

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Statement by the Spokesman of the European Economic Community at the Meeting on 1 December 1964

In my capacity as spokesman of the European Economic Community, I should like first to give the Committee some information on the evolution of trade, consumption and production of cotton for the EEC in 1963 in relation to 1962, and also on import trends in 1964; I shall then report on the measures taken by the EEC in implementation of the various provisions of the Long-Term Arrangement.

Briefly, the principal characteristics of developments in the Community in 1963 were as follows:

1. A very large increase in imports from third countries - from 44,000 tons to 72,000 tons for cotton textiles and garments of all fibres, except wool, taken together, i.e. an increase of more than 60 per cent, raising the share of imports in relation to apparent consumption from 5.2 per cent to 8.2 per cent;
2. A substantial drop in exports, with an overall decline of 10 per cent;
3. A slight increase in apparent consumption, which can be estimated as in the region of 3 per cent, but was entirely covered by imports;
4. Despite the consumption increase, output of yarn and fabrics continued to decline and in 1963 the total was respectively 10,000 tons and 12,000 tons below that for the preceding year, and 70,000 tons and 50,000 tons respectively below the 1960 level.

As may be seen from document COT/STAT/7, the group of developing exporting countries gained most from the expansion in Community imports; their shipments of yarn rose by more than 60 per cent, those of grey fabrics by 175 per cent, clothing by more than 45 per cent, and out of total Community imports, the share of shipments from those countries rose respectively

from 63 per cent to 67 per cent for yarn
from 20 per cent to 26 per cent for grey fabrics
from 32 per cent to 46 per cent for garments.

Among other countries participating in the Arrangement, sales by Japan rose by 46 per cent for finished fabrics and 34 per cent for garments, while the United States of America almost doubled the volume of their exports of finished fabrics to the Community.

The pressure of these imports on the internal market was felt all the more by the Community's industry because of a further decline in Community exports, despite a favourable world market situation; exports of grey and finished fabrics fell off by 12 per cent, affecting most of the traditional foreign markets, both in the industrial countries and on the African continent.

Statistical data available for 1964 show that the import expansion of 1963 has continued this year.

Compared with the first half of 1963, yarn imports doubled while imports of grey and finished fabrics rose by 30 per cent and 67 per cent respectively, and clothing imports rose by 40 per cent. These developing countries were by far the chief beneficiaries of the rise in imports of grey fabrics with a rate of increase of 85 per cent as against 43 per cent for the participating countries as a whole.

Shipments of yarn and garments by this group of countries followed approximately the general rate of increase. On the other hand, finished fabrics, while recording very substantial progress, as they amount to 50 per cent, are still below the rate of growth recorded for the participants as a whole, which is close to 75 per cent because of the rise in sales by Japan and, more particularly, by the United States.

Despite this substantial increase in imports and the abnormally low price of certain deliveries during the past year of the Arrangement only the Federal Republic of Germany reached an agreement with Hong Kong for the latter to restrain exports of cotton undergarments. The Belgian Government held consultations with the Government of the United Arab Republic, with a view to reaching an agreement on cotton yarn, based on Article 4 of the Geneva Arrangement. The Cotton Textiles Committee will be notified as soon as agreement has been reached.

The member States of the Community have observed the obligations deriving from the various paragraphs of Article 2.

(a) in accordance with paragraph 1, quantitative restrictions have been relaxed each year:

- 19 items were liberalized in 1963;
- 4 items were liberalized in 1964;
- further liberalizations are already scheduled for 1965.

- (b) Under paragraph 3 the quota increases granted in 1963 and 1964 were still larger in relation to the rate which the Community undertook to observe than the figures indicate, if account is taken of liberalization measures applied since the signature of the Arrangement. Indeed, while substantial liberalizations on cotton products have been made since the signing of the Arrangement, the Community has not in fact availed itself of the possibilities deriving from paragraph 3 of Article 2 which allow it to revise the basic quota in proportion to actual liberalizations.
- (c) Lastly, additional quotas have been opened or will be opened for all new participating countries which have so requested.

All these measures have resulted in an increase in imports of both products under quota and liberalized products; the amount of this increase confirms the preliminary estimates presented for 1967 by the spokesman of the Community when the Agreement was signed.

In the light of these results, I believe I may conclude, Mr. Chairman, that the implementation of the International Arrangement by the European Economic Community has met the objectives which its signatories set themselves. During its first two years, it has resulted in a very substantial increase for the exporting countries not only of their export possibilities, but of their shipments to the Community market.