

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## COTTON TEXTILES COMMITTEE

### Statement by the Representative of Japan at the Meeting of 22 October 1968

With your permission, I should like to make some general observations on the subject of the administration of the Long-Term Arrangement Regarding International Trade in Cotton Textiles.

At the outset, it would be useful to recall that, when the original Long-Term Arrangement was concluded in 1962 by importing and exporting countries, it was conceived as a temporary measure designed to facilitate trade expansion in a reasonable and orderly manner so as to avoid disruptive effects on individual markets and on various lines of production.

In other words, the Arrangement was and is to be considered provisional in character which should be abolished as soon as possible with the elimination of remaining restrictions on imports of cotton textiles.

Having a firm belief in this provisional character of the Arrangement, our country agreed last year to its extension for a period of three more years ending 30 September 1970, especially on conditions that the administration of the Arrangement by the importing countries would be improved with a view to carrying out further liberalization and to removing technical obstacles still existing in the way of increased access to the markets for cotton textiles.

To my regret, however, I must state that efforts towards accelerating liberalization of trade in cotton textiles in many countries have not brought sufficient results until this time. It is true that a few measures for easing trade barriers have been taken in some importing countries, but I must draw attention to the fact that these are related to a limited range of products, in the exportation of which our country is little interested.

Furthermore, it should be pointed out that no striking achievements have been made since the extension of the Arrangement in the relaxation and dismantlement of the remaining restrictions.

What is more important, there is an increasing trend seen recently in one of the biggest importing countries, towards extending the same type of arrangement to the field of other fibres. Our Government is now keeping watch on such a protectionist trend with serious concern and deep apprehension. It is the view of our Government that such an approach would run counter to the spirit and principle of Article I of the Arrangement and that all importing and exporting countries should be opposed unequivocally to it.

Regarding the question of the future of the present Arrangement, I would like to point to the fact that it was extended in 1967 only with an aim of allowing a further breathing space for structural adjustments of the cotton textile industry in the importing countries.

In this connexion it should be mentioned that the Japanese cotton textile industry, with the co-operation of the Government, has been devoting itself to modernization of its production facilities and equipment.

Judging from the recent reports on adjustment measures submitted to the secretariat by the importing countries we feel that we must regretfully state that no remarkable advances have been achieved in the direction of solving problems of the cotton textile industries through adjustment measures instead of trade restriction.

Let me now turn to the operation of the Long-Term Arrangement.

As for Article 2 countries, we regret that measures for import liberalization taken during the past six years in the European Community and other countries, in our view, have been slow and inadequate. We also regret the fact that those countries still maintain quantitative restrictions on items whose import were negligible and that these restrictions are still kept without any satisfactory explanations or without a limit of serious appraisal, as far as we know, of the necessity of such restrictions. We would like to ask those countries to liberalize imports as early as possible.

According to paragraph 3 of the Protocol for the extension of the Long-Term Arrangement, the European Economic Community quotas for the year 1970 should be increased by 154 per cent over 1962. The quotas actually offered by the EEC, which are mentioned in Table D of the secretariat paper COT/W/101, are far below this figure, and we would like to seek clarification on this point.

In case of Article 2 countries, restrictions are maintained on many items whose quotas are unused due to the fact that quotas are divided into too small units to be practical for business transactions; the procedure of issuing import licences is not clear; or licences are given to importers who are not much interested in importation. These experiences show that the management of quotas would be better handed over to exporting countries, and my Government is prepared to enter into arrangements with importing countries on this problem.

Some countries have increased quotas in accordance with the provisions of Article 2 only in appearance, but in substance quotas have just nominally been increased only for those items in which Japanese exporters do not have a keen interest. In short these nominal increases of quotas result in unused quotas. We regard this sort of practice as being contrary to the spirit of the Arrangement.

Some other countries arbitrarily set up sub-quotas for specific items within the quotas for made-up goods and restrict the issuance of import licences. This, we believe, is a violation of the provisions of paragraph 2 of Article 2 of the Arrangement.

With regard to Article 2 countries, there is not enough flexibility in shift, carry-over and carry-in. It is our view that flexibility of around 10 per cent should be allowed for the effective management of quotas.

As you recall, we have asked governments concerned, on every occasion, to make efforts to abolish the Nordwick Agreement which still constitutes a serious obstacle to the exports of our cotton textiles to Europe. (According to an unofficial explanation given by the EEC, the problem is now dissolved by the abolishment of customs duty as from 1 July as far as intra-EEC trade is concerned. On this occasion we would like to know the present situation. We are interested, in particular, in knowing whether intra-EEC trade of goods covered by the Nordwick Agreement is now free, and also whether re-exports of those goods are now freely conducted.)

It is mainly because of our deep dissatisfaction of the situation which I have just explained and in strong expectation of the immediate betterment on the part of the governments concerned of the practice of the Arrangement, that we proposed to the Commission of the European Communities the commencement of negotiations based on the Article 4 of the Arrangement.

I now turn to problems about Article 4 countries. Under the new Agreement with the United States which covers the period 1968 through 1970, there are some improvements including the new provisions for carry-over in addition to the previous provisions for shift. We should point out, however, that the operation of the Agreement is circumscribed by the fact that the quotas for each group are divided into many specific limits and ceilings.

As a result of annual negotiations with Canada in recent years, restrictions on several items have been removed. The number of items under restriction is relatively limited as compared with other major importing countries. However, restriction is still maintained for items whose quotas have not been adequately used. More important, it should be pointed out that the rate of increase of quotas is very small. We know that Canada made reservation regarding the rate of increase of quotas mentioned in Annex B to the Long-Term Arrangement, but we would like to request that quotas for all items will be increased regularly.

Although the United Kingdom is in a special position regarding the Long-Term Arrangement, its operation of the Arrangement, especially with respect to the relaxation of restrictions and the rate of increase of quotas, has not been satisfactory. The number of items of cotton textiles restricted against Japan is larger than in any other major European country. Moreover, many of these restricted items are those for which Japan's export results have been negligible, or occupy a negligible share within the total import of the items concerned. We are of the view that it is contrary to the spirit of the Long-Term Arrangement for the United Kingdom to continue restriction on such items.

As for Article 3 countries, although Australia does not have restrictions based on the Arrangement in form, it has raised customs duty of, and maintains quantitative restrictions on, items covered by the Arrangement. In our view this is a de facto nullification of the purpose of the Arrangement.