

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COTTON TEXTILES COMMITTEE

### Statement by the Representative of the United States at the Meeting of 8 October 1969

#### Introduction

The United States is pleased to have this opportunity again to discuss the textile situation with representatives of the governments of the textile trading and producing community. In my statement I shall review United States cotton textile trade, conditions in the domestic producing industry, developments in the implementation of the Long-Term Arrangement, and I shall briefly comment on certain changes that have taken place in the trade and in the industry. My Government believes that the implications of these changes must be carefully considered to ensure for the future the healthy development of the world's textile trade and industry.

#### Review of the Long-Term Arrangement

As we review the operation of the Long-Term Arrangement at the conclusion of its seventh year, my Government believes that the Arrangement has functioned to the advantage of all concerned - those who produce and are employed in the United States and as well as those who manufacture and sell to the United States and other countries. I will not recount the well-known principles established in the Long-Term Arrangement concerning the orderly growth of textile trade and the need to avoid market disruption. But I do wish to discuss the growth and some of the changes that have taken place in United States trade in these products.

Cotton textile imports into the United States during the seventh Long-Term Arrangement year amounted to 1.7 billion square yards equivalent as compared with 1.1 billion yards in the first Long-Term Arrangement year and just over 800 million yards during the base year for the Short-Term Arrangement. Over this period, imports of cotton textiles and apparel rose faster than domestic output. Even so, the overall figures do not reveal certain significant developments affecting our trade. For example, in the fourth Long-Term Arrangement year, the peak year to date, the United States imported 361 million square yards equivalent of cotton yarn - about one fifth of total cotton textile imports. During the seventh Long-Term Arrangement year imports of cotton yarn were down sharply - to about one twelfth of total imports, but imports of apparel, fabrics, and other goods rose substantially above the levels reached in the fourth Long-Term Arrangement year. This development underscores the shift toward more highly manufactured goods for export to the United States which has been occurring in recent years. Between the first and seventh Long-Term Arrangement years the value of apparel imports increased 80 per cent. This shift to more labour intensive goods has helped the exporting countries, but it has placed a greater burden on United States labour and industry.

Our cotton textile imports come from about 100 countries. Imports from the developing countries have increased significantly. While the share of the United States market held by the major suppliers has changed, their absolute exports to the United States have increased substantially. Many new suppliers have entered the United States market and have been able to sell in the market without jeopardizing the position of other suppliers. In the process of providing access for new suppliers to our market, the United States has consistently met the fundamental equity obligation stipulated in Article 6(c) of the Arrangement. All of these developments are consistent with the provisions and the spirit of the Long-Term Arrangement itself.

#### Overshipments - a recurrent problem

Imports at these high levels have produced a number of problems. The most difficult and frustrating of these arises when agreement limits are overshipped. The United States has pointed out at previous meetings of this Committee a number of the difficulties it has had in the implementation of various bilateral cotton textile agreements. We noted that while many of these situations are inadvertent, not all of them can be so explained. We have worked with a number of countries to assist them in their efforts to improve their administration of the bilateral arrangements and, in the current year, we have noted some decline in the number of administrative and overshipment problems.

A more timely exchange of better statistical information on trade would contribute to better operation of these arrangements, and we hope governments will continue to improve upon their efforts in this area. We cannot prevent problems if necessary information is not available on a timely basis. There have been some difficult cases requiring action by the United States and the exporting countries which unavoidably resulted in some interference with the normal flow of trade. The United States regrets very much the necessity of taking these actions but believes that the viability of this Arrangement and of all bilateral agreements thereunder depends upon mutual adherence to their terms. We would emphasize again that it is the joint obligation of exporting and importing countries under the Long-Term Arrangement to make these agreements work.

#### Future of the Long-Term Arrangement

The United States, in giving very careful thought to the future of the Long-Term Arrangement, has had to consider criticism of the Long-Term Arrangement voiced by American producers and labour organizations and also by many in the United States Congress. They have pointed out that while the Arrangement contemplates a rate of growth of imports equivalent to 5 per cent annually, the actual growth of imports into the United States has been much higher. In addition we have been forced to acknowledge the fundamental conflict between the 5 per cent growth formula in the Long-Term Arrangement, and a much higher actual growth of imports on the one hand, and the decline in the output of cotton textiles in the United States, now below the levels of 1961, on the other. Thus imports have been mounting while domestic production has been declining, a situation which has produced an increasingly severe impact in the United States cotton textile market.

We have also considered the views of exporting countries on various problems they have faced during the life of the Long-Term Arrangement. We hope this meeting will provide further insight into the views of other participants as to the extension of the Arrangement.

The Long-Term Arrangement in a multi-fibre textile world

We should recognize the changes that have taken place in world trade and production of textiles and the emergence of today's multi-fibre industry. In surveying textile developments over the life of this Arrangement, one cannot help but note that the increase in relative importance of man-made fibre products in total textile production is one of the most conspicuous and significant facts today. While cotton consumption in the United States has fallen off there has been a striking increase in the use of man-made fibres. In the United States in 1961-62 when the Long-Term Arrangement was negotiated, man-made fibres represented only 30 per cent of the fibres consumed by the United States textile industry; cotton then accounted for over 60 per cent. Now man-made fibres account for more than 50 per cent of consumption as cotton's importance has declined, and this trend is continuing. Blended goods have also become a major factor in the market and are now a major component of United States textile imports. Indeed, during 1969, for the first time, imports of man-made fibre textile products are exceeding imports of cotton textile products.

The tremendous surge of man-made fibre textile imports is of major concern to the United States Government. This year these imports are running at an annual rate of 1.8 billion yards. Imports of man-made fibre apparel are running at an annual rate of 930 million yards as compared with 558 million yards in 1968 and 92 million yards in 1964. These imports in eight months of 1969 are well above cotton apparel imports and already exceed total cotton apparel imports for 1968 by more than 100 million yards. In this field also, as in cotton, the trend is toward the importation of apparel and other of the more labour-intensive goods.

At the same time wool textile imports are running at very high levels, with a similar emphasis on more highly manufactured goods. Penetration of the United States market for these products is at an all-time high with imports enjoying more than one fourth of the domestic market. The decline in imports of certain products from last year's level notwithstanding, imports of wool apparel are 33 per cent above the levels reached in 1966 and 1967.

Overall United States imports of cotton, wool, and man-made fibre textiles are at an annual rate this year of 3.7 billion square yards, compared to 3.3 billion in 1968 and 1.5 billion in 1964. The import consumption ratios for these products have doubled in recent years. The ratio for man-made fibre textiles is now at the point reached by cotton textiles when the Long-Term Arrangement was negotiated. The wool textile ratio is now 26 per cent and the cotton textile ratio is now above 11 per cent.

Many countries that began their trade in the cotton textile field and which entered into agreements with the United States under the Long-Term Arrangement in some cases, now export more than four times as much man-made fibre textiles to the United States as they do cotton textiles. Other countries are beginning to ship man-made fibre textiles and are expanding their exports to us very rapidly. In our view the dramatic growth of these imports carries with it the same serious problems of market disruption that existed for cotton textile products at the birth of the Long-Term Arrangement eight years ago.

A number of importing and exporting countries have recognized the existence of problems in these areas and have taken action - by agreement and otherwise - to regulate the flow of trade in these goods. These actions have had the effect of channelling exports to the markets of countries that do not have such restrictions. The United States market is the only major unrestricted market in the world. This situation has been a major contributing factor in the overall United States textile import problem, a problem which requires an international solution.

The United States remains prepared at this time to accept continued growth on a reasonable and orderly basis in the exports of these products to the United States market. We believe most firmly, however, that this trade must be on an orderly basis and the growth in our market shared equitably by both domestic and foreign manufacturers.

The dramatic increase in imports of man-made fibre and wool textiles in recent years has far out-paced the growth of the United States market. By no measure can this be considered an orderly trade situation. American manufacturers have been put under heavy pressure. Plants have been closed, operations transferred overseas and textile investments deferred on the grounds that disruptive competition from exporting countries will not allow the necessary return on investment. This trend erodes the strength of our textile industry and has potentially wide-ranging consequences for the United States. It is a trend to which the United States Government cannot remain indifferent. It is not our desire to choke off trade. But neither can we permit trade to choke off our textile industry or its growth. We fully recognize the importance of this trade to the exporting countries, but while we are prepared to accept a reasonable growth in our textile imports, we are determined to ensure that it be on an orderly basis.

#### Importance of the textile and apparel industries in the United States

It is not widely recognized or realized that in the United States, a highly industrialized country, the textile and apparel industry remains in this day the largest employer of labour of any United States manufacturing industry. It employs one eighth of the entire manufacturing work force of the United States. In addition, it is the sole customer of some 200,000 farms producing raw wool and it is the principal customer for our 500,000 farms that produce cotton. Many thousands more depend on this industry's consumption of man-made fibres, fuel and energy, goods and services, and all of the myriad elements which help the industry function.

The United States faces a major social problem and the textile and apparel industry is helping to ameliorate it. This is due to the fact that this industry makes a major contribution in the hiring and training of under-skilled disadvantaged persons in the United States, particularly those in minority groups. A threat to this industry is a threat to those persons in our labour force who have most difficulty in securing employment in the first place and who would face even greater difficulty in finding alternative job opportunities. The present and potential contribution of the textile and apparel industry in providing employment for this large group of people cannot be over-estimated.

There are many in the United States who feel that the only viable solution to the textile problems we face should be attained through import quotas enacted in legislation. It has been my Government's view that rather than resort to legislation we should negotiate acceptable international arrangements which would establish a reasonable and orderly basis for the development of the United States textile market and for the continued growth of United States textile imports. President Nixon has stated his "commitment to work for solutions that will bring about the orderly flow of imports into the textile markets". We are endeavouring to do that and cannot urge too strongly the co-operation of our textile trading partners.

In conclusion, the United States believes the Long-Term Arrangement has worked well with benefits to both exporters and importers and should continue to do so in the future. We support its continuation beyond 30 September 1970.

We are most interested in hearing the views of others on the issues at hand.