

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/19/Add.1

4 December 1963

Special Distribution

COTTON TEXTILES COMMITTEE

Statement by the Government of India

Addendum

The following extracts are circulated to the Committee, at the request of the Indian delegation, from:

1. The International Labour Review, Vol. LXXXVII, No. 1, January 1963, pages 1-2.

"On 1 October 1962 a five-year special international trade agreement entered into force, known as the 'Long-Term Arrangement regarding Trade in Cotton Textiles'. It is expected that the Arrangement, which was negotiated within the framework of the General Agreement on Tariffs and Trade (GATT), will contribute to a basic solution of certain problems that have arisen from the decline of cotton textile industries in some older industrialized nations, which is due in part to their growth in developing countries.

"In this article some aspects of these problems are examined in the light of statistical data, including certain figures collected in the course of an inquiry that was jointly undertaken by the International Labour Office and the secretariat of GATT. First, some data are presented indicating to what extent recent changes in the pattern of international trade in textiles can, in fact, be regarded as displacement of the cotton textiles of older industrialized countries by those of under-developed economies. It would appear that this is the case only to a limited degree.

"Secondly, some brief comments are made on the view that such displacement as has taken place is to be attributed wholly or largely to the payment of 'unfairly' low wages in the textile industries of under-developed countries. No evidence is found that the wages of textile workers in such countries are unfairly low in comparison with other incomes in them.

"In the third section some figures are presented to illustrate the impact of a decline in textile production on employment and unemployment in the cotton industries of certain highly industrialized countries. These figures tend to show that, at least in a period of general prosperity and economic expansion such as was experienced, for example, in Western Europe during the 1950s, the resultant problems are not as serious as they might at first sight appear to be."

./.

Page 28, "The problems of the textile industries in advanced countries have many causes and cannot be primarily attributed to the alleged unfairness of competition from low-wage under-developed countries. For, except in the United States, textile imports in industrially advanced countries still come predominantly (in most cases to the extent of well over 80 per cent) from other industrially advanced countries. Secondly, the wages of textile workers in newly industrializing countries are not low in comparison with other incomes in those countries."

Page 29, "The advanced countries have in present conditions unchallenged and increasing advantages over the under-developed countries in industries producing machines, chemicals, and other products calling for an advanced capital-intensive technology. Many of these are very greatly needed in under-developed countries for speeding-up their economic progress. In their development effort, such countries must earn foreign exchange to buy much-needed capital goods, and the products that earn it include textiles."

2. The United Nations World Economic Survey 1961, page 81

"An international arrangement under the auspices of GATT was reached early in 1962 so as to provide a longer-term solution to the cotton textile industry's problem. The agreement provides for the gradual relaxation, with a view to complete elimination, of any restrictive measures that GATT Member countries may have imposed against cotton textile imports from other Member countries and for some expansion of the markets for such products subject to certain limits. On the other hand, the agreement also contains an escape clause in the case of a contraction of domestic textile industry resulting from cotton textile imports, particularly from under-developed countries and Japan, and it provides for consultations between an importing and an exporting Member country on restrictions of exports in the event of a disruption or threat of disruption in the market of the importing Member country.

"Thus, the new agreement has recognized in principle the importance of expanding trade in textiles and of increasing export opportunities for the under-developed countries in the markets of the industrial countries. But the approach to the objective is an extremely cautious one and the explicit licensing of restraint of trade on account of market disruption raises a fundamental question of principle. Furthermore, the singling out of under-developed suppliers to bear the major burden of restraint raises serious issues regarding the whole pattern of industrial development in developed and under-developed countries alike, and adds to the uncertainties that already exist regarding the outlook for export earnings of under-developed countries."