

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Statement by the Representative of the United States at the Meeting of 22 October 1968

Introduction

My delegation is pleased to report on developments in implementation of the Long-Term Arrangement in the sixth Long-Term Arrangement year. My statement will discuss those areas in which the United States has played a rôle in the orderly growth of world trade in cotton textiles, particularly for the developing countries, and also certain problems in implementation which have tended to detract from the effectiveness of the Long-Term Arrangement.

The Long-Term Arrangement, in its Preamble, cites the need for constructive and collective action for the development of world trade, particularly as it concerns the economic development of developing countries, by making available to them larger opportunities for increasing their exchange earnings from world trade. The Preamble also recognizes that in thus providing opportunities for increased exports of cotton textiles from these countries, situations may arise which cause or threaten to cause disruption of the market for cotton textiles, and that this trade must develop in a reasonable and orderly manner to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. It is to the workable fusion of these concepts - the development and maintenance of orderly growth in world trade - that the Long-Term Arrangement is directed.

My Government believes that the record over the first six years of the Long-Term Arrangement indicates progress in our collective effort to solve problems of common concern in regard to cotton textiles. From the vantage point of both exporting and importing countries it has magnified world trade opportunities and has helped to curb disruption in the markets of participating countries by safeguarding certain basic order while concurrently minimizing the need for resort to restrictive unilateral action.

United States imports

I would like to examine the levels of United States cotton textile imports during the sixth year of the Arrangement (1 October 1967-30 September 1968).

Total imports of cotton textiles into the United States during the sixth Long-Term Arrangement year amounted to 1.6 billion square yards compared with 1.1 billion yards during the Short-Term Arrangement year, and the average of 1.3 billion yards during the first five Long-Term Arrangement years. This represented an increase of nearly 45 per cent over the Short-Term Arrangement year.

These levels continue to mark the United States as the world's largest market for cotton textiles, importing cotton textiles from more than ninety countries.

Imports from the developing countries to the United States in the sixth Long-Term Arrangement year totalled 1,044 million square yards, an increase of 65 per cent over the Short-Term Arrangement year's total of 634 million square yards, and an increase of 22 per cent over the average for the first five Long-Term Arrangement years. Imports from the developing countries in the sixth Long-Term Arrangement year accounted for 66 per cent of the total imports of the United States in cotton textiles, as compared with 57 per cent in the Short-Term Arrangement year. These quantitative increases reflect graphically the United States contribution to increasing trade from developing markets in accordance with the objectives of the Long-Term Arrangement.

In terms of dollars, imports from all sources in the sixth Long-Term Arrangement year hit a new high of \$454 million. This is an increase of 53 per cent over the value of imports in the Short-Term Arrangement year and 24 per cent above the average of the first five Long-Term Arrangement years. This rise in the value of imports was caused mainly by a substantial increase in imports of apparel to a record level of \$232 million. The sixth Long-Term Arrangement year was also a record level for the dollar exchange earned by the developing countries. This amounted to \$236 million, which was 73 per cent more than the United States imported from these countries in the Short-Term Arrangement year and represented an increase of 26 per cent over the five-year average. I think it is interesting to note that the dollar value of imports from the developing countries alone in the sixth Long-Term Arrangement year was higher than the value of imports from all countries only nine years ago.

Imports from Japan and the other industrialized countries increased more slowly than those from developing countries to a level of 532 million square yards in the sixth Long-Term Arrangement year, a rise of 11 per cent over the Short-Term Arrangement year and over the average for the first five years of the Long-Term Arrangement.

It might also be of some interest to note that on an overall basis the agreed ceilings set forth in the arrangements with our twenty-two bilateral partners increased by more than 7 per cent between the beginning of the sixth and the beginning of the seventh Long-Term Arrangement years. Furthermore, on 1 October 1965, the United States had agreements with eighteen nations and the total ceilings came to 1,129 million square yards. On 1 October of this year, the overall ceilings of the agreements with these same eighteen nations totalled 1,417 million square yards, an increase of 26 per cent.

This increment is a reflection of the liberalization effected by the United States in connexion with the extension of the Long-Term Arrangement during the Kennedy Round.

We have noted the acceleration in cotton textile imports into the United States. I should like to examine the nature of these imports, as well as to analyze their trends, which demonstrate that not only have our imports increased quantitatively, but they also reflect an increasing diversity and sophistication in producing for export greater quantities of those textiles falling within categories with higher unit values. This is generally reflected in increased imports of apparel and less emphasis on mill products. The value of cotton textile imports per square yard equivalent was 28.8 cents in the sixth Long-Term Arrangement year, an increase of 8 per cent over that of the Short-Term Arrangement year and 6 per cent over the average of the first five Long-Term Arrangement years. Increased imports, combined with this trend from the primary stages of manufacture to more advanced stages with increased unit values, carries with it increased foreign exchange earnings for the developing countries.

Position of the domestic industry

During the fourth Long-Term Arrangement year the United States cotton textile industry reached the highest levels of activity achieved in this decade. Activity in the industry subsequently receded and has never fully regained these levels.

Domestic consumption of cotton textile products declined during the sixth Long-Term Arrangement year. This was accompanied by and may be related to an increase in production of man-made fibre textiles and blends and a sharp increase in imports of these products. Imports of cotton textiles during the sixth Long-Term Arrangement year amounted to 9.6 per cent of domestic consumption, compared with 6.8 per cent during the Short-Term Arrangement year. For certain products, the ratios in the sixth Long-Term Arrangement year have been considerably higher.

Average weekly production of cotton grey goods declined by 14 per cent in the two-year period between June 1966 and June 1968. At the same time, weaving mill inventories increased by 26 per cent. The resultant ratio of inventories to unfilled orders increased by 153 per cent. This was accompanied by a 15 per cent decrease in the number of loom hours operated in cotton mills.

Employment in the textile and apparel industry is particularly vulnerable to these shifts in activity. The United States industry is scattered through a large number of establishments, many of them in areas of high and chronic unemployment. There are few alternative employment opportunities for the kind of workers employed in textile and apparel production, many of whom have low educational attainment and possess limited skills. This industry, in these terms, has been of particular importance in providing employment opportunities for those in the United States who are relatively disadvantaged.

Problems of implementation

Many of the problems we face are related to rising imports of wool, man-made fibre textiles and blends with cotton, most of which are competitive with cotton textiles, and are generally outside the purview of the Long-Term Arrangement.

Some of the problems we face today, however, can be traced directly to certain shortcomings in the implementation of the Arrangement by the participating countries. I should like to address myself to certain of those areas about which my Government has been particularly concerned during the course of the recent Long-Term Arrangement years. Indeed, many represent continuing problems which were first recognized when the Long-Term Arrangement was in its infancy.

Overshipments continue to plague my Government in administering levels of restraint set up pursuant to the Long-Term Arrangement. My Government recognizes, of course, that overshipments can, and sometimes do, occur inadvertently. Misunderstandings often arise with regard to classification. In numerous instances, these have been easily resolved by the mutual co-operation of the concerned governments and by the explanation and exchange of classification procedures.

But my Government has also concluded that some instances of overshipments have not been inadvertent. There have been some cases where countries have obviously ignored restraint levels and have continued to ship cotton textiles in violation of such levels. The resultant burden of these actions on the governments of both the exporting and the importing countries is obvious and onerous. Where there are overshipments, there must be compensation, in the form of deductions from levels applicable to future periods.

The United States has emphasized before this Committee, both in 1963 and 1964, that the Long-Term Arrangement imposes reciprocal obligations on participating nations in maintaining orderly markets. Exporting countries, no less than importing countries must contribute to the maintenance of an orderly pattern in international cotton textile trade. Implicit in this basic concept is not only the obligation to avoid overshipments, but also to make an effective effort to avoid undue concentration of exports within short-time periods. Problems of import spacing have in fact plagued our domestic market during the fifth and sixth Long-Term Arrangement years, even in instances where the level of trade was within the ceilings established in the arrangements. As an example of this problem, one exporting country permitted shipment to the United States of nearly 95 per cent of its annual yarn ceiling within a period of less than three months. There have been other such instances, all of which are serious problems in the domestic market. The depressing effect is not only felt by the importing country, but can also have detrimental effects on the market for products of other exporting countries.

Despite the intent of the Long-Term Arrangement that provisions incorporated in that instrument are to be in lieu of other restrictions and controls on trade in cotton textiles, certain countries continue to employ restrictive trade practices ranging from embargoes to licensing systems which impede international trade in cotton textiles. Some of these have seriously impeded our efforts to increase our exports. Moreover, when one country refuses to accept the exports from a third nation, or restricts them severely, these exports often tend to be diverted from countries with those restrictions to the United States simply because the United States is the largest single market. We believe it is essential that any restraint on imports of cotton textiles from either participating countries or non-participants be justified under the Long-Term Arrangement.

My Government has demonstrated from the beginning of the Long-Term Arrangement that there is flexibility in its attitude when it is forced to take those actions deemed necessary under the Arrangement to foster orderly world growth of the cotton textiles trade. My Government, in invoking the provisions of Article 3, for example, does so only after analysis of its domestic market and after studies have demonstrated the need for the imposition of restraints. At present, the United States maintains Article 3 restraints on exports in certain categories of goods only from seven countries, all of which are non-participants. A total of five restraint actions were terminated during the fifth and sixth Long-Term Arrangement years. Certain other restraint actions are currently being examined to determine whether they should be renewed or terminated.

Failure to impose necessary restraints would threaten the equity position of participating countries and in so doing would constitute a breach of our stated obligations under the terms of the Long-Term Arrangement.