

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COTTON TEXTILES COMMITTEE

Statement Made by the Representative of the United Arab Republic

Three years have gone by since the entry into force of the Long-Term Arrangement Regarding International Trade in Cotton Textiles in October 1962, and we are assembled here today to review the operation of the Arrangement over this period and perhaps to decide what is to become of it in the future.

May I first remind you of one of the fundamental objectives of the Arrangement, which reads in the Preamble: "to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture....".

May I next recall the Final Act of the United Nations Conference on Trade and Development which is recognized as a basis for relations between developed and less-developed countries.

Lastly, may I recall the principles adopted by the CONTRACTING PARTIES in the new chapter of the General Agreement concerning the problems facing the less-developed countries and the means of solving them.

Encouraged by these principles and being aware that the textile sector is of vital interest for most of them, the less-developed countries have drawn up plans for expanding this industry and developing exports of textile products, despite the innumerable difficulties which they have encountered at both the internal and external level.

The experience of the United Arab Republic in this regard is particularly significant. It is a well-known fact that the cotton industry occupies a predominant place in our country.

Because it was the best equipped industry and the necessary raw materials were available, it was considered as being best placed to contribute effectively and decisively towards attainment of one of the ultimate objectives of the United Arab Republic's industrialization plan - namely, to raise the standard of living of the population.

Thus, under the first five-year plan covering the period from the 1960/61 budget year to 1964/65, installed capacity rose from 1,185,000 spindles in 1960 to 1,366,000 in 1964, and from 21,708 looms to 22,830 over the same period. Cotton yarn production increased from 102,200 tons in 1960 to 131,230 tons in 1964, while output of cotton fabrics rose from 64,300 to 77,611 tons. Although local consumption is expanding, because of population increase on the one hand and a higher standard of living on the other hand, there is a substantial surplus to be disposed of on export markets, in particular the Western markets which are the major source of foreign exchange. Exports of cotton yarn, which reached 19,948 tons in 1960, rose to 35,962 tons in 1964, while exports of cotton fabric increased from 12,598 tons in 1960 to 15,264 tons in 1964.

Exports to countries participating in the Arrangement - almost exclusively Western countries - have increased, but more slowly, and in 1964 they represented only 39 per cent of total exports as compared with 43 per cent in 1960. Fabric exports declined from 7,689 tons in 1960 to 5,424 tons in 1964, reducing the percentage out of total exports from 61 per cent to 36 per cent.

It may thus be seen that although our total exports of yarn and fabric have increased over the past five years, yarn exports to participating countries have not expanded in the same proportions and fabric exports have in fact declined.

With the implementation of the second five-year plan from 1965-1970, the cotton industry's capacity will be still further increased. It is estimated that installed capacity will be 1,912,000 spindles in 1970, with an output estimated at 180,000 tons of cotton yarn, of which 110,000 tons would be for local consumption and 70,000 tons intended for export.

It was in this perspective, and being confident in the rôle which the Long-Term Arrangement could play in the field of international trade as an element for expanding world trade in cotton textiles, that the United Arab Republic acceded to the Arrangement. But serious apprehensions soon emerged and they have grown in step with the applications which the importing countries have made of the Arrangement and which have often been arbitrary.

Whereas Article 3 authorized recourse to restrictive measures solely in the event that disruption of the market of importing countries was caused or threatened, some of those countries have invoked it arbitrarily, obliging all exporting countries to negotiate bilateral agreements or else be subject to still more severe measures. On many occasions the Arrangement has thus been violated not only in the letter but also, and above all, in spirit.

So far as the United Arab Republic is concerned, our delegation referred at the last meeting of the Cotton Textiles Committee to the bilateral agreement negotiated at the request of the United States. We shall revert to this question only to make clear that if we were unfortunately unable completely to fill the export quota granted to us, this was not on account of its size, but because of the difficulties encountered in that market, particularly those due to conditions prevailing there following the promulgation of the law on the single price for cotton.

For its part, the United Kingdom invited us to enter into negotiations with a view to fixing a quota for our textile exports, while recognizing that those exports were in no way the origin of disruption in that country's internal market; indeed, how could they be, when they represent only a negligible percentage as compared with total United Kingdom imports from all sources? Pending these discussions, we were notified that a quota had been fixed unilaterally to cover the period of twenty months from May 1964 to December 1965; in addition, imports from certain countries - including the United Arab Republic - were placed under import licensing.

Furthermore, the new regulations adopted by the United Kingdom for its imports over the five years from 1966 to 1970 provide for a quota for our exports to that country which would be smaller than the quota granted to us for 1965, and this constitutes a breach of the Arrangement. It should also be noted that no mention is made of the possibility of exceeding the level fixed for the various products within the limits authorized by the Arrangement, nor is the percentage of annual growth in the quota respected since it is not more than 1 per cent per annum.

Being newcomers to this enormous market we therefore had to shed our illusions, since we were deprived of any possibility of developing our exports to it. From 873 tons during the first year of the Arrangement, our total cotton textile exports rose to 1,261 tons in the second year and fell again to 927 tons in the third year. You will agree, that the new quota to be applied in the next five years, of which details have already been mentioned, means that limited prospects offered to us are not very auspicious for the future of our exports to this market.

Italy also had recourse to temporary unilateral limitation of our exports of grey and bleached cotton fabrics in 1965 - pending bilateral discussions - and has gone so far as to specify the ports of entry for merchandise, although our exports to the Italian market were very small and therefore could not have caused any disruption there. It should be noted that these are the only cotton products which we export to Italy.

As a result of the restrictions, our exports to Italy fell to only 793 tons in the third year of the Arrangement as compared with 988 tons the previous year, although existing contracts indicated that exports would expand in 1965.

In December 1964, Belgium also decided to limit the granting of import licences for cotton yarn from certain countries, including the United Arab Republic, but only in cases where the yarn is intended for re-export, after manufacture, to markets outside the EEC countries.

This arbitrary measure had a catastrophic effect on the volume of our exports (composed exclusively of yarn) to this traditional market: from 4,197 tons during the second year of the Arrangement, they fell to only 730 tons during the third year.

Facts such as these are a clear demonstration that the Arrangement has been repeatedly and unjustifiably violated and instead of a guarantee of access to the markets of importing countries for cotton textiles of exporting countries, it is becoming purely and simply a practical means of control and protection for those markets; having regard to these facts, we are alarmed as regards both the future of our textile exports and the possibilities offered to them with a view to carrying out the expansion plans for our cotton industry.

Unless there is a radical change in the policy followed by certain importing countries and a formal assurance that the Arrangement will be observed to the letter as well as in spirit, it would be difficult, if not impossible, for us to concur in any proposal to extend the validity of the Arrangement beyond the initial period.

For this purpose, it would be not only desirable but even essential to reaffirm certain fundamental principles, to amend certain clauses provided for in the Arrangement and lastly to introduce certain new elements.

For our part, these proposals could be summed up as follows:

1. To reaffirm the objective of the Long-Term Arrangement of promoting the development of less-developed countries by providing larger opportunities for increasing their exchange earnings from the sale in world markets of textile products.

2. Rapidly to eliminate the restrictions incompatible with the General Agreement which certain participating countries maintain in regard to cotton textile imports from other participating countries.
3. To limit recourse to Article 3 to cases where market disruption is caused or threatened by imports of certain products, due account being taken of the evolution of consumption of these products in the market of the importing country, and of the share of consumption covered by imports during the preceding period.
4. To raise the percentage increase provided for in Annex B in order that developing countries can attain their objectives, and to guarantee the equitable application of limitations to the various exporting countries.
5. To raise the percentage by which the ceilings fixed for various products under the global quota can be exceeded in the case of bilateral agreements concluded pursuant to Article 4.
6. In fixing limitations, to take various pertinent factors into consideration, for example, production by the exporting country subject to limitation, its export capacity, the size of its textile exports in relation to its total exports, and its rôle in relation to the country's economic development.
7. To take special account of the provisions of Article 3, paragraph 5, in order "to avoid damage to the production and marketing of the exporting country" in the event of recourse to this Article.
8. To introduce certain new elements into the criteria concerning "market disruption", for example, the need to establish a relationship between a sudden upswing in imports and the volume of local production.

Those are the amendments which we consider should be introduced into the Long-Term Arrangement in order to make it a more effective instrument for the liberalization of world trade in cotton textiles.

In conclusion, may I just say that if in this statement we have mentioned the subject of the extension of the Arrangement, which will come up for discussion only in one year's time, my delegation has done so only in order to bring out, at this juncture, the very important problems involved.