

GENERAL AGREEMENT ON TARIFFS AND TRADE

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COTTON TEXTILES COMMITTEE

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

It is well-known that we in India have not been exactly enthusiastic about the Long-Term Textile Arrangement. I had the honour of participating in the negotiation of the Short-Term Arrangement in 1960-61 and also of the Long-Term Arrangement in 1962. We recognized the political and social pressures and compulsions under which these Arrangements were proposed, and accepted them as a temporary expedient. But even while doing so, we expressed our apprehensions that the preambular ideological and noble sentiments in regard to increasing imports from developing countries might unhappily remain a distant vision on the horizon while the restrictive provisions of the Arrangement which gave permission outside the normal purview of the General Agreement, would, in the circumstances which I mentioned, of political and social compulsions and pressures, be readily used.

At any rate in the first half of the life of this Long-Term Arrangement which has now been extended, this proved indeed very true. There were several countries which found it very difficult indeed to give us and other developing countries important large basic quotas and to allow for reasonable growth formula additions annually to their imports from these developing countries.

In this context and against this background, my delegation is very glad to say that recently the Arrangement has worked very much better; and, in the last year or two, we certainly have seen very much more evidence of the preambular portion of the Long-Term Arrangement being recognized tangibly and practically and being implemented.

We are glad to report to you and through you to this Committee, that our negotiations with several countries with whom these negotiations were pending, especially the Community countries, were satisfactorily concluded, as we have just heard from the representative of the Communities. I am also able to testify that by and large these Arrangements have been working well. I think we must pay tribute to the way these Arrangements are now being worked by noticing in particular that when one important country recently had to apply import restrictions of some severity for many reasons, one of which was a serious erosion in its balance-of-payments situation, these restrictions were not extended to the arrangements under Article 4. I think this calls for special notice and commendation which I am very happy to give.

For many years we have held out the example of the United Kingdom as being a shining example of rectitude in this matter in regard to cotton textiles. Although it had been the back-bone of British industry, British textile production had been contracted under Government arrangements spread over several years. This had resulted

in sizable justice being done to developing countries and particularly to those which were traditional suppliers to this market. Recently of course, there have been certain difficulties which I need not mention here because they are the subject of mutual consultation between the two Governments.

I would be wrong if I omitted mention of the United States which again has been faithfully and morally implementing the Long-Term Arrangement in so far as we and other developing countries are concerned, to the best of our knowledge.

Mr. Chairman, we are also glad to see from the statistics which have been supplied by the secretariat, for which we thank them warmly, that the structural adjustments, about which we have been speaking for many years, appear at last to be beginning to happen. It seems to be happening very gradually. But, the figures that we have seen need careful examination, because the structural adjustments, of which there is some evidence according to the figures, may be very illusory. And the contraction in production, which is apparent in some developed countries, may have been taken over by substitutes which are very gravely threatening the exports of developing countries and the increase in their export earnings, from the export of these products.

Having said this, and paid tribute to the countries, which, in spite of their compulsions are working this Arrangement fairly satisfactorily, and, I would say, with a great deal more attention than before, to the ideals contained in the Preamble to the Arrangements, we should also mention certain difficulties which we are still experiencing because otherwise the impression will be created that we are living in this best of all possible worlds and that everything is extremely rosy. We are having very serious difficulties in regard to categorization. We find that our exports to certain developed countries have been divided and subdivided into a very large number of minor categories. We are finding it more and more difficult to supply these markets and fill our total quotas. I have heard the interesting thesis of the representative of the United States a little while ago, in which he pointed out that diversification and categorization possibly actually help the developing countries by diversifying their exports to the affluent developed countries, increasing the unit value and thereby increasing their total earnings in foreign exchange.

Mr. Chairman, this could have a certain validity and one must freely concede this. But this is only one side of the picture. The other side is this. Some developing countries are also modernizing their cotton textile industries; they are going in for automatic looms, they are going in for mechanical processing, and these operations are possible only when we have long runs of standard fabrics, and standard processes are adopted for finishing these textiles for export.

Now, diversification and the categorization militates exactly against this progress and this modernization and this application of technology to the cotton industries of the developing countries. One should also not forget, Mr. Chairman, that in some developing countries, notably mine, India, there is another and a

totally different structure of the cotton textile industry in which the hand-loom and non-mechanized implements are used. This specializes in making large quantities but in short runs of large value specialized fabrics in unique designs, for which also we are looking for export markets. In fact, it is the hand-loom industry which is the bigger provider of employment for our labour and this factor is of the greatest importance to us. Therefore, at least in our case, categorization and diversification, very far from helping our exports, greatly hinders our total exports of mill-made textiles. And when the demand for further categorization arises, our industry, and we ourselves, throw up our hands in horror and say, here is one more impediment, and next year we shall be short another 1,000 tons on our exports in the total quota. The result of this in three to five years would be that we would be told that we have never fulfilled our quotas and therefore our demands for quotas are extravagant and we should cut them down and accept much smaller quotas.

Mr. Chairman, there are other minor difficulties also - administrative difficulties like licensing, delays, holding up stocks which have arrived already and so on. But these are matters of detail, which I am sure, given the goodwill that is obvious and evident now, we can iron out by mutual consultation with the governments concerned.

A very important provision in the Long-Term Arrangement was the provision in regard to access to the markets of the developed countries. We have said before, Mr. Chairman, and I would like to repeat again, that we consider it totally unjustified that there should be both quantitative restrictions and high tariffs. High tariffs are recognized by the General Agreement as a means of protecting the home industry. Having done that, except for balance-of-payments difficulties, there is no provision and no justification under the General Agreement for applying quantitative restrictions. So that if we accept quantitative restrictions by mutual agreement under the Long-Term Cotton Textile Arrangement, then surely there is an overwhelming case for a very substantial reduction in the import duty applicable to the imports of textile fabrics from developing countries. Our demand, Mr. Chairman, here is that while this question of preferential treatment for imports of the products of developing countries is being seriously considered in many forums among the developed countries; within their governments, by their parliaments, in the Organisation for Economic Co-operation and Development etc., it should not be forgotten that there is a quantitative restriction under the Long-Term Cotton Textile Arrangement, and that therefore there is a very strong case for not including cotton textiles in the exceptions lists, and in fact, to include them in the application of general non-discriminatory preferences for the products coming from developing countries. We would urge that this matter should be very urgently and favourably considered.

A further reason why we demand this so confidently is that cotton prices are high and certainly in my country we were greatly short of cotton last year. Many of us have imported and do import cotton from the United States. The

productivity of the mechanized organized textile industry in the developing countries is low. Wages related to productivity are very high in these countries and it is most unlikely that we shall be able to produce our textiles, at low prices. And, one further argument. The developing countries want to earn foreign exchange, and if the prices ruling in the markets of developed countries are high, they would be very foolish indeed to go and sacrifice their foreign exchange earnings by dumping their textiles at low prices and achieving only low foreign exchange earnings. It is well-known that soon after we devalued the Indian rupee we clamped an export duty on our jute fabric exports all over the world so that the advantage of the devaluation would not be lost to us by a greatly reduced foreign exchange earning in the outside world. I am mentioning all this to show that there is no legitimate fear in our view which the developed countries could entertain in conceding that, so long as there is some understanding of their own political and social problems, which we have consistently recognized over the years, there is no need for also applying very high tariffs to cotton textile imports from developing countries. Quite recently certain adjustment assistance measures have, for the first time, been notified to the CONTRACTING PARTIES. Between now and the next session of the CONTRACTING PARTIES it may be worthwhile for us all to think whether it would not be desirable to study these adjustment assistance measures through perhaps a study group, or some such device, so that this analysis may be available to next year's session of the Cotton Textiles Review Committee. This suggestion would be confined not only to cotton textiles, but to other adjustment assistance measures also, so that we may see in practice evolving a restructuring of the industries of the world in order to fulfil and achieve the objectives of the Preamble of the General Agreement itself, the aims and objectives of Part IV and of the Preamble and provisions of the Long-Term Cotton Textiles Arrangement.

One final point. We were apprehensive right when we started with the Long-Term Arrangement in 1962, that this kind of example may be contagious and catching, and very soon there could be a demand for similar arrangements being applied in other fields, to other products. And it is at our very great insistence that in Article 1 of the Long-Term Arrangement, the last sentence reading as follows was introduced: "the CONTRACTING PARTIES also recognize that since these measures are intended to deal with the special problems of cotton textiles, they are not to be considered as lending themselves to application in other fields". My delegation, and I am sure, other exporting countries would hope very much that this example is not allowed to spread, and this kind of restrictive arrangement is not extended further to other products and other fields, and particularly to products coming from developing countries. I thank you, Mr. Chairman.