

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/40*

4 December 1964

Special Distribution

COTTON TEXTILES COMMITTEE

Information Transmitted by the United States

The following information relating to the structure and future development of trade in cotton textiles has been transmitted by the delegation of the United States for circulation to the members of the Cotton Textiles Committee.

* English only/anglais seulement.

UNITED STATES STATEMENT ON STRUCTURAL ADJUSTMENTS
IN THE UNITED STATES COTTON TEXTILE INDUSTRY

In its statements before the Committee this year and last the United States has already referred to the structural changes that have occurred in the United States cotton textile industry over the past few years.

A. Evidence of the changes can be found in a comparison of the situation in cotton textiles today in 1964 with that ten years earlier.

1. Market. The United States market for cotton textiles has grown since 1954 by less than 10 per cent. Other markets around the world have grown much more rapidly. Ten years ago the United States cotton textile industry supplied virtually all of the domestic market and was a substantial exporter to world markets. During the ten years exports have fallen steadily and imports have become substantially greater than exports. While the United States was formerly a net exporter, the United States now has a deficit in cotton textile trade in excess of \$100 million. This is roughly one quarter of the total textile trade deficit of \$487 million in 1963, compared to a surplus of \$180 million in 1954 (Table 1).

2. Production. United States cotton textile production has actually declined over 11 per cent during the ten-year period: in 1954 it was 9.9 billion yards; today it is 8.8 billion (Table 2). The United States cotton textile industry not only has not shared in the growth of world markets but also has not even shared in the modest growth of its own domestic market.

3. Economic and social consequences. The stagnation of the industry entailed serious social and economic dislocations in the United States. Textile mill employment in the first half of 1964 was 14 per cent below the 1954 level. Employment was at about the same level in the first half of 1964 as in the first half of 1963 (Table 3).

Unemployment in the textile sector remained above the national average. In the second quarter 1964, it was 5.1 per cent in textile mill products and 8.3 per cent in the apparel sector. These compared with an average of 4.8 per cent for manufacturing as a whole (Table 4).

4. Scrapping of equipment. Considerable excess capacity was left when the military requirements of the 1940's and early 1950's no longer existed. These requirements had been roughly one-third of the industry, and now are in the range of only 1 or 2 per cent. This drastic change, plus technological improvements, necessitated extensive scrapping of equipment. Active spindles consuming cotton have fallen from 19.3 million in 1954 to 15.2 million today (Table 5). Similar reductions have been necessary in other types of equipment. Actual scrapping is of course much greater than these net figures would indicate since some of the equipment in operation today has been installed within the past ten years.

5. Profits. Despite these reductions in equipment and the better balance between capacity and production today than in 1954, average hours operated per spindle for the United States cotton textile industry still remain significantly below the average operating hours achieved by other major producers (Table 6). This extra capacity in the United States industry has contributed to keeping profits in cotton textiles substantially below the average for all manufacturing industries in the United States (Table 7). In turn, poor profits have doubtless contributed to a low rate of investment for modernization of equipment and for promotion of products. Thus the United States industry during the ten-year period has become less competitive in world markets and has perhaps even been partly responsible for the small rate of growth in its own domestic market.

B. Present United States policy is aimed at reversing this unfortunate cycle, for the benefit of both domestic producers and exporters to the United States market. The major instruments of this policy are these:

1. Restoration of one-price cotton. This measure is designed to remove the inequitable competitive handicap to cotton as a fibre and to the United States cotton textile industry that had resulted from the cotton price support programme in the United States.

2. Acceleration of industry's modernization programme. The more liberal depreciation schedule for tax purposes introduced in 1961 and the investment credit provided by the Revenue Act of 1962 resulted in a substantial increase in the rate of investment. No breakdown of investment figures are available by fibres but the current rate of \$800 million for all textiles is significantly greater than the annual levels of \$300 to \$400 million during the 1950's, and is badly needed for modernization after the low investment levels for so many years. As the production figures cited have shown, this investment has not resulted in any expansion, but only in modernization (Table 6).

3. Stimulation of industrial research. While the bulk of research in this field is carried out by private firms and non-profit organizations, the Departments of Commerce and Agriculture are engaged in basic research to advance the scientific study of textile fibres and technology.

C. The results of these changes and policies are several:

1. Exporters to the United States market have during the past ten years enjoyed all the growth in that market. Moreover, developing countries have enjoyed even greater growth both in the world markets by displacing United States exports and in the United States market in which they have displaced exports from industrialized countries. The Long-Term Arrangement guarantees that they will continue to have the opportunity for steady growth.
2. Present policies are beginning to be effective and point to expanding textile markets in the United States in the future. Both overseas suppliers and the United States textile industry can expect to benefit from this development.

Table 1

TRADE BALANCE OF YARNS, FABRICS, CLOTHING AND KNITWEAR
BETWEEN THE UNITED STATES AND DIFFERENT AREAS

(Millions of Dollars)

<u>Year</u>	<u>OECD Europe</u>	<u>Canada</u>	<u>Japan</u>	<u>Other Developing Countries</u>	<u>Total</u>
1954	-160	+ 70	- 61	+331	+180
1955	-182	+ 81	-117	+284	+ 66
1956	-209	+ 75	-161	+279	- 16
1957	-192	+ 91	-149	+268	+ 18
1958	-174	+100	-178	+218	- 34
1959	-209	+107	-217	+119	-200
1960	-211	+142	-249	+ 62	-256
1961	-185	+138	-209	+ 52	-204
1962	-269	+122	-274	- 15	-436
1963	-258	+111	-253	- 87	-487

Source: OECD Statistical Bulletin.

Table 2

PRODUCTION OF COTTON BROAD WOVEN GOODS

(except tyre fabrics)

1954 - 1963

<u>Year</u>	(Thousands) <u>Linear Yards</u>
1954	9,890,948
1955	10,171,062
1956	10,317,071
1957	9,533,764
1958	8,973,704
1959	9,603,092
1960	9,365,637
1961	9,168,424
1962	9,248,495
1963	8,781,374

Source: Bureau of the Census United States Department of Commerce.

Table 3

ALL MANUFACTURING INDUSTRIES AND THE COTTON BROADWOVEN FABRIC INDUSTRY: EMPLOYMENT AND LAY-OFFS, 1958 - JANUARY-JUNE 1964

Year	All employees			Lay-offs ¹			Lay-offs as a percent of total employment		
	All manufacturing	Cotton		All manufacturing	Cotton		All manufacturing	Cotton	
		broadwoven fabric industry	broadwoven fabric industry		broadwoven fabric industry	broadwoven fabric industry			
1958	15,945,000	202,100		500,906	33,361		3.1	12.7	
1959	16,675,000	259,400		395,595	18,422		2.4	7.1	
1960	16,796,000	254,000		477,597	17,497		2.8	6.3	
1961	16,327,000	245,800		433,817	17,274		2.7	7.1	
1962	16,859,000	240,400		396,494	19,249		2.4	8.0	
1963	17,055,000	235,800		374,479	11,213		2.2	4.8	
Jan.-June, 1963	16,840,000	237,900		167,773	6,772		1.0	2.9	
Jan.-June, 1964	17,107,000	233,083		157,233	6,000		.9	2.6	

¹ Calculated from monthly data on total employment and monthly lay-off rates per 100 employees.

Source: Bureau of Labour Statistics, Employment and Earnings, except as noted.

Table 4

UNEMPLOYED IN TEXTILES AND APPAREL INDUSTRIES
COMPARED WITH ALL MANUFACTURING

Year	Textile Mill Products		Apparel		Total Manufacturing		Textile and Apparel Unemployment as % of all Manufacturing Unemployment
	Number (000)	Rate (%)	Number (000)	Rate (%)	Number (000)	Rate (%)	
1958	104	9.5	148	12.0	1,612	9.2	15.6
1959	75	7.2	118	9.6	1,059	6.0	18.2
1960	62	6.3	138	10.5	1,108	6.2	18.1
1961	65	6.8	150	11.4	1,383	7.7	15.5
1962	51	5.2	127	9.8	1,049	5.8	17
1963	67	6.7	125	9.6	1,066	5.7	18
1964 ¹	53	5.1	111	8.3	922	4.8	17.8

¹Second quarter average.

Table 5

ACTIVE SPINDLES RUNNING ON COTTON

<u>Year</u>	(Thousands) <u>Number of Spindles</u>
1954	19,306
1955	19,142
1956	19,015
1957	18,080
1958	17,509
1959	17,499
1960	17,536
1961	17,277
1962	16,922
1963	16,140
1964	15,236

Source: Bureau of the Census United States Department of Commerce.

Table 6

COMPARISON OF SPINDLE AND LOOM ACTIVITY

(United States and Certain other Countries)

1962

	<u>Spindles</u>	(hours per annum) <u>Looms</u>
United States	6,080	6,420
Hong Kong	7,140	6,340
India	5,950	5,530
South Korea	6,600	6,440
Pakistan	7,200	5,910
Republic of China	6,700	5,150
Israel	6,200	4,880

Source: OECD Statistics

Table 7

ALL MANUFACTURING CORPORATIONS (EXCEPT NEWSPAPERS) AND TEXTILE MILL PRODUCTS
CORPORATIONS: SALES, PROFITS, PROFITS-TO-SALES RATIO AND PROFITS-TO-STOCKHOLDERS'
EQUITY RATIO, 1956 - JANUARY-JUNE 1964

Year	Sales (Millions of dollars)		Profits after Federal taxes (Millions of dollars)		Profits (after taxes) as a percentage of sales		Profits (after taxes) as a percentage of equity	
	All manu- facturing	Textile mill products	All manu- facturing	Textile mill products	All manu- facturing	Textile mill products	All manu- facturing	Textile mill products
1956	307,256	13,314	16,153	359	5.2	2.7	12.2	5.8
1957	320,039	13,056	15,438	253	4.8	1.9	11.0	4.3
1958	304,592	11,970	12,551	189	4.1	1.6	8.6	3.5
1959	337,817	13,762	16,328	416	4.8	3.0	10.4	7.6
1960	345,654	13,254	15,197	329	4.4	2.5	9.2	5.8
1961	356,124	13,398	15,311	280	4.2	2.0	8.8	5.0
1962	389,404	14,449	17,727	354	4.6	2.5	9.8	6.2
1963	412,673	15,092	19,483	354	4.7	2.3	10.2	6.1
Jan.-June 1963	201,714	7,190	9,237	154	4.6	2.1	9.8*	5.3*
Jan.-June 1964	216,429	7,757	11,242	193	5.2	2.5	11.4*	6.5*

Source: Federal Trade Commission - Securities and Exchange Commission, Quarterly Financial Report for Manufacturing Corporations.

* At annual rate.

Table 8

NEW PLANT AND EQUIPMENT EXPENDITURES
TEXTILE INDUSTRY AS A WHOLE

<u>Year</u>	<u>(\$ million)</u>
1954	331
1955	366
1956	465
1957	408
1958	288
1959	412
1960	530
1961	500
1962	610
1963	640
1964	760

Note: Includes synthetics and wool textiles.

Source: United States Department of Commerce and Securities and Exchanges
Commission