

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/17

3 December 1963

Special Distribution

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Original: English

## COTTON TEXTILES COMMITTEE

### Statement by the Representative of Japan at the Meeting of 2 December 1963

I should like to make a general observation at some length on agenda item (1).

Representing my own country, I had the privilege of participating throughout in the negotiations for the present Long-Term Arrangement. It remains my view that the Long-Term Arrangement, which has provided a practical solution of a transitional character, could be a good arrangement if it would be accompanied by a smooth and proper application having due regard to its spirit and basic objectives.

The Long-Term Arrangement while calling upon the exporting countries to maintain orderly exports provides that importing countries are to afford increasing opportunities for imports and that in so doing the importing countries should adhere strictly to the definition of market disruption and to resort to the measures envisaged in this Arrangement sparingly.

My Government welcomes this opportunity to review the operation of the Arrangement and it looks forward to the subsequent annual reviews, in particular to the major review which is scheduled to take place during the third year. We hope that constructive discussions would take place at these review meetings in keeping with the basic philosophy of the arrangement to which I referred a moment ago.

After the coming into effect of the present Arrangement in October 1962, my Government has concluded bilateral agreements with a good number of countries including the United States, the United Kingdom and the member States of the European Economic Community. On behalf of my own Government, I would take this opportunity to reaffirm that my Government would honour these agreements in good faith. However, it would be too much if I say that my Government is fully satisfied with these agreements. My Government earnestly hopes that they would be improved by operating them in a manner consistent with the spirit of the Long-Term Arrangement.

With respect to the bilateral agreements with European countries we do not have much to say. At this time, I would limit myself to bringing to your attention two of the difficulties my Government experienced during the negotiations with the member States of the Community. One of the difficulties was attributed to the fact that in certain member States where import quotas had been established for textile products as a whole it was not easy to separate quotas for

cotton textiles from others. The other difficulty was that no information has been available to us as to how the aggregate increase in imports undertaken by the Community would be shared by member States. It would be helpful if the Community would find itself in a position to shed light on this point at this opportunity.

Now I will address myself to the bilateral agreement concluded between Japan and the United States. In the course of the negotiations, a good many issues which are concerned with the basic objectives of the Long-Term Arrangement arose. It is not only timely but also useful for me to lay before this Committee a few of these issues for discussion.

Towards the very end of last year, the United States made it known to us that it intended to invoke Article 3 of the Arrangement against virtually all of our exports of cotton textiles to the United States by reason of market disruption and to fix an overall ceiling over practically all of the cotton textiles exported from Japan. My Government considered and continues to consider that the United States Government had gone beyond the limit within which the notion of market disruption is circumscribed under the Long-Term Arrangement and in the view of my Government it was clearly a case of extended application of the measures provided for in Article 3 by the United States Government.

The ensuing negotiations have resulted in a bilateral agreement within the scope of Article 4 which is distributed in document COT/11. I wish to emphasize here that this bilateral agreement is no more than a practical solution designed to meet the difficult circumstances in which the United States finds itself at present and that it in no way implies that my Government has recognized the existence of the state of market disruption in the United States.

My Government attaches vital importance to the issue of market disruption. Here at stake are the future of all of our exports, let alone cotton textiles. The matter has such a wide and far-reaching bearing on the world trade in general that I am sure our concern would be shared by all other countries.

I would therefore take this opportunity to urge that in invoking Article 3, a country should strictly abide by the relevant provisions of the Long-Term Arrangement and the Record of Understandings, that it should forthwith supply this Committee with necessary information as provided for in Article 3 of the Arrangement. I take it that the information thus received would be promptly taken up by this Committee for review.

Another issue that emerged during the negotiations with the United States was the question of the scope of cotton textiles. The United States made it clear that it intends to treat any product the chief value of which is cotton as cotton textiles regardless of whether they are textile products or not.

In order to dispel any ambiguity about the definition of cotton textiles, I wish to suggest that this Committee take on the task of drawing a demarcation line between cotton textiles and other products. My Government for one believes that in establishing the definition of textile manufactured products in the sense of Article 9 we might well base ourselves on such established international classifications as Brussels Tariff Nomenclature or Standard International Trade Classification.

The third issue relates to the sub-dividing of categories. The United States Government took the position that, in addition to the overall ceiling, further sub-division of categories would be necessary. It should be noted that, if existing categories were further divided into sub-categories with specific import quotas assigned to individual sub-categories, it would make the export more difficult. Also, sub-categorization would impede the efforts of exporters to diversify their export items.

In connexion with our bilateral arrangement with the United States, I have pointed out three of the more important problems we have met with during the negotiations. I have no intention to go into further detail at this time, but I should like to reserve my right to speak again when I have heard comments from my colleagues around the table.

Last but not least, I would mention in the context of the present agenda item that the Japanese industry is seriously considering, as the first step toward industrial adjustment, the possibility for a sharp reduction in the number of spindles. I understand that there is a possibility that about 40 per cent. of the total of ten million spindles now installed would be mothballed, and most of them eventually scrapped. I wish to come back to this point when we take up the question of developing countries under agenda item (4), because it is also closely connected with that question.