

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Textiles Committee

Sub-Committee on Adjustment

INFORMATION RECEIVED BY THE TECHNICAL SUB-GROUP
IN RESPONSE TO THE QUESTIONNAIRES SET OUT IN DOCUMENT
COM.TEX/W/193, DATED 16 MARCH 1987

Additional Information

The following information was received in addition to the original submissions as contained in COM.TEX/54 dated 13 November 1987 from Korea and Switzerland.

KOREA

A. AUTONOMOUS ADJUSTMENT MEASURES

1. Facilities and production

In 1986, there were 4,617,953 spindles operating in spinning facilities, an increase of 2.6 per cent over the previous year. The production of spun yarn reached 1,108,000 M/T an increase of 8.3 per cent over the previous year.

A categorical breakdown of the spinning industry shows that the wool industry's production capacity grew by 6.6 per cent, that of the cotton industry increased by 0.7 per cent, and that of the worsted industry by 9.7 per cent.

Production in the cotton spinning industry increased by 1.8 per cent; the worsted spinning industry by 26.6 per cent; and, the woollen spinning industry by 17.4 per cent. The facilities for chemical fibres increased to 2,484 M/T per day, a growth of 16.2 per cent over the previous year. Production registered 880,313 M/T, an increase of 6.0 per cent over the last year. Compared to 1985, the number of weaving machines decreased by 5.2 per cent, while the number of knitting machines increased by 1.1 per cent.

2. Employment

In 1986, employment in Korea's textiles and clothing industries totalled 770,504 persons, an increase of 6.2 per cent over the previous year.

The number of employees in the textiles and clothing sectors compared to that of the manufacturing sector showed a decrease of 0.6 per cent from the previous year, from 20.7 per cent to 20.1 per cent.

Employment statistics for the textile and clothing industries are expected to register a small increase in 1987. The textile and clothing industries in Korea are still major employers and are expected to continue to draw a large number of workers.

3. Exports and imports

Korea's textile and clothing exports in 1986 totalled US\$8,734 million, 24.7 per cent greater than the previous year.

By item, textile goods and clothing accounted for US\$5,487 million; fabrics US\$2,549 million; and yarn US\$698 million.

By country, exports to the United States grew to US\$2,964 million a 14.0 per cent increase over 1985.

Exports to Japan reached US\$1,332 million, a 37.9 per cent increase and to the EEC, US\$1,359 million, an increase of 50.8 per cent.

Korea's textiles imports in 1986 amounted to US\$1,757 million, an increase of US\$246 million over 1985. Of this amount, imports from the United States accounted for US\$246 million; Japan, US\$508 million; and Australia, US\$169 million. Imports from the United States, Japan and Australia represented 53.7 per cent of total textile imports.

Raw cotton is imported mostly from the United States whereas chemical fibres, yarns and fabrics are largely imported from Japan. Raw wool is mostly imported from Australia.

4. Supply and demand

The total textile supply in 1986 was 1,647,942 M/T, an increase of 11.1 per cent over the previous year. Domestic production supplied 58.0 per cent and 42.0 per cent was imported.

Materially, the supply of natural fibres was 31.6 per cent and that of chemical fibres was 68.4 per cent.

Allowing for losses in the production process, the demand for direct exports was 989,346 M/T, an increase of 92,917 M/T over the last year and domestic demand was 466,865 M/T, an increase of 59,564 M/T.

5. Other information

Increasingly, Korea's textile exports face stronger protectionist barriers from advanced, importing countries.

The textile industry in Korea, is therefore, not expected to show the dynamic growth in the coming years that was characteristic of this sector in the last two decades.

To prevent a premature decline of the industry, the Korean Government and the textile industry is working jointly to enhance competitiveness by accelerating facility modernization.

The Government's modernization efforts may be summarized as follows:

- (a) improvement of productivity through automatization of equipment and greater utilization of mechatronics;
- (b) production of higher quality products from the production of high added value products; the strengthening of the quality competition system; and the promotion of cooperation between different kinds of business in and outside the industry; and
- (c) Broadening of the export market through diversification of products.

SWITZERLANDA. AUTONOMOUS ADJUSTMENT PROCESSES(a) Production, employment, etc.1. Production

1973 = 100

	1978	79	80	81	82	83	84	85	86
Textiles	94	98	98	96	94	94	100	103	106
Clothing	105	100	105	102	95	95	93	91	94
Total manufactures	93	95	99	98	93	93	96	102	106

The share of the textiles sector in total industrial production of Switzerland (excluding building and energy) remained at about 4.3 per cent during the period 1973-1986. The corresponding share for the clothing sector, which reached 2.4 per cent in 1974, continued to dwindle, dropping to 2 per cent in 1980 and 1.7 per cent in 1986.

2. Employment

1973 = 100

	1978	79	80	81	82	83	84	85	86
Textiles	75	72	72	69	68	65	63	63	62
Clothing	73	68	66	62	58	53	49	49	46

From 1973 to 1986, the number of jobs fell by 38 per cent (19,376 persons) in the textiles sector and 54 per cent (24,122 persons) in clothing. Whereas these two sectors each accounted for 7 per cent of total employment in Swiss industry, their shares fell to 5 per cent (textiles) and 3 per cent (clothing), respectively, in 1986.

3. Number of establishments

	1973	78	79	80	81	82	83	84	85	86
Textiles	651	544	521	501	492	469	456	439	432	421
Clothing	976	742	704	675	646	570	529	487	475	456

From 1973 to 1986 the number of establishments in the textiles sector declined by 35 per cent. The average number of employees per enterprise dropped from 78 in 1973 to 75 in 1986. There was virtually no change in the breakdown by number of employees per establishment:

over 500 employees 1 per cent
 from 50 to 500 employees 39 per cent
 less than 50 employees 60 per cent

During the same period, the number of enterprises in the clothing sector fell by 53 per cent. The average number of employees per enterprise, 46 persons, did not change. There was likewise no change in the breakdown by number of employees per enterprise:

over 500 employees 1 per cent
 from 50 to 500 employees 28 per cent
 less than 50 employees 71 per cent

4. Productivity

1973 = 100

	1978	79	80	81	82	83	84	85	86
Textiles	125	136	136	139	138	145	159	163	171
Clothing	140	147	159	165	164	179	190	186	204

Technological progress, as regards both machinery and manufacturing processes, in the textiles and clothing sectors may be considered the main element of the autonomous adjustment process. During the years 1978-1986 productivity thus rose by 36.8 per cent (textiles) and 45.7 per cent (clothing).

(b) Trade trends1. Imports, exports and trade balance

(Sw F millions)

	1973	78	79	80	81	82	83	84	85	86
Textiles:										
- Imports	2,420	2,201	2,488	2,887	2,871	2,796	2,890	3,319	3,644	3,408
- Exports	2,271	2,384	2,583	2,819	3,051	3,089	3,199	3,560	3,904	3,753
- Trade balance	-149	183	95	-67	180	293	310	241	260	345
Clothing:										
- Imports	1,659	1,937	2,205	2,623	2,826	2,932	3,042	3,507	3,739	3,907
- Exports	444	600	625	715	718	690	698	757	832	865
- Trade balance	-1,215	-1,337	-1,580	-1,908	-2,108	-2,242	-2,344	-2,750	-2,907	-3,042

Proportion of production exported

(per cent)

	1973	78	79	80	81	82	83	84	85	86
Textiles	54.1	60.4	62.8	68.5	75.7	78.3	81.1	84.8	90.3	84.4
Clothing	16.3	21.0	22.9	25.0	25.8	26.7	27.0	29.9	33.6	33.8

One of the main features of the textiles trade is that it is increasingly linked with the international market. During the period 1973-1986, the proportion of textiles exported rose from 54.1 per cent to 84.4 per cent (average annual growth rate of 3.0 per cent). For the clothing industry, the proportion of exports also rose from some 16 per cent in 1973 to about 34 per cent in 1986. The high share of exports goes hand-in-hand with considerable penetration of the Swiss market by foreign products. The share of imports in total domestic consumption of textiles rose from 56 per cent in 1973 to 71 per cent in 1986 (average annual growth rate of 1.5 per cent), and in that of clothing from 42 per cent in 1973 to 59 per cent in 1986. This evolution has resulted in

a growing surplus of textiles exports and a growing net surplus of clothing imports, as shown in the above table. All in all, Switzerland's trade balance in the textiles and clothing sector has recorded a deficit since 1973.

(c) Industry reaction to market forces

In Switzerland, market forces and private initiative are essentially responsible for the gradual adaptation of economic structures to the world economic context. The following adjustment processes, all of them the result of initiatives by the branch in question, have been identified:

1. The domestic industry has continued a process of concentration and specialization in the production of high-quality goods, such as high-quality yarns and fabrics, industrial textiles, luxury clothing and high-quality silk products.
2. Swiss industry is striving to increase its efficiency and flexibility in production and marketing, for example by catering for specific types of demand as regards quality, by producing even small quantities rationally, by squeezing delivery dates and so forth.
3. In view of the increasing specialization of Swiss enterprises, their possibilities of co-operation are rather limited.
4. In the course of the last decade, the textiles industry and to a lesser extent the clothing industry have been increasingly export-oriented.

B. GOVERNMENT POLICIES AND MEASURES

(a) Industry in general

Switzerland has continued to follow a policy of non-intervention for the ongoing adjustment of structures to the market.

1. Favourable overall framework

The Federal authorities are pursuing their efforts to create an overall framework and general conditions that are as favourable as possible for the development of the private-sector economy. This objective determines in particular their traditional policy in trade matters, which has led to the negotiation and implementation of ever greater liberalization of domestic trade policies in a multilateral framework.

2. Promotion of research

The encouragement of applied research projects through the carrying out of joint projects by industry and university research institutions, a policy followed since 1978, has brought good results, primarily in the machinery and data processing sectors.

3. Labour market policy

Earlier experience has shown that the best assistance to employees affected by structural adjustment in specific sectors lies not in employment programmes but rather in the provision of sectoral-oriented training programmes. The results achieved in the past, which are well above average, have led the Federal authorities to continue to support training for persons affected by sectoral restructuring.

(b) Textiles and clothing industries in particular

No governmental measure has been taken specifically for the textiles and clothing industries.

C. ACCESS

Switzerland has not had recourse to any provision of the MFA. Under Article 2:1, Switzerland has confirmed that no quantitative restrictions are in force, but that imports of a limited number of items from certain sources are subject to a price surveillance system designed to ensure that products from these sources are not imported at prices more than a fixed margin below those of Swiss products.

D. COUNTRY STATEMENT

Outside the general measures described above, Switzerland has not taken any action designed to hinder the ongoing adjustment process in the textiles and clothing industries. Despite the persistently high level of the Swiss franc against almost all foreign currencies - which has improved the competitive position of imported products on the Swiss market at the expense of domestic production - Switzerland has not had recourse to import restrictions. Consequently, the share of imports in consumption has increased considerably in recent years: whereas private consumption of clothing rose by only 5 per cent from 1973 to 1986, the volume of clothing imports increased by some 136 per cent in that period.

Despite fierce competition from an increasing number of countries exporting to the domestic market, the Swiss textiles and clothing industry, by means of continuing adjustments that often involve heavy sacrifices, nevertheless considers that it can secure its future insofar as its competitors on the world market in turn progressively lay themselves open to competition.