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COTTON TEXTILES COMMITTEE

Statement by the Indian Representative at the Second Annual Meeting of the Cotton Textiles Committee of the GATT on 2 December 1964

I would at the outset like to express our gratitude to you and your secretariat for the exhaustive information made available to the members of this Committee.

1. Arising out of the conclusions reached at the first annual meeting of this Committee held here in December 1963, and in the light of the working of the Long-Term Arrangement during the second year, my delegation would request that agreed conclusions may be reached during this week in respect of the following. Understandings on these would go a long way in ensuring a more meaningful operation of the Long-Term Arrangement in the next three years. The less-developed countries, who continue to be disillusioned, may derive some comfort.

2.(i) Firstly, about application of Article 3 by an importing participating country. So far as India is concerned, my delegation would concede that the participating importing country, which has applied Article 3 to our exports, has not ignored the conclusions reached in Geneva last year. What has not received adequate recognition in all bilateral discussions is the need to interpret the preambular provisions of the Long-Term Arrangement in a manner in which the authors of the Arrangement had intended them. In fact, even when imposing restraints under Article 3, paragraph 7 of the Article calls for account being taken of the preambular provisions and "equity" being observed in applying the restraints to more than one country. In other words, the developing countries have to be accorded a special treatment. Similarly, countries observing quota restrictions under Article 2, paragraph 4, as on 1 October 1962, have a specific obligation to provide very much enlarged market opportunities to the less-developed countries having regard to their special needs and the principle of "equity". In view of this, we could not help feeling that the labour and time put in for evolving the Arrangement and reviewing the operation of the Arrangement, were only (a) to enable the importing countries to launch measures to restrict imports from less-developed countries under cover of "co-operative and constructive action", and (b) to evade relaxation of pre-existent restrictions.

(ii) Our exports of cotton textiles, which stood at 814.60 million yards in 1959, were 531.15 million yards in 1963, after touching the low figure of 508.36 million yards in 1962. We have reasons to believe that the Articles 2 and 3 restraints under the umbrella of the Long-Term Arrangement have been very largely responsible for the absence of progression in our export trade in this commodity. Currently, some half a dozen categories have been covered by Article 3 in the country which has invoked this Article against us. Discussion/consultation levels have been prescribed for quite a few other categories. These latter and other categories listed in the Long-Term Arrangement are being studied by our exporters, but their plans for promotional effort for earning foreign exchange are greatly impeded by the threat of application of Article 3 which might develop. My delegation would, therefore, suggest that in order to assist my country's promotional effort in respect of categories, which have not so far attracted Article 3, some understandings should be recorded as a result of this week's deliberations. We, on our part, would agree to keep a close watch on the trend of exports of these categories with a view to avoiding sudden and sharp jumps; the importing country, on the other hand, should also recognize our need to earn foreign exchange and guarantee a large measure of immunity from the application of Article 3. I would suggest that on the basis of this approach, we could further agree for an extended understanding regarding application of Article 3 in all industrially-advanced importing countries during the remaining period of operation of the Long-Term Arrangement.

3. The second suggestion which my delegation would put forth is in respect of categorization. We stated last year that prescription of categories and sub-categories in the Long-Term Arrangement had rendered exporting, particularly by less-developed countries, very difficult. Our position as a result of the operation of the Arrangement in the second year remains substantially the same. Our exports are concentrated in a few categories, and flexibility by acceptance of the principle of an overall quota would be in mutual interest; if this is not possible, restraint levels should be on the basis of groups of categories. We would plead for careful consideration of this suggestion.

4. Thirdly, 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. We have an elaborate certification procedure to ensure that the immunity sanctioned for handloom fabrics under Article 9 is strictly confined to the products made by hand in our cottage industry. We could extend the certification procedure to cover made-up articles and other manufactured items. We would be willing to consider the suggestions of the Missions of the importing countries in India in ensuring that the procedure under which immunity from restraint is extended to products made out of handloom fabrics is not abused.

5. Fourthly, my country has been experiencing serious difficulties in utilizing the quotas fixed by EEC countries. The important contributory cause for this is the procedure followed for the issue of import licences in EEC countries. We would plead that following the procedure accepted by the United States and the United Kingdom, EEC countries should agree to the quota system being operated by us through export licences; this would facilitate fuller utilization of allocated quantities. No policy issue is involved in this.

6. Fifthly, we should be enabled to earn more foreign exchange from our exports, particularly to the EEC countries. Having regard to the price level for the type of cotton fabrics which we export to these countries, tariff relief on imports would appear to be a measure of valuable assistance to less-developed countries like my own. We would urge acceptance of this.

7.(i) Lastly, about the future of the Long-Term Arrangement. Article 8(c) provides for a major review of this Arrangement during the third year, in the light of the operation in the preceding years. The first sentence of Article 1 of the Long-Term Arrangement is relevant in connexion with the major review. It reads as follows:

"In order to assist in the solution of the problems referred to in the preamble to this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international co-operation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles."

The promise meted out in the Long-Term Arrangement is to promote the development of the export trade in cotton textiles of less-developed countries without causing injury to the importing countries. While this orderly progression goes on, structural adjustment in the industries of the advanced importing countries would take place. It is my belief that contrary to this promise, massive investments are taking place in the cotton textile industries of the developed countries which should ordinarily be the natural outlets for the textile products from countries like India and those similarly placed. While rationalization and modernization of such industries may be a desirable development, it would certainly hurt the less-developed countries if these investments resulted in a substantial increase in the quantum of production. As I stated earlier, this would also be contrary to the spirit and intention of the Long-Term Arrangement. It is, therefore, imperative that the major review next year should be preceded by positive contributions on the part of developed importing countries in the direction of structural adjustments which would pave the way for opportunities for exports by less-developed countries. Many of the developed countries had built sizeable textile industries to cater to their assured markets in their former colonies. These countries should now undertake major readjustment of the pattern of production of cotton textiles in the light of the political and economic changes.

(ii) In applying our mind to the problem of structural readjustment, we should recognize that in the absence of a special arrangement like the Long-Term Arrangement, the developed importing countries would, under the normal provisions of GATT, find it very difficult to take unilateral action to severely restrict imports. India then believed, and she sincerely believes now, that orderly progress in 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. We believe that like all wars, a textile conflict in 1967 would benefit no one. May I, therefore, appeal to the distinguished colleagues around the table to set immediately in motion preparations for the structural readjustment of the cotton textile industries of the developed countries, so that at the conference table in December 1965, firm indications could be had regarding the intention of the developed countries, which would enable us to make up our mind regarding our attitude to the future of the Long-Term Arrangement.

8. To sum up, my delegation would make the following submissions:

- (1) As a measure of assistance to the export promotion efforts of less-developed countries, an understanding should be reached to the effect that Article 3 should not, as far as possible be invoked during the remaining period of operation of the Long-Term Arrangement. Such understanding could be conditioned by the exporting countries undertaking to keep a watch on exports with a view to avoiding sudden and sharp jumps and the importing countries agreeing to the sparing use of Article 3 recognizing the need for less-developed countries to earn foreign exchange from cotton textiles;
- (2) in order to introduce an element of flexibility and to assist the export performance of less-developed countries, quotas should, as far as possible, be on an overall basis. If this is not possible, quotas should be on the basis of groups of categories;
- (3) textile products manufactured out of hand-made fabrics in our cottage industry should be treated on par with handloom fabrics. For this purpose, we would be willing to extend the existing certification procedure for handlooms to cover made-up articles in consultation with the Missions of the importing countries in India;
- (4) following the principle accepted by the United States, EEC countries should agree to the quota system being operated at the exporting end in order to enable us to export allocated quantities;

- (5) a measure of tariff relief in the EEC countries would enable less-developed countries to earn more foreign exchange from cotton textiles;
- (6) preparations should be immediately taken on hand for the major review of the working of the Long-Term Arrangement due at the end of the third year of its operation. The future of the Long-Term Arrangement depends on the structural readjustment of the cotton textiles industries in the developed countries.