

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/79

28 September 1966

Special Distribution

Original: English

COTTON TEXTILES COMMITTEE

Statement by the Representative of the United States at the Meeting of 27 September 1966

The fourth year of the Long-Term Cotton Textile Arrangement has been a record one for foreign suppliers of cotton textiles - yarn, fabrics, made-up goods and apparel - to the United States market. The Long-Term Arrangement is continuing to accomplish its stated aims. In the fourth Long-Term Arrangement year, as in the past, it has permitted exports to the United States, particularly from developing countries, to expand substantially. It has also permitted the developing countries in their planning programmes to predict with reasonable certainty the level of their cotton textile exports. At the same time, it has permitted our domestic industry to plan its future with a greater degree of confidence.

There have been three major developments in the fourth Long-Term Arrangement year affecting my country's cotton textile trade and industry.

There was an exceptionally sharp increase in overall United States imports of cotton textiles. The bulk of these imports came from well-established Long-Term Arrangement exporting countries, but a number of new exporting countries began selling significant quantities to the United States during the year.

Although our domestic industry has generally been operating at high levels during the fourth Long-Term Arrangement year, in part to fill increased military requirements, and has continued its programme of modernization of plant and equipment, many of the industry's long range problems remain unsolved. Its rate of return on capital was still below national averages. Man-made fibre textiles continued their serious inroads on cotton textile markets. Unemployment remains a problem in certain sectors of the industry. Labour and industry are concerned about the recent rate of increase in textile imports. My Government must take this concern into account in shaping its policies and specifically in its administration of the Long-Term Arrangement.

Finally the fourth Long-Term Arrangement year has been characterized by considerable activity by my Government in negotiating new agreements under the Long-Term Arrangement and in amending and liberalizing existing agreements. New agreements under Article 4 were negotiated with Hong Kong, Pakistan and Singapore; existing agreements with Japan, Colombia, Portugal, Spain, the Republic of China, Israel and Greece were amended. Negotiations with several other supplying countries were underway.

United States imports of cotton textiles in the fourth Long-Term Arrangement Year

At last year's annual review, the United States statement characterized the 19 per cent increase in United States imports of cotton textiles in the third Long-Term Arrangement year over the second Long-Term Arrangement year as "sharp". We estimate a 36 per cent increase in the volume of imports in the fourth Long-Term Arrangement year. Imports will reach 1,700 million equivalent square yards. In the base year for the Short-Term Arrangement, July 1960-June 1961, our imports totalled 813 million equivalent square yards. In the five years that the Geneva Arrangements on cotton textile trade have been in effect, United States imports have more than doubled.

Imports in each major group showed impressive increases this year. Fabric imports grew by about 13 per cent, made-ups, primarily household goods by about 29 per cent and apparel by about 15 per cent. The increase in United States imports of yarn was spectacular. The previous downward movement in yarn imports was reversed. A five-fold increase was recorded in this single year: from less than 70 million to more than 340 million square yards equivalent. The tendency on the part of suppliers to upgrade the value of their exports to the United States market continued. Apparel imports, which are particularly sensitive in our domestic market, showed the greatest absolute increase in value.

The bulk of United States imports in the fourth Long-Term Arrangement year came from exporting countries participating in the Long-Term Arrangement, and two thirds of our imports came from developing countries. In the fourth Long-Term Arrangement year, imports from the developing countries will total about 1,125 million square yards equivalent compared with 716 million square yards equivalent in the third Long-Term Arrangement year, an increase of almost 60 per cent. United States imports from developing countries in the fourth Long-Term Arrangement year were larger than total United States imports from all sources in any year prior to 1965. The developed countries, principally those of Western Europe, supplied about 9 per cent of total United States imports. About 25 per cent of our total imports came from Japan. These figures clearly indicate that the United States has carried out the obligation imposed by the Long-Term Arrangement to provide the developing countries with "larger opportunities" for increasing trade and export earnings from cotton textiles.

These are two additional points I would like to make about United States imports in the fourth Long-Term Arrangement year. First, a number of new-supplier countries, for the most part non-participants in the Long-Term Arrangement, began to sell in the United States market. The United States believes it would be inequitable to allow new-supplier countries to continue a build-up of uncontrolled trade. Therefore, in the course of the fourth Long-Term Arrangement year, the United States resorted to Article 3 of the Long-Term Arrangement, to prevent disruption of the United States market and to preserve a proper measure of equity for other supplying countries whose exports are under Article 4 bilateral agreements. At present, actions under Article 3 involve four countries, only one of which is a participant in the Long-Term Arrangement.

My second point about imports relates to a trend singled out for special mention last year. With an increase in imports of nearly 500 million square yards, the United States import/consumption ratio continued to rise, reaching during the fourth Long-Term Arrangement year the level of about 9 per cent. By way of contrast, in the third Long-Term Arrangement year imports accounted for 7.4 per cent of the total United States market, and in the base year for the Short-Term Arrangement, 5.2 per cent. Growth in the United States market has been largely taken up by imports, since our consumption of cotton textiles rose only slightly during this period. Furthermore, there was a concentration of imports in certain categories. The five leading cotton textile categories accounted for 40 per cent of total imports.

A continuation of the present rate of growth in imports would create critical pressures on the United States domestic market. We hope that exporting countries will bear this in mind in their planning for future exports. An undue concentration of exports in a few categories can create particularly heavy pressures on the market, affecting most seriously both imported and domestically manufactured goods.

Developments in the United States industry

During the fourth Long-Term Arrangement year, the combination of civilian demand and military requirements in the United States made it possible for many plants to operate at high levels of activity. This should not obscure the fact that the United States industry continues to face serious problems:

- (1) It has always been subject to cyclical fluctuations. The industry states it has apparently passed its cyclical peak.
- (2) Its profits, although improved, are still well below national averages for manufacturing industries.
- (3) Its wage rates continue to lag behind other manufacturing industries.

- (4) Unemployment continues to be a problem in certain sectors of the textile industry, particularly the apparel sector.
- (5) Cotton's share of total fibre consumption has continued to decline.

Also, as you are no doubt aware, the industry has publicly expressed its serious concern about the effect that the rapid rise in imports of man-made fibre textiles is having on it. These imports have more than doubled over the past two years and are now almost half the volume of cotton textile imports.

Policies and actions under the Long-Term Arrangement

In the fourth Long-Term Arrangement year, the United States in implementing its policy in the cotton textile field conducted many negotiations with exporting countries. We have already referred to United States sections under Article 3. In addition, the United States negotiated several new bilateral agreements under Article 4 and liberalized many existing bilateral agreements. In August of this year new bilateral agreements with Hong Kong and Singapore were signed. The United States-Japanese bilateral agreement was liberalized and extended in January 1966. The United States-Republic of China bilateral agreement was liberalized in April of 1966; in May 1966, agreement was reached with Greece on liberalization; in June negotiations with Colombia and Israel resulted in liberalization of our agreements with those countries. In August and September the agreements with Portugal and Spain were similarly amended. Negotiations were completed with Pakistan in August and an exchange of notes, constituting a new agreement, will be completed in the near future.

I shall not attempt to detail further our actions under the Long-Term Arrangement in the current year. I want to point out, however, that the United States has provided a substantial degree of liberalization for most of our cotton textiles suppliers and that some of these measures of liberalization are already in effect. Others will come into effect when agreement is reached to extend the Long-Term Arrangement. It is on this basis that the United States has reached understandings with many of its cotton textile suppliers. The United States view is that the Long-Term Arrangement should be extended in its present form and that extension of the Long-Term Arrangement will supply a basis on which trade in cotton textiles can continue to grow in an orderly fashion.

In summary, my government thinks that its record during the fourth Long-Term Arrangement year is most creditable and fully consistent with the goal stated in the preamble to the Long-Term Arrangement: "..... to provide growing opportunities for exports of these products, 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". Achievement of this record by the United States has been possible largely because of the Long-Term Arrangement.