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Textiles Committee

Sub-Committee on Adjustment

DRAFT

REPORT OF THE SUB-COMMITTEE ON ADJUSTMENT

Introduction

1. The Sub-Committee on Adjustment established under Paragraph 15 of the 1981 Protocol extending the Arrangement Regarding International Trade in Textiles has held three meetings, the first on 4 July 1982, the second on 28 November 1983, and the third on 5 October 1984.
2. The Sub-Committee noted that two questionnaires (GATT/AIR/UNNUMBERED A AND B) were sent to participating members of the Arrangement in January 1983 to seek up-to-date information relating to production and trade in textiles as required under Article 10:2 as well as adjustment measures taken, or policies adopted, relevant to Article 1:4. In response to these questionnaires, twenty-nine participants submitted information to the secretariat.¹ The original submissions thus received are contained in COM.TEX/32 and Addenda. Up to now, no information has been received from Bangladesh, Czechoslovakia, El Salvador, Guatemala, Haiti, Jamaica, the Philippines and Sri Lanka.²
3. Based on COM.TEX/32 and statistical information on production and trade available in the secretariat, a summary on a country-by-country basis was prepared by the secretariat in October 1983. This summary is contained in COM.TEX/33.

¹Argentina, Austria, Brazil, Canada, Colombia, Egypt, the EEC and Member States, Finland, Hong Kong, Hungary, India, Indonesia, Israel, Japan, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Poland, Romania, Singapore, Sweden, Switzerland, Thailand, Turkey, the United States and Yugoslavia.

²The information pertaining to this Report refers to membership of the MFA as of 31 December 1982.

4. During its second meeting held on 28 November 1983, the Sub-Committee, in examining documents COM.TEX/32 and COM.TEX/33, noted that a number of participants had still not responded to the questionnaires. There were also, at that time, certain gaps in the information made available. The Sub-Committee was of the view that in order to report adequately to the Textiles Committee in accordance with its terms of reference, it was necessary to fill certain gaps in the available information and to provide a fuller picture of developments under the relevant headings of the two questionnaires. Along with its Technical Sub-Group, the Sub-Committee decided to continue its efforts with the objective of securing and analysing such information in time for a complete and comprehensive report to be presented to the Textiles Committee in October 1984, for the purpose of the Major Review of the Arrangement.

5. The Technical Sub-Group of the Sub-Committee on Adjustment subsequently met informally on 16 December 1983 and agreed to address to participating countries questions seeking further information or clarification of certain aspects of their submissions. In response to these questions, a number of countries submitted further information in the early part of 1984. These responses, together with the information contained in COM.TEX/33, were incorporated in a revised summary in COM.TEX/33/Rev.1 which was circulated on 13 June 1984.

6. The Technical Sub-Group examined COM.TEX/32 and COM.TEX/33/Rev.1 and drew up a synopsis of the material contained therein in the form of a "Summary of Findings", annexed to this report.

7. The present report is based on the information contained in COM.TEX/32 and addenda and supplements, and COM.TEX/33/Rev.1. It covers chiefly the period 1978 to 1982 as most of the information submitted by participants pertained to that period. The Sub-Committee has noted that though there are still gaps in the information, the data contained in the above documents represent all that governments have made available at the present time. It has also noted that the information submitted by the exporting countries does not lend itself to assessing trends for this group of countries as a whole.

8. The Sub-Committee has carried out its examination of adjustment policies and measures in the context of the objectives of Article 1:4, taking into account relevant information on changes in production, employment, investment and trade in both importing and exporting countries, as well as available material on market access and the evolution of restrictions since the coming into force of the MFA. Since most of the data available are only up to 1982, the observations below do not take account of the developments that might have taken place in 1983 or afterwards.

Changes in production, employment, investment, etc.

9. For most importing members, production in the textiles and clothing industries was generally lower in 1978 compared to 1973, but it increased in 1979 followed by steady declines up to 1982. In both sectors, the fall in production in a single year was considerable between 1981 to 1982. For exporting members the production of textiles and clothing was generally higher in 1978 compared to 1973. The higher production levels continued in most countries between 1979 and 1981. In 1982, however, production in many exporting countries declined, especially in the textiles sector.

10. Employment in textiles and clothing industries closely mirrored the trends in production in importing member countries. In the textiles sector, the decline was modest from 1978 to 1980, but fell sharply from 1980 to 1982. In the clothing sector, the declines were in general more evenly distributed between 1978 and 1982. In contrast to importing members, many exporting members experienced increases in employment in one or both sectors from 1978 to 1980. However, substantial employment declines occurred in the textiles sector for some exporting members in 1981.

11. The changing pattern of international and domestic competitiveness of some importing countries had led to some changes in the industrial structure. There appeared to have been two divergent trends. The trend towards amalgamations, sometimes aided by public policy support programmes, and the drive towards smaller production units, principally for reasons of differentiating product strategies, emerged as the two most common forms of change.

12. Both importing and exporting members experienced a reduction in the number of establishments in the textiles and clothing sectors from 1978 to 1982. For importing members the declines were higher in the clothing sector, while for exporting members the declines occurred mainly in the textiles sector.

13. Capacity utilization declined in most of the importing member countries from the mid-1970's to the early 1980's. A similar picture emerged for exporting members, but with some significant inter-country differences. The decline in capacity utilization was reported to be the result of, inter alia, over-investment in previous years and reduced orders.

14. Investment among importing members varied both in magnitude and in terms of changes in trends. The level of investment for most members increased from 1978 to 1980 but declined quite substantially in 1981 due to a number of factors, among these could be a high level of capital stock or the uncertainty created by the re-negotiation of the MFA towards the end of that year. The amount invested was in most cases much higher in the textiles sector than in the clothing sector, given the capital-intensive nature of the textiles sector. In exporting countries there were increases in investment in both sectors from 1978 to 1981, with a few exceptions.

15. Almost all importing members had reported some forms of productivity improvements in both sectors during the 1970's and early 1980's, chiefly because of improvements in technology and efficient production processes. The productivity growth in the textiles sector was invariably higher than in the clothing sector, as textiles technology has been more susceptible to rationalization than clothing technology. For exporting members, productivity gains during the same period were higher in the clothing sector in comparison with the textiles sector. In conditions of stagnant demand, increase in productivity affected employment and capacity utilization.

Trade¹

16. For importing members, a notable pattern of their trade was the consistent negative balance in the clothing sector, in contrast to the smaller but positive balance in textiles trade from 1973 to 1982. The export-import ratio for importing members improved slightly from 1981 to 1982 in the textiles sector in comparison with the period 1978 to 1980. For the clothing sector, the export-import ratio remained virtually unchanged between 1973 and 1982. The share of importing members in total MFA gross trade, which stood at 74 per cent in 1973 (84 per cent if intra-EEC trade was included) declined slightly to 70 per cent in 1982 (80 per cent if intra-EEC trade was included).

17. For exporting members, both their textiles and clothing sectors showed a positive trade balance between 1973 and 1981, and the favourable balance in clothing was several times higher than that of textiles. The export-import ratio for textiles and clothing however had been declining steadily from 1978, suggesting that exports had been a declining multiple of imports for the past few years.

18. The direction of trade of importing members provided further indications of developments in textiles trade from 1973 to 1982. Imports of both textiles and clothing from developing members showed a small growth from 1973 to 1978, but from 1978 to 1982, the shares of imports from these countries remained unchanged. While imports from other developed member countries declined between 1973 and 1982, those from non-MFA members increased. The increase was more substantial in clothing than in textiles. Exports of both textiles and clothing continued to go predominantly to the developed markets, although a significant development was the increasing importance of non-MFA members as markets for the developed members.

¹Since trade figures in this report are given in US dollars, the movement of changes in trade in value terms is affected by changes in the value of the dollar.

19. For exporting members, imports of both textiles and clothing from developed members during 1973 to 1981 declined substantially; instead they imported more and more from other developing members and non-MFA members. For exports of textiles, the developed members remained the most important market throughout 1973 to 1981, but their share was declining. However, clothing exports predominantly went to the developed members whose share in 1981 was about the same as in 1973.

Industry response to market forces

20. Industry's response to the changing international and domestic market environment took various forms in developed countries but the main effort was directed towards increasing their competitiveness through product specialization and cost-reduction schemes either domestically or through outward processing arrangements. In the exporting countries, export promotion schemes, some of which were directed towards unrestricted markets, appeared to be a pervasive feature of their response to the changing market conditions. Some had attempted to improve the quality of goods through the use of new technology and industrial training in order to maximise export earnings within the quantitative limits set against their exports. Such developments reflected both the changing character of the competitiveness among the exporting members as well as the restrictions facing them.

Government policies and measures

21. Importing members provided information on a wide range of policies and measures adopted by them relating to adjustment, from which the textiles and clothing industries benefited in varying degrees. Some of these measures were applicable to industry in general, some were adopted in pursuance of regional development programmes or schemes of assistance for smaller firms, while in some countries adjustment policies and measures had been developed specifically in relation to certain sectors or segments of the textiles and clothing industries. In certain countries all of the three kinds of policies or measures co-existed.

22. Government policies varied considerably among importing countries, but the prime objective was reported to be aiding and facilitating a smooth adjustment process. The purpose and types of the measures of assistance to which they were directed are described in paragraphs 69 to 74 of the "Summary of Findings", being assistance to facilitate reconversion, subsidization on employment of labour, schemes for retraining of workers and job mobility, research and development activities to develop new products and processes, export promotion, etc. Some forms of assistance were restricted to areas where special difficulties existed while some aimed at a consolidation of employment at a certain minimum level. In some countries, emphasis was placed on support for enterprises that were expected to be viable in the long term, on restructuring and avoidance of aid being used for additional capacity. Some stated that adjustment in the textiles and clothing industries had proceeded with a minimum level of government intervention and that very limited assistance was provided. The criteria on the basis of which aid was provided are described in paragraphs 75 to 78 of the "Summary of Findings". In some other countries, government intervention was more substantial and their programmes of assistance affected a greater proportion of firms and workers. Nevertheless, while figures for the degree of financial support provided were supplied by a number of countries, it is difficult to deduce any overall trends.

23. Exporting members also provided some information on their government policies and measures which basically aimed at improvements in production facilities and export promotion, and which were conceived as part of the broad development plans for their economies. Some stated that no government support was provided to the textiles and clothing industries while a few reported that measures to limit further expansion of the industries were implemented.

Evolution of restrictions, adjustment and market access

24. From information on the evolution of restrictions the Sub-Committee noted that all developed members, with the exception of Japan and Switzerland, applied restrictions under the MFA on imports from a number of developing countries. The Sub-Committee also noted that restraints under the MFA have, since its inception, been applied almost exclusively to products from developing countries.

25. The Sub-Committee also noted that since 1977, the application of the MFA had become more restrictive in that there had been an expansion in the product coverage as well as the number of developing countries subject to restraints. Furthermore, there had been an increasing number of unilateral measures taken by importing members. In bilateral agreements, there were more cases of growth rates and flexibility provisions at levels lower than those set out in Annex B, and there had been a few cases of no growth and no flexibility being granted, and agreements concluded with large suppliers were again more restrictive. All these developments led to a reduction in the rate of increase of market access of exports of developing countries in the markets of importing members.

26. The Sub-Committee reiterated that one of the paramount objectives of the MFA is the progressive liberalization and expansion of world trade in textile products through policies and measures in industry and trade that facilitate such a development, while ensuring the orderly and equitable development of textiles trade and the avoidance of disruptive effects on individual markets and individual lines of production. While the MFA provides safeguard measures, it also provides that such measures should not frustrate any process of adjustment required by changes in the pattern of world trade in textile products. Thus Article 1:4 is intended to ensure that the process of autonomous adjustment and changes in market conditions continue to take place, and that consistent with national laws and systems, policies are followed that would encourage changes in production required by changes in the pattern of trade and comparative advantage, thereby permitting increased access to the markets of importing countries for products from developing countries.

27. Paragraphs 81 and 82 in the "Summary of Findings" provide information and assessment made available by a number of governments on the extent to which government policies and measures have encouraged businesses which are less competitive internationally to move into more viable lines of production or into other sectors of the economy. Based on the statements

made, it might be maintained that measures relating to labour retraining and job mobility, or those which have assisted the creation of job opportunities in industries other than textiles and clothing, or those which facilitate reconversion, or which have encouraged research and development to develop new products and processes could be said to be generally in line with the objectives of Article 1:4. At the same time, there appears to be a wide range of measures providing various types of financial support to the textiles industries which generally serve to strengthen the industries and make them more competitive, these measures having been taken against the background of the restraints already applied under the MFA.

28. In the view of the importing countries, it is not possible to assess the impact of various government measures in relation to the specific objectives mentioned in Article 1:4. The exporting countries have, on the other hand, stressed that the growing difficulty of market access under the MFA indicates that the adjustment processes contemplated in Article 1:4 are not taking place. The Sub-Committee believes that the commitments in Article 1:4 constitute an integral element in the balance of rights and obligations established under the MFA and that when actions under the MFA are taken, the requirements of Article 1:4 in relation to the question of market access should be observed.

Recommendations

29. The Sub-Committee agrees that further efforts should be made to expand and update the information available to assess the extent to which the provisions of Article 1:4 are being implemented. The Sub-Committee considers that in order to assist the Textiles Committee in its work, members of the Arrangement should be requested to co-operate fully in keeping the information in COM.TEX/32 as complete and up-to-date as possible. The Sub-Committee also suggests that questionnaires should be sent to participating countries as early as possible and its next report should be submitted to the Textiles Committee by the end of March 1986.

30. The Sub-Committee is of the view that Questionnaires UNNUMBERED A AND B are sufficient for the purposes of seeking information from participating countries. However, for the sake of uniformity in the information to be provided, it is felt that certain clarification and explanation of some questions in the questionnaires would be helpful to the respondents. The Sub-Committee therefore requests its Technical Sub-Group to prepare such an explanatory note in time for the early distribution of the questionnaires.

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INTRODUCTION AND METHODOLOGY

1. The purpose of this Summary of Findings is to present, to the extent possible, a composite illustration of what has happened in the field of adjustment in the textiles and clothing industries in both importing and exporting countries, what changes are taking place in the industries and the situation in international trade, and the policies and measures adopted by governments as well as the industries, in order to assist the Sub-Committee on Adjustment in drawing up its Report to the Textiles Committee in October 1984.
2. This Summary is based on information contained in COM.TEX/33/Rev.1, which in turn is drawn from the following sources:
 - (a) the submissions by participating members contained in COM.TEX/32 and addenda and supplements;
 - (b) data on production, employment, trade, etc. from United Nations Statistical Office tapes, from COM.TEX/W/143 and from the Regular Reporting Scheme of Textiles and Apparel Statistics;
 - (c) information on the evolution of restrictions under the MFA from COM.TEX/21.
3. Information on the evolution of restrictions under the MFA is extracted from COM.TEX/SB/900.
4. It should be noted that in accordance with agreed practice, the information in this Summary is drawn from the above sources only. More recent data from other sources, especially those on production, employment, trade and capacity utilization, etc., might provide a modified picture of developments in the textiles and clothing sectors if they were incorporated.
5. It should also be noted that the information in this Summary relates only to the countries for which information is provided in COM.TEX/33/Rev.1. It thus excludes those member countries of the MFA which have not responded to the request for information in the Secretariat questionnaires.
6. It has to be recalled that GATT/AIR/UNNUMBERED A was sent to importing members seeking information on measures taken, or policies adopted, relevant to Article 1:4 of the MFA, while GATT/AIR/UNNUMBERED B was sent to all participating members, both importing and exporting, seeking information relevant to Article 10:2 of the MFA. Information pertaining to importing members is therefore more detailed than that relating to exporting members.
7. As the questionnaires are constructed in such a way that respondents are free to answer certain questions in a rather flexible manner (e.g. the questionnaires do not specify the period for which information on production, productivity, investments, etc. should be provided; nor do they require that such information be provided in a specific format), the information received is not uniform enough in some areas to permit any synthesis.

8. Information is also insufficient in a number of other areas. These relate, inter alia, to changes in industrial structures and profits, description of how government programmes have been operating; the number of plants and number of workers affected by government measures; measures to deal with problems arising from closure of plants; and information showing the extent to which government measures have encouraged businesses which are less competitive internationally to move to more viable lines of production or to other sectors of the economy.

9. The format of this Summary follows as closely as possible the sequence of the questions contained in the Questionnaires UNNUMBERED A and B. Section I presents the changes in the structure and activities of the industry on production, employment, investment, etc. with statistical tables whenever possible. Section II deals with international trade. Section III and IV respectively describe the efforts made by the private industry and governments facing changes in the market forces. The last section briefly records the evolution of restrictions under the MFA as well as other information to describe market access.

10. For the purposes of Tables 11 and 12 on the direction of imports and exports of textiles and clothing, member countries of the Arrangement have been grouped according to membership as at December 1982 in the following manner:

- (a) Developed members: Austria, Canada, the EEC, Finland, Japan, Sweden, Switzerland and the United States.
- (b) Developing members: Argentina, Bangladesh, Brazil, Colombia, Egypt, El Salvador, Guatemala, Haiti, Hong Kong, India, Indonesia, Israel, Jamaica, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, the Philippines, Romania, Singapore, Sri Lanka, Thailand, Turkey, Uruguay and Yugoslavia.
- (c) Eastern Trading Area Members: Czechoslovakia, Hungary and Poland.

I. STATUS OF THE INDUSTRY

A. Production

11. Table 1 shows the production indices for textiles in both importing and exporting members from 1978 to 1982, using 1973 as base.

12. For all importing members, with the exception of Canada and Finland, the indices in 1978 were lower than 100. There was a fairly significant increase in the indices for most members in 1979 compared with 1978, with Canada and Finland again doing better than the others. Austria, Japan and Switzerland maintained about the same level of production during the period 1978 to 1982. Sweden recorded the most severe drop over the period, but Canada had a sharp drop of 21 points in one single year (1982 over 1981). The indices of the EEC and the United States probably reflected the general trend of production of all importing members. Only Finland managed a production increase during the period 1978 to 1982.

13. In exporting countries, the production indices for textiles in 1978 were generally higher than in 1973 except for Argentina, Pakistan and Singapore. Steady increases were recorded for most countries in 1979 and 1980, although production in Colombia, Hong Kong, Israel and Peru started to decline in 1980. As in importing members, the production indices fell in most exporting countries from 1981 to 1982 with the exception of Korea, Pakistan and Romania. The decreases which occurred in Argentina, Hong Kong, Poland and Singapore were particularly notable.

14. Table 2 shows the production indices for clothing.

15. For importing members, the production indices for clothing followed more or less the same pattern as for textiles. It is noteworthy that in 1978, the indices for four members were higher than those in 1973. For the period 1978 to 1982, the United States had the greatest decline in the production index, followed by Canada, the EEC and Sweden. Finland and Japan maintained about the same level of production in 1982 as in 1978. The production index for Switzerland remained at a steady level until 1982 when there was a drop of 5 points compared with 1981. Only Austria produced more in 1982 than in 1978.

16. As in the case of textiles, the indices for clothing of most exporting members in 1978 were much higher than in 1973 with the exception of Colombia and India. These increases generally continued into 1979, 1980 and 1981, although Korea registered small declines in 1979 and 1980, while Singapore recorded significant drops from 1980 onwards. From 1978 to 1981, significant increases were recorded in respect of Korea, Romania and Yugoslavia.

Table 1
Production of Textiles

	1973=100				
	1978	1979	1980	1981	1982
<u>Importing members:</u>					
Austria	87	91	95	94	86
Canada	102	110	106	113	92
EEC	93	98	95	90	86
Finland	101	110	113	111	109
Japan	92	93	92	91	90
Sweden	76	76	71	66	63
Switzerland	94	97	98	97	94
United States	96	101	97	95	87
<u>Exporting members:</u>					
Argentina ¹	88	98	83	66	-
Brazil ²	111	117	126	117	122
Colombia ³	106	102	98	101	-
Hong Kong ³	111	118	108	94	84
Hungary	110	109	113	115	112
India	106	106	111	112	99
Indonesia ²	111	118	122	132	125
Israel	116	120	112	-	-
Korea ⁴	213	238	262	293	299
Malaysia ⁴	187	186	191	195	-
Mexico ⁵	113	121	118	123	-
Pakistan ⁵	79	87	96	100	114
Peru	106	113	107	-	-
Poland	146	144	143	124	111
Romania	169	183	200	213	-
Singapore	93	91	95	85	63
Yugoslavia	126	133	140	145	140

¹ Includes footwear and clothing

² 1975=100

³ Textiles spinning and weaving

⁴ Includes clothing

⁵ Cotton yarn

Source: COM.TEX/W/143

Table 2
Production of Clothing

	1973=100				
	1978	1979	1980	1981	1982
<u>Importing members:</u>					
Austria	92	101	105	102	100
Canada	106	110	106	108	93
EEC ¹	95	99	95	88	84
Finland	104	115	116	118	103
Japan	93	91	86	85	91
Sweden	52	52	51	46	41
Switzerland	105	100	105	103	98
United States	114	115	108	103	93
<u>Exporting members:</u>					
Brazil ²	113	118	125	124	128
Colombia ³	95	100	106	108	-
Hong Kong ⁴	139	146	152	167	155
India ⁵	79	82	76	93	84
Israel ¹	118	118	122	-	-
Korea ³	330	319	325	408	397
Mexico ³	125	135	134	139	-
Peru	106	113	107	-	-
Romania	175	190	207	219	-
Singapore	103	108	103	98	95
Yugoslavia ⁶	124	137	146	152	151

¹ Includes made-ups

² 1975=100

³ Includes footwear

⁴ Quantum index of clothing exports

⁵ Includes made-ups and footwear

⁶ Finished textile products

Source: COM.TEX/W/143 except Hong Kong

B. Employment

17. Tables 3 and 4 contain employment indices in the textiles and clothing sectors of both importing and exporting members. They cover the period 1978 to 1982, using 1973 as base.

18. In the textiles sector of the importing members, there was a general trend of decline from 1978 to 1982. On an individual country basis, the greatest decline in the employment index over the period 1978 to 1982 was found in the EEC, followed by Sweden and the United States. Canada had the largest fall in employment in 1982 when the index decreased by 14 points compared with 1981.

19. There was no clear-cut trend in the employment index of exporting countries from 1978 to 1982. While most countries experienced some increases between 1978 and 1980, the trend was reversed for most members from 1980 onwards. Care has to be exercised in interpreting the indices for 1981 and 1982 because of insufficient data. On an individual country basis, declines in the employment index were found in Hong Kong, Hungary, Poland and Singapore. Indeed the employment indices for all these members in 1978 were lower than those in 1973. Romania had the biggest increase in the index from 1978 to 1982, while India, Korea, Mexico and Yugoslavia showed moderate increases. It is noteworthy that in 1979, Korea's employment index was almost double that for 1973.

20. Table 4 shows that the indices for the clothing industries of the importing members also declined from 1978 to 1982. On an individual country basis, Canada recorded the biggest drop in the index. Both the EEC and Sweden started off in 1978 with indices lower than for most other importing members, and both recorded a large decline in their employment indices from 1978 to 1982. The drop in the United States and Switzerland was also quite substantial. Only Japan maintained about the same level of employment throughout the period 1973 to 1982.

21. In the absence of sufficient data on exporting members, it is not possible to discern a general trend for employment in their clothing sectors, particularly for 1981 and 1982. Table 4, however, shows that large increases were found in the indices for Hong Kong and Yugoslavia, and small declines for Hungary and Singapore. The index for Korea in 1978 was double that of 1973, but it declined slowly from 1978 to 1980 and it is not possible to say if this trend continued in 1981 and 1982. Poland had a large decline from 1981 to 1982.

C. Changes in industrial structures

22. Questionnaire A seeks information on changes in industrial structures in relation to amalgamation, horizontal and vertical integration, new plants and closures. Information received under this subject is rather scanty except in the case of one or two importing members.

23. Canada made a general statement saying that virtually all sub-sectors of the textiles and clothing industries had been affected by plant closures, lay-offs and work-sharing in 1982. In the EEC, 3,100 textiles plants, or 24 per cent of the total, closed between 1974 and 1979. In the clothing sector, the number of closures was 1,625 or 15 per cent of the number of clothing establishments. It is not possible to indicate to what extent the reduction in the total number of plants was a result of amalgamation or re-organization within companies. These figures also represent the balance between closures and the opening of new plants. In general, however, it was believed that the number of new plants was small. There has been little change in the average number of employees per plant in the EEC between 1975 and 1979. In textiles establishments, the average number of employees has fallen from 150 in 1975 to 141 in 1979; in clothing, it declined from 105 in 1975 to 102 in 1979. In the Federal Republic of Germany, the rationalization efforts of the textiles and clothing industries seemed to have left unchanged the number of firms. In the clothing sector of Ireland, some major firms have restructured into smaller units, often rationalizing product ranges to concentrate in specific segments of the market. In Italy, the textiles and clothing industries have over the last few years become a complex of 120,000 firms, including artisanal and intermediate units employing only 3 or 4 people. It is interesting to compare this figure with the number of establishments employing 20 or more persons which was about 4,500 in 1982 (see Table 5). In the United Kingdom, 1,200 textiles and clothing establishments closed between 1979 and 1982. In 1978, the Government of Sweden took over three major and some smaller companies and merged them into one company. In 1981, 12 units in the textiles sector and 18 units in the clothing sector closed down. In the same year there were five amalgamations. In the first half of 1982 there were four amalgamations, but the number of close-downs is not available. The United States has reported that there have not been any dramatic changes in horizontal and vertical integration, nor has there been great shifts in production operations, while stating that imports have impacted domestic production.

D. Number of establishments

24. Table 5 shows the number of establishments in the importing members between 1973 and 1982. Data provided are not uniform enough to permit any accurate comparison. The definition of textiles and clothing, usually with respect to the treatment of knitting and made-ups, may differ between countries and may yield different figures. The EEC has provided figures on the number of enterprises, and each enterprise may consist of more than one establishment. Generally speaking, the number of establishments in developed countries declined in both sectors, in particular in the clothing sector.

Table 3
Employment - Textiles

	1973=100				
	1978	1979	1980	1981	1982
<u>Importing members:</u>					
Austria	72	70	70	67	63
Canada ₁	84	86	85	85	71
EEC(9) ¹	78	74	69	65	61
Finland	76	75	78	-	-
Japan	68	65	63	61	60
Sweden	79	77	77	71	63
Switzerland	76	73	72	70	67
United States	91	90	86	84	77
<u>Exporting members:</u>					
Argentina	104	-	-	-	-
Colombia	105	-	-	-	-
Egypt ²	111	111	112	-	-
Hong Kong	78	80	78	75	69
Hungary	91	87	85	82	80
India ³	110	114	115	118	116
Korea	181	195	181	-	-
Macao	-	125	-	-	-
Malaysia ⁴	150	160	-	-	-
Mexico ⁴	103	106	109	111	108
Poland	99	97	95	93	92
Romania	120	124	129	135	-
Singapore	69	72	69	56	-
Yugoslavia	114	118	119	124	-

¹ Employment in enterprises employing 20 or more persons

² Employment in the public sector

³ Employment in cotton mills

⁴ Incomplete coverage

Source: COM.TEX/W/143

Table 4
Employment - Clothing

	1973=100				
	1978	1979	1980	1981	1982
<u>Importing members:</u>					
Austria	82	83	83	80	76
Canada	95	95	90	92	79
EEC(9) ^{1,2}	77	76	73	67	63
Finland	90	97	100	-	-
Japan	105	108	105	103	104
Sweden	65	57	55	53	51
Switzerland	72	67	65	61	59
United States	91	90	87	86	80
<u>Exporting members:</u>					
Colombia	121	-	-	-	-
Hong Kong	143	152	160	161	158
Hungary ²	97	95	99	96	92
Korea	202	201	191	-	-
Malaysia	150	163	-	-	-
Poland	100	98	97	98	91
Romania	120	123	128	127	-
Singapore	139	140	130	133	-
Yugoslavia	123	132	135	139	-

¹Employment in enterprises employing 20 or more persons

²Includes made-ups

Source: COM.TEX/W/143

25. Most exporting members have provided the most recent data on the number of establishments without providing information in the form of a time series. Comparison is impossible in such cases. Table 6 contains information pertaining to only a limited number of exporting members. Hong Kong, Macao and Singapore appeared to be facing declines in the number of textiles establishments but increases in clothing establishments.

E. Capacity utilization

26. There has not been sufficient data on this subject to permit the compilation of a statistical table. Questionnaire B has not specifically asked for such data but some exporting members have submitted some information on this subject.

27. All importing countries, with the exception of Japan which provided such data, have reported a declining trend in capacity utilization in both sectors. Canada has reported that capacity utilization in the textiles sector rose slightly from 91.5 per cent in 1980 to 91.9 per cent in 1981, but dropped drastically to 75.1 per cent in the first quarter of 1982. The clothing sector managed to utilize its production capacity at the lower rates of 84.1 per cent in 1980, 78.0 per cent in 1981 and 68.0 per cent in 1982. Ireland has reported a general decline in capacity utilization through temporary closure of firms and production lines and through the increased introduction of short-time working. The United Kingdom has provided some general information on reduced capacity utilization. Japan has reported decreases in capacity utilization in October 1983 when compared with the rates in December 1982 in respect of sectors in cotton-type spinning, woollen-type spinning and the towels industry, but increases in respect of sectors in linen fabrics, silk and rayon fabrics and woollen fabrics. In the United States, the capacity utilization rates in the textiles mills fell from 84.3 per cent in 1980 to 80.1 per cent in 1981, then to 71.6 per cent in 1982. The number of textiles machines in use, such as knit fabric machines, broadwoven fabric looms and cotton system spindles, also declined from 1980 to 1982.

28. Of the exporting members, Argentina has reported that utilization of installed capacity has been declining since the early 1970s due to an abnormally high level of stocks and shrinking demand. Capacity utilization declined from 90 per cent in 1973 to 67 per cent in 1981 in the textiles sector and from 85 per cent to 63 per cent in the clothing and footwear sector during the same period. In Brazil, the textiles sector showed a considerably high rate of idleness. Only 46.5 per cent of the establishments were working full time while 41.9 per cent were operating one shift. In Hong Kong, utilization of both spindles and loom was over 90 per cent in 1979, 1980 and 1981. In 1982, this declined to 77 per cent for spindles and 89 per cent for looms. It has been estimated that during 1982/83 in Indonesia, capacity utilization in the spinning sector was 80 per cent; in the weaving and knitting sectors 84 per cent; and in the garments sector

104 per cent. In Pakistan, the number of mills operating in 1981/82 represented only 75 per cent of the number of mills installed. In 1977/78, this percentage was 80. The utilization rates for the spindles and looms installed were even lower. For spindles, the rates were 72 per cent in 1977/78 and 69 per cent in 1981/82. For looms, the rates were 59 per cent in 1977/78 and 52 per cent in 1981/82. The cotton textiles industry in Peru was producing at 70 per cent, and the wool industry at 50 per cent, of their installed capacity in 1982. In Yugoslavia, capacity utilization in the manufacture of yarns and fabrics increased from 78 per cent in 1976 to 85 per cent in 1981; the increase for the manufacture of finished textile products was from 79 per cent to 84 per cent for the same period.

Table 5
Number of Establishments

Importing members								Number
		1973	1975	1978	1979	1980	1981	1982
Austria	Textiles	710		587	578	565	537	517
	Clothing	670		526	510	513	505	493
Canada	Textiles						1,031	1,020
	Clothing						2,323	2,069
EEC ^{1/}	Textiles			10,428	10,141			
	Clothing			9,369	9,193			
Belgium	Textiles			576	543	528 ^{2/}	499 ^{2/}	
	Clothing			545	514	490 ^{2/}	444 ^{2/}	
Denmark	Textiles			163	161	155	148	
	Clothing			186	185	170	143	
Germany, F.R.	Textiles			1,712	1,676	1,620		
	Clothing			2,193	2,143	2,104		
France	Textiles			1,938	1,917	1,916		
	Clothing			1,967	2,019	1,984		
Greece	Textiles ^{3/}	293 ^{4/}		459	444	424		
	Clothing ^{3/}	120 ^{4/}		247	259	273		
Ireland	Textiles			134	124			
	Clothing			164	162			
Italy	Textiles			3,161	3,113	3,061	3,030	2,988
	Clothing			1,573	1,544	1,514	1,473	1,489
Netherlands	Textiles			228	204			
	Clothing			258	240			
United Kingdom	Textiles	2,408		2,057	1,959	1,820		
	Clothing	2,647		2,236	2,127	2,077		
Finland	Textiles		298			307		286
	Clothing		438			437		461
Japan ^{5/}	Textiles and clothing		157,381		150,826	147,968	149,618	
Sweden	Textiles						323	308
	Clothing						349	310
Switzerland	Textiles	727 ^{6/}			521	501	492	
	Clothing	1,225 ^{6/}			773	740	711	
United States	Textiles					6,302	6,168	
	Clothing					22,067	21,890	

^{1/} Enterprises employing 20 or more persons

^{2/} Estimates

^{3/} Includes footwear

^{4/} Figures in 1974

^{5/} Includes firms with 1-3 employees

^{6/} Figures in 1970

Source: COM.TEX/32

Table 6
Number of Establishments

Exporting members		Number				
		1975	1977	1980	1981	1982
Hong Kong	Textiles	3,411		3,580	3,523	3,229
	Clothing	6,554		9,219	10,196	9,843
Macao	Textiles			282	123	
	Clothing			280	371	
Mexico	Textiles and clothing			2,425	2,495	2,220
Pakistan	Textiles ¹		168		210	
Poland	Textiles	2,125				1,761
	Clothing	4,460				4,097
Singapore	Textiles			99	94	91
	Clothing			374	374	392
Yugoslavia	Textiles and clothing		1,146	1,247	1,275	

¹ Number of mills

Source: COM.TEX/32

F. Investments

29. Investments in the textiles and clothing industries during 1978 to 1982 varied among the importing members as shown in Table 7. Comparisons between countries are not valid as most of the data are in different currency units. Moreover, comparisons over time for the same country are difficult to make because the data are in current prices unadjusted for the effects of inflation. In general, the level of investments in the textiles sector was several times higher than the level of investments in the clothing sector, and investments in both sectors started to increase (in nominal terms) in 1979, continued to increase in 1980 and then dropped in 1981. The situations of Canada, most EEC member States and the United States more or less fitted into this general description. Investment in Austria, Finland, the Federal Republic of Germany and Italy increased each year from 1978, while investments in Japan and Sweden fluctuated from year to year.

30. In Table 7(a), the investment figures in different national currencies are converted into US dollars at the prevailing exchange rates according to the International Financial Statistics published by the IMF. The table shows that the conversion of these figures into the US currency has altered the investment performance of several countries in such a way that increases in a certain year in terms of national currencies have become decreases in terms of US dollars. This effect is particularly notable in 1981 in respect of Austria and Japan in 1980 and 1981, and Italy in 1981.

31. Table 8 shows that investments in the textiles and clothing industries varied greatly in exporting countries. In Brazil, the investment level measured by imports of textiles machinery started to rise in 1978, peaked in 1980 and declined sharply in 1981 and 1982. Steady increases were found in the levels of investments in Colombia, Hong Kong, Indonesia, Mexico and Yugoslavia, while declines in the levels of investments were found in Israel, Poland and Romania. In Egypt, there was a high level of investment in 1982 compared to 1978 and 1979. The same phenomenon was found in Macao. In Turkey, investments in 1980 were double that of 1979 and the level continued to increase in 1981.

32. Table 8(a) gives the levels of investments in exporting countries in US dollars. It shows that the levels of investments for many exporting members have been affected by the exchange rates of their national currencies vis-a-vis the US dollar as in the case of some developed members described in paragraph 30 above. The effect has been particularly serious in respect of Israel, Mexico and Poland in 1982, and Turkey and Yugoslavia in 1981.

G. Productivity

33. Improvements in productivity have been reported by almost all importing members and a few exporting members, but the different means of reporting productivity growth has not enabled the compilation of a statistical table.

34. Canada has reported that a number of technological developments and innovations helped the textiles and clothing industry to improve its productivity between 1977 and 1981. The annual growth rate of productivity in the textiles sector was 2.0 per cent, in the clothing sector 1.4 per cent and in the knitting sector 4.1 per cent. The EEC has reported that the average output per worker increased by 38 per cent between 1973 and 1981 in the textiles sector, an average annual increase of 4.1 per cent. In the clothing sector, the corresponding figures were 33 per cent for the same period with an average annual increase of 3.6 per cent. In the Federal Republic of Germany, productivity in terms of output per man hour rose by 24.1 per cent in the textiles sector and by 8.0 per cent in the clothing sector between 1976-1982. The productivity index presented by the United Kingdom shows that for textiles, productivity increased from 100 in 1975 to 106 in 1979, it dropped to 102 in 1980 but picked up quickly to 116 in 1982. For clothing, the productivity index increased steadily from 93 in 1973 to 126 in 1982. Finland recorded a high rate of productivity increase of 6.1 per cent in 1981 and 8.2 per cent in 1982 in its textile sector, and 10.7 per cent in its clothing sector in 1981. Japan also reported an increase of 34 per cent in productivity between 1975 and 1981, but attributed the increase to the decrease in the number of workers rather than to technological innovation. Sweden seems to be the only importing member which has reported a rather stagnant trend in productivity between 1979 and 1982. In Switzerland, technical progress resulted in an unprecedented increase in productivity, where according to estimates, the use of advanced machines at the end of the seventies reduced working time by three-quarters for yarn production, and by about one-half for fabric manufacture. Productivity in the Swiss clothing industry increased at an annual rate of about 6.5 per cent between 1968 and 1980. The United States has estimated that productivity grew by compound growth rates of 3.5 per cent in its textiles sector and 2.7 per cent in its apparel sector between 1970 and 1981.

35. Only a few exporting members have provided information on productivity. In the textiles sector of Argentina, productivity fluctuated but a yearly increase in output per worker from 1973 to 1982 was discernible. In the clothing sector, however, it was estimated that productivity declined in 1980 to 1982. According to a sampled survey, a high rate of productivity gain of 32 per cent was registered in the textiles industry of Brazil in 1979; this growth was sustained in 1980. Measured by gross output per worker, the value produced by each worker in the clothing sector of Hong Kong increased by 41 per cent from 1979 to 1981. In the textiles sector, however, this value declined by 27 per cent during the same period. In Hungary, the index of gross production value per worker in the textiles industry increased by 2 per cent in 1982 over 1980 and in the clothing industry by 3.8 per cent. Poland reported some productivity decline during 1980 and 1981 but some improvements in 1982 as a result of the introduction of new technology and the modernization of production facilities. In Yugoslavia, the labour productivity index (using 1981 as base) for the manufacture of yarns and fabrics increased from 82 in 1976 to 100 in 1981 and declined to 95 in 1982. For the manufacture of finished textile products, the index followed more or less the same pattern as the one for yarns and fabrics.

Table 7
Investment - Importing Members

		1978	1979	1980	1981	1982
Austria (S million)	Textiles and clothing	1,142	1,245	1,304	1,402	
Canada (Can\$ million)	Textiles Clothing	76.5 15.1	83.7 14.3	105.0 18.1	101.4 16.1	88.1 11.6
EEC(9) ¹ (ECU million)	Textiles Clothing	1,605.9 402.9	1,934.7 455.0			
Belgium	Textiles Clothing	94.8 18.5	100.3 16.8	124.1 21.7	111.7 13.9	
Denmark	Textiles Clothing	15.0 7.7	18.2 7.2	20.3 5.8	18.1 7.5	
Germany, F.R.G	Textiles Clothing	424.2 125.4	509.5 133.1	512.2 111.0		
France	Textiles Clothing	249.8 74.0	316.6 85.2	356.4 86.3	303.6 74.4	
Ireland	Textiles Clothing	50.1 6.6	118.7 7.0			
Italy	Textiles Clothing	403.9 67.8	470.6 78.6	572.7 99.4	603.8 102.1	
Netherlands	Textiles Clothing	50.2 17.9	55.6 19.0	59.3 13.7	46.6 9.9	
United Kingdom	Textiles Clothing	317.7 85.1	343.3 108.1	307.2 105.1		
Finland (1975=100)	Textiles and clothing	94	97	115	117	123
Japan ² (¥ million)	Textiles and clothing		105,659	102,182	108,752	
Sweden (SKr million)	Textiles Clothing			306 52	275 51	333 70
United States (US\$ billion)	Textiles			1.62	1.56	1.33

¹ Investment in enterprises employing 20 or more persons. Figures for all EEC member States are in million ECU.

² Firms with a capital of 100 million Yen or more

Source: COM.TEX/32

Table 7(a)

Investment - Importing Members

		Million US\$ ¹				
		1978	1979	1980	1981	1982
Austria	Textiles and clothing	85.4	100.2	94.4	88.3	
Canada	Textiles Clothing	64.5 12.7	71.7 12.2	87.9 15.2	85.5 13.6	71.7 9.4
EEC(9) ²	Textiles Clothing	2,045.9 513.5	2,787.7 655.9			
Belgium	Textiles Clothing	120.8 23.6	145.3 24.2	162.2 28.4	121.2 15.1	
Denmark	Textiles Clothing	19.11 9.8	26.2 10.4	26.5 7.6	19.6 8.1	
Germany, F.R.	Textiles Clothing	540.5 159.8	734.7 191.9	670.8 145.4		
France	Textiles Clothing	318.3 94.3	456.5 122.9	466.7 113.0	329.5 80.7	
Ireland	Textiles Clothing	63.8 8.4	171.2 10.1			
Italy	Textiles Clothing	514.6 86.4	678.6 113.3	750.0 130.2	655.2 110.8	
Netherlands	Textiles Clothing	64.0 22.8	80.2 27.4	77.7 17.9	50.6 10.7	
United Kingdom	Textiles Clothing	404.8 108.4	495.0 155.7	402.3 137.6		
Japan ³	Textiles and clothing		440.8	503.4	494.6	
Sweden	Textiles Clothing			70.0 11.9	49.4 9.2	45.7 9.6
United States	Textiles			1,620	1,560	1,330

¹ Conversion to US\$ based on the International Financial Statistics average yearly rates.

² Investment in enterprises employing 20 or more persons.

³ Firms with a capital of 100 million Yen or more.

Source: COM.TEX/32

Table 8
Investment - Selected Exporting Members

		1978	1979	1980	1981	1982
Brazil ¹ (US\$ million)	Textiles and clothing	128	153	184	122	92
Colombia (US\$ million)	Textiles Clothing	63 9	57 10	62 17		
Egypt (LE million)	Textiles and clothing	307	353			786
Hong Kong (HK\$ million)	Textiles Clothing		656 620	765 774	420 1,125	
Indonesia (Rp billion)	Textiles and clothing	396	486	602		
Israel (million shekels)	Clothing				466	325
Macao (million P)	Textiles and clothing	30	14	13	12	39
Mexico (Mex\$ million)	Textiles and clothing	41,226	50,603	62,491	75,000	103,404
Poland (Zl million)	Textiles Clothing			11,549 2,437	8,727 2,354	7,248 2,207
Romania ² (million lei)	Textiles Clothing	3,496 393	3,460 322	4,279 275	3,497 246	
Turkey (LT million)	Textiles and clothing	10,138	11,121	27,464	39,323	
Yugoslavia (Din million)	Textiles and clothing	6,470		7,732	8,438	

¹ Refers to imports of textiles machinery

² At 1977 constant prices except for 1981

Source: COM.TEX/32

Table 8(a)

Investments - Selected Exporting Members

		Million US\$ ¹				
		1978	1979	1980	1981	1982
Brazil ²	Textiles and clothing	128	153	184	122	92
Colombia	Textiles Clothing	63 9	57 10	62 17		
Egypt	Textiles and clothing	784.6	504.3			1,122.9
Hong Kong ³	Textiles Clothing		130.9 123.8	153.6 155.4	74.9 200.5	
Indonesia	Textiles and clothing	633.6	775.1	960.5		
Israel	Clothing				29.9	9.7
Macao ⁴	Textiles and clothing	5.2	2.5	2.2	2.1	6.7
Mexico	Textiles and clothing	1,814.2	2,219.1	2,687.1	2,859.4	1,071.8
Poland ⁵	Textiles Clothing			3,786.6 799.0	2,605.1 702.7	85.6 26.1
Romania ⁶	Textiles Clothing	149.7 16.8	148.2 13.8	183.3 11.8	197.7 13.9	
Turkey	Textiles and clothing	401.5	314.6	304.7	294.3	
Yugoslavia	Textiles and clothing	347.6		263.9	201.8	

¹ Conversion to US\$ based on the International Financial Statistics average yearly rates.

² Refers to imports of textile machinery.

³ Conversion to US\$ based on the Annual Eurostat table rates.

⁴ Conversion to US\$ based on the December 1981 average rate of the statistical Yearbook of Macao.

⁵ Rate of conversion from UN Economic Commission for Europe.

⁶ Conversion to US\$ based on the International Financial statistics 1977 average annual rate except for 1981.

Source: COM.TEX/32

H. Profits

36. Very few respondents to Questionnaire A have provided information on profits. Of those who did, some gave only general descriptions on the profits situation without indications of its magnitude.

37. Greece is the only respondent which has provided full information on the subject. Defined as net income over fixed assets, the profitability of the Greek textiles sector was 8.6 per cent in 1974. It dropped gradually in 1976 and 1977 to reach the ebb of 1.6 per cent in 1978 and then picked up again to 2.7 per cent in 1979 and 4.1 per cent in 1980. Profits for the clothing and footwear sector followed about the same pattern but the profitability was much higher than in the textiles sector. In 1974 it was 15.3 per cent, it then gradually dropped to 12.1 per cent in 1978 and picked up again in the following two years to reach 13.0 per cent in 1980. The Netherlands and the United Kingdom reported reduced profitability in their textiles and clothing industries without giving any indication of the magnitude of the reductions. Sweden submitted that 30 per cent of the employees in the textiles and clothing sectors were working in unprofitable plants. The United States reported that profits in its textiles industry during the first three-quarters of 1982 as a percentage of sales was 1.6 per cent, and of equity, 5.3 per cent. These were down from 2.6 per cent and 10.4 per cent respectively during the corresponding period in 1981.

II. TRADE

38. Table 9 presents a general picture of gross trade in MFA textiles and clothing in 1973, 1978 and 1981 for countries covered by this exercise except Romania and Poland for which statistics are incomplete. It shows that gross trade in dollar terms, unadjusted for inflation, increased by 88 per cent in 1978 over 1973, and by 41 per cent in 1981 over 1978. Exporting members (see footnote in Table 9 for country coverage) achieved a 99 per cent and 54 per cent growth respectively during the periods under comparison while the growth for importing members was 85 per cent and 36 per cent respectively. There was a gradual increase in the share of exporting members in this trade. In 1973, their share was 26 per cent. It increased to 27 per cent in 1978 and to 30 per cent in 1981.¹

A. Imports, exports and balance of trade

39. Table 10 shows the position of imports, exports and balance of trade, separating textiles from clothing, for both importing and selected exporting members.

(a) Importing members

40. A general pattern of trade for importing members is that they imported more clothing than textiles and exported more textiles than clothing.

41. During the period 1973 to 1980, imports of textiles in dollar terms increased steadily, then declined in 1981 and further declined in 1982. Exports of textiles followed virtually the same pattern as imports, but the decline in exports in 1982 was twice as big as the decline in imports in percentage terms. This led to a deterioration in 1982 of the positive balance in textiles trade, which had been increasing rather impressively from 1979 to 1981. In clothing, the trade balance of importing countries was consistently negative. While the level of exports grew steadily from 1973 to 1980, it remained stagnant in 1981 and dropped in 1982. Imports, on the other hand, increased year after year during the entire period, but the rates of increase were very low in both 1981 and 1982.

(b) Selected exporting members

42. For exporting members, the general pattern of trade is the reverse. They imported more textiles than clothing and exported more clothing than textiles. Imports of textiles rose steadily from 1973 to 1981, even when the figures for Mexico were excluded for 1980 and 1981, and figures for India and Peru were excluded for 1981. Exports of textiles increased from 1973 to 1980, and dropped slightly in 1981. As a result of this, the positive balance, which rose steadily from 1973 to 1980, declined substantially in 1981. It has to be noted, however, that the 1981 figure excludes Mexico, India and Peru. The inclusion of the export performance of these countries, in particular India, would give different results for the trade balance of that particular year. In the clothing sector, exports of exporting members grew significantly year after year between 1973 to 1981, outstripping imports by a wide margin. The result was a healthy trade balance for the exporting members in their clothing trade.

¹If EEC intra trade is included in the calculation, the share of exporting members becomes approximately 16 per cent in 1973, 17 per cent in 1978 and 20 per cent in 1981.

Table 9
Gross Trade¹ in MFA Textiles and Clothing

	Million US\$				
	1973	1978	1978/1973 % change	1981	1981/1978 % change
Importing and exporting members ^{2,3}	34,582	65,224	+88	91,695	+41
Importing members ³	25,729 (74%)	47,609 (73%)	+85	64,634 (70%)	+36
Exporting members ⁴	8,853 (26%)	17,651 (27%)	+99	27,061 (30%)	+54

¹ Defined as imports plus exports

² Comprising importing members: Austria, Canada, the EEC, Finland, Japan, Sweden, Switzerland and the USA; and exporting members: Argentina, Brazil, Colombia, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Singapore, Thailand, Turkey and Yugoslavia.

³ Not including EEC intra trade

⁴ Not including India, Mexico and Peru for 1981

Source: UN Trade Data Tapes

Table 10
Trade in MFA Textiles and Clothing
Importing Members¹

	Million US\$					
	1973	1978	1979	1980	1981	1982
<u>Textiles:</u>						
Imports	7,396	12,103	15,433	16,464	15,052	14,141
Exports	9,596	15,095	17,754	20,563	20,485	18,077
Balance	2,200	2,992	2,321	4,099	5,433	3,936
<u>Clothing:</u>						
Imports	6,008	14,862	18,338	20,823	21,289	21,432
Exports	2,729	5,549	6,618	7,809	7,808	7,219
Balance	-3,279	-9,313	-11,720	-13,014	-13,481	-14,213

Selected Exporting Members²

	Million US\$				
	1973	1978	1979	1980 ³	1981 ⁴
<u>Textiles:</u>					
Imports	2,694	4,270	5,353	6,289	7,023
Exports	2,844	5,353	6,648	7,639	7,379
Balance	150	1,083	1,295	1,350	351
<u>Clothing:</u>					
Imports	308	604	758	1,135	1,516
Exports	3,007	7,388	8,833	10,128	11,138
Balance	2,699	6,784	8,075	8,994	9,622

¹ Not including EEC intra trade

² Comprising Argentina, Brazil, Colombia, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Singapore, Thailand, Turkey and Yugoslavia

³ Not including Mexico

⁴ Not including India, Mexico and Peru

Source: UN Trade Data Tapes

B. Direction of trade

43. Tables 11 and 12 show the shares of selected country groupings in total imports and exports of textiles and clothing for importing members and selected exporting members respectively. The definitions for the selected country groupings are contained in paragraph 10.

(a) Importing members

44. For textiles, the share of imports from developed members declined from 59 per cent in 1973 to 52 per cent in 1982, while that from developing members grew from 21 per cent to 26 per cent during the same period. The share from Eastern Trading Area members remained constant at about 2 per cent. The share from non-MFA members increased from 18 per cent in 1973 to 20 per cent in 1979, and has since remained unchanged.

45. Exports of textiles were directed substantially to other developed members, being 45 per cent of the total in 1973. The share gradually declined to 40 per cent in 1982, when non-MFA members became an equally important market for textiles from importing members. Exports to developing MFA members remained rather stable at about 17 per cent during the whole period, while exports to ETA members dropped from 4 per cent in 1973 to 2 per cent in 1982.

46. For clothing, the share of imports coming from developing members, rose from 47 per cent in 1973 to 52 per cent in 1982. The share of developed members declined from 30 per cent to 20 per cent. This enabled the non-MFA members to become the second most important supplier of clothing in 1982 with a share of 25 per cent. The share of imports from ETA members dropped from 4 per cent to 2 per cent between 1973 and 1982.

47. Clothing exports went predominantly to other developed members, though their share dropped from 65 per cent in 1973 to 58 per cent in 1982. The second most important market has been the non-MFA members, whose share stood at 33 per cent in 1982. About 7 per cent and 1 per cent of clothing exports were directed to the developing members and ETA members respectively.

(b) Selected exporting members

48. For textiles, the share of imports from developed members declined quite substantially from 54 per cent in 1973 to 40 per cent in 1981. The share lost by the developed members has been taken up mainly by non-MFA members, whose share rose from 25 per cent in 1973 to 35 per cent in 1981; and to a smaller extent by developing members, whose share stood at 25 per cent in 1981. The share of imports from ETA members did not exceed 1 per cent throughout the period.

49. Exports of textiles to developed members also declined substantially. While they sent half of their textiles exports to the developed markets in 1973, only 38 per cent were sent to such markets in 1981. Instead, they sold more and more textiles to each other. The share of exports to developing

Table 11
Direction of Trade - Developed Members¹
Shares of Selected Country Groupings in Total Imports
and Exports of Textiles and Clothing

TEXTILES		1973	1978	1979	1980	1981	1982
IMPORTS FROM	Developed members ²	59	55	53	54	53	52
	Developing members	21	24	24	24	25	26
	ETA members	3	2	2	2	2	2
	Non-MFA members	18	19	20	20	20	20
EXPORTS TO	Developed members	45	43	45	41	38	40
	Developing members	18	17	17	16	17	17
	ETA members	4	4	3	3	2	2
	Non-MFA members	33	36	35	40	42	41
CLOTHING							
IMPORTS FROM	Developed members	30	25	24	24	21	20
	Developing members	47	52	51	50	53	52
	ETA members	4	4	4	3	3	2
	Non-MFA members	19	19	21	22	23	25
EXPORTS TO	Developed members	65	62	64	61	55	58
	Developing members	8	7	7	8	8	7
	ETA members	2	1	1	1	1	1
	Non-MFA members	24	28	27	30	25	33

¹Not including EEC intra trade

²The term "members" relates to MFA III membership as at December 1982.

Source: UN Trade Data Tapes

Table 12

Direction of Trade - Selected Exporting Members¹

Shares of Selected Country Groupings in Total Imports and Exports of Textiles and Clothing

TEXTILES		1973	1978	1979	1980 ²	1981 ³
IMPORTS FROM	Developed members ⁴	54	48	45	43	40
	Developing members	21	22	23	25	25
	ETA members	0	1	1	1	0
	Non-MFA members	25	30	32	32	35
EXPORTS TO	Developed members	50	46	49	45	38
	Developing members	20	20	20	22	27
	ETA members	2	2	2	2	2
	Non-MFA members	28	33	30	31	33
CLOTHING						
IMPORTS FROM	Developed members	41	30	35	27	22
	Developing members	16	29	24	24	24
	ETA members	3	2	2	2	1
	Non-MFA members	41	39	40	48	53
EXPORTS TO	Developed members	83	84	84	82	82
	Developing members	1	2	3	3	3
	ETA members	1	0	1	1	0
	Non-MFA members	15	14	13	15	16

¹Comprises Argentina, Brazil, Colombia, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Singapore and Thailand.

²Not including Mexico

³Not including India, Mexico and Peru

⁴The term "members" relates to MFA III membership as at December 1982.

members increased from 20 per cent in 1973 to 27 per cent in 1981. A steady increase of exports to non-MFA members was also recorded; their share rising from 28 per cent in 1973 to 33 per cent in 1981. Exports to ETA members remained at 2 per cent throughout the period.

50. The share of imports of clothing from developed members was reduced by almost one half between 1973 and 1981, from 41 per cent to 22 per cent. The most important supplier had always been the non-MFA members, whose share rose from 41 per cent to 53 per cent. The share of developing members increased from 16 per cent in 1973 to 29 per cent in 1978, then it fell to 24 per cent in 1979 and remained unchanged between 1979 and 1981. Imports from ETA members were small.

51. The great majority of clothing exports were directed to the markets of developed members; their share fluctuating between 81 per cent and 84 per cent during the period 1973 to 1981. The second most important market was the non-MFA members, whose share stood at 16 per cent in 1981. Exports to developing members and ETA members were small.

III. INDUSTRY RESPONSE TO MARKET FORCES

A. Importing members

52. The reports presented by importing members indicate that their industries responded to change in market conditions and to increases in market competition in a number of ways. The most popular means was for industries to broaden their product mix, to improve the quality and style of products, to lower production cost, to conduct training programmes for workers and management, and to develop new sales outlets, notably export markets.

53. The trend towards concentration on readily saleable products by exploiting the advantages of mass production has been reported by the United States and the Federal Republic of Germany to be declining. Industries in these two countries have been attempting to satisfy the exacting requirements of consumer and industrial demand through the use of modern technology and greater flexibility. In Switzerland, the domestic industry has undergone a process of concentration and specialization towards the production of high quality yarns and fabrics, industrial textiles and luxury clothing, by producing rationally smaller quantities and by shortening deliveries to meet specific demands. Rationalization of production has also been reported by Italy, whose clothing industry in particular has become increasingly professional and creative, revealing greater flexibility and a flair for style. In the United Kingdom, the cotton and allied textiles sector has withdrawn from many areas where it has been unable to compete with imports and it is concentrating on higher quality fashion fabrics. The wool textiles sector has also been affected by fashion changes away from formal suits and overcoats. Canada and the Netherlands, have reported that their industries have been vacating the low-end markets.

54. Almost all importing countries have reported a greater use of modern technology as a way to improve productivity and efficiency. Specifically, the use of micro-electronics by garment and knitwear manufacturers has been reported by the United Kingdom. In Japan, efforts are made to improve competitiveness in aspects other than price, through the accumulation of know-how and development of workers' capabilities. Special efforts in research and development succeeded in the development of new uses of polyethylene and polypropylene, and the use of man-made fibres as building materials.

55. In order to reduce the cost of production, efforts and are reported to have been made in the Netherlands to make use of cheaper imported raw materials and to move some labour-intensive production processes to countries with lower wage costs. The outward processing arrangement has been reported to be widely in use by some EEC member States, notably the Federal Republic of Germany, Italy and the Netherlands. In March 1982, the Community had harmonized the conditions within the EEC under which the carrying out of outward processing of textile products in third countries should take place through the adoption of a Council Regulation. Outward processing trade is also very important in Sweden. Production units established abroad by Swedish clothing companies have added about 25 per cent to the domestic production of clothing.

56. In Canada, larger companies have conducted extensive in-house training programmes for employees. Industry associations in conjunction with machinery suppliers, colleges and universities also offer programmes in textiles technology. In the United Kingdom, employer-organizations run voluntary and self-financing industrial training programmes for man-made fibres, cotton and allied textiles, wool, jute, flax and knitting industries.

57. Developing new sales outlets, in particular export markets, has been reported to be one of the important responses by industry. Canada, the Federal Republic of Germany, Switzerland and the United States have reported that their industries have become more and more outward-looking and export oriented in recent years.

B. Exporting members

58. Efforts made by the industries in exporting countries to cope with the changing market conditions are principally geared towards export promotion, modernization of the production facilities to improve quality and efficiency, and industrial training.

59. While many exporting countries have reported the efforts made by their industries to promote exports, only Brazil and Singapore have provided specific information on industry-sponsored programmes for export promotion.

60. In response to growing demand for high quality goods in most foreign markets, the textiles and, more particularly, clothing industries, in exporting countries have gradually moved up-market to produce higher-quality, higher-priced goods. Modernization of the production facilities has been regarded as an important means to improve the quality of the products and the industry's competitive position. Hong Kong, Israel, Korea, Peru and Singapore all emphasize the trend of a steady up-grading of their products through the introduction of new technology and equipment. The use of computers, automatic sewing, packaging and embroidery machines have been reported by Hong Kong.

61. The introduction of new technology and up-to-date production facilities has to be matched by a skilled and knowledgeable workforce. Industry sponsored training programmes tailored to specific needs of the industry have been reported by Israel and Singapore.

62. Many exporting countries have submitted that quantitative restrictions maintained in most importing markets have severely limited their ability to export and thus the marketing strategies of enterprises. In Korea, efforts are being made to develop markets in non-quota areas either through direct exports of textiles and clothing or through exports of plants. Poland has reported an intensification of co-operation with foreign companies on the basis of outward-processing arrangements. In Hungary, however, the importance of outward processing turnover is showing a decreasing tendency.

IV. GOVERNMENT POLICIES AND MEASURES

A. Importing members

(a) Policies

63. The most common objectives of interventions by governments in importing countries are stated to be to assist the industry to strengthen, to revitalize, to facilitate the adjustment processes, and to alleviate social hardships by allowing adjustment in the labour force to take place in a socially acceptable manner. Some countries have reported that their programmes of assistance are specific in scope and application. Austria, for example, limits its assistance principally to rural frontier regions where special difficulties exist. The textile plan of Belgium aims at a consolidation of employment in the textiles and clothing industry at a certain minimum level. The policy of Japan has been directed almost exclusively to small and medium-sized companies. In the United States, general programmes are designed in such a way that normally only smaller firms will benefit from them. Most importing countries would appear to have policies which do not favour special measures of protection on a permanent basis. Hence their programmes of assistance are usually time-bound, although quite often they are extended or replaced by new ones upon expiry.

64. Several countries have reported that structural adjustment in the textiles and clothing industry has proceeded with a minimum level of government intervention. Denmark, the Federal Republic of Germany, Finland and Switzerland have reported that they offer limited facilities to provide a general framework as conducive as possible to the development of the private economy, and leave the basic task of adjustment to private initiative and the market forces. The Federal Republic of Germany has added that its refusal to introduce any sectoral aid programme meets with the full support of the textiles and clothing industry.

(b) Scope of measures

65. One distinction between the policies of various importing countries is that some provide assistance specifically to the textiles and clothing industry, while others include their programme for textiles and clothing in the overall programmes for all industries. Canada, Belgium, Greece, Japan, the Netherlands and Sweden reported that they had pursued specific programmes designed for adjustment in the textiles and clothing industry, such as "textile plans", "five-year plans", "policy plans", etc, others have stated that, apart from adjustment assistance measures available to the manufacturing industry in general, they had not taken any measures relating specifically to the textiles and clothing industry. Ireland and Switzerland reported that they maintained both general and specific programmes. The United States reported that it maintained only general programmes.

66. Some assistance programmes are aimed at specific regions of a country, or at a certain sector of an industry, or even at a certain type of firm.

67. Regional assistance programmes aim at redressing the economic imbalance of regions where dependence on textiles and clothing is heavy. A typical regional assistance programme comprises financial assistance and support for employment and labour training, as well as projects to develop new products and processes and industrial promotion with emphasis on attracting new industries and services. As mentioned above, Austria provides aids specially to the rural frontier regions. The majority of the funds in the Canadian Business and Industrial Development Programme goes to the communities in Quebec and Ontario. Ireland has a special programme for the Shannon area. The regional industrial policy of the United Kingdom provides assistance only to six regions with persistent high unemployment and structural weaknesses. In Finland, it is reported that regional measures are applied to development areas.

68. Sector/firm assistance programmes are those designed to assist specific sectors or a specific category of enterprises in the textiles and clothing industry. As mentioned earlier, Japan's Government measures are rather exclusively directed towards small- and medium-sized firms, and besides, emphasis is placed on the clothing industry. Sweden has a special programme of support for the rationalization within the clothing industry. General information on sector/firm assistance has also been submitted by Canada, Belgium, Italy and the United Kingdom.

(c) Types of measures

69. The types of measures adopted by the governments of importing members can be grouped into the following five broad categories (see table 13 for the types of measures employed by various importing members). They relate to both general and specific measures.

(i) General forms of financial assistance

70. The most popular forms of financial assistance reported by importing countries are grants and loans for investment purposes, or for rehabilitation, modernization, or reconversion of existing equipment. Other forms of financial assistance include interest rebates, provisions for accelerated depreciation allowance, investment reserves, the fiscal treatment of undistributed profits, special tax measures, guaranteed loans and discounted bills of exchange at favourable rates. Table 13 shows that with the exception of Denmark, Finland and Switzerland, all the importing members have reported various forms of financial assistance to their textiles and clothing industries.

(ii) Labour assistance

71. Employment has always been an issue of public interest in the textiles and clothing industry. All importing countries except Finland have reported that assistance is provided to their labour force in the forms of either wage subsidies, training of or facilities to displaced workers to find new employment opportunities. Wage subsidies may take the form of direct subsidies, early retirement benefits, unemployment allowances, grants to companies employing workers above a certain age, relief from social security contributions, and re-imburement for short-time working. While wage subsidies are generally considered to be costly and ineffective in solving a long-term problem, many importing countries have recently pursued a labour policy emphasising vocational training and re-training of workers. Agencies responsible for the re-training of workers, education grants, co-operation schemes between industry and educational institutions have been established in many countries. Many countries are also actively assisting redundant or unemployed workers in the textiles and clothing industries to find new employment opportunities. Laws and regulations have been introduced to encourage labour mobility, settlement and relocation.

(iii) Research and development

72. The inclusion of research and development programmes has been reported by almost all importing countries in their assistance measures employed. These measures aim at the promotion of research and development projects and the use of more advanced technology to develop new products and processes. Sometimes they involve technical aids in the form of subsidized testing facilities and consultancy, improvement of access to data-banks, or merging of projects between industry and research institutes. The main beneficiaries have been smaller firms which are often unable to carry out adequate research and development on the desired scale without outside assistance.

(vi) Support for export promotion

73. Support for export promotion in the form of assistance in market analysis, marketing planning, fashion displays, trade shows, overseas sales missions, foreign buyers' programmes and other promotional activities have been reported by Austria, Belgium, Finland, Sweden, Switzerland and the United States.

Table 13
Types of Government Measures Employed by Importing Members of the MFA

	General forms of financial assistance	Labour assistance	R & D	Support for Export promotion	Special measures	Regional assistance	Project/firm assistance
Austria	X	X	X	X		X	
Canada	X	X	X			X	X
EEC	X	X	X			X	
Belgium	X	X	X	X			X
Denmark		X			X		
Germany, F.R.	X	X	X				
France	X	X					
Greece *							
Ireland	X	X	X		X		
Italy	X	X	X				X
Netherlands	X	X					
United Kingdom	X	X	X			X	X
Finland			X	X			
Japan	X	X	X				X
Sweden	X	X	X	X	X		X
Switzerland		X	X	X			
United States	X	X	X	X			X

* Information not available

Source: COM.TEX/32

(v) Special measures

74. These measures are so classified because they do not fit in well with the other types of measures. They include the acquisition of shares in the capital of individual firms and the takeover of firms by government as reported by Ireland and Sweden respectively, as well as measures aiming at specific goals like the assistance programmes for environmental investments and for energy-saving investments reported by Denmark, and the measures aiming at ensuring security of supply reported by Sweden.

(d) Conditions to qualify for assistance

75. Many importing countries have referred to rules and regulations governing the granting of assistance.

76. There are guidelines administered by the EEC Commission in reviewing proposals by member States to assist the textiles and clothing industries. The objective of the Commission is to limit state intervention to the necessary minimum for an orderly adjustment to market conditions. It is more restrictive concerning aids for capital investment, and is more favourably disposed to aids which foster joint action for the development of research or the improvement of the knowledge of economic conditions. The Commission has in the past few years enjoined several member States not to implement certain aid proposals, while in other cases, member States amended their assistance programmes to make them compatible with Community rules at the request of the Commission.

77. Apart from the regulations administered by the Commission, some member States have also reported certain measures aiming at a gradual reduction of assistance or at the granting of assistance on a more selective basis. In the Netherlands, a policy plan has been drawn up to restrict support for industrial activities whose longer term viability is called into question. In France, assistance by government is determined on the basis of the commercial and industrial viability of firms, and those which cannot hope to survive are encouraged to re-orientate their activities or to shut down. Under the regional policy of the United Kingdom, important areas have lost their status as assisted areas, some training programmes have been taken over by private organization, and a greater element of self-financing are expected from firms receiving government assistance.

78. In Austria, government aids do not apply to the enlargement of capacity. In Finland, the Government has not in recent years taken over any individual firm in economic difficulties. In order to qualify for assistance, a Japanese firm must normally undertake a disposal programme of surplus facilities or a structural re-organization programme including the establishment of facilities for the development of new products or new technology. In the United States, the Trade Act of 1974 spells out very specifically that for a firm to become eligible for assistance or for workers to become eligible for benefits, it must be shown that a significant number of workers have become totally or partially separated, that sales or production have declined absolutely, and that the above two phenomena have been caused by directly competitive imports.

(e) Degree of assistance

79. There has not been enough uniform information on the amount of funds spent by governments on the assistance programmes, or the number of firms and number of workers benefiting from such programmes, to accurately gauge the degree of assistance afforded to industries in various countries or trends in the volume of such assistance. No figure is available for the total amount of assistance provided to the textiles and clothing industries in each country since the programmes tend to overlap.

80. Austria has indicated that only a very limited number of enterprises are receiving assistance. In 1981, Canada allocated more than Can\$250 million (US\$208.5 million) over five years for a new programme. From the inception of the programme to the end of October 1983, 257 applications have been approved under the Sector Firm Programme, and 7 communities have been receiving assistance under the Business and Industrial Development Programme. It was anticipated that the portion of funds allocated to the Labour Adjustment Programme would be able to cover the vast majority of workers displaced as a result of industrial adjustment. The EEC has reported that assistance provided to textiles and clothing sectors constitutes only a small percentage of total assistance provided to industry and regions. Under the quota section of the European Regional Development Fund, approximately 24 million ECU (US\$28 million) has gone to projects within the textiles and clothing industries between 1975 and 1982. As regards aids to textiles and clothing regions, approximately one billion ECU (US\$1.16 billion) has been provided in the same period to 3,470 investment projects in regions of the Community where the textiles and clothing industries are important employers. Under the quota-free section of the European Regional Development Fund, a proposal to allocate to regions hit by the decline of employment in the textiles and clothing industries an amount of 270 million ECU (US\$261 million) over a period of five years is under consideration¹. In 1982, 25.2 million ECU (US\$23.4 million) of loans was extended to the textiles sectors (including leather) by the European Investment Bank. Some of these loans benefit from a 3 per cent interest subsidy. For the EEC member States, Belgium has reported that the overall package for its textile plan in 1982 amounted to BF 6.8 billion (US\$149 million), and it was reduced to BF 4 billion (US\$78.2 million) in 1983. In the Federal Republic of Germany, DM 30.3 million (US\$16.7 million) in investment subsidies and DM 30.3 million (US\$16.7 million) in low-interest loans have been extended to the industry in 1980, and some DM 21 million (US\$9.2 million) in subsidies for research and development has been spent in 1981. In France, approximately half of the industry has been benefiting from an exceptional temporary measure providing relief from social security contributions in 1982. In Ireland, 139 firms were receiving IDA aids amounting to £Ir16.5 million (US\$34 million) in 1980. This amount of aid was reduced to £Ir12 million (US\$29.4 million) in 1981. At the end of 1981, outstanding loans amounting to £Ir3.7 million (US\$6 million) were owed by 25 firms. From 1970 to 1981, £Ir4.4 million (US\$7 million) were spent on industrial training. In Italy, Lit 119,400 billion (US\$135 million) in concessionary bank loans have been granted to 32 projects in the textiles and clothing sectors. In the United Kingdom, over a period of 4 years starting from April 1979, approximately £310 million (US\$657.7 million) were spent on various measures applicable to the textiles and clothing industry. Within

¹It is expected that most of this amount will help diversification out of textiles and clothing.

this, about 11 per cent and 9 per cent of the workers in the textiles and clothing sectors respectively have been receiving assistance. Incentives of a general character applicable to the textiles, clothing and leather industries amounting to Fmk 60 million (US\$13.9 million) were available in Finland in 1981. About 550 enterprises have benefited from the export promotion incentives and about 150 enterprises have benefited from the financing under the regional policy. In Japan, approximately 20 billion yen (US\$80.3 million) in the form of low-interest loans were extended to small and medium-sized clothing enterprises in 1982 and 99 industrial groups have been approved for assistance under the Law in Extraordinary Measures for the Structural Improvement of the Textiles Industry. In Sweden, SKr 60.5 million (US\$7.9 million) have been proposed for a programme concerning the industry for fiscal year 1983/84. On top of this, SKr 98 million (US\$12.8 million) in the form of loans have been set aside for measures for rationalization and measures aimed at security of supply. It has been reported by Switzerland that textiles and clothing firms have benefited only marginally from a programme established in 1978 which was applicable to all branches of industry with the emphasis placed on sectors other than textiles and clothing. Also in 1978, a credit of approximately Sw F 3 million (US\$1.7 million) was established to support collective publicity abroad by the Swiss textiles and clothing industry. In the United States from April 1975 to September 1982, about 181,800 workers in the textiles and apparel sectors benefited from labour assistance programmes while 589 firms were certified as eligible for trade adjustment assistance. Direct and guaranteed loans to these firms during this period amounted to US\$91.7 million. Apart from loans, US\$26 million were spent on technical assistance between 1978 and 1982. Of this total, US\$12.6 million were spent on industry-wide projects.

(f) Evaluation of government measures

81. Questionnaire A seeks information showing the extent to which government policies and measures have: (a) encouraged businesses which are less competitive internationally to (i) move progressively into more viable lines of production, (ii) into other sectors of the economy, and (iii) improve viability of current lines of production; and (b) contributed to develop textile and clothing industries adopted into international patterns of trade and comparative advantage.

82. Most importing members have not responded directly to this question by giving information showing the extent to which government policies and measures have influenced the structural adjustment processes of the industries. Nevertheless, some general statements have been made on this subject. The EEC has submitted that it is not possible to measure the impact of various government policies and measures on any one sector or indeed on the economy of a region as a whole. The re-allocation of resources is mainly intended to reduce the disadvantages under which some regions or some sectors of the economy suffer. The amounts involved in these measures are small, and in the case of the textiles and clothing sectors the overall impact appears to be very limited. However, for some individual enterprises, the receipt of

a loan or re-training assistance may be a critical element in a restructuring plan. Any granting of assistance is accompanied by a commitment to improve viability or by a withdrawal from the sector. The Federal Republic of Germany made a general statement saying that the adjustment strategies have enabled its textiles and clothing industries to keep pace with developments in international textiles and clothing trade. The United Kingdom has submitted that the process of adjustment derives from market forces rather than from government measures, and moves to other industrial sectors have taken place autonomously. However, regional measures and other measures of general support have assisted the creation of alternative jobs in industries other than textiles and clothing. Switzerland has submitted that government measures taken have contributed to avoid a deterioration of the existing conditions for the specialization and export orientation process undertaken by the industry itself, and that the effects of such measures are not quantifiable. The United States stated that it does not maintain any programme intended solely to improve the competitiveness of the textiles and apparel industries. Nor does it maintain any policy to develop or encourage alternative industries to the detriment of any other industry. It is therefore not possible to relate government policies to the movement of factors from more sensitive to less sensitive sectors nor is it possible to evaluate textiles and apparel industries goals in terms of government policy.

B. Exporting members

(a) Policies

83. Several exporting members have reported that they do not give special support to the textiles and clothing industry, and that government measures consist mainly of the improvement of structural conditions for industrial development such as transport and communication, electricity and water supply, and the provision of industrial land. On the other hand, information has been provided by many members on their policies and measures to promote the development of industry. It is important to note that the textiles and clothing industries in most developing countries have traditionally been oriented towards the domestic markets. Since the early seventies, however, exports have been taking an increasing part of overall output, and the competitiveness of these exports have greatly improved in the international market. Government efforts to develop the industry, to modernize production facilities and techniques, to improve the quality and style of products and to encourage exports, have played a more and more important rôle in the domestic policies of exporting countries.

(b) Types of measures

84. Information provided by exporting members on the types of measures employed to assist their textiles and clothing industries is even more diverse than that provided by the importing members. It is easier to classify these measures according to their purpose rather than their form. Generally speaking, they can be grouped into: (i) measures to improve production facilities and techniques; (ii) measures to improve quality and style of products; (iii) support for certain types of production, and (iv) export promotion. It has to be borne in mind that certain overlapping does exist in such categorizations.

(i) Measures to improve production facilities and techniques

85. Measures to improve production facilities and techniques exist in many forms. The main purpose of such measures is either to develop or to sustain a balanced growth of the textiles and clothing industries through investment in modern machinery and new production techniques. A great number of exporting members have reported that modernization of the industry has been encouraged through various measures, including special loan schemes to replace old machines, funds and credits for the installation of modernized and automatic facilities, liberalization or tariff reductions on the imports of textile machines and machine parts. Heavy emphasis has been placed on industrial promotion via joint ventures with foreign companies and the setting up of technology production centres to speed up the introduction of foreign technology.

(ii) Measures to improve quality and style of products

86. There is a certain degree of duplication in this category of measures with the one above. Brazil, Egypt and India, have stressed the importance of improvement in product quality in their development plans. Measures taken by these countries included the provision of testing facilities and technical consultants to help develop new products and processes, and the setting up of research and development units. In Korea, a design and fashion centre was set up as part of its development plan to foster the industry and to increase its exports. In Romania, innovative design with a folkloric taste has been encouraged, while taking into account the world fashion trends. Significant efforts to move towards the production of high quality and higher-priced products have been made in Singapore.

(iii) Support for certain types of production

87. Special measures to assist specific sectors, normally due to their weaknesses, or due to their status as "growth" sectors have been reported by several members. The handloom sector of India, for example, has been receiving assistance because it was facing special difficulties. The spinning capacity is being expanded with a view to providing enough yarn at a reasonable price to the handloom sector to meet its demand. In order to meet the domestic demand for synthetic fibres, the Government of Indonesia has planned to build an aromatic plant. Korea has placed emphasis on the diversification and improvement of its dyeing processing industry, while Pakistan administers a price support scheme on cotton buying and provides financial assistance to weak mills.

(iv) Export promotion

88. Export promotion activities and measures have been reported by many exporting members. These take the forms of special export financing programmes, export insurance schemes, compensatory rebates, and special duty benefits for goods manufactured for export. Apart from the above assistances which are of a financial nature, the establishment of free zones or special areas for foreign investment as a means to improve technology and export opportunities have been reported by Egypt and Turkey, the setting up of special export unit has been reported by India, and Indonesia has included textiles and clothing in its counter-purchase programme as a way to promote exports.

(c) Measures to limit further expansion of the industry

89. In contrast to some of the exporting countries which actively promote the development of their textiles and clothing industries, several members have reported that, due to over-capacity in their own industries as well as restrictions in major import markets, they have been trying to limit further expansion of their industry and to diversify resources and investment to sectors other than textiles and clothing. Macao has been doing this by excluding from the distribution of free quotas to new textiles and clothing firms in the first three years of their establishment. In Malaysia, licences for the establishment of new clothing firms are being approved only after a careful and close scrutiny. In view of the industry's over capacity as well as the international recession, the Thai Government in 1982 imposed a ban on the establishment of certain types of textile-related industries such as synthetic fibre spinning, weaving and finishing. The ban is still in force.

V. MARKET ACCESS

(a) Evolution of restrictions under the MFA

90. Since 1974, the MFA has been an important multilateral arrangement governing world trade in textiles and clothing. While it was intended to be a temporary measure to allow time for industries in the developed countries to adjust, it has now been in force for more than a decade, and since 1977 the application of the MFA appears to have become more restrictive. The annual review of the TSB conducted at the end of 1983 may sum up the evolution of restrictions under the MFA. On the basis of notifications reviewed in 1982 and 1983, the Body has concluded that "the overall picture is one of a somewhat more severe implementation of the Arrangement, since the coming into force of the 1981 Protocol of Extension: unilateral measures, under Article 3 have been taken more frequently; a number of new bilateral agreements, with previously unrestrained countries, have been concluded; coverage in terms of products under restraint has increased; there are more cases of growth and flexibility at levels lower than those set out in Annex B, and there are a few cases of no growth or no flexibility being granted; [and] agreements concluded with large suppliers are again more restrictive".¹

¹COM.TEX/SB/900

(b) Other information on market access

91. While many exporting members have stated that the intensification of restrictions under the MFA has limited the market access of their exports, almost all importing members have quoted figures on growth of imports, share of imports and import penetration rates to demonstrate that there has been increased access for the exports of exporting countries during the life span of the MFA.

92. Many exporting members have provided information on tariff reductions or liberalization of imports of textiles and clothing and textile machinery. Tariff reductions have been reported by Argentina, Peru and Turkey. Hungary has recently eliminated import surcharges on textile chemicals, silk and raw cotton. India has liberalized imports of synthetic fibres, filament yarn and textile machines. Korea has liberalized imports of sweaters, overcoats and undergarments in 1982, while Pakistan has exempted the excise duty on cloth and the import duty on textile machines in 1978. Hong Kong, Macao and Singapore have submitted that they have no restrictions on imports of textiles and clothing, foreign investment, expertise and new technology.