FILE

LPO

C.F. ~~to note~~ agree I think 1/12

10 DOWNING STREET

cc D/T
D/1
IGV

THE PRIME MINISTER

28 November 1980

Dear Mr. [illegible],

Thank you for your letter of 11 November, in which you requested that we look again at the question of a package of financial assistance for the textile industry. You cite the deteriorating situation in the industry and the announcement of aid packages by other Members of the European Community as reasons why we should reconsider the introduction of such a scheme.

First, I must emphasise again that the Government does appreciate the serious difficulties the textile industry is experiencing at present, as indeed are a number of other industries. It is for this reason that we have announced further special measures to assist companies to overcome short term difficulties that threaten jobs with a genuine long term future.

As you know, the Secretary of State for Employment announced last Friday that the maximum period of support under the Temporary Short Time Working Compensation Scheme would be extended to nine months (with the rate of reimbursement for workless days reduced from 75 per cent to 50 per cent for new applications). This additional period of support will give an extra breathing space to companies making the necessary adjustments to achieve the level of competitiveness necessary to preserve real jobs, and will assist firms in the textile industry and elsewhere.

/The textile and

The textile and clothing industries in the UK do in fact already receive a substantial amount of financial assistance. In the year ended 31 March 1980 some £35.5 million was offered or paid to the British textile, clothing and footwear industries under the Industry Act and the Temporary Short Time Working Compensation Scheme. But I do not believe that emergency packages such as you have proposed are an effective means of solving the problems of industry in the long run. The only way to serve the interests of the textile industry, and those of British industry as a whole, is to bring domestic inflation firmly under control, and thus to give British manufacturers a firm economic base from which to operate.

This is what our present economic policies are designed to do. We have always said that we would reduce MLR when monetary developments together with the rate of inflation permitted. The prospect of progress on both these fronts has now enabled us to make a cut in MLR of 2 per cent, which will ease some of the difficulties which industry is currently facing. But we are not prepared to take additional steps unless and until we are satisfied that they would not create even greater difficulties later on. (Incidentally, John Nott was mis-quoted in the article in the Guardian to which you referred in your final paragraph: the words "short-term" had been substituted for what he actually said, which was "long-term").

The introduction of a substantial package of financial assistance would - in the light of demands from other industries for comparable treatment - cut right across our strategy for reducing public expenditure and borrowing. To do so would only create upward pressures on interest rates and thereby have an adverse effect on output and employment elsewhere in the economy.

/You suggest

You suggest that an emergency package of aid could partially be financed by savings in expenditure on unemployed textile workers. The PSBR cost of unemployment is, however, only one aspect of the whole picture. In weighing up the costs and benefits of giving financial assistance to the textile sector the Government must also consider factors such as how long the assistance would be needed and the alternative contribution to the economy which could be made by the resources used. Moreover, your calculations assume that everyone who becomes unemployed would remain unemployed. Nobody would deny that the real adjustment process and re-absorption of these people into other activities can be painfully slow in the present climate - that is why we have announced details of a £250 million package of additional employment measures to alleviate the difficulties caused by this process. But we are confident that in due course they will be re-employed.

Your letter also called for additional assistance for industry in areas which are to lose their Development or Intermediate Area status. The Government is determined to operate a more effective regional industrial policy; to introduce special forms of compensating assistance for areas which are due to be down-graded would nullify that policy. Having said that, you will of course appreciate that no area in the North West will lose its Assisted Area status before 1 August 1982, and industry in the region will continue to be eligible for selective financial assistance until that date.

As for Government help with energy conservation, we have already provided considerable support for the textile industry for improvements in energy efficiency, under the Energy Conservation Scheme (which has now closed) and the Industrial Energy Thrift Scheme: £3 million has been paid out so far under the former;

/and five sector

and five sector reports have been published on energy efficiency in the textile and allied industries, and five seminars held to discuss their findings. In addition, funds are still available for R&D and Demonstration projects, of which eight are currently being undertaken in the textile industry at a cost of some £500,000 to the Government; and grants are available under the Department of Energy's Energy Survey and Extended Survey Schemes, towards the cost of consultants to advise on improving energy efficiency. In the circumstances, I do not consider that there is any further need for assistance for energy conservation in the textile industry at the present time.

As I explained in my last letter, there are practical difficulties preventing the introduction of one of your other proposals, a scheme on the lines of the Temporary Employment Subsidy, since we should come up against the same objections from the European Commission as before. You suggest in your letter that announcements by the French, Belgian and Dutch Governments of major plans to assist their textile industries, demonstrate that the EC rules are not the obstacles we claim them to be. But a clear distinction must be drawn between a Member State's intention and what may eventually be permitted by the Commission. The Commission will be reviewing all these proposals very carefully and we shall be consulted in this process. It therefore remains to be seen whether or not they will permit the aid packages to be implemented in their present form. Meanwhile I can assure you that officials are keeping a close watch on the situation.

/I can assure

I can assure you that I am deeply concerned about the difficulties facing the textile industry, and that I am keeping a close watch on the situation. But I firmly believe that the only way to solve its problems is not the construction of so-called emergency packages of aid (which would tend to become permanent) but the creation of the basis for an efficient and competitive economy by getting inflation under control.

Yours sincerely

Margaret Thatcher

Jack Straw, Esq., M.P.

JU

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

27 November 1980

Nick Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street
SW1

TIM

Any comments?

N 28/11

Dear Nick

... I attach a draft reply for the Prime Minister to send to Jack Straw MP on the difficulties of the Lancashire textile industry, in response to your letter to Stuart Hampson dated 11 November.

I am copying this letter to Stuart Hampson.

Yours ever

Catherine Bell

CATHERINE BELL
Private Secretary

for PM, pl
CG

DRAFT

Jack Straw Esq MP
House of Commons
London
SW1A OAA

Thank you for your letter of 11 November, in which you requested that we look again at the question of a package of financial assistance for the textile industry. You cite the deteriorating situation in the industry and the announcement of aid packages by other Members of the European Community as reasons why we should reconsider the introduction of such a scheme.

First, I must emphasise again that the Government does appreciate the serious difficulties the textile industry is experiencing at present, as indeed are a number of other industries. It is for this reason that we have announced further special measures to assist companies to overcome short term difficulties that threaten jobs with a genuine long term future.

As you know, the Secretary of State for Employment announced last Friday that the maximum period of support under the Temporary Short Time Working Compensation Scheme would be extended to nine months (with the rate of reimbursement for workless days reduced from 75% to 50% for new applications). This additional period of support will give an extra breathing space to companies making the necessary adjustments to achieve the levelof competitiveness necessary to preserve real jobs, and will assist firms in the textile industry and elsewhere.

put at end and — cut down

3. ~~But~~ As I explained in my last letter, there are practical difficulties preventing the introduction of one of your other proposals, a scheme on the lines of the Temporary Employment Subsidy, since we should come up against the same objections from the European Commission as before. You suggest in your letter that announcements by the French, Belgian and Dutch Governments of major plans to assist their textile industries, demonstrate that the EC rules are not the obstacles we claim them to be. But a clear distinction must be drawn between a Member State's intention and what may eventually be permitted by the Commission. [~~The latter~~ have to look at the compatibility of State aids to the textile and clothing industries with the Rome Treaty: they have already opened proceedings under Article 93(2) in respect of the scheme proposed by the Dutch Government on the grounds that it could have an adverse effect on intra-Community trade. This has the effect of blocking the scheme's entry into force unless and until the Dutch can modify it to remove the Commission's objections. The Commission may thus object to a scheme if it is likely to have consequences for competitor industries in other Member States.] The Commission ~~They~~ will be reviewing all these proposals very carefully and we shall be consulted in this process. It therefore remains to be seen whether or not they ~~Commission~~ will permit the aid packages to be implemented in their present form. Meanwhile I can assure you that officials are keeping a close watch on the situation.

Comes after para 7

4. The textile and clothing industries in the UK do in fact already receive a substantial amount of financial assistance.

In the year ended 31 March 1980 some £35.5m was offered or paid to the British textile, clothing and footwear industries under the Industry Act and the Temporary Short Time Working Compensation Scheme. But I do not believe that emergency packages such as you have proposed are an effective means of solving the problems of industry in the long run. The only way to serve the interests of the textile industry, and those of British industry as a whole, is to bring domestic inflation firmly under control, and thus to give British manufacturers a firm economic base from which to operate. This is what our present economic policies are designed to do. We have always said that we would reduce MLR when monetary developments together with the rate of inflation permitted. The prospect of progress on both these fronts has now enabled us to make a cut in MLR of 2%, which will ease some of the difficulties which industry is currently facing. But we are not prepared to take additional steps unless and until we are satisfied that they would not create even greater difficulties later on. (Incidentally, John Nott was mis-quoted in the article in the Guardian to which you referred in your final paragraph: the words "short-term" had been substituted for what he actually said, which was "long-term"). The introduction of a substantial package of financial assistance would - in the light of demands from other industries for comparable treatment - cut right across our strategy for reducing public expenditure and borrowing. To do so would only create upward pressures on interest rates and thereby have an adverse effect on output and employment elsewhere in the economy.

/5 ...

6. You suggest that an emergency package of aid could partially be financed by savings in expenditure on unemployed textile workers. The PSBR cost of unemployment is, however, only one aspect of the whole picture. In weighing up the costs and benefits of giving financial assistance to the textile sector the Government must also consider factors such as how long the assistance would be needed and the alternative contribution to the economy which could be made by the resources used. Moreover, your calculations assume that everyone who becomes unemployed would remain unemployed. Nobody would deny that the real adjustment process and re-absorption of these people into other activities can be painfully slow in the present climate - that is why we have announced details of a £250m package of additional employment measures to alleviate the difficulties caused by this process. But we are confident that in due course ~~the evidence suggests that over a period of time~~ they will be re-employed. ~~elsewhere in the economy.~~

7. Your letter also called for additional assistance for industry in areas which are to lose their Development or Intermediate Area status. The Government is determined to operate a more effective regional industrial policy; to introduce special forms of compensating assistance for areas which are due to be down-graded would nullify that policy. Having said that, you will of course appreciate that no area in the North West will lose its Assisted Area status before 1 August 1982, and industry in the region will continue to be eligible for selective financial assistance until that date.

8. As for Government help with energy conservation, we have already provided considerable support for the textile industry for improvements

/in ...

in energy efficiency, under the Energy Conservation Scheme (which has now closed) and the Industrial Energy Thrift Scheme: £3 m has been paid out so far under the former; and five sector reports have been published on energy efficiency in the textile and allied industries, and five seminars held to discuss their findings. In addition, funds are still available for R&D and Demonstration projects, of which eight are currently being undertaken in the textile industry at a cost of some £500,000 to the Government; and grants are available under the Department of Energy's Energy Survey and Extended Survey Schemes, towards the cost of consultants to advise on improving energy efficiency. In the circumstances, I do not consider that there is any further need for assistance for energy conservation in the textile industry at the present time.

X-X and Y-Y

I can assure you that I am deeply concerned about the difficulties facing the textile industry, and that I am keeping a close watch on the situation. But I firmly believe that the only way to solve its problems is not the construction of so called emergency packages of aid (which would tend to become permanent) but the creation of the basis for an efficient and competitive economy by getting inflation under control.

D/TRADE telephoned today to say that they had transferred these papers to D/INDUSTRY.

Vanessa Br.

13.11.80

FILE

VLB

Trade.

CC D/1

11 November 1980

I attach a copy of a letter the Prime Minister has received from Jack Straw, MP, about the difficulties of the Lancashire textile industry.

I should be grateful if you, in consultation with the Department of Industry, would let me have a draft reply for the Prime Minister to send to Mr. Straw, and if this could reach me by 26 November.

I am copying this letter and enclosure to Catherine Bell (Department of Industry).

N J SANDERS

Stuart Hampson, Esq.,
Department of Trade.

VLB

CCI6

10 DOWNING STREET

MR. SANDERS

cc: Mr. Gow
Mr. Ingham

Jack Straw rang about the attached letter. He apologised for forgetting to mention in it that he proposes to release the text to the Press at lunch time today.

MAP

11 November 1980

JACK STRAW, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

PPS
R11/11

11 November 1980

The Prime Minister
10 Downing Street
London SW1.

Dear Prime Minister,

You will, I am sure, recall that on 9th June, together with Nicholas Winterton and Cyril Smith, I met you to discuss the difficulties of the Lancashire textile industry. I had on 5th June sent you a letter detailing the key points which I intended to raise, and on 14th July you sent me a long and considered reply to these.

I had, in particular, pressed you to provide better financial assistance to the industry, including a more substantial employment subsidy. You however replied to say:

"Your fifth point concerned financial assistance to industry. As you know, authority to approve schemes of state aid, including those designed (in the words of Article 92.3(b) of the Treaty of Rome) "to remedy a serious disturbance in the economy of a Member State" rests with the European Commission. The Commission took a serious objection to the Temporary Employment Subsidy precisely because so much went to textiles and clothing firms (this was not envisaged when they originally approved the scheme) and they considered that it was distorting the pattern of trade and competition in the Community in maintaining output at artifically high levels. This the Short Time Working Compensation Scheme does not do. I am afraid there is really no prospect that the Commission's view would be any different now if we sought to re-introduce arrangements similar to the TES."

You also went on to say:

"But I do think it is important not to over-emphasise the capacity of this kind of measure to deal with the problems of a particular industry. The Government is not, and cannot be, in a position to support the maintenance of employment in any particular industry on more than a strictly temporary basis. In the longer run, the remedy must lie in the Government's overall economic policies, which are designed to bring inflation under control, and to create conditions in which all firms - in textiles as in other industries - can compete profitably and create new and lasting jobs."

(continued)

But now the situation has changed markedly in two respects. I am therefore writing to you to ask you urgently to provide an emergency package of aid to save the industry.

First, the situation of the industry has deteriorated alarmingly since we met. The British Textiles Confederation in a circular dated 27 October 1980, claims that: "the U.K. textile industry is experiencing its most acute crisis since the 1930's. Its level of production has fallen dramatically, and jobs are being lost at an accelerating rate. It is no exaggeration to say that the continued existence in the U.K. of some basic textile activities is now at risk".

When pressed on the current state of the industry both you and your Ministers quite frequently refer to the Labour Government's record, and suggest that the problems which the industry now faces are not new but merely part of a long-term continuing decline. For example, John Nott, Secretary of State for Trade, in answer to a supplementary question from myself on Monday 27 October (OR col. 21) said: "I remind the hon. Gentleman that 150,000 people lost their jobs while the Labour Government were in office. Therefore this problem is not new...."

Whilst I of course understand the temptation of any Government to suggest that the problems with which it has to deal are not new, but inherited from previous administrations, I would ask you to appreciate that the difficulties which now afflict the textile industry, in terms of both the scale and pace of the collapse of output and employment, are of a quite different dimension from the difficulties which the industry has faced in the last 20 years. In this sense, their problems really are new, as the following figures only too dramatically illustrate.

During the period of the last Labour Government, employment in the textile industry did decline - from 545,000 in March 1974 to 449,000 in May 1979 - a fall of 96,000 jobs (and not of 150,000 suggested by Mr Nott) (GB figures).(1) But most of this decline was accounted for by changes within the industry and by increases in productivity. Significantly, and contrary to popular belief, output in the textile industry was broadly stable - falling no more than 6% - throughout this five years period. On an index of 1975=100, production was 105.9 in 1974, 100 in 1975, 103 in 1976, 100.9 in 1977, 99.3 in 1978, and 99.8 in the second quarter of 1979, when the election took place.(2)

Since the summer of 1979, however, output in the industry has plummeted very fast indeed. The index of production stood

(continued)

at 98 in July 1979; by August 1980 it was down to 77, and is likely now to be lower still. This is a fall of 22.5% - close on a quarter - in thirteen months. And this overall fall disguises some truly catastrophic falls in production, particularly in man-made fibre production. Here production in August 1980 was 50% less than in August 1979 (3).

This decline in output has been accompanied by a steeper absolute, and proportionate decline in employment than at any time in the past two decades. By August 1980, 62,000 jobs had been lost in the fifteen months from May 1979 - two-thirds of the total lost in the whole 5 years of the previous Administration. And, as you will be well aware, many thousands more redundancies have been announced since August, and all the indications are that, as grant under the TSTWC Scheme runs out for many firms by Christmas, there will be even more redundancies declared.

The second respect in which the situation of the textile industry has changed markedly since we met concerns the reaction of other EEC states to the problems of the industry. Three EEC countries - Belgium, Netherlands and France - have now announced major plans to save their industries. Their action indicates that the EEC rules have not been the same stumbling block to assistance as has been suggested by Ministers - and yourself - in this country. But the fact that these countries' industries are to receive such substantial aid from their governments will inevitably place the UK industry at an even graver competitive disadvantage unless corresponding action is taken by the UK Government.

Belgium's announcement was the first - on 2nd August, the Financial Times reported that "the Belgian Government is moving towards the adoption of an ambitious £526m. five years plan to save the country's textile industry. On 22nd August the Dutch Government announced a "£6.5m. aid programme to help its hard hit textile industry modernise and increase exports over the next three years" (Financial Times); and on 29 October the Financial Times reported that "the French authorities are to draw up aid plans for the country's hard-pressed textile industry, aimed at pumping public funds into a large-scale reorganisation and modernisation programme..." Its aim is to restrain "the decline in the industry's 950,000 labour force by between 3 to 4% up to 1985" (cuttings attached). I appreciate that the details so far available of the Belgian and French schemes indicate that they are not yet firm: but they do show a positive resolve by these governments to take steps to save the industry which has yet to be shown by your Government.

<u>The action needed</u>

In the light of this, the most serious crisis to face the industry since the war, nothing less than a major package of rescue aid for the industry is needed if it is to survive in anything like its present form.

This I would ask you to put in hand. The aid should include an immediate extension of grant payments from six to

(continued)

twelve months, under the Temporary Short Time Working Compensation Scheme, and the removal of restrictions on payment of grant in respect of employees for whom it has previously been paid; urgent reconsideration of a compensation scheme similar to the Temporary Employment Subsidy, which had the effect of helping active employment, rather than no work periods on short time; and special investment, energy conservation, and marketing help, and additional assistance to the industry in those areas which are losing Development or Intermediate Area status (a large part of the North West). There is, no doubt, a great deal in the schemes being pursued by the French, Belgian and Dutch Governments which could be applicable to the U.K., and these should urgently be studied.

The details of any rescue scheme will obviously have to be worked out by the Departments of Trade and Industry, with the industry and trade union representatives concerned. What matters immediately is an urgent Ministerial commitment to the saving of the industry. Such a scheme would of course cost many millions, gross. But before you dismiss the idea for reasons of cost, you should bear in mind that in a full year the cost to the nation of the 62,000 textile workers who had already lost their jobs by August, in terms of benefits paid out, and tax etc. foregone, will be around £295 millions. This figure is based on estimates provided for me by the Library of the House which puts the average cost to the state of such workers declared unemployed at £4762 per year. The Treasury have consistently refused to provide similar estimates, but I should be happy to pass on the detailed calculations behind my figures if there is any doubt about them. Moreover, since the textile industry, as a traditionally low return one, has been hit disproportionately hard by the rise in interest rates (and the related rise in sterling) the cost of such an aid scheme could equitably be paid for from the revenue which derived from a windfall profits tax on the banks.

Your Trade Secretary, John Nott, was reported (Guardian, 8 November) as saying on Friday last that "if I knew of any simple, short-term answer which would slow down the trend in the industry, I would bring it into effect now". An emergency aid and rescue programme for the industry of the kind which I have described could be introduced now, as the example of France, Belgium and the Netherlands amply demonstrates: it would provide tangible cash help - which in turn could help partly to offset the industry's loss of competitiveness caused by high interest and exchange rates - and help restore confidence in the industry. A failure by you to do what can be done will inevitably be taken to show that, despite Mr Nott's words, your Government is prepared wilfully to let large parts of the textile industry wither and die.

I shall look forward to hearing from you.

Yours sincerely, Jack Straw

(1) Department of Employment Year Book 1976, Table 73; Department of Employment Gazette, October 1980, Table 1.2.

(2) British Business, 24 October 1980, pg. 356.

(3) British Business, 31 October 1980, pg. 411.

Dutch earmark £6.5m aid for textile industry

BY CHARLES BATCHELOR IN AMSTERDAM

HE NETHERLANDS has announced a Fl 30m (£6.5m) aid rogramme to help its hard-hit extile i[illegible]y modernise and ncrease exports over the next ree years. The textile sector as declined more rapidly in he Netherlands than in any ther European country in ecent years, with eralier aid rogrammes achieving only mited success.

The Government will provide l 25.6m (£5.5m) to the cotton, ayon and linen industries and 4.4m (£950,000) to the wool ector to cover the three years o to the end of 1982, to improve prospects in both traditional and new markets, according to the Economics Minister, Mr. Gijs Van Aardenne.

Aid will be available in five categories :—

- The Government will pay half the wage and social security costs and business expenses of textile company export managers for the first 12 months' employment, up to a maximum of Fl 60,000 (£13,000). Elsewhere similar subsidies only apply for six months.
- Subsidy of 20 per cent for investment aimed at diversifying a company's product range or improving quality.
- The same percentage will be paid to meet the cost of removing equipment to achieve diversification or improve quality.
- The scheme will meet 40 per cent of costs at trade fairs and exhibitions.
- The modification or demolition of buildings to diversify production or improve quality.

This aid will be reduced if any company is already eligible for other general subsidies which meet more than half the cost of investments. Spending of less than Fl 10,000 (£2,100) will not qualify for aid. The Government has asked the European Commission to approve the latest aid programme.

A recent Government review of the Dutch textile industry showed that output levels and employment have fallen more quickly than in any other European country.

Output fell by 15 per cent between 1970 and 1976, compared with a 7 per cent average increase in the EEC as a whole. Employment fell by 34 per cent between 1973 and 1978 compared with a 22 per cent decline in the EEC.

22 August 1980, Financial Times

FINANCIAL TIMES
22 AUG 80

Textile & Clothing Ind

29 OCT 80.
FINANCIAL TIMES

Textile Ind

£526m plan for Belgian textiles

BY GILES MERRITT IN BRUSSELS

BELGIUM'S Government is moving towards the adoption of an ambitious £526m five-year plan to save the country's textile industry.

But with the deficit on state spending continuing to grow, there remain major political obstacles to the plan's acceptance. By last month the deficit had passed the budgeted target for the whole of 1980.

The plan has been drawn up by Mr. Willy Claes, Economic Affairs Minister, and aims to minimise unemployment in the textile industry. By spending BFr 35bn (£526m) on restructuring the sector between 1980-84 it is planned to limit the industry's total workforce to 100,000 people.

That would entail the loss of 20,000 jobs, against the loss of 45,000 that Mr. Claes has predicted would occur otherwise.

The rescue scheme has been approved by the Belgian Government's Ministerial Committee for Economic Co-ordination and forwarded to a textile industry body representing employers and trade unions. But it has yet to be accepted by a full Cabinet meeting.

The urgent need for such a plan has been emphasised this week, by the worker occupation of one of Belgium's major textile companies. Fabelta-Tubize, the loss-making synthetic fibres producer, has been occupied by a number of militant employees in protest aaginst threatened closure

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

French to aid textile industry

By Terry Dodsworth in Paris

THE FRENCH authorities are to draw up aid plans for the country's hard-pressed textile industry in the next three months, aimed at pumping public funds into a large-scale reorganisation and modernisation programme.

Talks have begun with textile manufacturers on the methods to be employed, following mounting unemployment in the industry.

The industry has been hit by a fall in domestic consumption, a decline in French competitiveness overseas, and rise in cheap imports.

The French authorities are aiming at European action to halt the rapid growth in the sale of U.S. artificial fibre products in Europe, based on cheap feedstocks. But in the rest of the industry, where most of the present redundancy is biting, the emphasis will be on giving the industry a more competitive structure.

The Government has two main instruments available to achieve its aim of restraining the decline in the industry's 950,000 labour force by between 3 and 4 per cent up to 1985.

One of these is a system of grants and aids for developing strategic industries known as CODIS. The other is the CIDISE system of financial aids for helping investment

State investment boost for ailing French textiles

BY ROBERT MAUTHNER IN PARIS

THE FRENCH Government has adopted a package of measures aimed at bolstering the ailing French textile and clothing industry, hit by shrinking overseas markets and declining competitiveness.

The authorities' objective is to increase investments in the textile industry by some FFr 1bn (about £100m) a year, roughly equal to one-third of total current annual investments.

The Government has decreed that the textile and clothing industries will become one of the seven key strategic sectors earmarked for restructuring and modernisation. The most dynamic textile companies will thus be able to take advantage of grants and soft loans made available by the Committee for the Development of Strategic Industries (CODIS) with which they can sign so-called "development contracts."

The aid to be given by CODIS will be very selective and will be allocated only to those companies whose growth, profit, productivity and export performances are well above the average.

In addition, healthy companies short of funds will be given easier access to public "participatory loans" granted by the Interministerial Committee for the Development of Investments and Aid to Employment (CIDISE), which are intended to strengthen companies' capital and reserves.

Banks and other financial establishments, as well as regional development companies, will be encouraged to increase their participatory loans to the textile sector and, for this purpose, will be able to apply themselves for loans from a special new fund to be financed partially by the State.

Particular emphasis will be laid on promoting French textile exports. A committee for the "international expansion" of the French textile industry has been set up with the task of drawing up a dynamic export strategy.

At the same time, the Government has given an undertaking that textile imports will be carefully monitored and that it will have recourse to safeguard clauses provided in international agreements.

F.T. 7.11.80.