

GENERAL AGREEMENT ON TARIFFS AND TRADE

Textiles Committee
Working Group on Adjustment Measures
Technical Sub-Group

REPORT BY THE WORKING GROUP ON ADJUSTMENT MEASURES

DRAFT

Corrigendum

I. Pages 1-5 of document COM.TEX/W/71 of 16 June 1980 are replaced by the following:

Terms of reference

1. At its meeting in December 1979, the Textiles Committee decided that a Working Group be requested to carry out a detailed examination of adjustment measures with reference to the objectives set out in paragraph 4 of Article 1 of the Arrangement¹, and to present a report thereon to the Committee for its meeting to be held in July 1980. It was further agreed that the Working Group of the Textiles Committee would be open to all participating countries (see COM.TEX/15, paragraphs 73 and 84).

Structure of the report

2. The present report is submitted in response to this request. The report has been divided into the following three sections:

Section I sets out the introduction and general comments.

Section II summarizes the replies received from participating countries classified under the following headings:

Part A - Status of the textiles and clothing industry

- (1) A general statement on national textile industries.
- (2) Data on current state of production and trade in textiles and clothing.
- (3) Information on investment, productive capacity, employment etc.

¹Paragraph 4 of Article 1 reads as follows: "Actions taken under this Arrangement shall not interrupt or discourage the autonomous industrial adjustment processes of participating countries. Furthermore, actions taken under this Arrangement should be accompanied by the pursuit of appropriate economic and social policies, in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries, which policies 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."

Part B - Expansion and re-organization of the industry:

- (1) Government and other plans for expansion.
- (2) Government schemes for re-organization etc. and an assessment of their effect.
- (3) Extent to which governments plan to develop particular sectors of the textile and clothing industries.

Part C - Adjustment measures and policies relevant to Article 1:4

- (1) Autonomous adjustment processes and to what extent can they be attributed to changes in the pattern of trade and comparative advantage.
- (2) Government measures to encourage business to: improve viability of current lines of production, to move progressively into more viable lines or to move out of the textiles sector: an assessment of their effects.
- (3) Measures to deal with problems arising from closures, unemployment, etc.

Part D - Increasing access to markets made possible by the impact of the autonomous adjustment processes, as well as government adjustment measures and policies listed in Part III above.

Section III contains the submissions as received from the participating countries in response to GATT/AIR/1611 and 1612 of 13 March 1980. Replies received after 11 June have been included in an addendum to Section III, and have not been summarized in Section II, nor have they been reflected in the analysis and the conclusions drawn therefrom.¹

Annexed to this report are the texts of the airgrams GATT/AIR/1611 and 1612 and a table on "Exchange Rates: National Currencies to United States Dollars, 1970-1979".

¹ Replies were received after 11 June from Hungary and Singapore (COM.TEX/W/71/Add.1).

SECTION I

3. The Working Group of the Textiles Committee on adjustment measures, held its first meeting on 12 February 1980, under the Chairmanship of Mr. M.G. Mathur, Deputy Director-General.

4. For that meeting the Working Group had before it the last report on adjustment measures which was made available to the Textiles Committee for the December meeting in document COM.TEX/W/65. After a general discussion on the type of information that would respond to the objectives set out in Article 1:4 the Working Group felt that the material contained in this report was not adequate to enable it to carry out its mandate.

5. The Working Group thus decided to proceed further on this matter by setting up a Technical Sub-Group. The Sub-Group was entrusted with the task of securing information relevant to the work assigned to the Working Group, and of examining such information for the purpose of the Working Group so that the latter would submit its report to the Textiles Committee in good time for its meeting in July.

6. As regards the composition of the Sub-Group, it was agreed that it should remain open to all participating countries interested in this work and those parties wishing to participate were, therefore, invited to notify the secretariat of their desire to do so. Delegations participating in the work of the Sub-Group were Brazil, Canada, Colombia, Egypt, Finland, India, Indonesia, Japan, Malaysia, Pakistan, Peru, Switzerland, Sweden, United Kingdom on behalf of Hong Kong, United States and the EEC as well as member States.

7. As a first stage in the preparation of its work, the Sub-Group held informal consultations and discussions with respect to the type of information to be requested from participating countries which it further considered at its meeting on 12 March 1980. As a result of this meeting, two airgrams setting out the points on which information was to be sought were sent out on 13 March 1980. The first, GATT/AIR/1611 requesting information on adjustment measures relevant to Article 1:4 of the MFA. The second, GATT/AIR/1612, requesting information on production, trade and adjustments in the textiles and clothing sectors as required by Article 10:2 of the Arrangement.¹

¹The relevant words of Article 10:2 read as follows: The Committee "... shall undertake an analysis of the current state of world production and trade in textile products, including any measures to facilitate adjustment ...".

8. The Sub-Group welcomed the fact that the information requested pursuant to paragraph 2 of Article 10 would be made available for its work, and urged that the information called for in the two airgrams should be provided as soon as possible and, in any event, not later than the deadline set out therein, i.e. 15 May 1980.

9. Since the Sub-Group had to work to a fairly tight timetable, participating countries were requested, on several occasions, to expedite their submissions. However, very few participants were in a position to meet the deadline of 15 May. As at 11 June, replies had been received from the following parties to the Textiles Arrangement: Austria, Brazil, Canada, Colombia, Egypt, EEC, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, Macao, Malaysia, Peru, Sweden, Switzerland, Turkey and the United States.

10. The Sub-Group noted that as of 11 June information had not been received from a number of participants (i.e. Argentina, Bangladesh, Bolivia, Dominican Republic, El Salvador, Ghana, Guatemala, Haiti, Hungary, Jamaica, Mexico, Pakistan, Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, Trinidad and Tobago, Uruguay and Yugoslavia).¹

11. The Sub-Group noted and welcomed that the replies received had provided substantially larger amounts of information than had previously been made available in respect of adjustment measures.

12. A summary of the replies received is compiled under the four main parts of Section II. In this connexion, it is to be recalled that information under Article 10:2 was sought from all participating countries in the Arrangement (see GATT/AIR/1612). This information falls generally within Parts A and B of Section II; Parts C and D cover the information relevant to Article 1:4 on adjustments and access to markets requested from the participating countries concerned under GATT/AIR/1611.

13. Following its preparatory work, the Sub-Group met on 17 June 1980 and drew up a draft report for consideration by the Working Group. At its second meeting held on 23 June 1980, the Working Group adopted this report for submission to the Textiles Committee for its meeting to be held on 8-9 July 1980.

14. In considering the material thus collected it was recalled that the task of the Group was to carry out a detailed examination of adjustment measures in the context of the objectives set out in Article 1:4, and to report to the Textiles Committee accordingly.

¹As noted above, replies were received after 11 June from Hungary and Singapore (COM.TEX/W/71/Add.1).

15. On the basis of information so far supplied, it can be seen that production in most of the importing developed participants has improved in the first two years of the extended phase of the MFA, although the production indices remain below the level of 1973. While this development in production was taking place, employment and the number of production units had continued to decline. World trade in textiles and apparel, as well as the limited data currently available on production indicate that this improvement had occurred in varying degrees world wide and that it paralleled the general economic growth patterns for 1978 and 1979.

16. The changing ratio between production and employment in the developed countries would suggest that the industries of these countries had improved their competitiveness and had taken advantage of technological innovations. However, it was not possible to establish a direct link between changes in production and trade figures and adjustment processes or measures that have taken place or are being undertaken.

17. In the context of Article 1:4 of the Arrangement, it is even more difficult to relate the information available on adjustment processes and measures to the provision of increased access. It was pointed out that governments concerned have found that there are inherent problems in evolving a suitable methodology which would establish this relationship.

18. In terms of data needs, it is clear that an in-depth analysis would require that information on autonomous adjustment processes and government adjustment policies be supplemented where applicable and available, e.g. by greater details concerning the amount and distribution of expenditure among the different individual measures of assistance, industry specific comprehensive plans, development of more viable lines of production, scrapping of capacity, development of alternative industries, etc. More information would also be needed as to assessment by the governments concerned of the effect of their adjustment measures, and to what extent the textiles and clothing industries had benefited from general as well as sectoral related programmes.

19. It was noted that a comprehensive analysis would also require information, where applicable and available, from those participants which had not yet replied to the Working Group's request, e.g. data and information relating to the expansion, modernization or diversification of industries in participating countries; government policies and measures having a bearing on liberalization of trade in textile products; etc.

20. In the light of these considerations, it was generally felt that this particular report, based as it is on information so far available, would necessarily be limited in scope, given the variations in the degree of completeness of the data supplied by different participating countries, and frequently the lack of quantification or other basis for comparison in the information presented. The Working Group thus presents this report to the Textiles Committee as the best compilation of material possible in terms of the submissions by participants, and the methodological aspects involved. The matter is submitted to the Textiles Committee for its consideration as to such further action as it may wish to take.

II. The attached pages should be inserted in Section III after pages 103 and 109 respectively.

TURNOVER IN NATIONAL CURRENCIES,
at constant prices

SOURCE : Questionnaires,

M. STATE	1973		1974		1975		1976		1977		1978	
	43	453	43	453	43	453	43	453	43	453	43	453
1 0 DM	28.790	17.974	28.023	16.836	24.702	15.982	26.511	15.920	27.919	17.091	26.307	16.387
3 F FF	39.712 (4)	16.672 (4)	38.929	16.949	31.934	15.921	32.884	17.084	33.709	18.305	33.001	17.036
1 I Mrd Lit	3.699	1.317	4.023	1.368	3.840	1.345	4.145	1.485	3.921	1.508	3.903	1.371
2 H FL	4.390	2.210	4.330	1.997	3.452	1.724	3.416	1.547	3.196	1.328	2.958	1.280
1 Mio D FB	107.763	32.996	107.769	33.271	92.782	31.472	102.390	30.703	90.709	27.825	87.050	27.338
L												
1 Un Mio E	3.031	1.120	3.050	1.190	2.495	1.036	2.651	1.016	2.729	1.085	2.512	1.085
* Tr Mio Lit	137	59	138	58	116	55	145	53	155	55	150	52
1 OK Mio Dkr	2.830	1.501	2.566	1.260	2.234	1.057	2.401	1.230	2.177	1.138	1.984	1.058
TOTAL												

1 only enterprises of 20 or more employees included

* all enterprises

2 all enterprises 77-79

3 enterprises of 10 or more empl.

4 enterprises of 6 or more empl.

** VAP decl. "Inter. sales + exp. - credit documents".

* Gross value added at market prices estimated at current prices (Source: National Accounts)

GROSS VALUE ADDED AT F.C. (nat. curr.)

SOURCE : Questionnaires.

Valeur ajoutée brute

	1973		1974		1975		1976		1977		1978	
	43	453	43	453	43	453	43	453	43	453	43	453
1 D MIO DM	9.620	7.050	9.738	6.776	8.588	6.588	8.767	6.486	9.589	6.857		
3 F MIO FF	15.203 ⁴	6.929 ⁴	15.389	7.453	12.530	6.919	13.156	7.190	12.889	7.682	n.d.	n.d.
1 I MRD LIT	1.479	544	1.480	609	1.326	554	1.556	592	1.482	581	1.421	533
3 H MIO FL	1.355	802	1.272	684	1.092	584	1.101	561	942	486	898	459
1 U MIO FB	34.514	18.124	32.630	19.094	27.650	19.430	31.118	18.967	25.050	16.491	23.799	17.245
L												
1 UK MIO £	1.147	491	1.095	508	1.918	454	980	444	952	505	929	455
1 IC MIO I.C.E	55	29	55	29	45	27	58	26	62	27	60	26
1 OR MIO DKR	1.316	717	1.195	624	1.056	554	632	470	1.060	611	1.019	561
TOTAL												

1 Only enterprises of 20 or more employees

2 All enterprises

3 All enterprises of 10 or more employees

4 All enterprises of 6 or more employees