

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/117
9 October 1969

Special Distribution

Cotton Textiles Committee
(Session of 8-10 October 1969)

Original: French

Statement by the Spokesman of the European Economic Community on Item (1) of the Agenda

General trend

After the very serious recession which had hit the Community's cotton industry in 1967, a rally occurred only in the second half of 1968, the results for the latter being still below those for 1967. Apparent consumption for all cotton textiles is at roughly the same level as the previous year, and exports are again declining while imports have continued their upward trend; as a result, the balance, expressed in volume, shows a deficit for the first time since the signature of the Arrangement. This deficit is of the order of 5,000 tons. The overall trend is reflected by a new drop in production in both spinning and weaving.

I must, however, point out that the figures available for the first few months of 1969 show a considerable improvement of the situation and that if present trends persist, more favourable results may be expected for the current year than for the past two years.

After this brief description of the general trend, allow me, Mr. Chairman, to analyze certain aspects of it in greater detail.

Apparent consumption

In 1967, the Community's apparent consumption of cotton textiles had fallen by almost 8 per cent below the previous year's level in the case of yarns and by a little over 6 per cent in that of all the other articles taken together. This trend was very definitely slowed down in 1968, when, however, consumption of yarns dropped by a further percentage point from 832,000 to 821,000 tons, while consumption of woven fabrics and clothing rose from 624,000 to 629,000 tons, or by 0.9 per cent.

Exports

The Community traditionally exports about 3 per cent of the yarns it produces; this flow of external trade slightly increased in 1968: the volume of deliveries (26,000 tons) increased by 5 per cent over the previous year. The same does not apply to the other manufactures, the external sales of which decline regularly from year to year. The trend was even more marked in 1968; Community exports of fabrics and clothing, which account for some 13 to 15 per cent of production, declined in 1968 more sharply than in the previous year: by more than 10 per cent compared with 4 per cent.

This decline affected solely fabrics and made-up clothing, for which exports fell from 73,000 to 63,500 tons. Fabrics other than grey cotton fabrics, an item which by itself accounts for half the Community's exports, declined the most steeply: from 60,000 to 54,000 tons. Outside sales of clothing remained virtually at the previous level.

Imports

Although consumption was so sluggish, the Community's imports, which in 1967 had declined owing to the serious textile recession, made fresh and major advances in 1968. For cotton textiles as a whole, outside deliveries increased by 25,000 tons, or 27 per cent, from 91,000 to 116,000 tons, reaching a level well above that of 1966. Apart from made-up cotton fabrics, this increase affected all categories of goods, but more particularly yarns, for which imports more than doubled, and clothing, for which they rose by 25 per cent.

The share of outside supplies in apparent consumption thus increased very considerably, from 1.5 per cent to 3.4 per cent for yarns and from 12.5 per cent to 14 per cent for all other cotton textiles taken together.

The developing countries participating in the Arrangement were by far the greatest beneficiaries of the expansion of the Community's imports. For yarns, their exports more than doubled, rising from 9,000 to more than 20,000 tons, and for the other articles they increased by 22 per cent. With a total volume of more than 50,000 tons, the sales of the developing countries signatories of the Arrangement represented 43 per cent of the Community's cotton textile imports; with the exception of Hong Kong, where the increase was 10 per cent, deliveries from these countries rose from one year to another by 68 per cent.

Supplies from Japan declined slightly (- 3 per cent); those from Poland increased by 46 per cent; the exports of other industrialized countries participating in the Arrangement increased by 5 per cent.

The exports of countries not participating in the Arrangement increased by 19 per cent.

Production

The expansion of imports and decline of exports, in conjunction with sluggish consumption, slowed down activity in the industry. Compared with the previous year, production fell by 2.8 per cent for yarns and 4.4 per cent for fabrics.

Prospects for 1969

The improvement noted in 1968 was clearly confirmed in the first few months of 1969, more particularly at the weaving stage, where production increased by almost 10 per cent in the first three months of 1969.

The countries exporting goods to the Community also benefited from this improvement.

In fact, imports of yarns virtually doubled and those of fabrics increased by 25 per cent as compared with the corresponding period of 1968.

Application of the Arrangement

In accordance with the undertakings given when the Arrangement was renewed, the increased quotas provided for were allocated by the member States concerned to exporting countries under Article 2, i.e. to Japan, Hong Kong, Taiwan, the United Arab Republic and South Korea.

For India and Pakistan, trade with member States has since 1968 been governed by the arrangements under Article 4, under which India doubled and Pakistan trebled sales in 1968 as compared with 1967.

As for Hong Kong, the Benelux countries signed on 18 November 1968 an agreement based on Article 4 covering the period from 1 July 1968 to 31 December 1969. Under this agreement, overall and specific ceilings are fixed on the basis of lists of categories of articles adopted in the model Arrangement, Article 4, by all member States.

For the rest, member States and the Commission of the European Communities, on the one hand, and Japan, on the other, conducted negotiations from March to June 1969 in order to agree on the arrangements to be made for the conclusion of bilateral agreements between Japan and each of the member States under Article 4 of the Long-Term Arrangement.

Following the arrangements made, bilateral negotiations resulted in the conclusion of uniform agreements between Benelux, France, Germany and Italy, on the one hand, and Japan, on the other.

Lastly, some member States maintained or introduced restrictions based on Article 3 with regard to certain exporting countries.

- The Agreement for voluntary restraint concluded between Germany and Hong Kong, which is valid until 31 December 1969, continues to be applied. It concerns grey fabrics, outerwear, overalls and slacks, shirts, nightwear, handkerchiefs and towels.

- Italy renewed the voluntary-restraint agreements concluded in 1968 with Formosa and the United Arab Republic for 1969 covering grey and bleached cotton fabrics, and, in the case of the latter country, ceilings were extended to printed fabrics.

Conclusions

I do not think, Mr. Chairman, that there is any need to comment extensively on these facts. The members of the Committee have been able to satisfy themselves, both from my statement and from the document circulated by the Secretariat, that the Community has continued to apply the Long-Term Arrangement in conformity with the principles underlying its conclusion.

Despite the adverse circumstances with which the cotton industry has had to contend and the extremely keen competition prevailing in both domestic and external markets, the Community and its member States have not only increased their quotas in accordance with the undertakings given but have used the safeguard provisions of the Arrangement with great moderation.

The agreements based on Article 4 and concluded by all member States with India and Pakistan and soon to be concluded with Japan involve considerable improvements in the trading régime with these countries as regards both quantities and administration.

The régime governing imports was further relaxed when Italy liberalized thirteen statistical cotton textile sub-items at the beginning of 1969.

This attitude shows, Mr. Chairman, the European Economic Community's concern to promote the expansion of the cotton textile trade. The Community hopes that it will be possible for this expansion to continue harmoniously in the interests of exporting and importing countries.