

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Statement Made by the Representative of Pakistan at the Meeting of 22 October 1968

I shall take this opportunity to make some general as well as specific observations on the matter before us. This Committee are well aware of our views both on the conclusion and working of the Long-Term Arrangement. Reference was made to the social and political problems involved in liberalizing the imports of cotton textiles in some of the developed countries. My delegation appreciates this position fully. It will, however, be recalled that from the very inception of the conclusion of the Long-Term Arrangement in 1962 the understanding has been that the restrictive régime permitted by the Arrangement is of a transitional and temporary nature and the solutions for the political and social problems have to be found within the provisions of the Arrangement. Effort, therefore, has to be directed towards achievement of this goal. Pakistan produces raw cotton in surplus and for it the growth of the cotton textiles industry is of vital importance. It was also important that Pakistan increased its limited foreign exchange earnings from the export of cotton textiles and made-up goods. Here my country does not find it in the happy position of one developing country which stated that it imported part of its requirement of raw cotton and was considering curtailment of the level of production of its industry in certain fields. Most of the cotton-producing countries among the developing countries are in the same position as Pakistan.

At the moment the trade policies of the developed countries restrict the trade opportunities of the developing countries like Pakistan in spite of the fact that it has a heavy adverse balance of trade and payment with some of the developed market economy countries. The situation, therefore, calls for constant examination and review with a view to achieving the goal set out in paragraph 1 of Article 2 of the Long-Term Arrangement, namely, the goal of relaxing these restrictions progressively each year with a view to their elimination as soon as possible. The secretariat documents show that the progress made so far has been slow. In a number of countries the tendency still is not to allow any substantial increase in imports even in an orderly manner and reasonable orderly increases in exports are sometimes termed as "disruption of market" and on this ground restrictive decisions under Article 3 of the Long-Term Arrangement are resorted to without making other rational efforts to correct the situation. The Long-Term Arrangement should not be considered as a permanent solution otherwise it would weaken the hands of the governments of the importing countries in relation to domestic pressures, even of those governments which otherwise would have followed liberal trade policies. Outward-looking sections of opinion in the developed countries do appreciate this position.

It is a matter of satisfaction to the Pakistan Government that they were able to conclude bilateral agreements with the United States and a number of countries in the European Economic Community. Negotiations for these agreements were held in an atmosphere of goodwill, co-operation and understanding and either side tried to understand the point of view of the other. Some increases in the quotas have been agreed to in these bilateral negotiations. It will, however, be appreciated that so far as my country is concerned the quotas fixed are small and ridden with many conditions about categorization and procedural and other difficulties including complex import licensing procedures in certain cases with the result that the flow of exports of cotton textiles from Pakistan continues to be restricted in several ways and actual exports remain small compared to the quantity of cotton produced within the country, the size of industry and the country's capacity to export on a competitive basis.

To give certain illustrations Pakistan had hoped that some relief would come to it as a result of conclusion of a bilateral arrangement with the United States. In spite of the position that export quotas from Pakistan to the United States were to increase progressively under the bilateral arrangement, Pakistan's exports to the United States registered a decline in 1967-68 although there was an increase in exports from Pakistan to other markets. Pakistan thus presented no threat of disruption.

My delegation associates fully with the observations made earlier that the policies of the United Kingdom Government in allowing access to cotton textiles have been liberal compared to certain other countries. But even in the United Kingdom market Pakistan suffers from some serious handicaps. The combined quota of two countries is approximately three quarters of the total import quota allowed by the United Kingdom to the developing countries. The remaining quarter has been allocated to Pakistan along with about thirty-two other countries under the country and global quota system. While the country quota does not give any scope for further expansion of exports, Pakistan has been increasing her exports under the global quota. Pakistan is, however, in a position to sell much more to the United Kingdom if there were a global quota in which all developing countries could compete freely on merit. It is our hope that bilateral consultations between Pakistan and United Kingdom will result in some improvement of this position.

To give another illustration, under the bilateral agreement with the Federal Republic of Germany, Pakistan was allowed a modest quota of 500 metric tons for the current year. The quota was utilized in the first eight months of the year. During the negotiations with the delegation of the EEC countries, Pakistan was given to understand that if it utilized the quota in any particular year they would increase the quota. We have approached the Government of the Federal Republic of Germany with a request for increasing the quota and in view of the constructive and helpful attitude of that country in these matters we hope to have a favourable response soon. I am not sure if the distinguished delegate from the Federal Republic of Germany is in a position to enlighten us on the point.

Pakistan had also some difficulty in the utilization of the quota agreed to in the bilateral agreement with France. In spite of best efforts from the side of Pakistan and the fullest co-operation on the part of the French Government only a small part of the quota has been utilized so far. The provision in the bilateral agreement about administering the quota on fifty-fifty basis by the French and Pakistan authorities has been presenting some problems. It is our hope that these difficulties will soon be overcome.

These are the kind of difficulties encountered by Pakistan and, I am sure, by other developing countries in the same position which have been restricting the orderly flow of an important foreign exchange earning item from those countries.

In conclusion we would like to stress once again that these restrictions have seriously been hampering the opportunities available to us to earn foreign exchange which we need so desperately for our economic development. My delegation, therefore, attaches utmost importance to the realization of the goal of progressive relaxation of these restrictions at a more rapid pace each year than hitherto and to their elimination as soon as possible as agreed to in the Long-Term Arrangement. This highlights the need for special practical measures of international co-operation which will assist in necessary adjustment in cotton textiles industry of developed countries during the period of special protection provided by the Long-Term Arrangement. GATT secretariat have presented a useful report on this subject (COT/105 and Addenda). The report to a certain extent makes sketchy reading but it reveals that while certain countries have made a little progress no tangible action could be taken by others. My delegation, therefore, considers that it is necessary to make a study of this aspect of the matter to achieve one of the most important objectives of the Long-Term Arrangement, namely the relaxation of the present régime of restrictions to allow increased access to import of cotton textiles from developing countries. We should be ready to take appropriate action for relaxing these restrictions before expiry of the present term of the Long-Term Arrangement.