation partly unemployed workers and thus eliminates a large number of small enterprises. Moreover, since partial unemployment is not taken into account, the aid offers no support in the case of temporary economic situations.

The granting of aid depends on observance of undertakings by the enterprises to keep their labour force. As from the date on which the aid is granted, they are obliged to keep in employment for not less than a full year 90 per cent of the workers employed full time during the month of September 1977. If this condition is not observed, recovery of the aid will be recommended.

DENMARK

There are no subsidies granted specifically to the Danish textiles and clothing industries.

FRANCE

French assistance specifically for structural adjustment of the textile industry is at present channelled mainly through allocations by the Textile Industry Structural and Commercial Modernization Committee (Comité

interprofessionnel de renovation 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 120 million, of which 5/7ths to CIRIT. The forms of assistance which 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 regrouping 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 certain forms of collective action such as the Economic and Observation Centre, the fashion co-ordination organizations and certain studies of a general character.
- CIRIT is also authorized to assist in the modernization of production units, mostly small or medium sized. This is really a kind of assistance to adjustment and in no case is its purpose to increase production capacity.

The French authorities have felt it necessary to apply certain specific programmes of adjustment assistance for branches of the textile industry (cotton, combed wool, filament throwing, texturization). The programmes are aimed at rationalization of production capacities and their adaptation to a stable or slightly contracting market.

In addition, with a view to helping French industry as a whole to cope with the impact of the recession, the French authorities have had to intervene, on an ad hoc basis, in the textile sector in order to encourage, by means of loans from the Economic and Social Development Fund, enterprises in difficulty to adjust their structures with a view to adapting to new competitive requirements and maintaining employment.

FEDERAL REPUBLIC OF GERMANY

No specific adjustment assistance programmes have been established for the textiles and clothing industries.

IRELAND

Apart from the Employment Maintenance Scheme which is a temporary provision relating to the textiles (excluding synthetic fibres) clothing and footwear (including tannery) industries and which is due to expire on 31 March 1980, Ireland does not grant aid on a Sectoral basis. Firms in the textiles and clothing industries may benefit from the various measures available to Irish industry in general.

ITALY

Act No. 675 of 12 August 1977 replaces the earlier Act No. 1101 which provided for financial assistance and fiscal advantages for textile enterprises.

The new legislation, governing co-ordination of assistance in all industrial sectors, has so far not been applied in practice, pending the determination of procedures for applying for the above-mentioned facilities.

NETHERLANDS

I. SECTORAL ASSISTANCE

(i) Cotton, rayon and linen industry

TITLE: Aanvullende steunregeling K.R.L. industrie
(Supplementary assistance to the cotton, rayon and linen industry)

PURPOSE: To strengthen cash position and encourage investment.

AID: In 1976 credits were granted for a total of f. 30 million; until 1978, these credits may be converted into investment premiums (up to 20 per cent of the amount of the investment).

DURATION: Up to the end of 1978.

TITLE: Projekt Spinnerij Nederland
(Spinnerij Nederland Rationalization Project)

PURPOSE: To reduce production capacity by 30 per cent in one year and to restructure capacity.

AID: Granting of a subordinated loan to finance movement of machinery and reconversion of redundant personnel.

DURATION: 1978/1979

TITLE: Herstructurering KRL weverij-en finish sektor
(Restructuration of the weaving and finishing of the cotton, rayon and linen industry)

PURPOSE: To reduce and restructure production capacity.

AID: f. 30 million for the reconversion of redundant personnel. (Aid to finance movement of machinery is under study.)

DURATION: 1978/1979

TITLE: KRL Krediet regeling
(Loans to the cotton, rayon and linen industry).

PURPOSE: To strengthen the financial position of enterprises.

AID: Granting of loans (partially) guaranteed by the State. The rate of interest is the market rate; plus a premium for the guarantee by the State.

DURATION: This scheme entered into force on 1 January 1978 and has subsequently been regularly extended most recently for the year 1978.

(ii) Knitted and crocheted goods industry

TITLE: Algemene voorzieningen tricot - en kousenindustri
(General Assistance Scheme for the knitted and crocheted goods industry)

PURPOSE: To improve the systems of information concerning the sector and the market.

AID: Granting of a 66 2/3 per cent subsidy for group efforts in this field for the benefit of the sector as a whole. A credit amounting to f. 1.2 million has been earmarked for the purpose.

DURATION: 1978-1980

TITLE: Investeringspremie regeling sokkenindustrie
(Investment Premium Scheme for the socks industry).

PURPOSE: To encourage investments for the purchase of machinery contributing to structural improvement of the socks industry.

AID: A subsidy amounting to 20 per cent of the investment cost. A credit of 1 million florins had been opened for the purpose.

DURATION: 1978-1980

(iii) Ready-to-wear industry

TITLE: Meerjarenplan konfektieindustrie 1977-1980
(1977-1980 Multi-Annual Programme for the Ready-to-Wear Industry).

PURPOSE: To improve the structure of the ready-to-wear industry with a view to attaining in 1980 a structure ensuring the long-term viability of this industry.

AID: The following instruments are available for reaching the objectives of the Multi-Annual Programme:

- (a) an overall scheme in favour of the ready-to-wear industry that provides for a subsidy equal to 20 per cent of the investments made on the purchase of certain machines, and for the possibility of loans guaranteed by the State (at the market rate of interest);
- (b) a plan of action for the ready-to-wear industry. Under the scheme, enterprises may obtain a subsidy from the State for expenditure to improve information, management, organization, efficiency or flexibility of production in the enterprise. These projects are therefore in the field of software. A credit amounting to 11.5 million florins is available for the purpose;

- (c) joint actions, in particular in the field of encouragement of research, improvement of information concerning the market, etc., undertaken for the benefit of the sector as a whole and carried out by the "STRUCON" Foundation. A credit amounting to 7 million florins (including the administrative costs of the STRUCON Foundation) is available for the purpose.

DURATION: ad (a): up to the end of 1978

ad (b): up to the end of 1980

ad (c): up to the end of 1980.

Regional implementation of these forms of assistance for the textile and clothing industry has not been very significant in practice.

UNITED KINGDOM

Textiles and clothing generally

The United Kingdom textiles and clothing industry - more capital intensive and concentrated at the up-stream stages and more labour intensive and fragmented down-stream, particularly in clothing - has been hit hard by this world-wide recession and continued economic difficulties since 1973. There has been a continuing process of adjustment to these difficulties, in the light of changing consumer requirements, the developing pattern of international trade and the introduction of improved methods of production. There have been numerous factory closures (some 480 were notified in the three years 1976 to 1978) and employment has continued to fall sharply.

<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	(thousands)
936.9	915.7	884.9	820.1	833.3	804.0	783.9	

Notes: (i) Employees in employment in June each year except 1979, where the March figure is used.

(ii) Figures for 1977, 1978 and 1979 are provisional.

From 1975 to 1978 the number of spindles and looms in place in the cotton and allied textiles industry fell by 338,000 (ring equivalent) and 11,000 respectively. In the same period in the woollen and worsted industry 3,900 looms were taken out of place, and 160,000 worsted spinning spindles.

It has been the industry itself which has been responsible for the adjustment and restructuring that has taken place, and which has decided on the necessary steps to make itself viable and competitive. But although essentially designed to achieve regional objectives Government Regional Financial Assistance under the Industry Act 1972 has played a part in the adjustment process (for those textile and clothing firms situated in areas eligible for this form of support), as has assistance under the United Kingdom's Selective Investment Scheme. In addition there have been specific sectoral schemes of support under Section 8 of the Industry Act for rationalization and modernization in the clothing and wool textile sectors aimed at encouraging and assisting the process of adaptation which has been brought about by market forces (see below).

In April 1978 restrictions were placed on the amount of Temporary Employment Subsidy which firms in textiles and clothing could receive, and approval of applications from firms in these sectors for TES for more than 125 people for over six months was made conditional on approval of a restructuring plan. The TES Scheme, closed for applications on 31 March 1979, which means that no firm will receive the subsidy beyond April 1980.

Wool textiles

Under the sectoral scheme of assistance for wool, textiles - one of the more fragmented sectors in textiles - one of the aims was to achieve restructuring and rationalization without an overall increase in capacity. Structural change was seen as taking two forms: a reduction in the number of establishments (rationalization of products and a reduction in the number of organizations (take-overs, mergers)). The scheme was announced in July 1973 and applications had to be received by 31 December 1975. Applicants had until 31 December 1977 to complete approved projects. A second more limited scheme was announced in November 1976 with the aim for further encouraging rationalization and restructuring in order to secure the fullest benefit from the investment generated under the first stage scheme. Applications had to be received by 31 December 1977 but firms have until 31 December 1979 to complete their projects.

Assistance under the first stage wool textile scheme was broken down into four categories. The first category covered re-equipment, the second category re-equipment and re-building and category 3 covered more comprehensive expenditure on rationalization or amalgamation. The fourth category made assistance available in the form of redundancy payment for closure of companies or production units.

The main result of the first stage Wool Textile Scheme has been the modernization of plant, machinery and buildings, bringing about investment of some £59 million in plant and machinery and £22 million in building works over the period 1974-1977. Total Government expenditure under this first stage Wool Textile Scheme in respect of capital investment will amount to about £16 million.

The second stage of the Wool Textile Scheme was announced in November 1976. This was principally concerned with further rationalization of capacity. Applications had to be submitted by 31 December 1977 and projects to be completed by 31 December 1979 if they were to be eligible for support. Expenditure on the second stage scheme is not expected to exceed £7.5 million.

Assistance under the scheme is designed to encourage modernization linked with internal rationalization or external merger, by providing assistance in the form of loans at concessionary rates of interest or, preferably, interest relief grants on national loans, for up to 50 per cent of the qualifying expenditure; plus grants for investment in new machinery and building as an integral part of such a project at the rate of 20 and 30 per cent respectively. The scheme is also designed to help firms employing fewer than 500 by providing a 50 per cent grant for the use of consultants to examine ways and means of improving productivity and efficiency generally.

Clothing

The aim of the sectoral scheme of assistance for the highly fragmented clothing industry was to improve its industrial and commercial structure by actively encouraging a greater concentration of activity in more efficient units, by encouraging restructuring and reorganization within firms, and by stimulating greater efficiency and productivity.

The scheme was announced in October 1975. It closed to applications at the end of 1977 and projects must be completed by 31 December 1979 in order to qualify for assistance. Support was available for consultancy fees, for investment projects and for restructuring or reorganization. The £20 million allocated for Government assistance under the scheme has been fully committed.

A Clothing Industry Productivity Resources Agency has been established with assistance from the Government to help to improve the industry's productivity performance.

FINLAND

Due to the difficulties in the Finnish textile and clothing industries which had, in the beginning of this decade, become more and more severe leading to considerable problems in production and employment, a special governmental committee was established with the task to examine the present and future problems in the branch and to find proposals to tackle them. The committee gave its report in 1978. Most of the proposals were to assist the adjustment process by product development and other measures. The measures envisaged in the recommendations of the committee have yet to be implemented. For the time being there is no specific comprehensive state programme on adjustment assistance for the textile and clothing industries in Finland.

HUNGARY

In document COM.TEX/W/25/Add.1 (contained also in document COM.TEX/W/36) Hungary gave information in detail about the reconstruction in the textile and clothing industry during the five-year plan periods 1970/1975 and 1976/1980. According to the targets in ten years altogether Ft 30,000 million will be allocated to replace outdated machines, to introduce more efficient production technologies, to modernize the structure of production.

Reconstruction which began in the period of the fourth five-year plan was continued in 1976 in a period when following the recession in the world economy and the worst year of 1975, a slight recovery took place. As it turned out later, however, this recovery did not prove lasting as anticipated, and although productive capacities of the world textile industry were utilized only partly, a relative abundance of goods arose in the markets.

When the Hungarian development concepts were drawn up, emphasis was placed on a more intensive study of sales possibilities and on increased efforts to step up the production of goods of a higher value and better quality. It is to be mentioned here that the production of the textile industry serves to meet basically in a more diversified way the domestic requirements, attention is paid to increase the quantity and widen the assortment for instance of infants' and children's wear, sports and casual wear, etc. but of course exports, too, play an important rôle accounting for almost a half of production.

Between 1975 and 1978, production of textiles and textile clothing rose altogether by 7.3 per cent at current prices, the yearly average was 2.4 per cent. Within this, production of piece goods increased by 6.5 per cent, knitwear goods by 11.9 per cent, and clothing by 2.9 per cent.

In the production of clothing articles, the dynamism of the increase of production diminished in the past few years as compared with the years preceding 1975. Until 1978, the average yearly increase was 4.3 per cent at current prices. Within this, the annual growth in the production of piece goods was 3.5 per cent, in the knitwear industry 6.3 per cent, in the ready-made clothing articles 4.3 per cent. The short-term production programmes of producing companies for the period until 1980 envisage an annual growth of 1.8-1.9 per cent of the production, and medium-term forecasts, too, predict a relatively modest rate of growth, the level of which as a whole will be somewhat lower than foreseen earlier for the period of the fifth five-year plan.

The second stage of the reconstruction of the textile and textile clothing industry

Trends of investment and production

From the earmarked funds mentioned above, in the years 1976 to 1980 it is expected that approximately Ft 17,000 million to Ft 18,000 million will be spent on investments in the textile and textile clothing industry and on the modernization of production. A considerable part, approximately 30 per cent, of the amount allocated for investments will be used for purposes other than production, because of the following factors: the available manpower is decreasing more than anticipated - in the past three years the number of those employed in the sector declined by 10,000; young mothers continue to make use of the possibility to stay at home while they receive the child care allowance; cost price of machines and equipment rose significantly, by approximately 30 to 40 per cent; for environment protection reasons some factories in Budapest have to be relocated in the country, and in existing plants social facilities, too, must be renewed and extended. Between 1971 and 1975, Ft 9.2 thousand million were invested in the piece goods industry, Ft 2.7 thousand million in the knitwear and hosiery industry, Ft 1.7 thousand million in the clothing industry, thus the value of fixed

assets rose to Ft 25.8 thousand million in the textile industry and to Ft 2.9 thousand million in the textile clothing industry. In the years between 1976 and 1978 a further Ft 9.7 thousand million were invested in the textile, and Ft 1.4 thousand million in the textile clothing industry.

Sources of investment

As in previous plan periods, during the fifth five-year plan, too, developments are realized basically from three resources: 30-31 per cent from accumulated profits of producing companies, the anticipated share realized from bank credits decreased to 45 per cent, and the share of budgetary assistance is predicted to be 20 to 24 per cent.

Thus developments in the textile industry continue to be based fundamentally on the own resources of producing companies, and the rôle of central assistance is of a supplementary character. There are strict conditions to be fulfilled to be eligible for central support or credit. The bank and the company concerned agree in a contract for example in the increase of production or productivity, the volume of export sales, the improvement of the efficiency of production, etc.

During the reconstructions carried out so far, a considerable part of the amortization funds of producing companies, 40 per cent of which should be paid to the budget, has been tied up in advance for several years. The formation of company profits, having been unfavourably influenced by price changes in the world market, the rising raw material prices, costs of energy, etc., could be calculated only partly in the price of finished products. Besides the disadvantageous external market situation, possibilities to take domestic credits have become stricter.

As mentioned in our earlier information, we cannot speak of special preference given to the textile industry. The same considerations apply to credits necessary for investments as to other branches of industry, wages are centrally regulated as in other branches, the textile industry enjoys no preferences regarding taxes, payments to the budget and profit formation.

Effects of reconstruction on production

In the cotton industry, the number of high capacity spinning machines without spindles has further increased. Compared with 1975 the production of cotton yarns has risen by 3 per cent. It is not expected that there will

be a continued rise in production in the near future. Equipment of weaving mills is 70 per cent automatic, productivity has significantly improved. In 1978, 365 million square metres of cotton fabrics were manufactured, a rise of 3.8 per cent over 1975. Progress has been achieved also in the finishing technologies of cotton fabrics, the proportion of products having dimensional stability is bigger. Manufacture of gummed interlining was introduced; this interlining is used in the ready-to-wear clothing industry, and surplus quantities are exported.

Production of knitted fabrics has risen to meet the increased demand for clothing articles of casual wear.

In the silk industry, a bigger quantity of outerwear and household textiles made from up-to-date, synthetic basic materials is manufactured.

In the wool industry, the production of household textiles has developed, the proportion of furnishing materials is now 20 per cent. Carpet production has increased significantly, especially stitched carpets. Development of the finishing equipment for woollen fabrics is not satisfactory, and yarn production, too, should be further improved. In three years, production of ready woollen fabrics rose by 9.3 per cent, and a continued, slower growth is expected by 1980.

In the linen and hemp industry, the introduction of polypropylene for carpet-backing and packing materials has brought about a noteworthy change in the product structure. The quantity of woven and knitted products from polyethylene has increased. Production of linen and hemp materials decreased by 17.6 per cent.

In the knitting industry, the proportion of up-to-date knitted outerwear has increased while that of underwear declined, the latter is imported in considerable quantities. In this sector, several new articles have been introduced, e.g. short-napped plush, fine jersey fabrics.

In the clothing industry, production of outerwear made progress, the share of working clothes and underwear diminished and their import increased.

Import of basic materials and clothing articles

Hungary imports a predominant part of basic materials for the textile and textile clothing industry. The use of synthetic fibres is smaller than planned.

In the total use of fibres in 1978, the share of natural fibres was 57.8 per cent, of man-made fibres (artificial and synthetic taken together) was 42.2 per cent. Two thirds of natural fibres and about a half of synthetic fibres are imported from socialist countries.

The main sources of import of cotton and cotton yarns are developing countries, while synthetic yarns are imported mostly from developed market economy countries.

Approximately 80 per cent of the domestic needs are covered by domestic production. Imports are effected to widen the assortment and to provide special textiles to the domestic market.

It is anticipated that as the realization of the reconstruction programme advances, the import volume of finished products will slightly diminish and the structure will change.

Export trends

Between 1975 and 1978, the average annual growth, at current prices, of the exports of textile industry to rouble accounting countries was 6.6 per cent, for knitwear around 10 per cent and for ready-to-wear products 3.5 per cent. As to exports to convertible currency accounting countries, the growth figures, during the same period, were the following: an average of 3 to 3.5 per cent yearly for piece goods, 4 to 4.5 per cent for knitted goods, and 8 per cent for clothing articles. More than half of the exports of clothing articles is the result of outward processing activities.

INDIA

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 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 competitive 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 and so the Government had to step in and take them over. The taken-over mills are managed by the National Textile Corporation Limited, a public sector organization which has schemes to rehabilitate and organize them.

JAPAN

Recently, the textile industry in Japan has been going through a bad period in which it has lost international competitiveness in the face of neighbouring developing countries whose textile industries have achieved a rapid growth and, furthermore, it has suffered from significant changes in domestic demand, a prolonged recession due to the oil crisis and the sudden appreciation of the yen since 1977.

In these circumstances, the textile industry in Japan has been urged to achieve such policies as the establishment of a system for supplying textile products in conformity with the needs of consumers, the pursuance of sophistication and the differentiation of products.

The Textile Industries Council and the Industry Structure Council, advisory bodies to the Minister of International Trade and Industry, have reported that it is necessary to promote structural reorganization urgently, broadly and smoothly aiming at information-intensive industries.

Concerning the promotion of structural reorganization, basically it should be pursued through the efforts of the industries themselves. However, considering that most (99.7 per cent at the end of 1975) textile industries in Japan consist of small-sized firms, that these industries are, historically, closely connected to regional companies in most cases, and that the decline of these industries would cause serious damage to regional economy, it is unrealistic to expect sufficient progress in structural reorganization only from the efforts of the business circles of the textile industry in the face of the harshly competitive conditions. In this connexion, with a view to supplementing the efforts of structural reorganization to the necessary extent, the Japanese Government has been taking special measures to encourage the development of new products or new techniques, and to strengthen the information collecting capacity under the Act on Provisional Measures for the Structural Reorganization of Textile Industries enacted in July 1974. To put it concretely, for small and medium-sized firms which implement the structural reorganization programme approved by the Minister of International Trade and Industry, the Japanese Government made efforts to secure the necessary funds or to assist them financially.

Up to the end of March 1979, the Minister of International Trade and Industry had approved of fifty-six programmes in all, and although the Act is to expire at the end of June 1979, it has been extended for five years until the end of June 1984 due to the necessity for a continuous promotion of the structural reorganization policy.

The Japanese Government is no longer providing any 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 any longer. These measures had been reported in COM.TEX/W/36, page 23.

MACAO

The measures taken and the policies of encouragement and adjustment have been the following:

1. Limitation of the grant of permission to install new factories, based on evaluations of existing manufacturing installations, value of investments and the quality of the products to be manufactured; and
2. Land concession facilities for basic textile industries (spinning, weaving, etc.) and supplementary textile industries (buttons, fasteners, etc.)
3. The Economic Services of the Government of Macao are currently drawing up plans with a view to the establishment of an export promotion department.

ROMANIA

In the Romanian textile industry, measures are continually being taken for modernizing and increasing economic efficiency. With respect to Romanian textile exports to developed countries, Romania encounters difficulties similar to those of other textile-exporting developing countries.

SWEDEN¹

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

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

¹Where still valid, the relevant information has been reproduced from COM.TEX/W/36.

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

The 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.

For fiscal year 1979/80 SKr 32 million have been set aside for these programmes. It has recently been proposed by the Swedish Government that these measures be extended until the end of fiscal year 1981/82. This proposal, inter alia, contains a plan for the textile and clothing industry for fiscal years 1979/80 to 1981/82, in which certain production levels are established for different product areas necessary for reasons of emergency planning.

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. Support measures were later extended to a special programme of rationalization within the ready-made clothing industry. The aim of the programme is to encourage the introduction of new production techniques through support for investments increasing productivity grants for the use of consultants at the introduction of new production techniques and increased support for research development. The support for investments increasing productivity takes place in the form of special depreciation loans. When applications for such loans are examined, special attention is to be given to the possibilities for long-term and stable access to markets for the product areas concerned. Loans to the equivalent of SKr 23 million have been granted until the end of the fiscal year 1977/78.

During fiscal year 1977/78, as a result of the difficult economic situation within the textile and clothing industry, special credit guarantees were introduced for such textile and clothing companies which are expected

to be competitive in the longer run. Such guarantees are given on condition that concrete plans for the development and rationalization of the companies concerned have been established. The guarantees also aim at stimulating structural changes within or between companies. The scope for such guarantees was fixed at SKr 150 million during fiscal year 1977/78, and it has been increased by SKr 60 million for fiscal year 1978/79.

All the measures mentioned above are administered by the National Industrial Board.

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

In 1978, a special board was established to co-ordinate Government measures towards the textile and clothing industry. Members of this board are representatives of the National Board of Economic Defence, the National Industrial Board, the Labour Market Board, the companies and its employees. As a consultative body, the board advises the Government on policy and programmes for restructuring and rationalizing the industry.

In recent years the Government has taken over four major and some smaller companies; these have been merged in one concern. This concern is undergoing a two-year period of rationalization with a view to becoming economically viable.

As to date, loan facilities (excluding depreciation loans) made available to the textile and clothing industry amounted to SKr 200 million. (This includes funds made for the labour market policy. See Section B, page 35.)

As to the special request to importing participating countries to supply information demonstrating achievements in terms of Article 1:4 of the Textiles Arrangement - i.e. policies to encourage business which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries - the following observations may be made in addition to the information already provided.

One of the principal aims of the Government measures specifically directed towards the textile and clothing industries in Sweden is to encourage the companies to concentrate their production to product areas where they will have possibilities of being competitive. The adjustment

measures are not intended as a means of preserving such companies which cannot compete without Government support in the form of trade policy measures or other measures. This means that the aim of these adjustment measures in Sweden is in line with the principles in Article 1:4 of the Textiles Arrangement.

Special studies have been made to describe the experience gained so far of the measures mentioned above. The evaluations made, indicate that company behaviour has been favourably affected in several respects. This would seem to be the case, especially as concerns the programme of management training and the conversion support programme.

The main example of policies in Sweden, designed to assist business to abandon non-profitable sectors and to move into other more profitable sectors of the economy, is the extensive Government funds spent on an active labour market and regional policy. The measures within this framework are available to assist industrial adjustment generally; no specific evaluation has yet been made to assess the effects of these measures in the textile and clothing industries. The decrease in employment within the textile and clothing industries, which earlier, to a large extent, took place within regions with a comparatively diversified industries life, is now occurring mainly within areas with a relatively one-sided industrial life. With the purpose of restricting the negative effects on employment in areas dominated by the textile and clothing industries, the Government is offering companies, willing to establish themselves in these areas, localization support and possibilities of using their investments fund whereby new jobs have been created within other branches of the economy.

UNITED STATES

Within the past year, the United States Government, in co-operation with the men's tailored clothing industry, has entered into a programme to foster innovation and increase productivity in this important sector of the overall textile and apparel industry. Preliminary discussions with other elements of the industry have also been undertaken with a view to expanding this type of adjustment assistance. Further details of these programmes will be provided when they have been developed further.

Section B

Government Measures to Assist Industrial
Adjustment Generally

AUSTRIA¹

In the absence of specific measures to facilitate structural adjustment in the textile and apparel industries, the firms of this segment continue to be entitled to benefit from the measures taken by the Austrian Government in favour of industry generally. 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, a number of acts include, inter alia, provisions for speeded-up depreciation allowance, 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.

Achievements in terms of Article 1:4 of the Arrangement are described in Section C below.

CANADA

The Canadian Government has undertaken an assessment of the adequacy of its industrial adjustment programmes to deal with the international competitive pressures of the 1980s and as a result, certain improvements have been made in some programmes and in some cases new programme approaches are being initiated. Following the work of the industry sector task forces, an Overview Committee worked from the task force reports, identified common viewpoints, and presented policy recommendations applicable both to the economy generally and to specific industries.

The textile and clothing industries, along with industry in general, are eligible for various industrial adjustment programmes which include the provision of support to business firms to facilitate modernization and reorganization of existing production facilities to shift into new product lines, and to identify and exploit new market opportunities. On the labour and manpower side, assistance is available for retraining, job search, and relocation to support affected workers in finding new employment opportunities, and in some cases the provision of income maintenance over and above that

¹Where still valid, the relevant information has been reproduced from COM.TEX/W/36.

available from unemployment insurance. In addition, industrial support is provided under the Regional Economic Expansion Act designed to improve the regional balance of economic activity through the construction of new plants or expansion of existing facilities.

The Enterprise Development Program, by enlarging the mandate, replaces the General Adjustment Assistance Program, mentioned before.¹ This programme guarantees loans and processing firms to enhance their viability and become more internationally competitive. Special-purpose loans, loan insurance, and grants will be available to assist in the restructuring of firms injured or likely to be injured as a result of the Tokyo Round tariff negotiations. Loan insurance and consulting grants are also available to facilitate mergers and acquisitions between strong and weak firms, to facilitate industry restructuring and to overcome problems of fragmentation and small scale. Grants are provided to partially offset the cost of consultations to develop restructuring proposals, to conduct productivity improvement feasibility studies, to identify new product opportunities and to undertake related product and market testing, and for the design and development of new products. In addition, manufacturing and processing firms enjoy lower corporate tax rates and an accelerated capital cost allowance for manufacturing and processing equipment.

Industries are also eligible for various industrial assistance and adjustment provincial programmes. The Société de développement industriel du Québec (SDI) offers term loans, loan guarantees, partial reimbursement of costs of a loan, and a share purchase programme in order to stimulate economic development in Quebec and to transform Quebec's industrial structure. The Development Corporations of Ontario offer incentive loans, term loans, and loan guarantees. Manitoba administers the Research and Development Assistance Program which provides financial assistance for the development of new or improved products or processes, and the Feasibility Incentive Program which assists companies in carrying out feasibility studies to establish or expand manufacturing facilities.

Industrial research and development is stimulated through a research and development tax credit which makes current and capital expenditures on research and development eligible for the investment tax credit allowance. Federal and provincial research organizations such as the National Research Council, the Ontario Research Foundation and the Quebec Centre for Industrial Research are equipped to help industries and individual firms with their research and development projects.

¹See Section A, page 3.

Labour market programmes such as the Manpower Consultative Services, Canada Manpower Industrial Training Program, Canada Manpower Mobility Program, the Employment Tax Credit Program are used to upgrade the skills of workers, increase geographic and occupational mobility, provide temporary income support, and in some cases generate direct employment.

COLOMBIA

The Government of Colombia applies measures aimed at promoting exports of its domestic industries. The textiles industry benefits from such measures.

The Export Promotion Fund (PROEXPO) has established financing programmes designed to modernize equipment and promote the production and export of articles with an increased added-value content. In addition, an insurance scheme gives assistance in this field to exporters, *inter alia*, by covering risks of insolvency of foreign importers. Moreover, PROEXPO sponsors and finances market research programmes for textile and clothing products and collaborates in the acquisition of know-how.

EUROPEAN ECONOMIC COMMUNITY AND MEMBER STATES¹

Regulation No. 724/75 of the Council of 18 March 1975² 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.

BELGIUM

Information received is reproduced in Sections A and C.

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. The textile and clothing industries have continued to benefit from these measures.

¹where still valid, the relevant information has been reproduced from COM.TEX/W/36.

²Official Journal No. L 73 of 21 March 1975.

FRANCE

Although there are no specific programmes for adjustment assistance, the textile and clothing industries have benefited 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

In the Federal Republic of Germany the responsibility for adjustment has to be taken by the industry itself.

Like in other countries, however, there do exist measures - mainly of a regional character - to support the adjustment efforts of industry in general.

As far as enterprises are located in specified industrially-backward areas, they are entitled to benefit from special credit facilities in the frame of the "programme for the improvement of regional economic structure" (since 1972). Such facilities are also available from some of the Länder Governments.

In addition, there exist certain fiscal incentives for the replacement of outdated equipment and plants.

The efforts of individual enterprises towards restructuring have been facilitated by government measures aimed at improving labour mobility. Specifically, the adjustment of older workers or those difficult to place as a result of technological progress is assisted through the "Arbeitsförderungs-gesetz" (labour promotion law).

Technical progress has been stimulated by subsidies made available to non-profit industrial research associations and government assistance for the market-introduction of new technologies. In 1979 a new programme to cover part of the cost of research and development personnel in small- and medium-sized enterprises has been introduced.

IRELAND

Below is an inventory of the adjustment assistance measures from which the textiles and clothing industry in Ireland may benefit.

Industrial Development Acts 1969-1977

Subsidies

(a) For setting up firms

- 40 per cent of the investment cost in "designated areas"
- 25 per cent of the investment cost in other areas

These rates may be increased by 20 points for certain kinds of investment satisfying special criteria (creation of jobs, use of local resources, technological value of the project, exceptional growth potential).

(b) For re-equipping, modernizing, improving and extending industrial firms

- 35 per cent of the investment cost in "designated areas"
- 25 per cent of the investment cost in other areas

Maximum amount of subsidies

£1,250,000 per project subject to government waiver. Where the limit is waived, the relevant maximum rates are applicable.

Interest-rate subsidy

For setting up firms: the terms and conditions of the subsidy, which may be granted together with the subsidy referred to in (a) are determined by order of the Minister for Industry, Commerce and Energy.

State guarantee

The conditions on which the guarantee may be provided are laid down by order of the Minister for Industry, Commerce and Energy. This form of aid may be combined with subsidies.

State holdings

The Industrial Development Authority (IDA), an autonomous State-sponsored organization, may, on behalf of the Minister for Finance, acquire shares in the capital of industrial firms.

Accelerated depreciation

- (1) 100 per cent in the first year on buildings owned by the industrialist - operating therein.
- (2) For those who do not qualify for (1) above an initial allowance of 50 per cent with an annual allowance of 4 per cent. (Depreciation amounts net of IDA grants.)

Machinery and equipment: 100 per cent in the first year.

Relief from local authority taxes (rates)

The property tax imposed by the local authorities on new buildings - which varies from one authority to another - can be reduced by two thirds for a period of ten years. This advantage can be estimated as 2 per cent at maximum of the value of equipment and buildings. (This applies to designated areas only.)

Customs Free Airport Acts of 1947 and 1958 and Shannon Free Airport Development Acts of 1959, 1961, 1963, 1965, 1968, 1970, 1972 and 1978

Aids to the Shannon Industrial Estate

The industrial buildings put up by the Shannon Free Airport Development Company are leased, the rent being based on the cost. Subsidies up to a maximum of 50 per cent of the cost of new production machinery and plant may be granted. (The average rate of subsidy is 35 per cent.) Subsidies (not exceeding the amount actually paid in wages) may also be granted for training workers for as long as the training lasts.

Gaeltacht Industries Act 1957 and amending Acts of 1965, 1968, 1971, 1974, 1975 and 1977

Gaeltarra Eireann, an autonomous body, operates by providing premises at subsidized rents and by paying grants. Where the level of grant exceeds a limit, which is subject to periodic adjustment by the Minister for the Gaeltacht and which is at present fixed at £100,000, Gaeltarra must take shares, unless specific approval not to do so is received. There is no statutory limit to Gaeltarra's ratio of grant or share participation, but there is an administrative limit of 60 per cent (66 per cent in exceptional cases) applicable to grants.

Statutory levy/grant schemes introduced in 1970 for the textiles industry and for the clothing/footwear industry by ANCO (the Industrial Training Authority)

All firms in each industry are statutorily obliged to pay a levy of 1 per cent of the total annual emoluments paid to their employees. Firms whose total annual emoluments are less than a stipulated amount (currently £35,000 and £30,000 in textiles and clothing/footwear respectively) are exempt from levy but may opt to participate in the levy/grant scheme on a voluntary basis. Firms which carry out the training conditions laid down in each particular levy/grant scheme to the satisfaction of ANCO may recoup up to 90 per cent of the levy paid. Firms which do not pay the levy are ineligible for grants.

Similar schemes operate for all other sectors of manufacturing industry.

Under the Industrial Development Act of 1969 grants are available to finance part of the cost of training labour. The Industrial Development Authority provides grants for research and technical assistance. The ceiling is 50 per cent of the project cost up to a maximum of £50,000.

The Institute for Industrial Research and Standards - a statutory State-sponsored organization

The Institute provides technical aid at subsidized rates to industries (including textiles and clothing) in the form of testing, consultancy and product and process development services.

Technical Assistance Grant scheme set up in 1957

The scheme is administered by the Department of Industry, Commerce and Energy, and by ANCO (the Industrial Training Authority). The scheme may be broadly divided into two as follows:

- (a) (i) All manufacturing industries may receive grants up to 33 1/3 per cent up to a maximum of £10,000 of the cost of consultancy services (to improve efficiency in production and market research).
- (ii) Grants of up to 33 1/3 per cent of eligible expenditure are also available to firms in all manufacturing sectors to send personnel on study visits to factories abroad engaged in similar or comparable manufactures to them.

- (b) This Technical Assistance Grant scheme is confined to the attendance at courses of further training in managerial and supervisory techniques of existing managers and supervisors. Participants must be sponsored by their employer.

The grant is calculated at 50 per cent of course fees and in certain instances allowances for travel and subsistence are also payable.

Export relief under Income Tax Act 1967 and the Finance Act 1965

At present manufacturing companies are granted relief on profits derived from export of goods made in Ireland. Relief is granted for a maximum period of twenty years expiring not later than April 1990. This scheme will be terminated as of 31 December 1980, after which date it will not be offered to newcomers.

The Industrial Credit Company Limited

This is a public credit institution, set up by the Industrial Credit Act of 1933.

This company's purpose is to support the industrial development of the country by providing firms with capital. It can accordingly acquire shareholdings in firms, grant loans and engage in hire purchase transactions. The particular merits of each case determine the extent and conditions of the operation. Loans are generally granted on terms approximating to usual market rates. Loans do not usually exceed £2 million.

The company also operates a two-tiered loan system, described as Loan A and Loan B. One tier is provided on normal commercial terms while the other provides for the deferment of principal repayments and in some cases deferment of interest payments. ICC has recently commenced using the EIB as a source of funds which it loans to small firms engaged in manufacturing, with repayment periods of up to ten years.

Fóir Teoranta established in 1972

This supersedes Taisci Stáit Teoranta established in 1963.

The main function of this company is to provide financial assistance for industrial concerns. It is financed by borrowing from the Exchequer. It operates essentially by granting loans - generally long term - and guarantees to firms and occasionally acquires holdings in firms.

The Finance Act 1978 and Amending Act 1979

Employment Maintenance Scheme (with an expiry date of 31 March 1980). This scheme is a temporary provision which relates to the textiles, (excluding synthetic fibres), clothing, footwear (including tannery) industries. The scheme provides for payment to eligible employers of £10 per worker per week in respect of not more than 50 per cent of the workforce.

ITALY

Information received is reproduced in Section A. (See page 9)

NETHERLANDS

Apart from credits allocated from the (temporary) assistance fund for individual enterprises in difficulty, the main general schemes are the following:

- "Wet investerings rekening (WIR), in force since May 1978. Under this legislation, subsidies can be obtained for fixed-capital investments. This system replaces the earlier fiscal schemes in this field, namely allowances for investments and accelerated amortization."
- Bijzondere Financierings Regeling (BF). Under this scheme, loans (partially) guaranteed by the State may be obtained (at the market rate of interest, plus a premium for the guarantee by the State).

UNITED KINGDOM

Regional policy

Regional policy has developed over the years in the United Kingdom to deal with fundamental problems of declining industrial areas and deep-seated disparities in employment opportunities. In July 1979 the Government announced important changes. A strong regional industrial policy is to be maintained broadly along the lines of past policy but is to be made more selective.

The changes are to be introduced over a transitional period of three years. Some of the areas of assistance are to be upgraded while others are down graded. In all, about 25 per cent of the employment of the country will be assisted, compared with just over 40 per cent at present.

The financial rates of assistance in the form of Regional Development Grants and Regional Selective Financial Assistance (see below) will be reduced. Government factory building will continue but with a greater element of self-financing.

Regional Selective Assistance (RSA) under Section 7 of the Industry Act 1972

RSA is available in the Assisted Areas of Great Britain for viable investment projects with a clear benefit to employment. The criteria have now been tightened to make the scheme more cost-effective. Applicants now have to demonstrate clearly that RSA is necessary to enable the project to go ahead. A test of efficiency is also applied so that the projects supported are those most likely to strengthen the regional and national economy and thereby to promote more productive and more secure jobs.

FINLAND

Support to R and D activities is made available to industries generally. The share of textile and clothing industry of this support has, however, remained comparatively small and amounts to only 0.9 per cent (which is about Fmk 1.3 million) during 1975-1978. In the selection of R and D projects consideration is given inter alia to the exporting opportunities of the products to be created, their innovational value, the share of domestic inputs involved, the availability of raw materials and aspects related to environmental protection. The maximum share financed by the State is one half of the direct costs resulting from an R and D project.

The investment loan programme at subsidized interest rates (as described in COM/TEX/W/36, page 42) was terminated in 1976. State guarantees on loans granted by banks and other financing sources are still available for small and medium-sized industries.

The textile and clothing industry established in the developing areas enjoys incentives applied under the regional development programme. Loans can be granted for investments to start, expand or develop an enterprise in a developing area. As an investment incentive, firms in developing areas are exempt from property tax as well as from stamp duties. However, the financial importance of these exemptions is very small. Accelerated depreciations are applied only in the developing areas. A specialized credit institution called the Regional Development Fund Ltd. grants loans principally for small and medium-sized industries in the developing areas and acquires shares in companies when such financing is regarded as necessary and appropriate.

<u>HUNGARY</u>)	The information received from these countries is reproduced in Section A - see page 15 (Hungary) and page 19 (India)
)	
<u>INDIA</u>)	

JAPAN

The Japanese Government is continuing to help business conversion in the form of special measures in taxation, in accordance with the Act on the Fund Assistance for the modernization of the small and medium-sized enterprises.

Under the structural reorganization measures of the 1974 Act, the Corporation for the Promotion of the Small and Medium-Sized Enterprises is providing loans for small and medium-sized enterprises which jointly undertake disposal programmes of surplus facilities.

The 1971 Act on Provisional Measures for small and medium-sized enterprises for the implementation of adjustment measures in international economy lost effect in 1976 and has not been renewed.

The 1973 Act on Provisional Measures for small and medium-sized enterprises concerning preferential tariff measures lost effect in 1977 and has not been renewed.

MACAO)
ROMANIA) The information received from these countries
is reproduced in Section A (see page 35)

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.

During the recent three-year period large government funds have been spent on an active labour market policy, both in the form of general and sector directed measures. Such measures have also been utilized by the textile and clothing industry. The measures directed to the textile and clothing industry have progressively increased in importance. The purpose of these measures has primarily been to bring down the rate of decrease in employment in this sector, so that adjustments can be made under socially acceptable

conditions. Among the measures taken in this context mention could be made of grants for education of employees threatened to be laid off and temporary employment grants to companies employing persons above the age of fifty within the textile and clothing industry.

Production within the Swedish textile and clothing industry has progressively decreased during the 1970s. In 1975 there was a marked deterioration within several branches of this industrial sector, which since that time has become even more pronounced. Between 1976 and 1977 production in the textile sector decreased by 16 per cent and 21 per cent in the clothing sector. The number of employees within the Swedish textile and clothing industry went down from 67,500 in 1970 to 42,000 in 1977. These trends have continued during 1978 and 1979.

This trend of decreased production and production capacity has led to a situation in which more and more attention is given to problems connected with securing the supply of essential textile and clothing products in case Sweden would be cut off from its present sources of supply. In 1978 imports of clothing counted for 74 per cent of the total supply.

UNITED STATES¹

Trade adjustment assistance for firms and workers was established by the Trade Act of 1974 to provide adjustment assistance for firms that have had adverse effects on their business because of increased imports and to help workers who become totally or partially unemployed as a result of increased imports. The objective of the Act is to facilitate the orderly transfer of resources to alternative uses and help in making an adjustment to new conditions of competition. A petition for certification of eligibility to apply for adjustment assistance may be filed by any firm, group of workers or their authorized representative.

The Secretary of Commerce certifies a firm is eligible for assistance and the Secretary of Labour certifies workers as eligible for benefits if they determine:

- (1) that a significant number or proportion of workers in a particular firm or sub-division have become totally or partially separated, or are so threatened,
- (2) that sales or production, or both, of such firm or sub-division have decreased absolutely,

¹Where still valid, the relevant information has been reproduced from COM.TEX/W/36.

- (3) that increases in imports of articles like or directly competitive with articles produced by such workers "contributed importantly"¹ to such total or partial separation, or threat thereof, and to such decline in sales or production.

If a firm is found eligible to apply for adjustment assistance it will receive technical or financial assistance or both from the Economic Development Administration.

Economic Development Administration technical assistance may be furnished by Federal agencies or through private individuals, firms and institutions. When furnished through private sources, not more than 75 per cent of the cost may be borne by the United States. (See also Section C, page 46.)

A loan guarantee shall not exceed 90 per cent of the loan balance. Guaranteed loans are limited to \$3 million and shall have interest rates no higher than the maximum established for guaranteed loans made under section 7(a) of the Small Business Act.

Direct loans shall not amount to more than one million for any one firm. The interest rate shall be determined by taking into consideration the cost of borrowing to the United States, plus an added amount to cover administrative cost and probable loss under the programme.

If a worker is found eligible to apply for adjustment assistance he may receive weekly payments which, when added to State Unemployment Insurance payments to which a worker is entitled, equal 70 per cent of the average weekly wage before his employment was disrupted by import competition.

The maximum allowance that a worker can receive can be no greater than the national average weekly wage in manufacturing. A worker may receive such allowances for up to fifty-two weeks, unless the worker exceeds sixty years of age, in which case he may receive an additional twenty-six weeks of allowances.

The programme also assists workers to regain satisfactory employment through the use of a full range of manpower services and, if needed, job search and relocation allowances.

¹"contributed importantly" means a cause which is important but not necessarily more important than any other cause.

SUMMARY OF TRADE ADJUSTMENT ASSISTANCE CASES
FOR THE TEXTILE AND APPAREL INDUSTRY

<u>Firms</u>	<u>Petitions accepted</u>	<u>Petitions certified eligible</u>		<u>Petitions withdrawn</u>	<u>Petitions pending</u>
SIC - 22 - Textiles	28		23	4	1
SIC - 23 - Apparel	182		145	6	31
<u>Workers</u>	<u>Certified</u>		<u>Denied</u>		
	<u>No. of Petitions</u>	<u>Est. No. Workers</u>	<u>No. of Petitions</u>	<u>Est. No. Workers</u>	
SIC - 22 - Textiles	132	16,940	198	19,065	
SIC - 23 - Apparel	718	86,187	651	31,819	

Section C

Measures taken by the Textile and Clothing Industries

AUSTRIA¹

In addition to the aforementioned measures carried out for industry as a whole, measures have been taken by the Austrian textile and clothing industries themselves to get adjusted to the changed pattern of international trade in textiles, and substantial investments have been made in order to achieve this aim. Such investments amounted to:

AS 840 million (final) in 1975;
AS 1,237 million (final) in 1976;
AS 1,107 million (preliminary) in 1977; and
AS 1,026 million (preliminary) in 1978;

in respect of the Austrian textile industry, and to

AS 417 million (final) in 1975;
AS 336 million (final) in 1976;
AS 434 million (preliminary) in 1977; and
AS 300 million (preliminary) in 1978

as regards the Austrian clothing industry.

The decline in total investments made between 1976 and 1978 is attributable to the deteriorating earnings performance of the Austrian textile and clothing industries as a result of the high level of low-priced imports of textiles from various sources.

¹Where still valid, the relevant information has been reproduced from COM.TEX/W/36.

The textile and apparel industries continue to benefit from the activities of the Austrian Textile Research Institute and the Association for the Promotion of Research and Development in the Textiles Industries. The two bodies are not State supported.

The Austrian Textile Research Institute was formed by the merger of the Fibre Research Institute and the Austrian Carpet Research Institute. Its activities embrace pure research and the entire area of textile testing. Research and development projects include, inter alia, investigations of specific chemical quality tests, research into the strength of single fibres, and equipment relating to textile floor coverings. The Institute also engages in counselling and issues expert opinions.

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.

Within the framework of the adjustment measures taken by the textile and clothing industries themselves, efforts have also been made to move into more viable lines of production, for example by curtailing production of products which are imported at low prices in increasing quantities, and by shifting the emphasis to products hitherto playing a less important rôle in the firms' overall production, but for which a ready consumer market still existed, or by including new products in the production programme. Experience has shown, however, that in many cases where manufacturers had shifted production to products selling readily at the time the change-over was made, market conditions soon deteriorated because of substantial increases in low-priced imports of such products.

Even greater, and in most cases insurmountable, difficulties have been encountered by firms which endeavoured to move into other sectors of the economy. The machinery and equipment of factories of the textiles and clothing sector, for example spinning, weaving, knitting, embroidering, finishing, cutting and sewing machines, being unsuitable for the manufacture of products other than textiles, the factory buildings only can be used if production is to be shifted to other segments of industry, so that as a rule the machinery of firms which are prepared to do so has to be scrapped. The proceeds of the sale of the scrap being much lower than the acquisition cost of the new machinery required for setting up an entirely different industrial production, large additional funds are required which are difficult to obtain. Even if such funds were available, the firms would be confronted with labour problems rendering it equally difficult to move into other sectors of the economy. It is a well known fact that the textile and

clothing industries provide access to the industrial labour force for less skilled workers, the majority of them being female workers. Their employment in more sophisticated industries or sectors of the economy would require qualifications the majority of them do not possess. Moreover, there is only a limited number of sectors besides the textile and clothing industries which are by preference open to female workers. Because of these characteristics of the labour force of the textile and clothing industries, the transfer of their workers to other industries is particularly difficult.

As a result of the afore-mentioned difficulties in respect of capital and labour requirements, Austrian firms which because of substantially increasing imports of low-prices textiles, the decline in exports and the general business recession discontinued production of textiles, had to be shut down.

The number of mills of the Austrian textile and clothing industries declined from 1,380 in December 1973 to 1,113 in December 1978, or by 19.35 per cent. During the same period the number of employees fell from 102,475 to 77,999 or by 23.88 per cent. Further particulars in respect of this unfavourable development which has caused serious economic and social problems may be seen from the attached table.

CANADA

One of the most important adjustments in the management and organization of the clothing industry has been a strong trend towards increasing the fashion content in more product categories and this led to the manufacturers becoming more marketing and merchandizing-oriented. In response to market situations and the changing conditions internationally, textile and clothing companies have reorganized, restructured, and modernized their operations to make them more viable and internationally competitive and phased out of the least competitive product areas. Production in several sub-sectors has been rationalized, an example is the man-made fabric sector, and the output of such lines as apparel cotton fabrics and cotton yarns has been substantially reduced or phased out. Government grants have been made use of by the industries to offset the cost of consultants to conduct productivity improvement feasibility studies.

A productivity and development programme has been instituted in Manitoba under the direction of the clothing industry and the industry association in Manitoba supported by financial contributions from both federal and provincial governments. The programme is encouraging the clothing industry, particularly small and medium-sized firms, to optimize the utilization of new technology, production methods, and management techniques in order to improve efficiency and productivity in the production and marketing process. The clothing industries and associations in Quebec and Ontario, along with the federal and provincial governments, are presently engaged in identifying

Number of Mills and Employment in the Austrian
Textile and Clothing Industry

	December 1973		December 1978		Decline as compared to December 1973	
	Mills	Employees	Mills	Employees	Mills	Employees
Textile industry	710	63,701	587	45,654	- 17.32	- 28.33
Clothing industry	670	38,774	526	32,345	- 21.49	- 16.58
Textile and clothing industry	1,380	102,475	1,113	77,999	- 19.35	- 23.88
					Percentages	

Source: Austrian Central Bureau for Statistics.

the needs of the industry in their respective areas and formulating proposals for viable regional productivity programmes that would become self-financing over a period of five to seven years. In addition, a Clothing Management Development Committee composed of industry, academic, and government representatives has been established to administer a scholarship programme to attract a greater number of students to pursue a career in apparel management.

COLOMBIA

The information received is reproduced in Sections A and B (see pages 3 and 27).

EEC MEMBER STATES¹

BELGIUM

As 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 was established; its initial establishment costs were partly subsidized by the State, while its operating costs are covered entirely by the industry. This approved centre replaced 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 observing a tacit rule of restraint by making only rationalization investments that are combined with progressive and continuing reduction of production capacity.

DENMARK

In Denmark a total of 60 production units in the textiles and clothing sector have been closed down during the period 1974-1978.

In the same period the number of employed persons in the sector has dropped from 33,969 to 30,700.

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

¹Where still valid, the relevant information has been reproduced from COM.TEX/W/36.

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. Research and development have been encouraged by the State-supported French Textiles Institute and its affiliated Joint Research Centres.

At the level of professional associations, the Textile Industry Structural and Commercial Modernization Committee (Comité Interprofessionnel de Rénovation de l'Industrie textile (CIRIT)), set up in 1966, continued its sectoral interventions with a view to encouraging the necessary structural adjustment of its industrial apparatus.

FEDERAL REPUBLIC OF GERMANY

The remarkable effort by the textile and clothing industries of the Federal Republic of Germany towards restructuring is documented by a massive decrease in employment (see the figures cited below) and a steep rise in productivity (between 1974 and 1978 productivity in the textile industry rose by 26.3 per cent, in the clothing industry by 12 per cent).

In addition to investment in new plants and equipment and development of new products by individual firms the industry has taken steps to promote rationalization and technological development on an industry-wide basis. The board for rationalization of the German economy formed by the trade unions and interested firms with Government contributions is also actively promoting rationalization schemes.

New data on the adjustment process in the textile and clothing industries of the Federal Republic of Germany

1. Elimination of equipment September 1975-September 1978:
 - spindles - 481,000
 - looms - 10,800
2. Loss of jobs 1974-1978:
 - textile industry - 74,000
 - clothing industry - 55,000
3. Closing down of factories 1974-June 1979:
 - textile industry - 404
 - clothing industry - 692

IRELAND

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.

ITALY

Information from Italy is contained in Section A. (See page 9).

NETHERLANDS

The cotton industry in the Netherlands 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 (TWO), 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.

UNITED KINGDOM

Research in the UK industry has been encouraged through levies (in some sectors) to research associations which also do consultancy work for firms on a consultancy basis. Some Government finance is available to support cost-shared research and development projects in the industry and with textile and clothing research associations/institutes.

There are also Industrial Training Boards covering most sectors of the textiles and clothing industry, mainly self-financed from levies on firms.

FINLAND

It is quite natural that the principal responsibility for adjustment to the changing market conditions lies with the industry itself in market economy countries. This is also the situation in Finland which is especially heavily dependent on foreign trade. A continuous adjustment process has been going on. Accordingly, the firms have already for many years pursued to adjust themselves by different means comprising measures to cut down unprofitable production lines, to lay emphasis on manufacturing more profitable products by raising the rate of processing etc. Transferrings to further processing of semi-finished goods have also been carried out as well as other measures in favour of the adjustment development.

The figures below give the shares of the textile and clothing industry in industry as a whole:

<u>Gross value</u>	1960	1965	1970	1975	1978
321 textile industry	4.1	3.1	3.9	3.2	2.2
322 clothing industry	2.8	2.4	2.6	2.5	2.3
<u>total textile + clothing</u>	6.9	5.5	6.5	5.7	4.5

<u>Processing value</u>					
321 textile industry	5.5	4.2	4.1	3.8	2.8
322 clothing industry	3.5	3.3	3.4	3.4	2.9
<u>total textile + clothing</u>	9.0	7.5	7.5	7.2	5.7

<u>Employment</u>					
321 textile industry	9.0	6.8	6.1	5.3	4.3
322 clothing industry	6.0	5.1	6.4	6.3	6.1
<u>total textile + clothing</u>	15.0	11.9	12.5	11.6	10.4

HUNGARY) The information received from these two countries is
) reproduced in Section A see pages 15 (Hungary) and
INDIA) 19 (India)

JAPAN) The information received is reproduced in Sections A
and B (see pages 20 and 35)

MACAO) The information received from these two countries is
) reproduced in Section A (see page 21)

ROMANIA)

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 to main course of developments within the industries concerned. The main responsibility for the adaption 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 finance, education, etc. As an example it should be mentioned that the educational programme referred to on page 22 is carried out in collaboration with the Swedish Textile and Ready-made Clothing Industries 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.

In 1977, for the purpose of maintaining production capacity of cotton yarn, agreements between the Government and the Swedish cotton industry were reached with the aim of supporting and restructuring this sector. These agreements inter alia stipulate that by mid-1980 five companies will be merged into two companies for the purpose of rationalizing production. Another agreement to maintain production capacity of textile fibres and cord yarn during the period 1978-1984 has been concluded between the National Board for Economic Defence and a Swedish company.

UNITED STATES

Co-operative measures by the United States Government and various elements of the United States apparel industry:

During the past year and a half, the Commerce Department's Economic Development Administration (EDA) has made a number of grants to industry associations and educational institutions to help them address some of the problems and challenges facing various segments of the apparel industry. Some of these grants have been quite small, focused on specific problems of various segments of the industry or on geographic regions. Others have been broader, addressing more generalized problems, such as new technology development and utilization in the industry.

The following section briefly summarizes the purpose and status of these EDA grants.

A. JTR, Inc.

Background: Joint Job Training and Research, Inc. (JTR) is a non-profit corporation established in mid-1978 by the Amalgamated Clothing and Textile Workers Union (ACTWU) and the Clothing Manufacturers Association (CMA) to improve quality and productivity, and to maintain a stable employment level (about 80,000 workers), in the men's and boys' tailored clothing industry.

JTR has received grants from two Federal Agencies in support of its efforts. Since June of 1978, the United States Department of Labor has provided JTR with grants totalling \$2.5 million to establish a National Training Program under the Comprehensive Employment and Training Act (CETA). (A separate training programme is administered by the Labor Department.) The Economic Development Administration of the United States Department of Commerce has provided JTR with two grants totalling about \$1.4 million for a Research and Development Program intended to improve management practices, foster technological innovation, and expand markets.

Three specific projects are currently underway and several more are being planned for 1980.

1. JTR "Innovation Bank"

JTR has established an "innovation bank" to which firms in the men's tailored clothing industry may apply for funding of research or innovation projects of interest to the entire industry. If the project meets this criterion and is approved by JTR's Board, 75 per cent of the cost of the project up to \$50,000 will be funded by JTR. The results of these projects are available to all firms in the men's and boys' tailored clothing industry.

Two innovation bank projects - Improved Supervisory Training Techniques - and - Fusability Testing for Lining Materials - were selected by JTR's Technical Committee and approved by its Board in June 1979.

2. Production control and planning

A major project initiated by JTR under its EDA grant in 1979 involves development of a generic production control and planning system specifically designed to meet the needs of firms in the men's tailored clothing industry. Nine proposals were received and evaluated by JTR's Production Control Planning Committee. The Committee's selection of a contractor to develop the system has been approved by the JTR Board and JTR staff is in the final stages of negotiating a contract to carry out the project.

3. 1980 plans

In 1980, JTR plans to expand its programme of small grants to firms in the industry to develop useful innovations in production and management techniques. In addition, it plans to undertake a second major industry-wide effort aimed at developing better industry production and marketing data and, if feasible, a market forecasting system for the men's and boys' tailored clothing industry.

B. Georgia Tech Research Institute

Background: The Georgia Tech Research Institute has for many years been one of the primary university centres serving the textile and apparel industries in the United States. In September of 1978, the Commerce Department's Economic Development Administration awarded a grant of \$600,000 to the Institute, to assess new technology needs and opportunities for the apparel industry consistent with the industry's marketing and business strategy requirements, today and in the near-term future. Half the grant money is being used for three major projects. The remainder of the grant will be used to pursue promising opportunities identified as a result of this initial work. The three projects include:

1. A marketing strategy analysis which will attempt to identify viable marketing and business strategies for domestic markets with high (greater than 25 per cent), moderate (10-25 per cent), and low (less than 10 per cent) import penetration,
2. An assessment of the technical and economic feasibility of several new technologies currently of interest to the apparel industry to improve or automate specific operations in the manufacturing process, and
3. An analysis of the interface between the textile and apparel industries, to identify specific improvements in institutional relationships or operating practices.

Current status: The basic research work on all three projects has been completed and draft reports have been received for comment. Final reports are scheduled for completion in early January 1980. Decisions on use of the balance of the grant funds will be made shortly thereafter.

C. Philadelphia College of Textiles and Science Grant

Background: In September of 1978, EDA awarded a grant of \$300,000 to the Philadelphia College of Textiles and Science to:

1. assess current utilization levels of the best available technology by men's apparel manufacturers,
2. identify the new technologies needed by this segment of the industry, and
3. develop a strategic perspective on the industry by identifying successful business strategies through case studies of successful, marginal, and failing firms in the men's tailored clothing industry.

D. National Knitted Outerwear Association

Background: In September 1979, the National Knitted Outerwear Association (NKOA) received a grant of \$45,000 from EDA to undertake a study of the post-knitting machinery and equipment needs of the knitted outerwear industry.

The NKOA study, which is scheduled for completion in February 1980, will identify the best currently available equipment (and machinery for each operation, taking into consideration plant size and sophistication. It will also identify operations where currently available equipment) is inadequate for knitted cut and sew operations.

E. New England Apparel Manufacturers' Association

Background: The New England Apparel Manufacturers' Association (NEAMA) is a small regional association of about forty contractors located in the vicinity of Fall River, Massachusetts and Providence, Rhode Island. In mid-1978, EDA provided a US\$10,000 grant to NEAMA to retain a consultant to examine the common needs and problems of its members. The consultant's report identifies several opportunities for the firms and recommends an extensive and costly programme to address these needs. The Department is working with the Association to develop a more practical and less costly approach which would make use of available local, State and Federal resources.

A second EDA grant of US\$75,000 was awarded to NEAMA in July 1979 to: (1) fund a stall position for an industrial engineer to work with all NEAMA members to improve their efficiency, and (2) retain an outside consultant to assist the Association in developing a plan for revitalization of the local industry.

Information Received from Argentina and Norway

The following reports from Argentina and Norway have been reproduced below in the form in which they were supplied:

ARGENTINA

Promotion of the Textile Industry in Argentina

Under Law No. 21,608 of 23 July 1977 an industrial promotion system was established with the following objectives:

- (a) To encourage regional development;
- (b) to promote improved industrial efficiency;
- (c) to promote the installation of new industrial activities in frontier areas;
- (d) to encourage development of strategic industries;
- (e) to facilitate removal of industries.

The industrial promotion system is consistent with Law No. 21,608, its regulatory decree, and the sectoral, regional and special regulations.

The textile industry operates within the framework of regional systems designed to develop the various geographical areas with a view to balanced growth of the country as a whole.

The various benefits may be granted for periods not exceeding ten years.

The principal financial agent of the industrial promotion system is the National Development Bank which adjusts its credit policy in accordance with provisions laid down by the Ministry of the Economy and the Secretariat of State for Industrial Development, the implementing authority for the law.

Because of the high geographical concentration of Argentina's industry, the same law prohibits the installation of new industrial activities in the federal capital.

In addition, industrial promotion benefits are not granted to new industrial installations, or for the enlargement or improvement of existing ones in an area within a radius of 60 km. from km. 0 used for measuring national highway distances and, in addition, in the cities of Rosario and Cordoba.

The scale of benefits granted to industries being installed in certain regions is laid down in the following decrees:

1. For the Northwest, Decree No. 2140/74.
2. For the Northeast, Decree No. 575/74.
3. For the North Patagonia region, Decree No. 1237/76.
4. For the South Patagonia region, Decree No. 1238/76.
5. For the South Patagonia region, Decree No. 12359/76.
6. For the Provinces of Catamarca, La Rioja and San Luis, Decree No. 893/74.
7. For the Province of San Juan, Decree No. 1879/79.

The promotional measures are the following:

- (a) Exemption, reduction, suspension, rebates and deferral of taxes and accelerated depreciation in respect of consumer goods, for specified periods, either in full or in part.
- (b) Exemption or reduction of import duties on capital goods and replacements thereof when not manufactured locally or when those manufactured in the country do not meet the necessary conditions in respect of quality, delivery dates or reasonable prices. This benefit can be extended to cover parts imported under the conditions mentioned in the preceding paragraph for incorporation in capital goods to be manufactured in the country.

- (c) Facilities for the purchase, renewal or loan of goods under State control.
- (d) Establishment of temporary restrictions on the import of goods similar to those to be produced, during the installation period and until the project becomes operational, in order to avoid harmful inventory accumulation.
- (e) Determination, modification or full or partial exemption in respect of import duties on inputs intended for goods to be produced. This benefit is conditional on assurance that for the domestic market, manufacturing programmes based on progressive integration are not authorized in more advantageous import conditions than those enjoyed by industries already established.
- (f) Fixing of import duties on goods similar to those produced as a consequence of the activity being promoted, so as to establish declining levels of protection as an incentive to greater productivity and efficiency in the industrial sector concerned.

The implementing authority makes an assessment of each new project involving operation of the various promotion measures, in order to ensure proper scaling of benefits, since the scope of the approving measure must be clearly specified in it.

In addition, the revenue loss must be calculated because annual ceilings are established in the budget laws drawn up for each financial period.

NORWAY

The Norwegian textile and clothing industries consist of a number of small and medium-sized enterprises. These industries are, to a substantial degree, located in remote districts of Norway, where alternative employment is limited or does not exist. More than 50 per cent of the labour employed are female workers. The decrease in employment in the textile and clothing industries (from approximately 35,000 in 1967 to approximately 21,000 in 1977) is seriously threatening the existence of many small communities.

In December 1977, a five-year programme was adopted by the Norwegian Parliament in order to strengthen the efficiency of the textile and clothing industries. The five-year programme proposes measures to be taken to further nationalization and re-adjustment, and to promote exports.

Investments in the textile and clothing industries have been low in comparison to all other Norwegian industries.

Under the programme of the Readjustment Fund (Omstillingsfondet) the Norwegian Government has granted aid to the clothing industry (since 1975) and to the textile industry (since 1976). For 1979 NKr 25 million (NKr 12.5 million to each industry) have been put at their disposal.

Since 1974 long-term mortgage loans and guarantees have been granted to the textile and clothing industries by the State Guarantee Fund for Industry (Industrifondet). Manpower mobility has generally been furthered by the State Labour Agency through assistance to actually or potentially unemployed workers as well as through training schemes.

Since 1977 investment aid (loans) has been granted to the textile, the clothing and the footwear industry. For 1979 the aid is limited to NKr 24 million.

The Norwegian Government has since 1973 rendered assistance to export promotion projects by covering 50 per cent of the promotion costs.

The textile and clothing industries have to some extent been able to adjust themselves to the conditions of competition under which they operate. Some firms have succeeded in concentrating their production on types of commodities which are saleable at comparatively high prices.

Because of the keen competition prevailing on the markets, many enterprises producing goods of the traditional types have been forced to close down.