

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE
IN COTTON TEXTILES

Restraint Request Made by the United States Under
Article 3

The following communication has been received by the Director-General from the United States mission.

I have been requested to inform you that on 31 August 1966 the Government of the United States requested the Government of Mexico to enter into consultations under Article 3 of the Long-Term Cotton Textile Arrangement. The consultations relate to shipments of cotton textiles from Mexico to the United States in categories 1, 2, 3, 4, 9, 15, 19, 22, 23 and 26.

I am enclosing a copy of the Market Statement annexed to the United States note.

Annex

MARKET STATEMENTS

Category 1, Single Yarns, Carded

Domestic production

Since 1960, domestic production of carded singles sales yarn has fluctuated mildly, showing only a small rise in recent years. In 1960, production amounted to 310 million pounds. In the following three years, 1961-63, it declined, dipping to 299 million pounds. In 1964, production rose slightly to 337 million pounds and again in 1965 it increased to 365 million pounds. In sum, production has risen at an annual average rate of about 3.5 per cent since 1960.

Imports

Prior to 1966, United States imports of carded, single yarns fluctuated moderately. In 1961, imports totalled 11.7 million pounds rose to 20 million pounds in 1962 and then declined to 14 million pounds in 1964. In 1965, imports rose to 18 million pounds, still less than the 1962 level. However, in recent months, imports in this category have been rising at an unprecedented rate. For the year ending July 1966, imports totalled 43 million pounds, over twice the 1965 level and nearly four times the level for the year ending July 1965.

From the year ending July 1965 to the year ending July 1966, imports from Mexico have had an extraordinary rate of growth, about 2,266 per cent, moving from 452 thousand pounds in 1965 to 10.2 million pounds in 1966. (In square yards equivalent, it is from about 2.1 million to 47.1 million square yards.) For the year ending July 1965, imports from Mexico were only 4 per cent of the total imports of category 1, but for the year ending July 1966, imports rose to 24 per cent, in spite of an increase of 372 per cent in the total imports.

Prices

Foreign produced carded single yarns are consistently offered in the American market at exceptionally low prices. The landed duty price in recent periods has ranged between 1 per cent to 25 per cent less than United States market prices, depending on the yarn number. The landed duty paid price on imports from Mexico have ranged from 13 to 20 per cent less than United States market prices.

Recent transactions in the market further reflect price disparity. Carded 12 singles yarns from Mexico sell in the American market for 56 cents per pound as compared with domestic produced carded 12 singles which sell for 58 cents. Likewise, carded 18 singles yarns from Mexico sell for 52 cents per pound and domestically produced sell for 61 cents per pound. This is a 17 per cent difference in price.

Countries under restraint

In order to prevent further disruption of the domestic market, the Government of the United States has taken action in accordance with the provisions of the Long-Term Arrangement concerning imports in category 1 and has restraints upon fourteen supplying countries.

Category 2, Carded Yarns, Plied

Domestic production

Domestic production of carded plied yarns has followed a course similar to carded singles, declining from 1960 to 1963; then increasing in 1964 and 1965. Domestic production declined from 207 million in 1960 to 199 million pounds in 1963. On the other hand, output rose to 225 million pounds in 1964 and has been estimated at 244 million for 1965.

Imports

Between 1961 and 1965, United States imports of carded, plied cotton yarns fluctuated without any discernible direction. In 1961, imports amounted to about 800 thousand pounds, and then increased to 2.2 million pounds in 1963. In 1964, imports dropped to their 1961 level of 800 thousand pounds and rose to 1.3 million pounds in 1965.

In recent months, imports in category 2 have been greatly accelerated, reaching a level of over 5.1 million pounds. For the year ending July 1966, imports totalled 5.8 million pounds which is twelve times the 1965 import total.

Imports from Mexico have been an important factor in this rise. Mexican imports have risen from 69 thousand pounds in 1964 to 295 thousand in 1965 and have now climbed to a record level of 762 thousand pounds for the year ending July 1966. These imports for the year ending July 1966 were 438 per cent higher than the same period a year ago.

Prices

Prices for domestic carded, plied yarns have moved downward in recent years. At present, prices on the American market for carded, plied yarns range from 59 to 92 cents per pound, depending on the yarn number.

Foreign produced carded, plied yarns are selling on the American market at exceptionally low prices. The landed duty paid price for yarn in this category is about 4 to 18 cents per pound less than United States market prices.

Imports from Mexico are selling in the American market at prices about 5 cents per pound less than comparable United States produced yarns. For example, Mexican yarn, carded, 20 single plied, sells for 62 cents per pound as compared with 67 cents domestic price.

Countries under restraint

In order to prevent further disruption of the domestic market, the Government of the United States has taken action in accordance with the provisions of the Long-Term Arrangement concerning exports in category 2 and has restraints against twelve supplying countries.

Category 3, Combed Yarns, Singles

Domestic production

Domestic production of combed yarns, singles and plied, are reported together by the Bureau of Census and cannot be separated. The output of combed yarns in 1960 was 266 million pounds. This increased to a level of 300 million pounds in 1962, 1963, and 1964. In 1965 this figure has been estimated to be around 330 million pounds.

Imports

United States imports of combed, single yarns have declined in recent years, moving from a peak of 5.7 million pounds in 1962 to a low of 1.1 million pounds in 1964. Since late 1965, imports have accelerated at an unprecedented rate, reaching 12.8 million pounds for the year ending July 1966. This level is a record high, and is nearly equal to the aggregate imports of the last five years in this category. The year ending July 1966 imports are 12.1 million pounds more than the year ending July 1965 figures.

Shipments from Mexico have been an important factor in this recent increase. Prior to January 1966, there were no shipments from Mexico in this category. In January, shipments amounted to only 18 thousand pounds, but since that time, the shipments have become steadily larger each month, and in July they were 342 thousand pounds. For the first seven months of 1966, imports from Mexico totalled 1,167 thousand pounds, which is 10 per cent of total imports in this category.

Prices

Imports in this category are offered in the American market at prices substantially lower than comparable domestic produced yarns. The differential between the landed duty paid price of imported Mexican yarns and United States produced yarns generally ranges between 11 and 13 per cent, depending on the yarn number.

Countries under restraint

In order to prevent further disruption of the domestic market, the Government of the United States has taken action in accordance with the provisions of the Long-Term Arrangement concerning exports in category 3 and has restraints against twelve supplying countries.

Category 4, Combed Yarns, Plied

Domestic production

Domestic production of combed yarns, singles and plied, are reported combined by the Bureau of Census and cannot be separated. The output of combed yarns in 1960 was 266 million pounds. This increased to a level of 300 million pounds in 1962, 1963, and 1964. In 1965, this figure has been estimated to be about 330 million pounds.

Imports

United States imports in category 4 have always been small, never reaching a level of 1 million pounds. In 1962, the highest level of the last five years, shipments amounted to 947 thousand pounds. As recently as 1964, they were only 156 thousand pounds. In 1965, they rose to 571 thousand pounds.

In recent months, however, imports have risen sharply, reaching a record level of 3.6 million pounds for the year ending July 1966. This level is more than two times the aggregate imports of the last five years in this category.

Shipments from Mexico have been the principal factor for this sharp rise in this category. Prior to 1966, Mexico shipped little or no yarn in this category, for example, the 1965 level was only 98 thousand pounds. However, in the first seven months of 1966, imports from Mexico jumped to nearly 804 thousand pounds, which represents 31 per cent of the total imports in this category for this same period.

Prices

Prices on yarn imports from Mexico in this category are substantially lower than the prices of United States produced yarns. For example, cotton yarns, 50 single plied, from Mexico are sold in the American market at \$1.08 per pound as compared with \$1.15 per pound for the same yarn produced domestically.

Countries under restraint

In order to prevent further disruption of the domestic market, the Government of the United States has taken action in accordance with the provisions of the Long-Term Arrangement concerning exports in category 4 and has restraints against twelve supplying countries.

Category 9, Sheeting, CardedDomestic production

There has been a decline in the domestic production of carded sheeting, from 2,496 million square yards in 1960 to 2,381 million in 1965, or a decrease of 4.6 per cent.

Imports

Imports of carded sheeting in category 9 have increased from 130.1 million square yards in 1964 to 149.5 million square yards in 1965. For the year ending July 1966, imports were 145.5 million square yards, about 3 per cent higher than imports in the same period a year earlier.

In 1965, imports from all countries represented 6.3 per cent of the domestic production.

Since 1960, imports from Mexico in this category have moved generally upward, reaching 957,000 square yards in 1965, which was two and a half times more than the 1960 level. In the year ending July 1966, they were 448,000 square yards. In 1965, Mexican imports were 10 per cent of the total in category 9.

With the exception of 10,000 square yards, shipments from Mexico in this category have been unbleached carded sheeting, other.

Prices

The landed duty-paid price of imported sheeting in category 9 from Mexico was 15.6¢ for fabrics with a construction of $37\frac{1}{2}$ inch 96 threads/inch 3.4 yards/pound with an average yarn number of 14. Comparable domestic fabrics with a construction of $3\frac{7}{8}$ inch 48 x 48 4.0 were selling for 17 $\frac{3}{4}$ ¢.

Countries under restraint

Sixteen countries have entered into bilateral agreements with the United States to limit these exports in category 9. Eleven of these countries have specific ceilings.

Mexico was restrained in category 9 on 1 May 1963, at 500,000 square yards. This was extended for one year each beginning 1 May 1964 and 1965.

Category 15, Poplin and Broadcloth, Carded

Domestic production

Since 1960, domestic production of carded poplin and broadcloth fabrics has tended to move downward. During 1960-62 production levels fluctuated around 630 million square yards, but by 1965 they had dropped off to 515 million square yards, a decline of 12 per cent.

Imports

Imports of carded poplin and broadcloth have fluctuated from year to year. In 1960, imports in this category amounted to 15 million yards and then declined in 1961. In 1962, they rose to a level of 20 million yards and then dropped again, until 1965 when they rose to 17.5 million yards. For the year ending July 1966, imports rose to a record level of 26.4 million square yards, an increase of 123 per cent over the same period in 1964-65.

Imports from Mexico have been the important factor in this substantial increase in this category. Prior to 1964, Mexico did not ship in this category, except for a small quantity in 1960 of 57,000 yards. In 1960, Mexican shipments were only 73,000 yards, but in 1965, they advanced sharply to 1.7 million yards. For the year ending July 1966, Mexican shipments jumped to 5.1 million yards, which is 618 per cent larger than the same period a year ago and represents 19 per cent of the total imports in this category.

Prices

Recently, carded broadcloth fabrics from Mexico with the construction of 47 inch 98 x 56 using 30s x 30s yarn were sold in the domestic market at $24\frac{1}{2}\text{¢}$ to $24\frac{3}{4}\text{¢}$ which is about a cent less than comparable domestic-made goods.

Other carded broadcloth fabrics from Mexico with a construction of 41 inch 98 x 56 using 30s x 36s were sold at $18\frac{1}{2}\text{¢}$. These fabrics would compare with domestic fabrics selling for $19\frac{1}{2}\text{¢}$.

Countries under restraint

Three of the twelve countries under restraint in category 15 have specific levels. In the year ending May 1966, imports from Mexico were higher than the level of any of the countries under restraint.

Category 19, Print Cloth Shirting, Carded Other Than 80 x 30

Domestic production

Domestic production of print cloth increased from 1,154 million square yards in 1960 to 1,219 million in 1962. Output declined in 1963 to a level of 1,130 million. Although production increased moderately during 1964 and 1965 to 1,184 million square yards, it was still less than in 1962.

Imports

Imports of print cloth in category 19 from all countries have made substantial increases in recent years, moving steadily from 0.3 million square yards in 1961 to 46.9 million in 1965. For the year ending July 1966, imports amounted to 46.4 million square yards which is 62 per cent larger than the imports for the same period in 1965.

After a single shipment of sheeting in category 19 during 1964, there was no trade with Mexico until April 1966. In four months, April-July, imports from Mexico jumped to 5.1 million square yards, 34 per cent of the total imports from all countries for this period.

Prices

The landed duty-paid price of print cloths from Mexico is 14.9¢ for fabric with an average yarn number in the 30s. This price is slightly less than the print cloth imported from the Orient at 15¢ which compared with the domestic product selling for 20 1/4¢.

Countries under restraint

The rapid rise in imports of print cloth in category 19 selling at prices considerably lower than comparable domestic print cloth has resulted in specific restraint levels being established with twelve major suppliers, including five in combination with category 19. In addition, six other countries have maximum levels under group ceilings.

Category 22, Twill and Sateen, Carded

Domestic production

Domestic production of carded twills and sateens moved irregularly upward from 1,388 million square yards in 1960 to 1,696 million square yards in 1965, an average annual growth of about 3.7 per cent.

Twill fabrics account for 35-40 per cent of the total. Production of carded twills increased from 467 million square yards in 1960 to 586 million square yards in 1965, an average annual rate of 4.3 per cent.

Imports

Since 1960, there have been substantial increases in imports in category 22. Imports of 15.9 million square yards in 1960 doubled to 32.3 million square yards in 1962, then moved to 58.6 million square yards in 1965, about four times the 1960 level. For the year ending July 1966, imports amounted to 58.4 million square yards, a 10 per cent increase over the same period in 1965.

Imports in category 22 are concentrated in twill fabrics. Relatively little carded sateen fabrics are imported. In 1965, all but 9 million square yards were of twill fabrics or a total of 50.3 million square yards. Carded sateen fabrics amounted to only 8.3 million square yards. The remainder were miscellaneous fabrics.

In 1965, the ratio of twill imports to production was 8.6 per cent, up from 5.4 per cent in 1964, despite a moderate rise in domestic production.

Imports in category 22 from Mexico moved sharply upward from 31,000 square yards in 1960 to about 700,000 square yards in 1963 and 1964, then more than doubled to 1,920,000 square yards in 1965, which is sixty-two times larger than the imports in 1960. For the year ending July 1966, these imports totalled 1,147,000 square yards.

All of the imports from Mexico in category 22 have been in unbleached twills with the exception of initial shipments of 81,000 square yards in unbleached sateens during May 1966 and 4,500 square yards of denim in July 1966.

Prices

The landed duty-paid price of sateens imported from Mexico is considerably lower than comparable domestic-made sateens. The landed duty-paid price of sateens from Mexico is 28.9¢ for a construction of 44½ inch 124 x 62 1.76 while domestic sateens with a construction of 47 inch 124 x 62 1.70 sell for 52¢/53¢.

The landed price of twills from Mexico with a construction of 48 inch 72 x 60 1.78 is 25¢. Comparable domestic twills sell for 28½¢/32¢.

Countries under restraint

At the present time, the United States has bilateral agreements with sixteen countries totalling 35.7 million square yards in category 22. This is 58 per cent of the total trade in category 22 for the year ending May 1966.

Mexico was restrained in category 22 on 15 July 1963, at 100,000 square yards. This restraint action was renewed on 15 July 1964. On 15 July 1965, this restraint action was renewed with 5 per cent growth or at a level of 110,000 square yards.

Category 23, Twill and Sateen, Combed

Domestic production

Domestic production of combed twills and sateens increased from 173 million square yards in 1960 to 185 million in 1962, but declined sharply to 72 million square yards in 1965. Production in 1965 was only 40 per cent of the production in 1962, with 68 per cent of the decline in sateens and 22 per cent in twills.

Imports

There has been a steady increase in the imports from all countries of combed cotton twills and sateens in category 23. Imports of 1.42 million square yards in 1960 increased to 5.88 million square yards in 1965. For the year ending July 1966, combed cotton twills and sateen jumped to 10.8 million square yards, an increase of 115 per cent over the 1965 period.

In 1960, imports of these fabrics represented only 0.5 of a per cent of the domestic production, but by 1965 they had increased to 3.1 per cent.

There were few shipments of these combed fabrics from Mexico before January 1966. During January-July 1966, imports totalled 3.2 million square yards or 38 per cent of the total imports of 8.3 million square yards for this period.

Prices

Most of the combed fabrics imported from Mexico in category 23 have been twills. A typical construction of these goods is 48 inch 72 x 60 1.78 yards to the pound using 13s x 13s singles. The landed-duty price is about 27¢. Comparable domestic twills with a construction of 48 inch 72 x 60 1.64 are selling for 37 to 37.5 cents.

Countries under restraint

Twelve countries are under restraint in category 23, three with specific ceilings and nine with maximum levels under group ceilings.

Category 26, Duck

Production

Domestic production of duck declined from 281.3 million square yards in 1962 to 265.2 million in 1963. In 1964 domestic production increased to 293.5 million square yards. This moderate increase in production continued during 1965, reaching a total of 313 million square yards.

From 1962-65, domestic production of single filling duck increased from 117 million square yards to 127 million, or by 8.5 per cent. On the other hand, double filling duck declined 25.7 per cent or from 52 million square yards in 1962 to 39 million square yards in 1965.

Imports

Duck imports from all countries declined from 43.2 million square yards in 1963 to 37.9 million square yards in 1964, partially because of an uncertainty in the market during the consideration period of one price cotton legislation. There was a sharp increase in duck imports in 1965 to 50.7 million square yards, which was 34 per cent above the imports in 1964. Imports continue to move substantially upwards totalling 69.0 million square yards in the year ending July 1966, 53 per cent higher than the imports of 45.2 million square yards in the same period of 1965.

The duck ratio of imports to domestic production has increased from 12.9 per cent in 1964 to 16.2 per cent in 1965.

Duck imports are concentrated in flat duck, consisting of single warp, single filling duck and single warp, double filling duck. In the year ending July 1966, single filling imports of 21.9 million square yards were 32 per cent of the total imports while double filling imports of 47.1 million square yards were 68 per cent. Imports of double filling duck dominate the United States market and domestic producers, not able to compete, have either sold their twiststers or cut back in the use of twisting equipment needed for the filling yarns in this type of duck.

In 1965, double filling duck imports from all countries were 32.0 million square yards or, in other words, 62 per cent of the domestic production of double filling duck.

Imports of duck from Mexico have increased steadily from 452,000 square yards in 1963 to 753,000 in 1965. In the year ending July 1966, imports increased substantially to 2,155,096 square yards, an increase of 285 per cent over the imports of 559,450 square yards a year earlier. Mexico's imports were 3.1 per cent of the total from all countries.

All of the imports from Mexico are in flat duck, and in the year ending July 1966, 58 per cent of these were double filling duck.

Prices

The double filling enameling duck imported from Mexico is of the standard construction, 38 inch 84 x 26 2.00. The landed-duty price is about 24 cents, which is considerably lower than the price of comparable domestic goods selling for 29 cents and less than 25 cents, the price of duck with this construction from the Orient.

Countries under restraint

The United States has bilateral arrangements with eleven countries for specific ceilings in exports of duck fabrics.

Mexico was restrained in category 26 on 15 February 1964, at a level of 1,000,000 square yards, with no more than 80 per cent of the total allowable for carded cotton duck. This restraint action was renewed on 15 February 1965, with 5 per cent growth. Renewal was also requested on 15 February 1966, but the level is still pending.

Category 26, Other than Duck

The fabrics other than duck included in category 26 are print cloths, napped fabrics, other fabrics whether 8 ounces and over per square yard, and 52 inches wide or not over 8 ounces per square yard and not 52 inches wide, and other fabrics, n.e.s.

Domestic production

The domestic production of these fabrics, other than duck, increased from 2,413 million square yards in 1960 to 2,822 million in 1963, an increase of 3.2 per cent per annum.

Imports

Imports of duck in category 26 were not counted separately before 1963, therefore, comparable data for fabrics other than duck are not available for prior years.

Imports of these fabrics declined from 63.2 million square yards in 1963 to 68.7 million in 1964: then increased substantially to 75.8 million in 1965. The trend continued with imports of 83.1 million square yards in the year ending July 1966, 10 per cent more than imports totalling 75.5 million square yards a year earlier.

Imports of fabrics other than duck were 2.7 per cent of the domestic production in 1965.

Most of the imports since 1964 were fabrics, n.e.s., under 8 ounces. Imports of these fabrics, totalling 51.7 million square yards in 1965, were 41 per cent more than the imports of 36.7 million in 1964. These imports have continued to increase to 55.3 million square yards in the year ending July 1966.

Significant quantities of napped fabrics were also imported in category 26 since 1964. Increases in these imports were moderate, rising from 18.1 million square yards in 1964 to 19.0 million in 1965 to 20.2 million square yards in the year ending July 1966.

Practically all of the imports from Mexico in category 26, other than duck, were of fabrics n.e.s., under 8 ounces. These imports from Mexico increased from 92,000 square yards in 1963 to 834,000 in 1964; then dropped to 603,000 in 1965. Imports of 1,721,000 square yards in the year ending July 1966 were two and a half times the imports of 678,000 in the same period a year earlier.

Countries under restraint

The United States has bilateral agreements with seventeen countries, which limit the exports of fabrics, other than duck, in category 26.

Mexico was restrained in category 26 on 15 February 1964, at a level of 1,000,000 square yards, with no more than 80 per cent of the total allowable for carded cotton duck. This restraint action was renewed on 15 February 1965 with 5 per cent growth. Renewal was also requested on 15 February 1966, but the level is still pending.