

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COTTON TEXTILES COMMITTEE

Statement by the Spokesman of the European Economic Community on 6 December 1965

In my capacity as spokesman of the European Economic Community, it is my task to review the trend in the cotton situation for the Community over the period 1962/1964.

Accordingly, I shall in turn refer to the evolution of foreign trade, consumption and production over the period in question and supplement this data by some indications concerning the tendencies which have emerged in the first six months of 1965. A year ago, the spokesman for the Community emphasized the rise in imports, the decline in exports and the reduction in production in the Community as a whole. This trend has become still more marked in 1964, as may be seen from the tables published by the secretariat of this Committee in document COT/STAT/38 dated 30 September 1965, from which I shall draw most of the figures which I shall quote to you.

A. Imports

From 1962 to 1964 Community imports from third countries of cotton textiles and clothing of all fibres rose from 60,000 to 106,000 tons; the increase affected all categories of goods, in particular grey fabrics, yarn and made-up articles, which increased by 150 to 175 per cent. The countries which benefited most from this trend were the developing countries participating in the Arrangement; their deliveries rose from 16,800 tons to more than 44,100 tons, representing 42 per cent of total imports by the Community in 1964 as compared with 36 per cent in 1963 and 28 per cent in 1962. In particular, United Arab Republic deliveries to the EEC rose from 4,380 tons in 1962 to 10,811 tons in 1964.

Although its share in total deliveries is declining slightly, Japan nevertheless increased its sales by nearly 40 per cent in the same period.

Overall deliveries by the industrialized countries other than the EEC member countries, increased by 11 per cent as compared with 1962, mainly due to larger exports by the United States, whose export volume more than doubled in three years, reaching 50 per cent of total imports from these sources. In 1964, supplies from industrialized countries represented less than 19 per cent of total Community imports, as compared with 29 per cent in 1962.

The figures speak for themselves, and in this connexion I shall merely point out that over a period of three years the volume of Community imports of cotton textiles has risen far above the estimates given by the European Economic Community spokesman in 1962 for the next five years, and that their rate of growth is incomparably higher than that recorded in other major importing countries.

It may also be useful to draw the Committee's attention to the fact that at the present time the major part of the Community's imports comes from exporting countries whose prices are causing or threatening market disruption.

B. Exports

Over the same period, i.e. from 1962 to 1964, while imports were rising, exports were declining; as regards cotton textile articles and clothing of all fibres, taken together, exports fell from 163,000 tons to 151,000 tons - a 7.4 per cent reduction.

However, looking only at exports of made-up articles of cotton textiles and assimilated fibres, the overall decline in cotton textile exports was about 14 per cent, and affected almost all the traditional markets of the Community's industry, in both the industrial countries and the African countries, where the Community producers are gradually being pushed aside, in most cases for the benefit of developing countries or Japan.

C. Trade balance

As a result of the increase in imports and the drop in exports, there was a marked deterioration in the Community's trade balance for cotton textiles. In 1962, according to statistics published in the secretariat document which includes clothing of all fibres, there was a surplus of 103,000 tons, but in 1964 it amounted to only 45,000 tons. If one considers only made-up articles of cotton or assimilated fibres the difference is still more marked, with a drop in the trade surplus from 98,000 tons to 32,000 tons.

D. Consumption

In 1962 apparent consumption of cotton textiles in the Community (calculated on the basis of mill consumption of raw cotton, corrected by the addition or subtraction of the external trade balance, at the various stages of processing, with no correction co-efficient for raw cotton) was estimated at 858,000 tons; consumption rose to 896,000 tons in 1963 and 916,000 tons in 1964. This expansion in internal consumption was covered by imports to the extent of 72 per cent in 1963 and 89 per cent in 1964. This means that the share of foreign deliveries in relation to Community consumption, which was 5.7 per cent in 1962, rose to 8.1 per cent in 1963 and 10.1 per cent in 1964.

E. Production

For the Community's industry, greater import pressure combined with contraction of external outlets and slow development of internal consumption has been reflected in a steady decline in production over the four-year period 1962/1964.

During this time, spinning production declined by 2 per cent and weaving production by 3.5 per cent. However, 1962 must be considered as a year of little activity; in relation to 1961, which can be considered as a year of normal activity, production fell by 6.8 per cent as regards spinning and 5.6 per cent as regards weaving.

F. Trends in 1965

The first six months of 1965 brought a textile crisis in certain member States which was reflected, for the EEC cotton industry as a whole, by a drop in activity amounting to 11 per cent for spinning and 14 per cent for weaving.

The Community's external trade was affected by this situation.

Overall imports of yarn, cotton fabrics and clothing of all fabrics - the only categories for which quarterly figures are available - reached a level comparable to that recorded for the first six months of 1964, as regards imports from both the industrial countries and the developing countries which are signatories to the Arrangement.

For these two groups of countries, an increase in clothing deliveries was offset by a slight drop in imports of yarn and fabric.

Japan, however, increased its deliveries by 30 per cent, due mainly to larger supplies of grey fabrics.

While imports from third countries continued at the same level as in the preceding year, Community exports declined by nearly 10 per cent, and this contraction in sales was apparent on most of the traditional markets of the EEC.

G. Operation of the arrangement

Despite the gravity of the situation and the difficulties facing many EEC undertakings, which are obliged by pressure from low-priced imports to work at the limit of remunerativeness and without covering their amortization costs, the member States of the Community have observed the letter and the spirit of the Arrangement.

The undertakings to enlarge quotas (Article 2) have been observed.

Many products have been liberalized:

- fourteen items in France, five in the Federal Republic of Germany, one in Benelux in the first year;
- four items in France in the second year;
- six items in the Federal Republic of Germany in the third year;
- recourse to the safeguard clause has been extremely limited - to date only two countries have invoked it, in fully justified circumstances;
- at present, limitations under Article 3 cover in the Federal Republic of Germany only one product from one source (nightwear from Hong Kong) and in Italy two products from seven sources (grey and bleached fabrics). With respect to these products, the Italian Government has decided to remove import limitations as from 1 January 1966, and to introduce an "all-licences granted" system on a temporary basis.

In conclusion, I may say that during the first three years of operation of the Arrangement, the manner in which it has been applied by the member States of the Community has resulted in broader access to the Community market for the exporting countries and a considerable expansion in their sales.

