

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Statement by the Government of India

1. India is a signatory to both the Short-Term and Long-Term Arrangements relating international trade in cotton textiles. Although some of the principal consuming countries have entered into reservations in respect of the Long-Term Arrangement, India ratified the Arrangement without any reservation whatsoever.
2. India then believed, and she sincerely believes now, that orderly progression on world trade is possible by multi-national co-operation; that such multi-national co-operation will not be directed even unconsciously towards a perpetuation of existing or pre-existing international trade positions but that multi-national co-operation, concerned with the problems of world development, would be directed towards yielding to under-developed nations a greater share in world prosperity - and hence in world trade - based naturally on reasonable factors like availability of raw materials and skills; that such multi-national co-operation needs not merely an a priori equation of treatment under all circumstances but a fashioning of measures to suit individual cases; and that the Long-Term Arrangement, being an embodiment of her aspirations for such multi-national co-operation in the field of cotton textiles, would be so worked that, taking good and bad together, the bad does not far, and for long, outrun the good. It is India's understanding that the Long-Term Arrangement is designed to afford opportunities for the fulfilment of such aspirations of the less-developed countries, and the preambular provisions of the Arrangement provide specific and eloquent testimony to this understanding.
3. The Long-Term Arrangement has now been in force for over a year, having been preceded by the Short-Term Arrangement. It should now be possible to assess and undertake a brief review of the operation of the Arrangement, with particular reference to the main objective of the Arrangement, viz., the orderly

regulation and growth of world trade in cotton textiles, and to come to a broad conclusion whether the objectives of the Arrangement are being fulfilled, and if so, in what respects. If the objectives of the Arrangement are not being fulfilled according to the expectations and understandings of the signatory countries the main reason for this failure should be investigated, analysed, and remedies sought.

4. The principal deduction that would appear to be permissible from the first year's working of the Arrangement is that it has not so far resulted in the opening up of markets which are still under restrictions; the Arrangement has not also allowed for the less-developed countries a due share in the world consumption of cotton textiles.

5. (1) The reasons for the export trade in cotton textiles not picking up, particularly from the less-developed countries, could be broadly stated as follows. In the exporting countries, in spite of their natural economic advantages to produce cotton textiles, as defined in the preamble to the Long-Term Arrangement, the cost of production has increased. The industry in India has been under undue pressure and is struggling to retain its fair share of the world market. The conclusions reached in a recent study by the International Labour Office are very pertinent in this connexion. The ILO study confirms that the impact of a decline in textile production on employment and unemployment in the cotton industry of the advanced countries would be marginal and the resultant problems would not be as serious as they might at first appear to be. Refuting the contention of some that the problems of the textile industry in advanced countries were due mainly to the unfairness of the competition from low-wage countries, the study points out that the less-developed countries must earn foreign exchange to pay for their imports from the industrialized countries and the products that earned it include textiles. The world economic survey, 1961, also warns that the singling out of under-developed suppliers to bear the major burden of restraint raises serious issues regarding the whole pattern of industrial production and adds to the uncertainties which already exist regarding the outlook for foreign exchange earnings of under-developed countries.

(2) An investigation into the production, consumption and imports will establish that the increase in consumption in some of the importing countries has, by and large, been met by increase in production of the domestic industry, and the balance, met by imports, has been imported from sources which are not in the category of less-developed countries. Such an investigation will also establish whether it is necessary to have a set of rules which will facilitate increased imports from less-developed countries - which is the basic objective of the Long-Term Arrangement.

6. In keeping with the intention of the framers of the Long-Term Arrangement India would seek a liberal, just and equitable interpretation of the provisions of the Arrangement, with particular reference to the following:

- (i) Annexure C to the Long-Term Arrangement extracts the GATT CONTRACTING PARTIES' Decision of 19 November 1960 which naturally, is in generalized language and which indicates certain elements which in combination within themselves or with other elements might indicate market disruption [Article 3. (i)]. A narrow and legalistic interpretation of this Article would mean that the power to determine market disruption rests in the unilateral judgement of the importing country. Such an interpretation has in practice resulted in a restricted statistical exercise without regard to other factors which should influence the decision to apply restraint on a particular category of cotton textiles. The unfairness of such an interpretation can be seen when it is realized that exports of cotton textiles from less-developed countries are roughly about 2 per cent of the world textile production, and exports from India to the industrially advanced countries represent only 0.0042 per cent of the total production of the domestic textile industry in these countries. It is, therefore, incomprehensible that there could be any significant effect on production in these countries even if imports from India increased substantially. Although in statistical terms the percentage increases over the base period may look impressive, viewed from the objective of the Long-Term Arrangement itself, there should be no question of applying any restraint on exports from India under any category.

References are also made to the price of imported fabric, but in doing so adequate allowance is often not made for the superior quality of the textiles produced in the developed countries. In order to avoid recourse to seeking an amendment of this article the exporting country should be fully consulted in the determination of market disruption having regard to the basic objectives of the Arrangement.

- (ii) Annexure D to the Arrangement mentions the group or sub-groups of the Standard International Trade Classification (SITC) under which "cotton textiles" covered by the Arrangement fall. It has however been stated in paragraph 7 of Article 3 that importing participating countries may report the groups or categories to be used for statistical purposes to the Cotton Textiles Committee but there is no stipulation that in this connexion they should follow the SITC classification. As a result, different complicated categories have been prescribed in some instances, and India which uses the SITC for maintaining her trade statistics has been faced with considerable administrative and other difficulties. On account of such categorization India also finds herself greatly handicapped in (a) presenting her point of view in bilateral consultations under the Arrangement, and (b) adequately answering enquiries from other signatory governments regarding the level of her exports in specified categories. India exports, in the main, very few categories. A satisfactory solution to this problem is to follow the SITC classification for comparative statistical purposes.
- (iii) Where action is contemplated for reasons of market disruption under Article 3, restraint levels should be on an overall basis and not according to categories as the latter approach would be inconsistent with the spirit of the Long-Term Arrangement and would deny the much needed flexibility for the less-developed countries.
- (iv) It is India's case that the base period for determining the restraint level should not be confined to one year only as such a determination gives a false picture of previous performances and the potentialities. The flow

of imports should be judged with due regard to the best performance of individual suppliers during the immediately preceding five years. This is a recognized principle in the equitable administration of any type of quotas.

- (v) The growth formula for a fair share of the world consumption should be so designed as to afford increasing opportunities for imports from less-developed countries whose need to earn foreign exchange is specifically underlined in the Arrangement.
- (vi) In Article 9 of the Arrangement it is recognized that trade in handloom textiles is not capable of causing any market disruption in importing countries because of their peculiar features, production techniques and cost structure. In accordance with the spirit and intention behind this Article, its wording should be so interpreted as to make the exception applicable to all handloom products, whether in the form of fabrics or made-up articles, and other manufactured items.
- (vii) In connexion with the application of Article 9 a procedure of certification in respect of exports of all handloom fabrics has been initiated in pursuance of the Arrangement. It is necessary that importing countries should accept readily consignments of textile goods covered by government certificates as "handloom fabrics" as final and conclusive proof. Such acceptance should not be subjected to any further verification with reference to the trade statistics of the countries concerned.

7. Having regard to the orderly expansion of international trade in cotton textiles and having observed that the less-developed countries are finding it difficult to have a fair share in this expansion due to structural and other difficulties it will be but right that cotton textiles are not included in the exceptions during the "Kennedy Round" of trade negotiations. In addition to assured outlets for cotton textiles, it may become necessary to give less-developed countries preferential tariff and trade treatment. Unfortunately, contrary to her belief in multi-national co-operation in respect of trade in cotton textiles with which India took part in the negotiations leading to the Short-Term and to the Long-Term Arrangements, she is now faced with a narrow interpretation of the "market disruption" clause, non-tariff barriers including administrative difficulties, certain understandings

by the industries themselves who are operating in some industrially advanced markets and threat of anti-dumping and other measures. India pleads that nothing should be read into the Arrangement which might continue to militate against the exports of less-developed countries. India's case is, and indeed the case of other less-developed countries is, that a constructive, imaginative and developmental approach to the problems facing her under the Long-Term Arrangement could alone give to her and to countries similarly placed the special and growing opportunities, particularly in the matter of earning more and more foreign exchange, which indeed the authors of the Arrangement had intended.

