COTTON TEXTILES COMMITTEE

Statement by the Spokesman for the European Economic Community on 27 September 1966

During the first three years of the Arrangement the trend in the cotton situation in the European Economic Community was characterized by a moderate increase in internal consumption, a decrease in exports and a massive increase in imports, which nearly doubled between 1962 and 1964.

Under the combined effect of these factors, production of the Community industry showed a slow but continual decrease.

Since the second half of 1964, the situation has greatly deteriorated, owing to the abrupt decline in demand in several member States.

This recession was further accentuated in the first half of 1965 and in spite of the signs of recovery in the second half, the trends of consumption, trade and production during this fourth year of the Arrangement were greatly affected.

Consumption

Consumption of all cotton textiles by the Community, which had increased by nearly 7 per cent between 1962 and 1964 showed a decrease of over 8 per cent in 1965.

For cotton fabrics only, apparent consumption, which reached 586,000 tons in 1964, fell to 523,000 tons in 1965: a reduction of over 63,000 tons (about 11 per cent).

Imports

In spite of the great reduction in internal demand, total imports of cotton textiles from third countries in 1965 remained at the same level as the previous year, being over 95,000 tons and thus representing an increased share in the consumption of the Community, i.e. 11.4 per cent as against 10.4 per cent in 1964.
Although the total volume of imports did not change, there were differences in trend between 1964 and 1965 according to products and their origin.

Deliveries of yarn, grey fabrics and finished fabrics from third countries decreased by 14 per cent, 13 per cent and 6 per cent respectively, but this decrease in sales was offset by an increase in deliveries of made-up articles and articles of apparel, which rose by 54 per cent and 23 per cent respectively.

Japan and Hong Kong, whose sales to the Community traditionally include a high proportion of finished articles, were not affected in the same way as other suppliers by the recession on the Community market; Japan increased its sales by 7 per cent and Hong Kong by 22 per cent.

The countries in Group II more or less maintained their relative position on the Community market with 40.8 per cent of imports as against 42.7 per cent the previous year. Their deliveries expressed in volume decreased slightly (3.6 per cent), but increased in value by 16 per cent.

The industrialized countries in Group I showed a reduction in overall deliveries of nearly 6 per cent, in spite of an increase in their sales of made-up articles and apparel.

The State-trading countries increased their sales by 2 per cent, but only through a rise in their deliveries of articles of apparel, which more than compensated for the fall in their deliveries of yarns and fabrics.

Exports

The recession to which EEC exports have been subject since 1962 owing to increased competition on outside markets, mainly from Japan and the developing countries, continued in 1965. It was particularly marked in the case of cotton fabrics, sales of which to third countries decreased by nearly 8,000 tons.

The balance of trade accordingly shows a further deterioration, the surplus for all cotton textiles and clothing of all fibres except wool, having fallen from 29,500 to 23,800 tons, whereas it was over 100,000 tons in 1962.
Production

All the above-mentioned factors have weighed heavily on the level of activity in the Community cotton industry; the gradual decline in production which began in 1962 was strongly accentuated in 1965. As compared with the previous year, the Community as a whole showed a decrease in production of 9 per cent for spinning and nearly 11 per cent for weaving. But in the member States most affected by the recession, the decrease in activity was more marked, being of the order of 15 to 25 per cent.

The special difficulties encountered by the industry in 1965 led to an increase in the rate of release of labour and reduction of plant.

Whereas, since 1962 the number of persons employed in the industry had decreased by about 20,000 a year, in 1965 the figure reached 30,000.

The reduction in the number of spindles was about 560,000 in 1965, as against 340,000 in 1964, while the reduction in the number of looms was about 18,000 as in previous years.

It must be added that these figures cover only the equipment actually scrapped and do not include spindles and looms temporarily or permanently out of use.

Trends in 1966

The signs of recovery which appeared at the end of 1965 in certain member States of the Community, have not been fully confirmed in 1966.

The still provisional production figures available for the first half of this year show diverging trends. The rather marked improvement in the situation in certain member States is accompanied by a slowing down of activity in others.

The result is that for the Community as a whole, the increase in production for the first half of 1966, as compared with the corresponding period in 1965, can be provisionally estimated at about 8 per cent for spinning and 12 per cent for weaving.

It must be emphasized, however, that in spite of this relative improvement in the situation, since the recession of 1965 the industry in the Community has not regained a satisfactory rate of activity and production is still below the 1964 level.
As regards trade, the comparative figures for the first quarters of 1965 and 1966 show a new expansion of imports, which increased by 10 per cent for fabrics and 36 per cent for articles of apparel. The incomplete information available for the second quarter suggests that this rate of expansion has, on the whole, been maintained.

Operation of the Arrangement

The difficult circumstances prevailing in 1965 led to no change in the liberal attitude which has always been shown by member States in applying the provisions of the Arrangement.

Increases in quotas have been granted at a rate corresponding to the undertakings initially given by the Community with respect to the four countries concerned during the period under review. The total amount of these quotas was raised from 8,708 tons in 1964 to 9,702 tons in 1965 and 10,936 tons in 1966. Furthermore, additional quotas were opened by the Federal Republic of Germany and France for three other exporting countries, in a total amount of 419 tons in 1965 and 674 tons in 1966.

Two tariff items were liberalized by France during the fourth year of the Arrangement.

As regards recourse to the saving clause in Article 3, only one new restriction was introduced; it relates to shirts imported from Hong Kong into the Benelux countries.

The Federal Republic of Germany had no further recourse to the saving clause and merely continued the restriction on imports of nightwear from Hong Kong.

Italy, which on 1 January 1965 had restricted imports of grey and bleached fabrics from seven sources, rescinded this measure on 1 January 1966.

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In this preliminary statement, Mr. Chairman, I have confined myself to describing the trend in the cotton situation in the Community and I think I may say that, in spite of the great difficulties encountered by our industries and the fall in consumption, the Community had applied the Arrangement in a liberal manner.