

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES 1962-1968

Addendum

Reply of the Government of Portugal

By communication dated 2 December 1969, the following reply to the questionnaire on adjustments in the cotton textile sector, COT/W/110, has been received from the permanent mission of Portugal for circulation to the Cotton Textiles Committee. In this communication they supplied information on Portugal as well as its Customs Territory of Macao.

A. PORTUGUESE EUROPEAN TERRITORIES

I. Measures for Facilitating Adjustments in the Cotton Textile Sector

1. Government measures

(a) No measures have been taken in connexion with the use or modernization of equipment.

(b) No institution or fund has been established in order to provide finance facilities.

(c) In order to facilitate the acquisition of raw materials by cotton textile manufacturers, the Export Supplies and Development Fund has been authorized to endorse letters of exchange accepted by manufacturers.

Authorization has also been given for the conversion, under certain circumstances, of short-term debts contracted by manufacturers with the Commercial Bank for the renewal of their machinery, into medium and long-term credits.

(d) By a Decree of the Council of Ministers for Economic Affairs in pursuance of Article 8 of Act No. 2,134 of 20 December 1967, several industrial sectors, including the textile sector, were granted authority to accelerate replacements and writing-off of plant as allowed for in paragraph 7 of Article 26 of the Code on Industrial Tax approved by Decree No. 45,103 of 1 July 1963, up to the limit of the percentages laid down in the tariffs annexed to Decree No. 21,867 of 12 February 1966, plus 50 per cent.

It should be further mentioned that in order to encourage, to the maximum, the creation of such conditions as are indispensable for the full exploitation of existing production capacity, Decree No. 48,844 was published on 20 January 1969 granting the tax benefits, listed hereunder, to undertakings which manufacture cotton textile goods and which result from a merger with other undertakings or which incorporate such other undertakings:

- reduction of 4 per cent on the tax on cash transfers, resulting from a merger or incorporation;
- exemption from industrial tax for a five-year period;
- authorization to accelerate replacements and the writing-off of plant;
- exemption from profits tax on profits resulting from mergers or incorporations;
- exemption from surtax and reduction by one half in the rate of capital tax, during a five-year period from the date of issue, on the interest on bonds issued during the two years following the date of a merger or incorporation.

2. No measure, such as those mentioned under paragraphs (f), (g), (h), and (i) of question 1 of the questionnaire has been adopted.

3. The fundamental purpose of the above measures was to meet a crisis situation.

However the need to establish a new structure in the cotton industry has been recognized, and it is provided for in the preamble to Decree No. 48,844, referred to above, and is indicated in the Decree of 22 January 1969 which has also been mentioned.

The most outstanding of the problems affecting the cotton textile industry is the fact that it is impossible to stop exporting, which makes it essential to create conditions making it possible to compete on international markets.

For this reason the Government is closely observing the development of the situation in order to adopt any measures which may be necessary.

4. We have no comment on the remaining questions in Part 1 of the questionnaire.

II. Changes in the Cotton Textile Industry and Trade
over the Period 1960-1968

1. Spindles and looms

1.1. Active spindles and looms in place (yearly average)

Years	Spindles	Looms
1960	857,621	-
1961	899,609	-
1962	897,629	26,766
1963	905,341	26,314
1964	946,742	27,554
1965	1,008,848	27,747
1966	1,039,348	27,902
1967	1,041,062	26,548

1.2. Spindles installed since 1960

Years	New installations or extensions of those existing	Replacement	
		Replacing	Replaced
1961	23,328	58,344	58,480
1962	7,660	37,524	31,844
1963	14,564	7,636	11,984
1964	13,152	6,744	9,028
1965	35,884	30,052	29,552
1966	55,188	31,361	31,096
1967	45,384	37,552	41,420
TOTAL	195,660	211,713	213,404

1.3. Looms installed since 1960

As data on replacements are not available at the moment, only looms already installed on 31 December 1960 and 31 December 1967 are shown here.

Looms	31.12.60	31.12.67
Manual	901	659
Mechanical	27,606	22,367
Automatic	7,627	14,602
TOTAL	36,134	37,628

2. Firms and mills

2.1. Mills existing on 31 December each year

1959	458
1960	459
1961	462
1962	460
1963	452
1964	444
1965	436
1966	436
1967	435

2.2. New mills

Since 1960, mills with a total of 30,076 spindles have been built.

2.3. Mills having ceased production

Since 1960, twenty-seven mills with a total of 27,129 spindles and 3,164 looms have ceased production.

3. The structure of firms and individual units

3.1. Percentage of spinning productive capacity grouped by firms:

	<u>Firms</u>	<u>Spindles</u>	<u>%</u>
Less than 30,000 spindles	-	-	
From 30,000 to 100,000 spindles	1	47,070	3.6
More than 100,000 spindles	-	-	

3.2. Percentage of weaving productive capacity grouped by firms:

	<u>Firms</u>	<u>Looms</u>	<u>%</u>
Less than 100 looms	1	64	0.1
From 100 to 500 looms	2	259	0.7
More than 500 looms	1	695	1.8

3.3. Percentage of productive capacity of individual spinning units:

	<u>Firms</u>	<u>Spindles</u>	<u>%</u>
Less than 10,000 spindles	68	352,980	27.3
From 10,000 to 30,000 spindles	41	665,627	51.4
More than 30,000 spindles	6	229,626	17.7

3.4. Percentage of productive capacity of individual weaving units:

	<u>Firms</u>	<u>Looms</u>	<u>%</u>
Less than 50 looms	245	5,255	14.0
From 50 to 100 looms	58	4,274	11.4
More than 100 looms	93	27,081	72.0

4. The proportion of spinning capacity controlled in 1968 and in 1960

Figures for the specifications used in the questionnaire are not at present available. For this reason the percentages are given according to the specifications normally used by the Controlling Commission:

4.1. Spinning capacity

	<u>1960</u>	<u>1967</u>
Independent spinning-mills	23.6	22.3
Spinning-mills with weaving	74.4	76.7
Spinning-mill and knitting factory	1.8	0.8
Weaving-mills with waste spinning	<u>0.2</u>	<u>0.2</u>
	100.0	100.0

4.2. Weaving capacity

Spinning-mills with weaving	64.0	64.2
Independent weaving-mills	35.8	35.5
Weaving-mills with waste spinning	<u>0.2</u>	<u>0.3</u>
	100.0	100.0

5. Investments

<u>Years</u>	<u>Total</u>
1960	199,292
1961	414,830
1962	337,017
1963	354,939
1964	564,561
1965	809,906
1966	710,983
1967	572,255

6. Distribution of investments

It is only possible to give a breakdown of investments under the following headings: Land and buildings, Machinery and new equipment, and Improvements to existing machinery ('000 escudos).

Years	Land and buildings	Machinery and new equipment	Improvements to existing machinery
1960	28,461	162,623	8,208
1961	60,956	320,890	32,904
1962	51,365	257,753	27,899
1963	66,497	263,516	24,926
1964	92,906	450,800	20,855
1965	190,148	593,277	26,481
1966	129,477	519,573	61,933
1967	112,547	427,376	32,332

7. Distribution of investments by sectors

The available figures only make it possible to show the distribution of investments in spinning or weaving mills and in independent finishing factories:

Years	In spinning and weaving mills	In independent finishing factories
1960	193,646	5,646
1961	384,427	30,403
1962	321,621	15,396
1963	322,997	31,942
1964	538,512	26,049
1965	774,164	35,742
1966	677,099	33,884
1967	542,926	29,329

8. Numbers employed in the cotton textile industry

Years	Total	Non-manual	Manual		
			Total	Men	Women
1960	66,671	2,624	64,047	33,190	30,857
1961	64,788	2,647	62,141	33,590	28,551
1962	62,883	2,786	60,097	33,136	26,961
1963	65,762	2,823	62,939	35,427	27,512
1964	68,282	3,015	65,267	35,729	29,538
1965	73,389	3,277	70,112	37,938	32,174
1966	73,201	3,538	69,663	37,114	32,549
1967	71,805	2,853	68,952	36,186	32,766

9. Concentration of the industry

Aveiro	3
Braga	215
Castelo Branco	1
Coimbra	4
Faro	2
Leiria	1
Lisbon	9
Oporto	194
Santarém	3
Setúbal	2
Viana do Castelo	1
TOTAL	435

10. Rise in unemployment

Between 1960 and 1968 the number of jobs available in the textile industry increased by 5,134, as follows:

Manual staff	4,905
Non-manual staff	229

The labour force reached its maximum in 1965, whereas a fall of 1,584, of which 1,160 were manual and 424 non-manual, was registered by 1967.

At present there is no information available to make it clear whether the fall in the number of persons employed in the textile industry was accompanied by a rise in unemployment.

11. Productive capacity worked on shifts

The only figures available at present are those for 1965, 1966 and 1967, which are given in the following table:

Number of shifts	Spinning			Weaving		
	1965	1966	1967	1965	1966	1967
1 shift and more	9.3%	4.9%	4.7%	46.7%	39.5%	36.0%
2 shifts and more	42.9%	41.7%	36.2%	38.2%	41.8%	42.8%
3 shifts and more	47.8%	53.4%	59.1%	15.1%	18.7%	21.2%
TOTAL	100%	100%	100%	100%	100%	100%

Notes: (A) These figures are for spindles and looms for cotton and artificial synthetic fibres.

(B) The Portuguese cotton industry works a 48-hour week, equivalent to 2,496 hours per machine per annum.

12. Increase in productivity

For the moment there are no figures available from which to estimate the increase in productivity between 1960 and 1968.

13. Raw cotton consumption

1960	.....	60,841 tons
1961	.....	65,820 "
1962	.....	66,185 "
1963	.....	71,621 "
1964	.....	75,402 "
1965	.....	83,674 "
1966	.....	82,038 "
1967	.....	77,138 "
1968	.....	81,658 "

14. Yarn consumed by weaving

1960	47,260	tons
1961	49,763	"
1962	48,724	"
1963	54,584	"
1964	59,563	"
1965	63,132	"
1966	60,262	"
1967	62,287	"

15. Consumption of cotton in the knitting and carpet industries

(metric tons)

Years	Knitting	Carpets
1960	1,824	55
1961	1,895	52
1962	2,153	53
1963	2,775	61
1964	3,182	70
1965	-	75
1966	4,358	44
1967	5,025	135

16. Production

16.1. Cotton yarn production

Years	Metric tons	Average figure
1960	51,463	23.32
1961	56,713	23.05
1962	57,588	22.44
1963	62,271	22.39
1964	66,920	22.57
1965	72,812	22.35
1966	73,389	22.70
1967	71,331	22.45

16.2. Cotton fabric production

1960	34,136	tons
1961	35,404	"
1962	34,790	"
1963	39,356	"
1964	41,550	"
1965	43,655	"
1966	42,770	"
1967	43,297	"

17. Percentage of cotton articles in overall imports and exports of yarn, fabrics, textiles in general and articles of clothing

In 1967 imports and exports of cotton articles taken as a percentage of total textile imports and exports were as follows:

Articles	Imports	Exports
Yarns	0.9	76.7
Fabrics	76.8	61.3
Apparel	16.8	64.7
Other textiles	0.8	11.5

18. Expected development in cotton yarn and fabric consumption in 1970 as compared with 1968, or with the last year for which complete statistics exist

The consumption of 100 per cent cotton yarns and fabrics in 1967 - the last year for which statistics are available - was 51,047 tons and 11,500 tons respectively.

Bearing in mind the average rate of increase in cotton yarn and fabric consumption - 2.2 per cent per annum - probable consumption in 1970 can be estimated at about 55,000 tons for yarn and 12,500 tons for fabrics.

19. Estimated number of cotton spindles and looms in 1970

Authorizations for the establishment of new factories or the extension of those existing have been postponed for the present.

Consequently in 1970 the number of spindles and looms in place will probably be exactly the same as in 1967, the last year for which statistics are available.

20. Estimated number of workers in 1970

The number of workers employed in the cotton industry in 1970 is not likely to be very different from that in 1967.

B. PORTUGUESE NON-EUROPEAN TERRITORIES

MACAO

I. Measures Adopted by the Government since 1960
to Facilitate Adjustment in the Cotton Textile Industry

1. (a) No compensation, subsidies or credit have been granted for modernizing equipment.

(b) Limited credit granted by the Banco Nacional Ultramarino.

(c) There is no credit guarantee granted by the State.

(d) Exemption from tax on imported raw materials to be used for manufacturing in industrial establishments.

(e) No trade or production subsidies have been granted.

(f) Decree No. 7919, of 31 July 1965, obliges entrepreneurs to guarantee the workers' wages by means of a deposit, which makes it possible to employ specialized labour in the cotton textile industry for spinning, weaving, printing, dyeing and finishing the fabrics, as well as for making-up apparel.

(g) The purpose of publishing Decree No. 1767 of 29/8/68, concerning the application of the provisions of Decree No. 46666 of 24/11/65 in the Province, was to eliminate most of the internal difficulties created by earlier legislation for the establishment of industrial undertakings. The elimination of difficulties included the following:

- simplification of the formalities necessary for establishing, transferring, enlarging and reopening industrial undertakings;
- exemption from all taxes on machinery, accessories and spare parts to be used for the establishment or modification of equipment, or expansion of already existing industrial undertakings.

2. The publication of legislation on the establishment in the Province of credit institutions capable of expanding in a positive manner, and giving new life to, activities connected with the cotton textile trade and industry, is at present under consideration.

3. These measures are concerned not only with the cotton textile trade and industry but also with all the other industrial sectors in the Province.

Besides governmental measures, private individuals have also instituted - particularly through the "Industrial Association of Macao" and the "Exporters' Association of Macao" - measures of a technological character aimed at perfecting the quality and presentation of their products, and also at ensuring a better knowledge of the industry, with a view to a more efficient search for new markets and consolidation of the traditional ones.

4. No other special measure has been adopted to facilitate the adjustment of the cotton textile sector, because of unilateral measures introduced by some of the cotton textile importing countries.

II. Changes in the Cotton Textile Industry and Trade over the Period 1960 to 1968

1. In 1968 the first spinning and weaving mill was established, under the name of "Manufacturas Têxteis de Macau, Lda.", on the Island of Taipa. It has fourteen spinning machines, 5,600 spindles and 156 looms.

2. From 1960 to 1968, twenty cotton textile factories - small, medium-sized and large - were established, two of which were weaving and fabric finishing mills, seventeen garment factories, and one a spinning and weaving mill.

3. There are no mill combines.

4. The capital invested in the cotton textile sector, including small, medium-sized and large undertakings, was distributed as follows during the period 1960-1968:

<u>Years</u>	<u>Patacas</u>	<u>Escudos</u>
1960	\$ 838,530.00	Esc 4,192,650.00
1961	\$ 96,000.00	Esc 480,000.00
1962	\$ 189,800.00	Esc 949,000.00
1963	\$ 421,500.00	Esc 2,107,500.00
1964	\$ 666,000.00	Esc 3,330,000.00
1965	\$ 200,000.00	Esc 1,000,000.00
1966	-	-
1967	-	-
1968	\$6,405,000.00	Esc 30,423,750.00
Totals:	\$8,216,830.00	Esc 42,482,900.00

5. Of the above amount, the sum of Esc 5,877,887 was invested in establishing new industrial undertakings and Esc 2,938,943 in improvements and modernization and in the replacement of equipment.

6. The above-mentioned capital was distributed among the following sectors of the cotton textile industry:

Spinning	\$4,000,000.00
Weaving	\$2,752,100.00
Garment manufacture	\$2,064,750.00

7. The labour employed in the twenty cotton textile plants opened during the period 1960-1968 was as follows:

<u>Years</u>	<u>Number of workers</u>
1960	225
1961	30
1962	149
1963	397
1964	544
1965	57
1966	-
1967	-
1968	<u>346</u>
Total:	2,248

Of this number, 560 were men and 1,688 were women.

8. The cotton textile industry is not concentrated in a limited number of regions but is distributed throughout the Province of Macao.

9. During the years 1965 to 1967, there was a fall in employment in the sector, which was not however accompanied by an increase in general unemployment.

10. The spinning section of the "Manufacturas Téxteis de Macau, Lda" spinning and weaving mill consumes about 158.5 tons of raw cotton per month, the output being about 9,277 tons per annum.

11. The Province does not have a carpet industry, or any other, using cotton yarn for manufacturing textile goods, the total yarn production being absorbed by the weaving industry.

13. As we have already said, production of cotton yarn is about 9,277 tons per annum, while that of fabric is 7,612,372 yards per annum.

14. All the cotton yarn consumed is used for fabrics for the manufacture of wearing apparel.
15. The tables appended show import and export figures for the articles mentioned in this paragraph for the period 1960-1968 (see Tables A and B).
16. In 1970, when the spinning and weaving industry will enter its second phase, which will include the addition of eighteen new spinning machines with 8,800 spindles and forty-four looms, a consumption of 32,132,568 lb. of yarn and 8,352,000 yards of fabric is expected.
17. In 1970, the number of spinning machines is expected to be thirty-two, with 14,400 spindles, plus 200 looms.
18. The labour force for 1970 is expected to be about 3,000.

TABLE A

IMPORTS

	Quantity in tons								
	1960	1961	1962	1963	1964	1965	1966	1967	1968
Cotton yarn	91	176	178	222	246	318	305	324	376
Raw cotton fabrics	-	62	71	2,268	876	2,241	1,608	1,468	2,462
Garments	31	72	198	285*	324*	519*	288	181	278
Miscellaneous cotton textiles	-	-	-	-	-	-	-	-	-

Thousands of patacas

	1960	1961	1962	1963	1964	1965	1966	1967	1968
Cotton yarn	364	691	888	1,111	1,229	1,530	1,524	1,611	1,880
Raw cotton fabrics	-	311	714	20,329	7,037	19,269	14,891	14,668	24,580
Garments	185	435	1,388	2,778*	7,270*	11,464*	5,646	3,888	5,265
Miscellaneous cotton textiles	-	-	-	-	-	-	-	-	-

* Garments not specified.

TABLE B

EXPORTS

	Quantity in tons									
	1960	1961	1962	1963	1964	1965	1966	1967	1968	
Cotton yarns	-	2	-	-	-	18	34	44	31	
Raw cotton fabrics	-	-	-	30	36	-	-	-	-	
Garments	457*	539*	552*	1,280*	3,011*	2,102	1,311	1,771	1,258	
Miscellaneous cotton textiles	2	6	167	-	-	-	-	-	-	
Bed, table and toilet napery, etc.	-	-	-	428*	431*	558	550	461	418	

Thousands of patacas

	1960	1961	1962	1963	1964	1965	1966	1967	1968
Cotton yarns	-	10	-	-	-	159	299	347	242
Raw cotton fabrics	-	-	-	224 *	234 *	-	-	-	-
Garments	10,166 *	13,586 *	16,137 *	30,042 *	38,908 *	26,032	18,158	23,732	16,229
Miscellaneous cotton textiles	9	39	4,490	-	-	-	-	-	-
Bed, table and toilet napery, etc.	-	-	-	8,948 *	7,322 *	6,830	9,089	11,787	13,465

* Garments not specified.