

GENERAL AGREEMENT ON TARIFFS AND TRADE

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LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Requests made by Italy under Article 3

The following communication has been received by the Executive Secretary from the Italian Permanent Mission for notification to the Cotton Textiles Committee.

I have the honour to inform you that the Italian Government has decided, because of an aggravation of the situation of the cotton textiles industry and of unemployment in that sector, to invoke the provisions of Article 3, paragraph 2 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles by suspending, as from 15 January 1965, the liberalization of grey and bleached cotton fabrics imported from the United States, Spain, the United Arab Republic, Hong Kong, Republic of China (Taiwan), India and Pakistan.

Pursuant to paragraph 1 of that Arrangement, the Italian Government is prepared to enter into consultations with the above-mentioned countries within a period of sixty days.

A similar measure will also be applied to imports of grey and bleached cotton fabrics from Yugoslavia.

Annual quotas for grey and bleached cotton textiles have been opened provisionally for these countries (pending the results of the consultations), as follows:

United States	1,235 tons
Spain	710 tons
United Arab Republic	526 tons
Hong Kong	540 tons
Republic of China (Taiwan)	383 tons
India	165 tons
Pakistan	373 tons

Attached herewith is a memorandum stating the reasons, character and scope of the ministerial Decree (published in the "Gazzetta Ufficiale" of 14 January 1965, which came into effect the following day) suspending the liberalization of imports into Italy of grey and bleached cotton fabrics from certain countries, on the basis of Article 3, paragraph 2 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles.

This memorandum was sent on 19 January 1965 to the Embassies in Rome of the United Arab Republic, Pakistan, the United Kingdom (for Hong Kong), Spain, India, the Republic of China (Taiwan), and the United States.

Previously, on 16 January 1965, a Note Verbale was sent to the Embassies of these countries in Rome, in which the Italian Government proposed that - pursuant to Article 3 of the Arrangement - bilateral consultations should be opened immediately in Rome with the Embassies of the above-mentioned countries, in order to determine the size of the annual quotas for imports into Italy of grey and bleached cotton fabrics from the countries referred to in the aforementioned ministerial Decree (including Yugoslavia, which is not a party to the Arrangement).

MEMORANDUM

The Italian Government, having recourse, as an emergency procedure, to the safeguard clause provided in Article 3, paragraph 2 of the Geneva Long-Term Arrangement Regarding International Trade in Cotton Textiles, requests the opening of bilateral consultations with the Governments of the United States, Pakistan, Spain, the United Arab Republic, Great Britain (for Hong Kong), the Republic of China (Taiwan), and India, pursuant to paragraph 1 of the same Article. Such consultations would take place in Rome with the Embassies of the countries concerned with a view to reaching bilateral agreement on the level at which exports to Italy should be restrained as regards certain textiles included in the Italian customs tariff under headings 55.09 - A IV b 2 a a and a' 2' and 55.09 - A IV b 2 a a and ex b'.

In 1963 and 1964, imports of the above-mentioned textile products from the United States, Pakistan, Spain, the United Arab Republic, Hong Kong, the Republic of China (Taiwan), and India (all signatories to the Geneva Arrangement) as well as from Yugoslavia increased to such an extent, as may be seen from the Italian official statistics, as to threaten to disrupt the domestic market.

IMPORTS INTO ITALY OF COTTON FABRICS
INCLUDED UNDER HEADING 55.09

		<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	(9 months) <u>1964</u>
Yugoslavia	T.	108	394	1,930	5,095	3,499
United States	"	29	431	456	2,268	2,284
Pakistan	"	-	-	10	84	831
Spain	"	46	50	44	1,271	806
United Arab Rep.	"	66	17	74	639	780
Hong Kong	"	-	1	20	867	588
Rep. China (Taiwan)	"	-	-	32	442	307
India	"	<u>15</u>	<u>26</u>	<u>7</u>	<u>221</u>	<u>207</u>
Total for 8 countries		264	919	2,573	10,887	9,302
		====	====	====	====	====

Out of the above-mentioned imports, grey and bleached fabrics represent the following percentage:

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
- Grey and bleached fabrics	84.5%	54.8%	84.2%	84.5%	89%
- Other fabrics	15.5%	45.2%	15.8%	15.5%	11%

It is clear from this table that the substantial increase in imports is such as to prejudice the normal trend of the domestic market.

Pursuant to Article 3, paragraph 2 of the Geneva Arrangement, the Italian Government bases its request for consultations on the following motives:

(a) The severe recession which has affected the Italian cotton industry and caused difficulties for many firms is causing considerable unemployment; about 8,000 textile workers are completely unemployed while between 80,000 and 90,000 others are working part-time. The overall reduction in the activity of this industry as compared with the contractual working week of 46 hours is at present about 25 per cent; the outlook for the near future is still more alarming.

This situation has been caused by the fall in domestic consumption in the past few months together with - and this is the decisive factor - an exceptional expansion in imports of foreign fabrics, which are often offered at prices

substantially below those prevailing in the domestic market for similar products of comparable quality.

The increase in imports over the past three years has not only absorbed the growth in national consumption (equal to an average of 3 per cent per annum) but has also affected the production volume already attained by the domestic industry. Imports rose rapidly from less than 3,000 tons in 1960 and 1961 to more than 20,000 tons; as related to the annual domestic production of 130,000 to 140,000 tons of cotton fabrics, the proportion has risen from 2 to about 15 per cent.

This rapid rise in imports, which is in excess of the absorption capacity of the domestic market, is causing general phenomena of market disruption, to such an extent as to discourage domestic producers and make any future work programme impossible.

(b) Imports into Italy of textiles from the above-mentioned countries have been completely liberalized for a long time and it would have been the intention of the Italian Government to maintain the liberalization. However, as may be seen from Italian statistics, these imports have shown sharp and substantial increases at average prices which are considered abnormal; therefore Italy has been obliged to adopt restrictive measures on imports of these textile products from various sources, pursuant to Article 3, paragraph 2 of the Geneva Arrangement.

More precisely, these restrictive measures, which were announced in the "Gazzetta Ufficiale" of 14 January last and became effective as from 15 January, are as follows:

- the temporary suspension of liberalization of imports from the United States, Spain, Hong Kong, United Arab Republic, Pakistan, Republic of China (Taiwan), and India of grey and bleached cotton fabrics included under headings 55.09 - A IV b 2 a a a'2', and 55.09 - A IV b 2 a a ex b';
- the temporary establishment of annual quotas for the above-mentioned cotton fabrics from these countries for the following amounts: United States, 1,235 tons; Spain, 710 tons; UAR, 526 tons; Hong Kong, 540 tons; Republic of China (Taiwan), 383 tons; India, 165 tons; Pakistan, 373 tons;
- the establishment of "proportional quotas" valid for sixty days (these "proportional quotas" will be considered as advances on the final annual quotas which are to be fixed in agreement with each country concerned in bilateral consultations).