

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/54

7 December 1965

Special Distribution

Original: Spanish

COTTON TEXTILES COMMITTEE

Information Transmitted by Spain

The following information has been transmitted by the delegation of Spain for circulation to the Cotton Textiles Committee.

A number of countries which are parties to the Long-Term Arrangement are at present applying restrictions on Spain's exports of cotton textile manufactures.

Some of these countries apply import restrictions within the framework of the Long-Term Arrangement, but with a restrictive interpretation of its provisions - as in the case of the United States.

Other importing countries restrict cotton textile imports either through import systems established unilaterally and which differ from those provided for in the Long-Term Arrangement (for example, Belgium), or through quotas calculated by means of procedures other than those provided for in the Long-Term Arrangement in such cases (for example, Italy) and which always result in smaller import quotas smaller than those which would result from application of the systems of the Long-Term Arrangement or the recommendations made in this regard in the past by the Cotton Textiles Committee (COT/M/3).

Lastly, it appears that the United Kingdom is considering the application of an import system which, judging by the information furnished by that country's representatives, would mean the introduction of more extensive import restrictions than those at present existing.

The significance of the import restrictions applied by these importing countries for Spain's foreign trade in cotton textiles can be seen clearly if one considers that in 1964 cotton textile exports to those markets represented 57.36 per cent of the value of Spain's total exports of cotton textiles.

It is for this reason that, in connexion with the review of the operation of the Long-Term Arrangement, the Spanish delegation submits this memorandum to the Cotton Textiles Committee, setting forth the increasing difficulties which Spain is encountering in gaining access to traditional markets for its cotton textile exports, as a result of the import restrictions introduced by importing countries during the short period in which the Long-Term Arrangement has been in force.

I. United States

The case of the United States differs from that of the other industrial countries which are parties to the Long-Term Arrangement and apply import restrictions on cotton textiles.

At the present time, United States imports of cotton textiles from Spain are limited through a system of quotas which did not exist prior to the Long-Term Arrangement, so that the situation created for Spain by the Arrangement has meant a deterioration in conditions of access to the North American market for its cotton textiles.

This new system of United States import quotas is accordingly the immediate consequence for Spain of the implementation of the Long-Term Arrangement and it was directly reflected in the bilateral agreements which the United States signed with Spain in 1963 and 1964, pursuant to Article 4 of the Long-Term Arrangement. These bilateral agreements have had very restrictive effects on Spanish exports of cotton textiles to the United States, not only because the new quota system has considerably reduced the volume of Spain's exports to the American market, but also because the new textile categories have disrupted and disorganized the traditional flow of Spanish exports towards that country.

The consequences just mentioned can be seen clearly from export statistics which reflect in terms of figures the restrictive effects of the bilateral agreements between Spain and the United States. For example, over the twelve-month period from February 1963 to January 1964, Spain's exports reached a total of 37,172,647 sq.yds.; whereas in the one-year period from March 1964 to February 1965 - i.e. during the period of validity of the first bilateral agreement - exports fell to 15,017,011 sq.yds.

The amendments introduced in the second bilateral agreement, which became effective in January 1965, allowed more flexibility in the application of the quotas and categories fixed in the earlier agreement and made it possible to correct to some extent the severe restrictive effects felt in the earlier period. Thus, Spanish exports amounted to 20,718,864 sq.yds. from September 1964 to August 1965. Despite this relative increase, Spain's total cotton textile exports to the United States continue to be well below the value reached in the period preceding the bilateral agreements negotiated between the two countries.

Accordingly, although it is true that in establishing the new system of import quotas for cotton textiles the United States has observed the general lines of the Long-Term Arrangement, at least formally, nevertheless the practical consequences of this system, so far as Spain is concerned, have undoubtedly been a marked reduction in Spain's exports to the American market, as a result of deterioration in conditions of access. This situation is contrary to the spirit in which the Long-Term Arrangement was negotiated, as recognized in the preamble to the Arrangement and formally expressed in the definition of its objectives.

II. Belgium and Italy

The new import systems for cotton textiles introduced by Belgium and Italy since the entry into force of the Long-Term Arrangement have had as an immediate consequence the application of import restrictions which are more severe than those which existed previously.

On the other hand, unlike the case of the United States, these new import systems and implementing regulations which have recently been introduced unilaterally by Belgium and Italy are not only contrary to the principles underlying the Long-Term Arrangement but, in the opinion of my delegation, amount to a breach of the provisions of the Long-Term Arrangement in regard to imports which cause or threaten to cause disruption in the market of the importing country, because in the application of these provisions, account has not been taken of Article 3 and Annex B of the Long-Term Arrangement.

Following a request by the Belgian Government in December 1964, negotiations were commenced in 1965 in order to regulate Spanish exports of cotton and rayon staple fibre yarn to the Belgian market; no agreement was reached because the Spanish delegation could not concur in Belgium's desire to establish for these goods an import quota well below the level fixed for these items under paragraph 1(a) of Annex B to the Long-Term Arrangement.

Meanwhile, the new import system established unilaterally by Belgium has in practice meant a severe reduction in Spain's exports of cotton yarn which have fallen from 1,569,907.75 kg. in 1964 - i.e. the twelve-month period preceding the Belgian request for consultation as referred to in paragraph 1(a) of Annex B - to 581,502.74 kg. for the first eight months of 1965.

Accordingly, if we compare the statistics for the first eight months of 1964 and of 1965 we see that the effect of the new import system applied unilaterally by Belgium outside the provisions of the Long-Term Arrangement has been to reduce Spain's cotton yarn exports from an average of 137,529.17 kg. per month in 1964 to 72,687.84 kg. per month in 1965.

In other words, the new import system for cotton yarn established by Belgium in 1965 can be said to have resulted in practice in a 52.8 per cent. reduction of imports from Spain in relation to the figures for 1964.

With respect to Italy, Spain's exports of GREY cotton fabrics were also sharply reduced in 1965 as a result of the import restrictions introduced by Italy early in the year.

Conversations were begun at the inter-professional level in late 1964 to discuss exports of grey cotton fabrics from Spain to Italy, but no agreement was reached because Italy wanted to limit imports of GREY fabrics from Spain to a level much lower than that which would result from application of Article 3 of Annex B to the Long-Term Arrangement.

Italy then invoked the emergency procedure provided for in Article 3, paragraph 2, of the Long-Term Arrangement and limited imports by establishing a system of prior permit on 15 January 1965, for imports of grey fabrics from various countries, including Spain.

Sixty days after the introduction of this new import system, Italy established import quotas and gave Spain an annual quota of 710 tons.

This quota is much smaller than that which would have resulted from application of the provisions of the Long-Term Arrangement or the recommendations of the Cotton Textiles Committee.

Indeed, if in determining import quotas Italy had followed the rules of Annex B to the Long-Term Arrangement, which states that the basic amount of the quota should be the level of exports in the twelve first months of the fifteen months preceding the date of the announcement (15 January 1965), the quota for Spain would have been 1,058 tons, a figure far higher than the amount of the quota fixed unilaterally by Italy.

In fixing the import quota, if Italy had taken account of the Committee's recommendations (COT/W/3), that Annex B should be applied in the sense of taking as a basis the best performance in past years, the quota assigned to Spain would have been 1,382.5 tons of grey cotton fabrics, corresponding to Spain's exports to Italy from April 1963 to March 1964.

United Kingdom

Hitherto, exports of cotton fabric from Spain to the United Kingdom have been developing under an inter-professional agreement signed in October 1961, which was subsequently amended and extended until 31 December 1965 by a protocol signed at Madrid in February 1964.

Although the principal objective of this agreement was to regulate Spain's cotton exports to the United Kingdom by establishing textile categories and setting limitations, the results obtained can, in general, be deemed satisfactory, since both administrations have complied with the obligations deriving from the 1961 inter-professional agreement and the 1964 protocol of amendment, so that trade in cotton textiles has been able to develop within the framework of this agreement without causing any substantial impairment to the interests of the two countries concerned.

On the other hand, if, as seems likely the United Kingdom introduces in 1966 the new import system which it recently announced, my Government fears that the result might be severe restriction of Spain's exports of cotton textiles to the United Kingdom.

According to the study made by the Spanish export sector concerned, the principal characteristics of the new British import system, which is apparently to be introduced early next year, would mean not only disruption of Spain's present export trade, but also the risk of a substantial reduction in exports which might amount to about 60 per cent of the present amount of quotas, or 40 per cent on the basis of actual exports in 1964 under the present system.

Having regard to the importance of the United States, Belgian, Italian and United Kingdom markets for Spain's cotton textile exports (as already indicated, in 1964 they accounted for 57.36 per cent of Spain's total exports), the restrictive measures taken by these countries since the signature of the Long-Term Arrangement or, in the case of the United Kingdom, the measures which may be taken in the future, have caused serious damage to Spanish industry both as regards the large reduction in exports and because of the disruption caused in many cases for my country's textile industry.

The Spanish delegation considers that these restrictive measures are contrary to the principles underlying the Long-Term Arrangement and to the aims and objectives set forth therein, for it is clearly stated that the participating countries desire to provide growing opportunities for exports of the products in question, provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries.

For these reasons, my delegation has considered it appropriate to draw the attention of the Cotton Textiles Committee to the increasing difficulties which are being encountered by Spanish exports of these products as a result of the restrictive interpretation given by some importing countries to the provisions of the Long-Term Arrangement or of the unilateral measures to restrict imports which some importing countries have taken outside the provisions set forth in the Long-Term Arrangement for such cases.

The Spanish delegation hopes that in reviewing the operation of the Long-Term Arrangement, the Cotton Textiles Committee will give priority to examining these problems since they are of the utmost importance for exporting countries, and that the necessary measures will be adopted to ensure that importing countries:-

- (a) show more flexibility in applying the restrictive measures permitted under the Long-Term Arrangement, in such a way that such measures do not mean any reduction in the exports of exporting countries or any disruption for their lines of production;
- (b) do not establish restrictive measures outside the provisions of the Long-Term Arrangement or fix quotas according to procedures other than those provided for in the Long-Term Arrangement;
- (c) do not establish any new system of import restrictions which is not consistent with the provisions of the Long-Term Arrangement.

Spain is deeply concerned over the development of the Long-Term Arrangement, and in the event that these measures are not adopted by the Committee, or if they are not carried out in the importing countries, Spain will carefully examine future trends in order if necessary to reconsider its position as a signatory country.

Geneva, 3 December 1965

