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COTTON TEXTILES COMMITTEE

Preliminary Analysis of Recent Developments in Production of and Trade in Cotton Textiles

Note by the Secretariat

Note: See document COT/W/11 for basic statistics.

Introduction

The long-term tendency of textiles during the greater part of the present century - both as regards production and trade - to grow at a slower pace than all manufactures has also been evident in recent years, although this is more largely true for production than trade (see Table 1). While output in all manufacturing industries went up by 17 per cent during the three-year period 1959-62, the activity in the textiles and clothing industries expanded by only 11 per cent. Although the rate of growth in the textile industry was somewhat higher in the developing countries than in the world as a whole, it is worth noting that since 1960 production of textiles also in this group of countries has advanced less than the combined output of all manufacturing industries, indicating that the process of industrialization which is taking place in the developing countries is in no way a one-sided concentration on the textile industry.

The indices of fibre consumption, which show slower growth in cotton than in other fibres, illustrate the fact that the expansion in the world's textile industry between 1959 and 1962 was less pronounced for cotton than for all other fibres taken together. Consequently, cotton's share in total fibre consumption dropped steadily from 69 per cent in 1959 to just above 65 per cent in 1962.

The value[1] of international trade in textiles appears to have expanded by one quarter between 1959 and 1962. The growth in 1960 and 1962 accounted for this rise while there was a relative standstill during 1961 due, in particular, to a decline in exports from several major Asian suppliers. However, it appears that cotton textiles have not participated in the growth of international trade in textiles since 1960, which was mainly caused by a rise in shipments of textiles made of chemical fibres.

Participating countries in world production and trade in cotton textiles

The comments in this paper will mainly be concerned with the developments in production and trade of the twenty-four countries[2] which are party to the Long-Term Arrangement Regarding International Trade in Cotton Textiles. This group had in 1962 more than 60 per cent of all spindles and looms in the world, produced about 55 per cent of all cotton yarn and almost 70 per cent of all cotton fabrics, and accounted for approximately three quarters of world exports in cotton textiles.

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[1] Due to variations in prices, only movements in volume of textiles and clothing traded can with some accuracy be compared with developments in production in order to see in what direction the ratio of trade to outpur is moving. However, lack of sufficient information on international prices in textiles and the multitude of products of different quality do not make it possible for the time being to assess the developments in volume by deflating the value figures by a price index.

[2] Including Hong Kong.

TABLE 1

	1959	1960	1961	1962
		Index 1959=100		
Total Manufacturing Production[a]				
World		106	110	117
Developing countries[b]		108	117	121
of which:				
Textile Industry[a]				
World		105	106	111
Developing countries[b]		108	112	114
Clothing, footwear and made-up textile industries[a]				
World		104	107	111
Developing countries[b]		..	..	..
Mill consumption of fibres				
Cotton		103	104	102
All other		106	110	119
Value of World exports[c]				
All manufactures[d]		113	121	129
of which:				
Textiles and clothing of all fibres[d]		116	118	125
Cotton textiles and cotton clothing[d]		118	117	117
		Percentage		
Ratio of mill consumption of cotton to mill consumption of all fibres	69	68	67	65
Ratio of exports of Textiles and Clothing of all fibres to exports of All Manufactures	13	13	12	12
Ratio of exports of Cotton Textiles and Clothing to exports of Textiles and Clothing of all fibres	41	41	41	38

[a]Excluding USSR and Eastern Europe.

[b]Countries are classified by degree of industrialization according to per capita value added in manufacturing during 1958. The distinction between industrialized and developing countries is made at 125 US dollars.

[c]Excluding base metals.

[d]Estimates made by the GATT secretariat.

For the purpose of analysis the participating countries are often divided into two groups, namely Group I: Australia, Austria, Canada, Denmark, the six countries of the European Economic Community, Norway, Sweden, the United Kingdom and the United States, and Group II: Colombia, Hong Kong, India, Israel, Japan, Mexico, Pakistan, Portugal, Spain and the United Arab Republic.

The developments in capacity[1] and production

Table 2 offers some illustrations in connexion with the major tendencies during recent years in the development of machine capacity and production in the spinning and weaving sectors.[2]

The number of installed spinning spindles in the world decreased by 3 per cent between 1959 and 1962, keeping the share of active to total spindles constant at about 93 per cent. This reduction in spindles was due in particular to the scrapping process which took place in the United Kingdom where the number of spindles in place during these three years was reduced by almost one half. While the numbers of installed and active spindles in the industrial countries of North America and Western Europe (Group I) fell by 15 and 12 per cent respectively, they went up by 6 and 2 per cent in the other countries (Group II) which are parties to the Long-Term Arrangement. The fact that the active spindles in this latter group of countries only went up by 2 per cent was a result of the "moth balling" process in Japan, where 1.6 million spindles, or almost 20 per cent of the total, were taken out of active service between 1959 and 1962. By excluding Japan, this group of participating countries had an increase of 11 per cent in active spindles. To the extent that the number of spindles can be used as an indicator of capacity in the spinning sector, the ratio of active to total spindles seems to indicate that excess capacity at present is higher in Group II than in Group I. The number of spindles in non-participating countries increased by about 8 per cent with notable gains in mainland China, Eastern Germany, the Philippines, the Republic of Korea and Thailand.

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[1]The remarks on the machine capacity are based on statistics on the number of installed spindles and looms which obviously only give a very rough and provisional indication of the capacity to produce cotton yarn and cloth, without being combined with information which up to now has not been available to the secretariat, such as differences in quality of the various kinds of equipment, other installations like buildings, etc., supply of labour and workers' attitudes to shifts. In addition, account should be taken of the fact that rayon spindles and looms installed in cotton mills are included. The figures for spindles also include all synthetic fibre spindles, some of which are not on the cotton system.

[2]With the material available to the secretariat no assessment of developments in the cotton clothing sector has been possible.

TABLE 2

	World Totals				Participating countries							
					Group I[a]				Group II[b]			
	1959	1960	1961	1962	1959	1960	1961	1962	1959	1960	1961	1962
Spinning Spindles[c]												
Numbers in place on 31 December 1959=100	100	97	97	97	100	91	88	85	100	102	104	106
Maximum number active during calendar year as percentage of numbers in place	92.5	94.4	93.6	92.5	93.4	97.8	95.7	96.8	85.1	86.6	86.4	82.1
Weaving looms, automatic and ordinary[d]												
Numbers in place on 31 December 1959=100	100	97	99	101	100	93	90	85	100	102	103	103
Maximum number active during year as percentage of numbers in place	92.5	94.6	95.2	96.2	92.2	96.0	97.6	96.4	87.9	90.8	92.0	94.8
Raw materials consumed by spindles recorded above[e]												
Cotton 1959=100	100	104	106	104	100	101	98	96	100	108	112	113
Cotton as percentage of total consumption	90.6	90.2	90.1	89.0	87.6	87.6	87.0	85.0	87.8	86.5	86.8	86.8
Production of cotton yarn[f]												
1959=100	100	103	106	106	100	101	99	98	100	108	115	113
Production of cotton cloth												
1959=100	100	102	103	99	100	102	99	98	100	106	112	110

[a] Australia, Austria, Belgium, Canada Denmark, France, Germany F.R., Italy, Netherlands, Norway, Sweden, United Kingdom, United States.
[b] Colombia, Hong Kong, India, Israel, Japan, Mexico, Pakistan, Portugal, Spain, United Arab Republic.
[c] Including rayon spindles installed in cotton mills.
[d] Including rayon looms installed in cotton mills.
[e] Including artificial and synthetic fibres.
[f] Including mixtures.

Source: COT/W/11

A reduction of 15 per cent between 1959 and 1962 in the number of installed looms in the industrial countries of North America and Western Europe was, as in the spinning sector, largely caused by the United Kingdom. However, this downward movement was balanced by an increase in weaving capacity based on the number of installed looms in all other participating countries and in a number of non-participating countries.[1] The ratio of active to total looms was increasing especially in the less-developed countries, resulting in a net increase of 6 per cent on a world basis in the number of active looms. The present ratio of active compared with installed looms does not indicate any differences in excess capacity between the two groups of participating countries as in the case of the spinning sector.

Mill consumption of cotton was in 1962 4 per cent higher than in 1959, while chemical fibres increased by almost one quarter during the same period, due mainly to an increase in the use of synthetic fibres in North America, the industrial countries in Western Europe and Japan. However, because of the much smaller magnitude of the chemical fibres compared with cotton, the latter's share of the combined mill consumption of both cotton and chemical fibres fell only by about 2 per cent - to 89 per cent - for the world as a whole. In 1962 the share was 85 per cent in the industrialized countries and 97 per cent in the less-developed countries parties to the Arrangement.

As might naturally be expected with a rising mill consumption in absolute terms, production of cotton yarn also went up on a world basis during this period (the increase was of the order of 6 per cent[2]), accounted for by the expansion up to 1961 in the less-developed countries and Japan. The levelling off in yarn production in this group of countries in 1962 was accounted for by India and Japan, while the smaller producers continued their growth. The industrialized countries in North America and Western Europe which, taken together, seem to have had a slightly higher output in 1960 than the previous year, showed during the two recent years a downward tendency in their production, again caused to a great extent by the rapid decline in the United Kingdom (about 20 per cent between 1959 and 1962). The 1962 production of yarn in this group of countries was about 2 per cent lower than in 1959, compared with a 13 per cent higher production in the other group of participating countries. There was also a definite expansive tendency in most of the main non-participating countries. The Philippines, for instance, trebled its yarn output during these three years; Taiwan, the Republic of Korea and several Eastern European countries also experienced substantial gains.

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[1]It should be noted, however, that the ratio of automatic to total active looms increased at a somewhat higher rate in Group I than in Group II.

[2]The difference in the relative increase of mill consumption of yarn could, in addition to purely statistical discrepancies, also be partly accounted for by mill consumption consisting of apparent consumption (including variation in inventories) and the changing of mixtures, both in total and in cotton content.

The development in the production of fabrics measured in weight among the participating countries showed the same tendency as did yarn, that is, after a 2 per cent rise in 1960 the production of Group I countries fell to a level in 1962 which was 2 per cent lower than in 1959, while the other participants increased their output by 12 per cent between 1959 and 1961, which subsequently fell slightly in 1962. Among the first group the decline was accounted for by the United States, the United Kingdom and the Federal Republic of Germany, while several other European countries seem to have had an upward trend until 1961 and then a downward turn. Canada's output rose throughout the whole period while the United States, due to the development during the first half, had a slight expansion in 1962 compared with 1961. Australia had a growing output except for a temporary decline in 1961. The decline in 1962 in the other group of participating countries was caused by contraction in India, Japan and Portugal. However, all countries in this group, with the exception of Mexico, appear to have had a considerably higher production of cotton cloth in 1962 than in 1959. Due to a decline in several non-participating countries, mainland China, in particular, output of cotton fabrics in all countries combined for which data are available appears to be slightly lower in 1962 compared with 1959.

The developments in trade

As mentioned in the Introduction world exports of cotton textiles, after showing a rapid rise in 1960, remained static in value terms during the next two years, and consequently did not participate in the upsurge which took place in international trade in textiles in 1962. The value of sales of cotton yarns and fabrics from the major producers continued the decline which was already apparent in 1961 following the rapid rise of 1960. World trade in clothing (of all fibres), however, following increases in 1960 and 1961, continued to expand and showed a sharp rise in 1962. It is not possible to distinguish on a world basis cotton clothing from clothing of other fibres, as only a few countries make this distinction in their statistics. One might assume, however, that cotton clothing participated in the movements shown by clothing generally.

As regards the countries party to the Long-Term Arrangement it will be seen from Table 3 that the industrialized countries of North America and Western Europe exported more cotton textiles in 1961 than in 1960 and almost maintained this level of exports in 1962. As a result, these countries had a somewhat larger share (46 per cent compared with 44 per cent) in world exports than they had in 1959.

As will also be seen from Table 3, the less-developed countries on the other hand, following a sharp increase in their exports in 1959 and 1960, experienced a substantial decline in 1961. In 1962 this group of countries again registered a small increase. However, their share in world exports showed a decrease from 17 per cent to 15 per cent between 1959 and 1962.

[1] No data are available for Colombia.

TABLE 3

	1959	1960	1961	1962
		Index 1959=100		
Value of exports from total world		118	117	117
Value of exports from all participating countries		119	117	116
of which:				
Group I		117	124	121
Group II		122	109	109
of which:				
Japan		127	115	113
Less-developed countries		118	103	105
		Percentages		
Share of world exports of:				
All participating countries	78	79	78	77
of which:				
Group I	44	44	47	46
Group II	34	35	31	31
of which:				
Japan	16	18	16	16
Less-developed countries	17	17	15	15

Note: The indices and percentage shares shown above are based on export values of cotton textiles (including clothing) estimated by the secretariat.

Throughout the period 1959-62 Japan's exports of cotton textiles have about equalled those of the less-developed countries participating in the Arrangement taken together, being slightly less than these in 1961 and slightly greater in 1962.

The share in world exports of countries not participating in the Long-Term Arrangement seems to have altered little during this period and was approximately the same in 1962 as it had been in 1959.

The tendency to contract which dominated trade in cotton yarn and fabrics during 1962 seems to have had its major causes in the predominant downward tendency in the short-term cotton textile cycle[1] in Western Europe which moved contrary to the upward movement in general economic activity, and in the increasingly greater self-sufficiency in cotton textiles which has emerged in many less-developed countries, a fact from which especially suppliers like India and Japan might have suffered. The entry of new countries during recent years into the international market, among them several Eastern European countries, might also have made competition harder and increased the emphasis put on price and quality, something which may have caused difficulties for several traditional exporters. Cotton textiles were also faced with more competition from the man-made fibre industry.

Intra-European trade in cotton yarn and fabrics during 1962 showed a downward tendency and the same was the case for Western European exports to other areas, Portugal being a major exception with a marked increase in sales to the United States. Spanish exports, which had registered spectacular gains in earlier years, suffered a severe decline to most markets. Imports of cotton yarn and fabrics from all sources into the United Kingdom went down (by almost 30 and 15 per cent respectively in terms of weight) after having shown a sharp upward trend between 1958 and 1961. Other European countries witnessed generally a standstill or a decline in their imports.

While a shrinkage in trade was thus the characteristic feature for cotton textiles in most of Western Europe, somewhat more buoyant market conditions prevailed in North America. Imports, although erratic, reached a new record. United States imports of yarns doubled from the previous year (reaching about 13,000 tons) while imports of fabrics (amounting to almost 480 million square yards) more than regained the level of 1960 after having witnessed a sharp temporary decline during 1961. Japan, Hong Kong, Taiwan, India, Portugal, and the United Kingdom registered the greatest gains in the United States import market. Shipments of cotton piece-goods from the United States declined again (by 8 per cent in terms of value) after a temporary halt in this trend during 1961, the biggest drops being in exports to Canada, the Philippines, Indonesia, Venezuela and the United Kingdom.

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[1]The special cycles apparent in the textile industry are assumed to be caused mainly by variations in stocks.

During the first half of 1963, imports of cotton yarn, (in terms of quantity) were slightly higher in the industrial countries of North America and Western Europe taken together, compared with the same period of 1962. Canada, the EEC, Austria, Sweden and the United Kingdom accounted for the rise while arrivals in the United States, Denmark and Norway were smaller than in the corresponding period of the previous year. Total imports of cotton fabrics into this group of countries grew faster than imports of yarn compared to the first half of 1962, due to increases in imports into the United States, the EEC and the United Kingdom.

Increases in exports to the United States and to a smaller extent to Australia and New Zealand seem to have been the only bright spots in the sales endeavours of the major Asian suppliers of cotton textiles in 1962: their total sales continued the downward tendency already apparent in 1961 after a period of substantial gains. Japan increased slightly its export volume of cotton cloth but suffered a minor decline in export value caused by decreases in shipments to the United Kingdom, the Netherlands, Indonesia, Viet-Nam and Nigeria. Hong Kong's exports also went down dr tically in the case of Indonesia while India's sales of fabrics, which despite export incentives dropped by about 10 per cent, fell particularly in the case of African markets except Sudan. India, however, registered its highest export quantum of cotton yarn since 1959 - 23,000 tons. Pakistan, which during the period 1959-60 emerged as the world's greatest exporter of cotton yard but which had already lost this position during 1961 when sales to Hong Kong fell drastically, had a further drop in yarn shipments in 1962.

As regards clothing (of all fibres), the growth in exports was due to the expansion of exports from the industrialized countries of Western Europe (especially in intra-EEC trade) and increases in sales from Hong Kong and Japan.

Since, particularly in the case of the Western European countries, the movements which have taken place might be due to clothing of fibres other than cotton, these movements are not commented on in detail here.

Hong Kong was in 1962 able to expand its exports of clothing to a total of more than $200 million, i.e. an increase of about one third compared with 1961, due to an almost complete recovery of the North American and Western European markets which suffered declines during 1961. Exports to North America rose by $18 million and attained a total of $68 million, somewhat less than the $74 million obtained in 1960. Sales to Western Europe increased by $30 million and thus far surpassed the amount of both 1960 and 1961. Exports to the EFTA countries went up from $53 to $64 million, of which expansion the United Kingdom accounted for $15 million. Due to increases in the imports of the Federal Republic of Germany and the Netherlands, there was also a substantial rise in Hong Kong's shipments to the EEC, which went up from $16 million in 1961 to $25 million in

1962. Exports to the non-industrial countries showed a rather varied picture, with considerable gains in sales to Mexico, Panama, Australia, New Guinea, Indonesia, Libya, Liberia and Nigeria, and at the same time declines in exports to others, among them Ghana, Thailand and Chile.

Japan's exports of clothing amounted to $205 million, only slightly less than those of Hong Kong, due to a much slower growth in 1962. The increase in exports was $14 million and entirely caused by a rise in sales to the United States, which is still a more important market for Japan than for Hong Kong and which takes more than half of Japan's total clothing exports. Despite this gain, Japan's exports in 1962 both to North America and to the world as a whole were lower than in 1959 and 1960.