

GENERAL AGREEMENT ON  
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Textiles Committee

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SUPPORTING PAPER TO THE STATEMENT  
OF THE REPRESENTATIVE OF THE REPUBLIC OF KOREA  
TO THE TEXTILE COMMITTEE  
SUBMITTED ON BEHALF OF THE DEVELOPING COUNTRIES  
EXPORTERS OF TEXTILES AND CLOTHING

The representative of Korea, on behalf of developing countries, exporters of textiles and clothing, requested during the Committee meeting held on 23 July 1985, that the attached statistical paper be circulated to members of the Committee.

This note is a broad overview of trends during MFA III in demand, production, profits, investment, productivity, employment, imports and exports in the two major markets applying restrictions under the MFA--the United States--and the European Communities. It attempts to gauge the state of their textiles and clothing industries on the basis of a wide range of indicators rather than solely on the basis of employment and imports, as often is the case. It needs to be pointed out, however, that not all data on the major indicators of industry performance are available.<sup>1</sup>

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<sup>1</sup> Among the most relevant indicators, the following are not available: production indices for clothing in the United States (publication of the Federal Reserve Board index has been ceased since 1982), employment for clothing in the EEC (due to unavailability of data for Italy), profits and investment for the clothing industries of both the United States and the EEC.

A. The United States

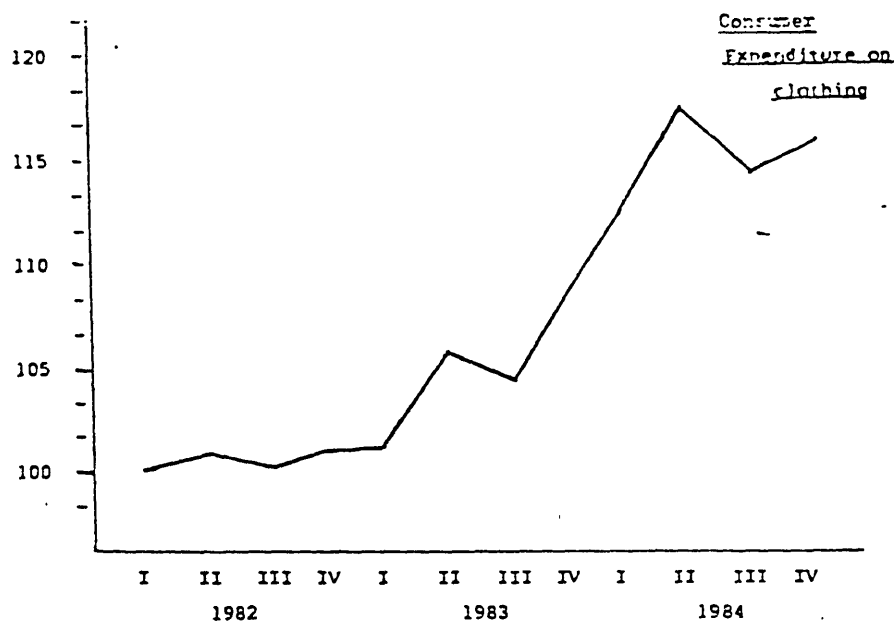
1. Demand and production. Consumer expenditure on clothing showed a remarkably strong expansion in 1983 and in most of 1984. As a result, consumer expenditure on clothing in the last quarter of 1984 was 18 per cent higher in real terms than in the last quarter of 1982, one of the highest growth rates recorded for a two-year period for a developed country.

2. The strong rise in consumer expenditure for clothing benefitted to a large extent domestic producers in absolute terms, which account for the greatest part of consumption.<sup>2</sup> It was conducive not only to a marked rise in the domestic production of clothing, but also to a vigorous expansion of production of textiles--mainly of yarns and fabrics. Anticipating the growth of demand, output of textiles increased by nearly 20 per cent between the last quarter of 1982 and the last quarter of 1983, also one of the most rapid rates recorded in the post-war period. Although textile production has been declining thereafter, output in the last quarter of 1984 was still well above the level at end-1982.

CHART 1

Consumer Expenditure of Clothing in  
the United States

Indices<sup>1/</sup>. first quarter 1982=100



Source: Survey of Current Business. US Department of Commerce.

<sup>1/</sup> At constant prices.

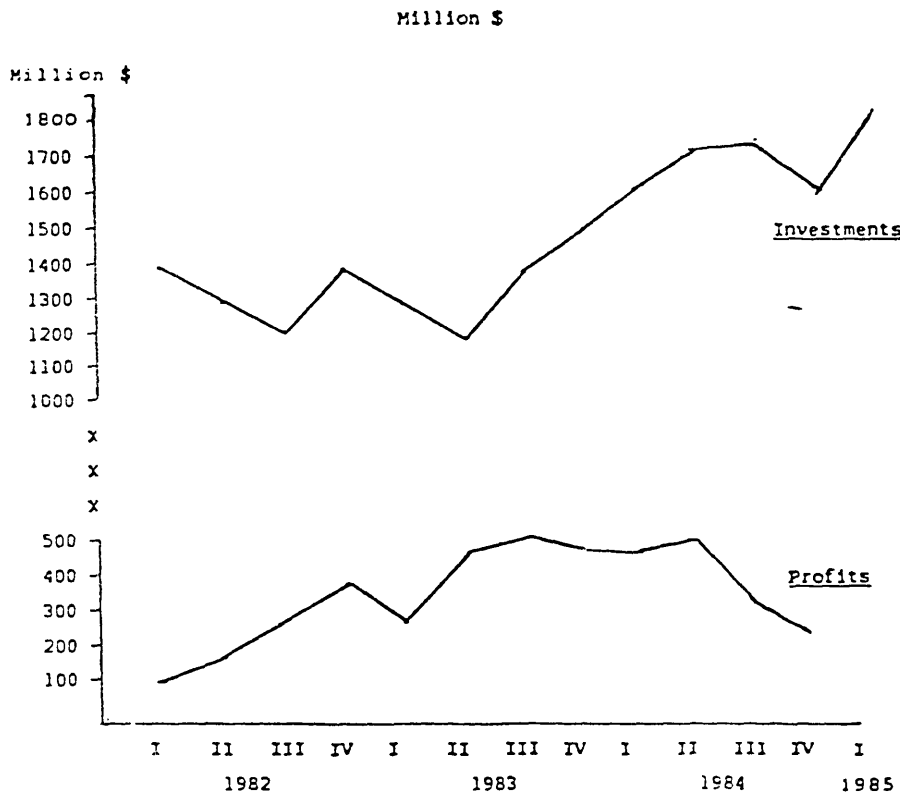
<sup>2</sup> See US Production, Imports and Import/Production ratios for Cotton, Wool and Man-Made Fiber Textiles and Apparel, US Department of Commerce, International Trade Administration for data in terms of fiber equivalent and Statement by Mr. Malcolm Baldrige, Secretary of Commerce, before the Subcommittee on International Trade of the Senate Committee on Finance, July 15 1985, for data in terms of value.

3. Profits and Investment. The strength of demand and production also boosted profits<sup>3</sup> of the US textiles industry, until mid-1984. Although declining thereafter, they were nevertheless much higher in the last quarter of 1984 than in the early months of 1982.

4. As a result of the sharp rise in sales revenues, the US textile industry not only earned much higher profits, but re-invested increasing amounts. The remarkable expansion of investment in plant and equipment in textiles, which grew 20 per cent in real terms (a record increase) from 1983 to 1984 despite the high interest rates and the strong dollar, can largely be attributed to: (i) the favourable prospects for a further rise in domestic consumption for both traditional and new products, (ii) efforts to maintain or regain competitiveness--especially in the more labour-intensive product-- through increasing utilization of labour-saving machinery (micro-electronics, robots, etc), and (iii) expectations that restrictions on developing country imports would continue, if not increase.

CHART 11

Profits<sup>1/</sup> and investment in textiles in the United States



Source: Textile Highlights, American Textiles Manufacturing Institute.

<sup>1/</sup> After Federal and other income taxes

<sup>3</sup> After Federal and other income taxes.

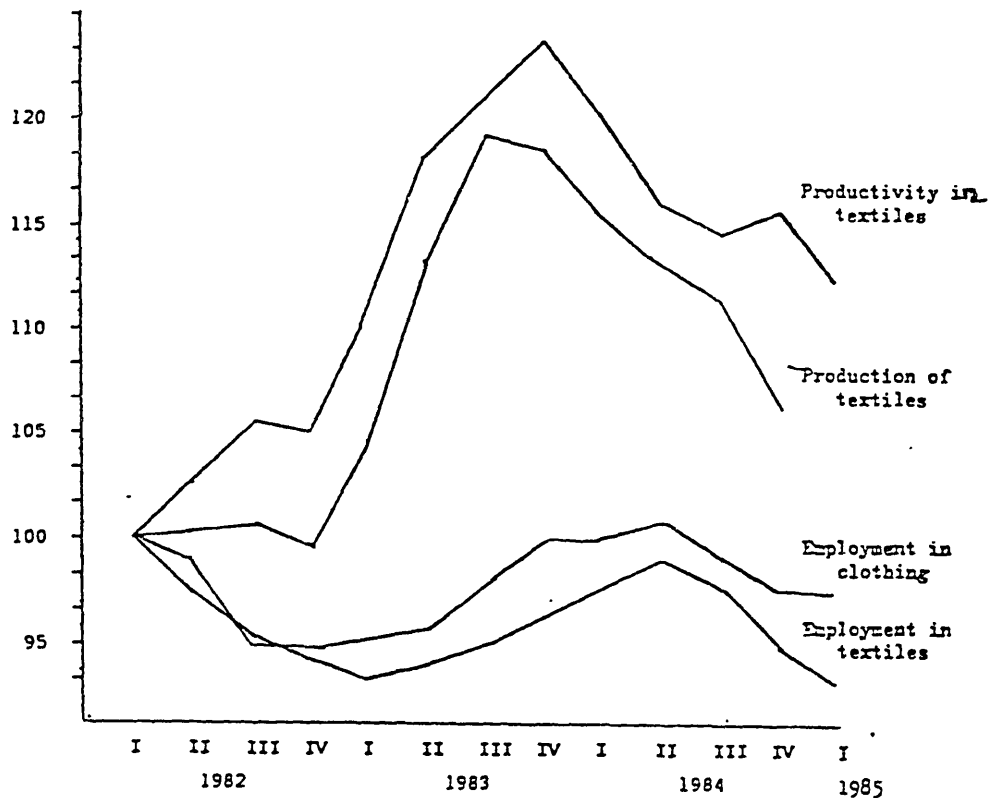
5. Productivity and Employment. The strong rise of investment in labour-saving equipment was one of the principal factors behind the important gains made in labour productivity. Productivity in the textile industry (implied by the data on production and employment) in the last quarter of 1984 was 13 per cent higher than in the first quarter of 1982.

6. Employment in both the textiles and clothing industries recovered during the period of the fastest rise in production, but declined thereafter. In the first quarter of 1985 employment in the textile industry -- where productivity had increased faster than in clothing -- was 7 per cent lower than in the first quarter of 1982, and employment in the clothing industry 2 per cent lower.

CHART III

Production, Productivity and Employment in the US  
Textiles and Clothing Industry <sup>1/</sup>

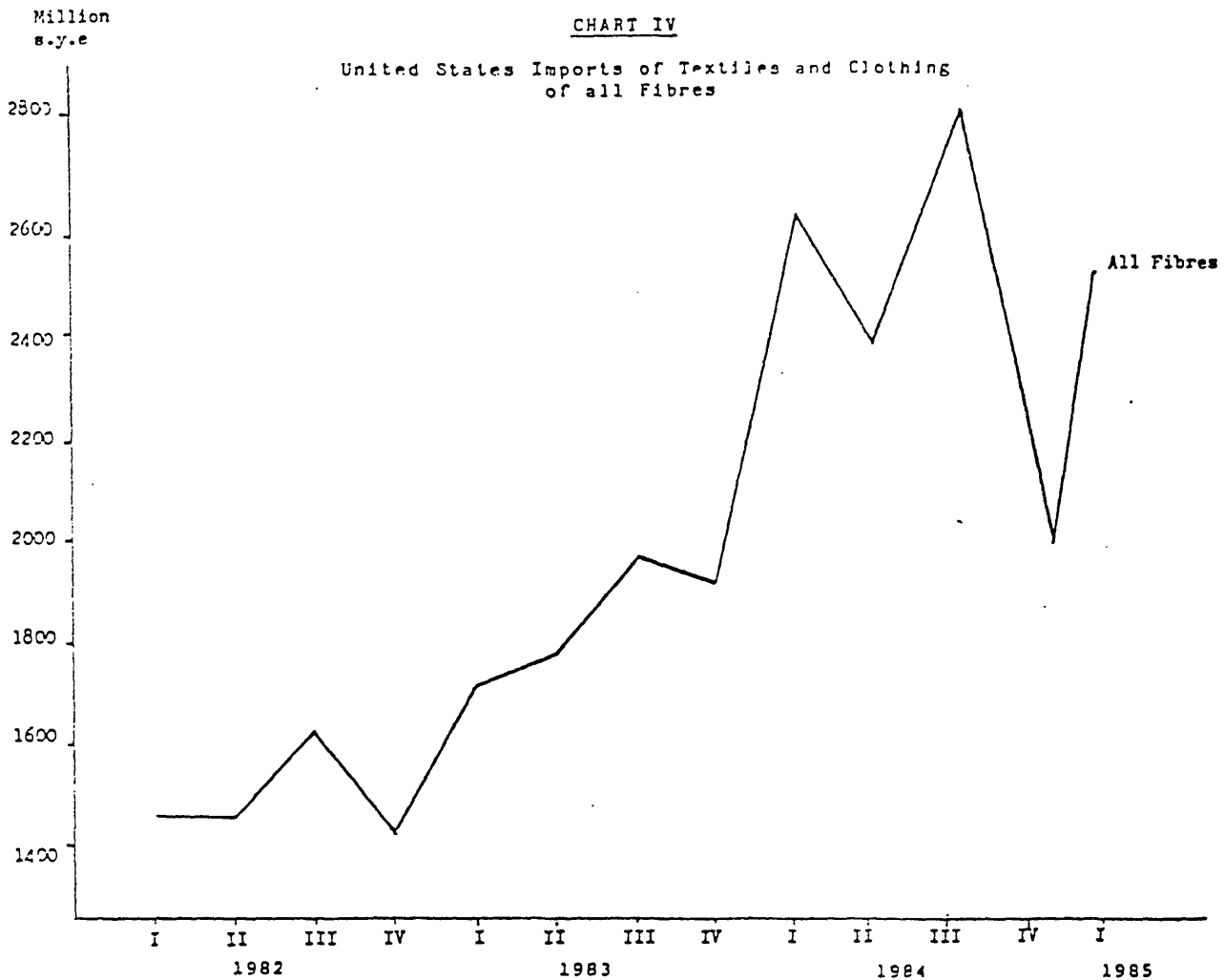
Indices, first quarter 1982=100



Source: Survey of current Business, US Department of Commerce.

<sup>1/</sup> No data available for Production and Productivity of Clothing. Productivity indices have been constructed from production and employment data and therefore should only be considered indicators of orders of magnitude.

7. Foreign Trade. As a result of the remarkable growth in consumer expenditure on clothing and stock-building and of the continuous appreciation of the US dollar, imports of textiles and clothing into the United States showed a strong upward trend in 1983 and the first three quarters of 1984. Although during the period January to May 1985 imports were lower than in the corresponding period of the preceding year, their level remained substantially above that of the first five months of 1982. Two qualifications, however, have to be made concerning the growth of imports during MFA III: (i) While it is true that the growth of imports exceeded that of domestic production, it should be emphasized that, as already noted above, the largest part of the rise in consumption in absolute terms benefitted the domestic producers, and (ii) the growth in imports started from a low 1982 base, which was below that of the preceding year and also less than the previous peak reached as far as 1972.



Source: US General Imports, US Department of Commerce.

8. From October 1984 to May 1985, textiles and clothing imports from the developing MFA suppliers declined by 5 per cent (in square yard equivalent) as compared with the corresponding period one year earlier reflecting the intensification of discriminatory trade restrictions and harassment of developing country imports during the course of 1984. Imports from Western Europe increased by about 40 per cent during the same period. US textile and clothing exports (in pounds), also reflecting the strength of domestic demand and the sharp appreciation of the dollar, were substantially lower in 1984 than in 1982.

### 5. The EEC

9. Demand and Production . After having declined slightly in 1982, consumer expenditure on clothing in the EEC in real terms recovered in 1983 and continued to increase at a moderate pace in 1984. Production of both textiles and clothing, which had been declining until mid 1983, recovered since then slightly exceeding in the first quarter of 1985 the level reached in the first quarter of 1982.

10. Profits and Investment Although precise data are not available, indications for major producing countries suggest that the profit situation of textile enterprises has been improving steadily since mid 1983, in line with higher sales resulting from the recovery in production. Another confirmation of the upward trend in earnings of the textile enterprises is the remarkable upswing in investment which occurred in 1983 and 1984 and which is expected to continue in 1985. For the EEC as a whole, the investment survey carried out by the Commission shows an increase of 3 per cent in 1983, 12 per cent in 1984 and a forecast of 6 per cent in 1985 for a group of processing industries among which textiles and clothing are the most important.<sup>4</sup>

11. Data available for individual members confirm a substantial rise in investment. In the Federal Republic of Germany, investment in textiles and clothing expanded in real terms by 11.5 per cent 1983 (as against 0.5 per cent for manufacturing as a whole) and by 10 per cent in 1984 (3 per cent for manufacturing as a whole).<sup>5</sup> After having recovered in 1982, investment in the textile industry in France rose by 20 per cent in 1983,<sup>6</sup> and another vigorous increase exceeding the all-industry average of 11 per cent in real terms has been estimated for 1984.<sup>7</sup> Even in the United Kingdom, where investment in the textile and clothing industries had declined in real terms in 1983, the first 9 months of 1984 show a rise of 30 per cent over the corresponding period of 1983.<sup>8</sup>

12. As in the United States, the main reasons for the strong upswing in investment have been the efforts to maintain or regain competitiveness in more labour-intensive product lines through wider use of labour-saving equipment and the expectation that domestic markets will continue to be protected. In contrast with the United States, however, where the domestic market has been the overwhelming force behind demand, in the EEC the investment drive was also based on the expected continuation of the export boom.

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<sup>4</sup> See Commission of the European Communities, Directorate-General for Economic and Financial Affairs, Results of the Business survey carried out among Managements in the Community, Jan. 1984 and 1985. This group also includes the footwear, timber, paper and plastic transformation industries.

<sup>5</sup> See IFO Schnelldienst 7 Dec. 1984, p.4

<sup>6</sup> See Comitextil, 1984, No. 2-3, p.23.

<sup>7</sup> See the survey by Credit National.

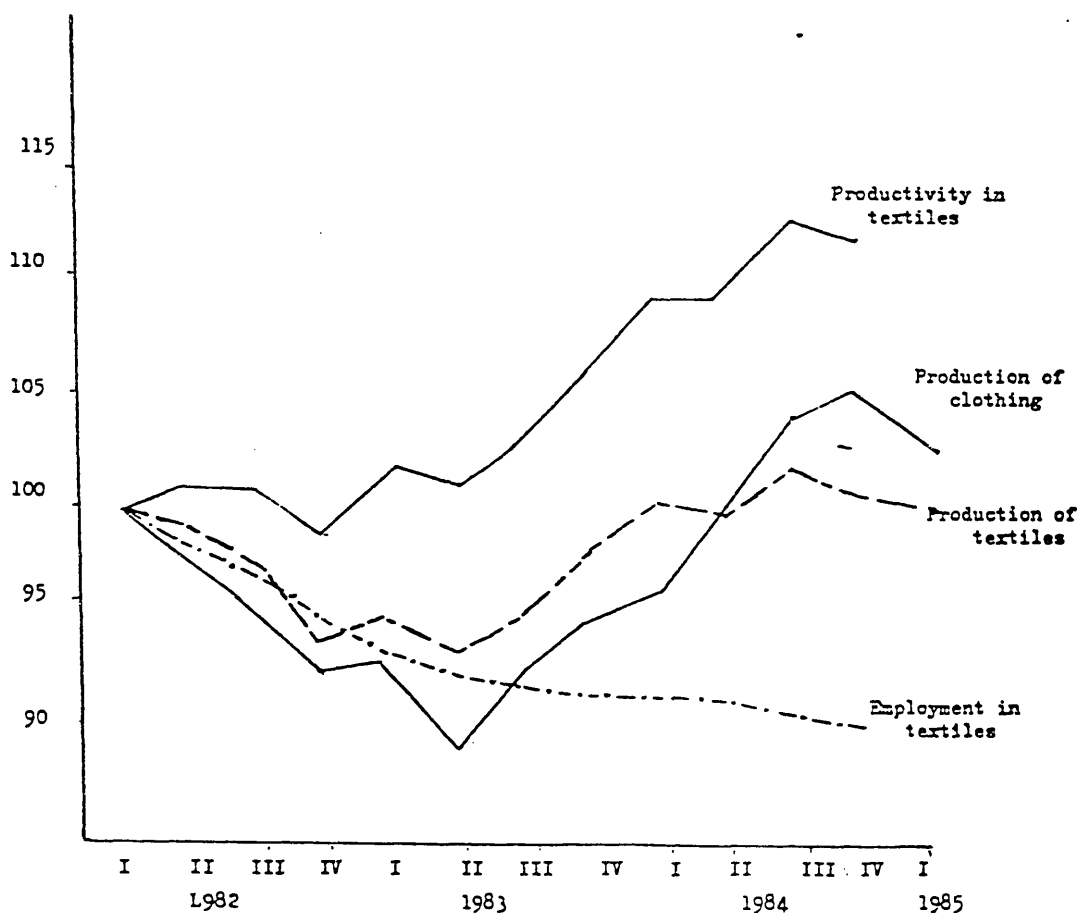
<sup>8</sup> See British Business, Department of Trade and Industry.

13. Productivity and Employment. Productivity of the textile industry in the EEC has been increasing since the beginning of 1983 (implied by the production and employment indices) reflecting growing investment in labour-saving equipment. In the last quarter of 1984 it exceeded by 12 per cent its level of the first quarter of 1982. At the same time employment in the textile industry continued to decline during MFA III, although the rate of decline slowed down during the course of 1984.

14. Trade. In 1984, growth of both exports and imports accelerated. As in the preceding year, the rise in extra-EEC exports (11 per cent) continued to exceed that in imports (8 per cent).

CHART V

Production, Productivity and Employment in the Textiles  
and Clothing Industry of the  
EEC 1/



1/ No data available for employment and productivity in the clothing industry. Productivity indices have been constructed from production and employment data and therefore should only be considered indicators of orders of magnitude

Source: Eurostat, Eurostatistics, Data for short term analysis, No. 2, 1985.