

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/105

24 October 1968

Special Distribution

---

Original: French

## COTTON TEXTILES COMMITTEE

### Statement by the Spokesman for the European Economic Community and its Member States, on 22 October 1968

During the first five years of operation of the Arrangement, internal consumption of cotton in the Community showed a moderate increase, exports declined and there was a massive increase in imports which more than doubled between 1962 and 1966.

Under the influence of these various factors Community production diminished slowly but continuously. In the second half of 1964 and the first half of 1965 the situation deteriorated seriously because of a sharp contraction in demand in several member States.

There were signs of recovery in the second six months of 1965 and in the course of 1966, but the improvement did not continue in 1967 and during this sixth year of operation of the Arrangement the evolution of consumption, trade and production was strongly affected by this new falling off in demand.

#### Consumption

After a marked reduction in 1965 in relation to preceding years, overall consumption of cotton textiles increased by approximately 8 per cent in the course of 1966.

Because of the low level of economic activity, this favourable trend in 1966 did not continue in 1967; consumption again declined, and was approximately 7 per cent below the level for the preceding year.

For woven cotton fabrics alone, apparent consumption was of the order of 520,000 tons in 1965, 561,000 tons in 1966, and fell by 42,000 tons (approximately 7 per cent) to 519,000 tons in 1967.

#### Imports

Since 1962, global imports of cotton textiles into the Community had been increasing continuously, reaching approximately 100,000 tons in 1966, a level 13 per cent above that for the preceding year. The import expansion did not continue in 1967 - on the contrary there was a decline by about 8,000 tons (8 per cent); however, imports still remained at a high level in relation to consumption.

This import decline in relation to 1966 mainly affected woven cotton fabrics (-9 per cent), household goods and simply made-up articles (-26 per cent).

The reduction in imports of woven fabrics was mainly the result of a 16 per cent decline from 1966 to 1967 in sales of these goods to the EEC by Yugoslavia. The decline in imports of household goods and simply made-up goods was largely attributable to a drop by 43 per cent in deliveries from Hong Kong.

### Exports

Since 1962 Community exports have been adversely affected by keener competition in third markets, principally from Japan and developing countries, and this trend continued in 1967. The decline has affected exports of garments and has been particularly marked in respect of woven cotton fabrics other than grey fabrics, sales of which to third countries have declined by approximately 3,500 tons.

As a result there has been a further deterioration in the balance of trade. The overall credit balance for cotton textiles and garments (all fibres except wool) which had reached 32,500 tons in 1965, was only in the region of 16,000 tons in 1967 (in 1962 it had been more than 100,000 tons).

### Production

Activity in the EEC's cotton industry was affected by continuing high imports and declining exports in 1967.

The production recovery that had taken place in 1966 (an increase by about 7 per cent over 1965) did not continue in 1967.

Production of cotton fabrics, which had jumped from 552,000 tons in 1965 to 590,000 tons in 1966, dropped back to 551,000 tons in 1967.

Production of garments declined by about 6 per cent from 1966 to 1967.

The number of persons employed has been declining considerably since 1962, and in 1967 was about 25,000 below the level for the preceding year. The number of spindles in operation fell by about 430,000, and that of looms by about 14,000.

### Trends 1968

In the absence of the relevant statistics, it is at present very difficult to discern any clear trends for 1968 but one can state that since the 1965 recession, the Community cotton textiles industry has not yet rallied to a satisfactory rate of activity.

The general trends in the Community's cotton situation since 1962 - namely declining production, diminishing exports, maintenance of imports at a high level - seem likely to continue.

So far as imports are concerned, however, there seems to be a slight pause in the upward movement.

### Operation of the Arrangement

The difficulties encountered by the Community's cotton textiles industry during 1967 have in no way modified the liberal attitude which the member States have always shown in applying the provisions of the Arrangement.

The quota increases have been granted at a rate corresponding to the initial commitments entered into by the Community under Article 2 towards the four countries taken into consideration for the reference period. The total amount of these quotas was raised from 9,702 tons in 1965 to 10,936 tons in 1966 and 12,100 tons in 1967.

With respect to the remarks made by the Japanese representative, I wish to confirm that vis-à-vis this country, the Community has carried out the commitments entered into upon the extension of the Long-Term Arrangement. Of course, until such time as the Community can take a stand with respect to Japan's request for the opening of negotiations under Article 4, the Community remains at the disposal of the Japanese delegation to furnish any information concerning the methods used in calculating the quotas allocated under Article 2.

Furthermore, additional quotas have been opened by Germany and France to three other exporting countries (Taiwan, United Arab Republic and South Korea), in a total amount of 674 tons in 1966 and 753 tons in 1967.

The safeguard clause in Article 3 was invoked on three occasions in 1967 and 1968:

- In June 1967 by the Benelux countries, which limited their imports of certain articles from Hong Kong for the period 1 October 1967 to 30 September 1968. However, these measures under Article 3 were revoked before the date set because in the meanwhile an agreement under Article 4 was negotiated between Hong Kong and the Benelux countries. This agreement is already being provisionally applied, pending its signature.
- In November 1967 by Italy, with respect to imports from Formosa of grey and bleached woven cotton fabrics. After consultations between the two parties, it was agreed in an exchange of letters that for 1968 Formosa will limit its exports of the products concerned.
- In January 1968 by Italy, with respect to imports from the United Arab Republic of grey and bleached woven cotton fabrics. Following consultations, Italy's imports of the products concerned have been limited to a level agreed upon between the two parties, for the period 15 April to 31 December 1968.

In addition, the agreement on export restraint between Germany and Hong Kong, which is valid until 31 December 1969, continues in operation.

During the negotiations for the renewal of the Long-Term Arrangement the Community had offered to conclude with certain exporting countries, on the basis of Article 4 of the Arrangement, mutually acceptable bilateral agreements providing on the one hand for new arrangements for administering and supervising imports in order to meet the wishes of supplying countries to the fullest possible extent, and on the other hand for an increase in their possibilities for exporting to the Community.

Accordingly, negotiations were initiated in 1967 between India and subsequently Pakistan on the one hand, and the member States of the EEC Commission on the other hand, with a view to making arrangements for concluding bilateral agreements under Article 4 between those two countries and each of the member States.

Following the negotiations the member States concluded bilateral agreements, based on a model agreement drawn up and proposed by the EEC during the negotiations. The list of the cotton textile products to be covered by the agreements and the annual global quotas for imports into the Community were also drawn up during the negotiations.

These agreements have entered into force.

In addition, the Benelux countries negotiated an agreement under Article 4 with Hong Kong in 1968. This agreement is already being provisionally applied, pending its signature.

Mr. Chairman, in this preliminary statement I have limited myself to outlining developments in the Community's cotton sector and I think I can say that despite the great difficulties encountered by our industries and the decline in consumption, the Community has applied the Arrangement in a liberal way.