THE WORLD MARKET FOR TEXTILES, 1938-1953

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Summary and Conclusions

The GATT Trade Intelligence Unit has prepared a Paper on the world market for textiles, 1938-1953. The Paper is based on annual data for 1938 and 1948-1953, on the consumption of raw cotton, rayon (both staple fibre and filament) and raw wool for eighty-six countries and territories, as well as the trade of these countries and territories in yarns, tissues and other manufactures in respect of each of the three main fibres. The extensive nature of these data, which has been drawn from sources listed at the end of this release, makes it possible to gain a comprehensive view of the structural changes that have occurred in the world's textile industry and trade since the war.

The course and the results of the analysis based on these data, and on certain additional statistics which have been specially collected, can be summarized as follows:

1. World consumption of the three fibres taken together (which may be considered as an approximate index of textile production) increased significantly less since prewar than the world's total industrial output. The latter stood since 1948 continuously much higher than in 1938, until in 1953 it nearly reached twice the prewar volume. World textile production, while also exceeding the prewar level in 1948, failed to rise uninterruptedly, showing a substantial decline in 1952, and in 1953, though well above the preceding year, it was only 28 per cent higher than before the war.

2. The fluctuations in the industrial consumption of individual fibres show wide differences in postwar years. In 1953, cotton consumption was 17 per cent and wool consumption about one-fifth above 1938, while rayon consumption
had grown even more than the world’s total industrial production and was at well over twice the prewar level.

3. There are substantial differences in the way in which the 1952 dip in total fibre consumption, sometimes referred to as "the textile crisis", reflected itself in the consumption of each fibre. In cotton, there hardly was any actual decline, but rather an adjustment after the strong increase in 1951. Rayon consumption in 1952 was more severely affected but established a new record in 1953. Wool consumption, which reached a postwar peak in 1950, fell even below the 1948 level in 1951 and 1952 and recovered only partly, though vigorously, in 1953.

4. The so-called "textile crisis" of 1951-1952 appears, upon closer analysis, to be nothing more than the perfectly plausible result of market responses, as far as production developments are concerned.

The differences in both the amplitude and the timing of the "crisis" noted in the preceding paragraph are essentially the result of demand conditions as determined by income and price levels. Western Europe and North America (which comprise the largest part of the world’s textile production) depend for the disposal of their textile output in varying degrees upon markets in the industrial and the non-industrial regions, respectively. The dependence upon the outside (i.e. the non-industrial) world is least for wool textiles, intermediate for cotton textiles and highest for rayon goods. On the other hand, income levels and hence the demand for imported goods of all descriptions, including textiles, in the non-industrial regions depend mainly upon the proceeds of primary products exported, and those proceeds, after reaching a maximum in 1951 as the result of the Korean boom, fell precipitously in 1952. It is this fall in income in primary producing regions which accounts for the moderate fall in cotton textile exports from, and hence the production in, the industrial countries and for the larger fall in rayon goods exports and hence production, both of which occurred in 1952 while the effects of the Korean boom were being liquidated. The prices of textile products generally moved in sympathy with the prices of their raw materials. As a result of the spectacular increase in the price of raw wool in 1950/51, the price of wool textiles rose in 1951 to nearly 50 per cent above 1949. Raw cotton prices rose less, and the price of cotton textiles in 1951 was only 20 per cent higher than in 1949. The price of rayon goods was hardly affected by the Korean boom, in spite of the large increase in the prices of cellulose. Hence it is the increase in the price of wool textiles - most of which are sold in the markets of the industrial world - which caused production to fall already in 1951. Cotton textiles the price of which rose far less, but which depend more than wool textiles upon markets in the primary producing regions, so far from declining in 1951, rose substantially, because of the high income levels in those regions and in spite of such price increase as there was. Rayon textiles, finally, the sale of which depends most on incomes in primary producing regions and the price of which was affected least, fell like cotton textiles in 1952, only more so. It is thus a combination of price movements

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and of income changes in industrial and non-industrial regions, respectively, which accounts for the different course of "the textile crisis" in respect of each major fibre.

5. It follows from the preceding analysis that international trade in textiles was affected far more heavily than production by the "crisis". Though lower in relation to prewar, the volume of world textile exports rose twice as fast from 1948 to 1950 as the volume of world exports of all commodities. In 1951, there was a halt in this extraordinary increase, followed in 1952 by a severe slump to a level even lower (by 8 per cent) than before the war. In 1953, there was a recovery both in world exports, which had fallen only slightly in 1952, and in world textile exports. As a result of this movement, however, the ratio of exports to production in 1952 and 1953 was no smaller compared with prewar, in respect of textiles, than it was for all commodities. It therefore appears that the year 1953 may, in spite, or even because of, the "textile crisis", well be chosen for comparison with prewar, as far as structural changes are concerned.

6. Closer analysis of the origin of world exports reveals the presence, in respect of cotton and rayon of a relatively small, though widening group of major exporting countries. In wool, by contrast, the group of major exporters was unchanged. The position may be summarized as follows:

In 1938, about 14 per cent of world output of cotton goods (measured by raw cotton consumption) was exported. Six countries (Belgium, France, Italy, the United Kingdom, the United States and Japan) produced about half (49 per cent) of the total, and their net exports were 71 per cent of the world aggregate. In 1953, the six countries still produced almost the same proportion of the total as before the war, but their exports had fallen to 58 per cent. Two new countries (Germany and India) with 15 per cent of world production now had exports representing 13 per cent of the world total.

In 1938, 20 per cent of world output of rayon goods entered international trade. Four countries (France, Italy, the United Kingdom and Japan) had about 50 per cent of world production and 76 per cent of world exports. In 1953, world production had increased by 114 per cent since 1938, and 16 per cent of it was exported. The four countries which predominated in world trade before the war, in 1953 produced only 31 per cent of the world total and accounted for 55 per cent of world exports. Three new countries (The Netherlands, Switzerland and the United States), represented 33 per cent of world output, with their combined exports supplied 21 per cent of all trade.

In 1938, the proportion of world production of wool textiles that was traded internationally was 16 per cent. Four countries (Belgium, France, Italy and the United Kingdom), representing about one-third of production, accounted for one-half of world exports. In 1953, when world production was higher by nearly a quarter, the same four countries still represented one-third of the total. But in trade, their share had risen from 49 to 67 per cent of world exports. This increased concentration of exports upon the
traditional supplying countries creates a situation wholly different from that in the markets for cotton and rayon textiles. In the international wool textile market there have been no new competitors.

7. The total value of textile exports from nine major supplying countries (i.e. all those which have been mentioned in the preceding paragraph, except India for which comparable data are lacking) in 1953 had risen somewhat less above 1938 than the value of international trade as a whole. Nevertheless, world trade in textile products still accounted for nearly 5 per cent of total world exports (against 5½ per cent in 1938). However, there was a large shift in the destination of textile exports from the nine countries. In 1938, their bulk - about 71 per cent of value - was directed to the non-industrial regions. In 1953, that share had fallen to 58 per cent. Within this reduced share, the United States and France (on account of her dependencies) were the only suppliers that showed relative gains, mainly at the expense of Japan and Germany. Within the increased share destined to the industrial world, the importance of the United States also rose, but the principal gains were made by European countries (mainly Belgium and The Netherlands). Their combined gains were as large as the United Kingdom's losses - the share of Japan being small and unaltered.

8. As a counterpart to the shift in the destination of exports from the major countries, there were fundamental geographical shifts in the production of textiles. In ten exporting countries (i.e. all those mentioned in paragraph 6, including India) the production of textiles, taking the three fibres together, stood in 1953 about one-quarter above 1938. In the rest of the world it had risen 85 per cent above prewar. However, the development between 1938 and 1953 in the two categories of countries - the exporting and the importing areas, respectively - was entirely different, also as regards the timing. Between 1938 and 1948, there was an increase in the exporting countries of only 6 per cent, but in the rest of the world it was 52 per cent. Since 1948, the rate of growth in production has been only slightly higher in the importing areas than in the exporting countries - 22 and 17 per cent, respectively, from 1948 to 1953.

9. However, owing to the much faster growth in population, the quantum of textiles available per caput hardly varied in the importing areas, whereas in the exporting countries, where population grew much less - largely because of territorial changes - it rose by nearly one-fifth. A study of the position in major importing areas brings out several significant features of the world situation:

In the first place, the development of cotton textile production in Latin America has genuinely replaced more than 60 per cent of the cotton textiles which in 1938 were imported by that area. Secondly, the large increase in imports of rayon goods into Asia (other than Japan and India) and Africa accounts for nearly the whole (83 per cent) of the increase in the net exports of such goods from the ten major exporting countries.
Finally, both the total quantum of wool textiles exported by the ten countries, and the distribution of these exports among the areas in the rest of the world, was, in 1953, the same as in 1938.

10. In 1953, the world consumption of raw cotton, and hence the production of cotton goods, exceeded the 1938 level by 15 per cent, whereas rayon output had risen 114 per cent. At the same time, however, world exports of raw cotton had fallen 21 per cent, and of dissolving pulp - the main raw material in rayon production - they had risen only 30 per cent by volume. This failure of trade in raw materials to rise in anything like the same proportion as production is due to the geographical redistribution of the cotton and rayon textile industries. In both these branches, production has moved closer to the sources of the raw material, as well as to the markets, for their respective products.

11. The increase in the world's cotton textile production between 1934-1938 and 1953 has taken place entirely outside those areas, i.e. Western Europe and Japan, which imported all of their raw cotton. In the remaining parts of the world, i.e. the United States, India and the "Rest of the World", cotton textile production rose by 36 per cent between 1934-1938 and 1953. But the raw cotton imports of these three areas were almost exactly the same in those two periods. Their net exports of raw cotton, on the other hand, fell in correspondence with the decline in net imports by Western Europe and Japan.

12. In respect of rayon and dissolving pulp production, two tendencies are at work: on the one hand, rayon output is rising fast in countries where dissolving pulp is already being produced (i.e. Austria, Canada, Finland, Norway and Sweden); on the other hand, dissolving pulp is increasingly being produced in countries where rayon output is already well established (e.g. the United States, Germany and Italy).

13. Hence the difference in the rates of growth as between rayon and cotton textiles has had but a mitigated repercussion upon the volume of international trade in corresponding raw materials. On the other hand, that volume has declined mainly because of the geographical redistribution of textile production. But that effect has been smaller upon trade in raw cotton than upon trade in dissolving pulp; the geographical distribution of cotton textile production - an old established industry which develops only slowly - has offered fewer opportunities than the young and fast growing rayon textile industry to move closer to both the market for its products and the sources of its raw material.

14. There is no reason to expect that this tendency towards a falling volume of trade in raw materials will be reversed or even halted, especially if rayon itself should, as may well be thought, in future suffer increased competition from wholly synthetic fibres. Production of these, however, is not likely to develop outside the economically more advanced countries, on account of the heavy investment called for. There may, therefore, in the longer run, be some compensation for the reduced volume of trade in the conventional textile raw materials, and in the corresponding textiles, through intensified trade in both yarns and tissues produced out of man-made fibres.
15. The composition of trade in textiles has changed substantially since prewar, not only as regards its distribution as between products made of the three main fibres, but also within each fibre, as between yarns, tissues and other manufactures. In respect of both cotton and wool products, the volume of trade in yarns fell more than trade in tissues while trade in other manufactures increased. (In respect of rayon, the opposite development occurred, with yarns rising more than tissues while other manufactures lost ground.) It would thus appear that the development of textile production in the less industrialized regions has on the whole diminished their demand for yarns more than for tissues, particularly in respect of cotton manufactures where the shift from yarns to tissues in international trade is particularly pronounced.

16. This development has also been accompanied by a change in the export prices of both cotton yarn and cotton tissues by the major suppliers to non-industrial destinations. On the average, the cotton yarns destined to the non-industrial regions were in 1953 more highly priced than those traded among the major exporters, while in 1938 their prices had been equal to all destinations. Cotton fabrics, on the other hand, which in 1938 had a much lower average price in exports to the non-industrial regions, had by 1953 nearly reached the same price, irrespective of destination. The geographical redistribution of cotton textile production appears to have diminished the demand in the less advanced countries particularly for lower grade products, a tendency which is likely to continue.

17. Contrary to expectations, the shift in the composition of international trade in cotton manufactures from yarns to tissues has failed to influence significantly the composition of the stock of equipment in respect of spindles and looms. Although no explanation can be offered for such a highly technical phenomenon, the main feature brought out by the statistical information available is the entirely different level of the ratio of spindles to looms in major exporting countries, as compared to the rest of the world. There is much room for technical research in this direction.

18. The omission involved in leaving unexplained what is obviously an important and fast developing phenomenon may, however, be tolerated in the context of the present investigation since the statistics available on international trade in textile machinery do not permit sufficiently uniform distinctions between types of equipment. While relatively unimportant in comparison with trade in textile products and in textile raw materials, world exports of textile machinery have grown in value more rapidly than either of these two large sectors of world trade. In volume, the increase is comparatively even greater since the price level of textile machinery in 1953 was only twice as high as in 1938, while the prices of textile products and textile raw materials were at about three and four times, respectively, the prewar level. The total volume of exports by the eight most important supplying countries may be estimated to have increased by 1953 to more than twice the prewar level. Of the total, only one-quarter was before the war accounted for by exchanges of textile machinery among the main producers.
In 1953, this proportion exceeded one-third. While exports to industrial destinations rose three-fold in volume from 1938 to 1953, supplies to other destinations went up by 60 per cent only.

19. In view of the tendencies discussed, and even allowing for the probability that wholly synthetic fibres will continue chiefly to be produced in the older industrial countries, the prospects for an increased volume of international trade in textile machinery appear to be favourable, for the same reasons which seem to justify the expectation that trade in textiles, and in textile raw materials may continue to decline.

The main sources of statistical information used for this Paper were:

- *Per Caput Fibre Consumption Levels*, FAO Commodity Bulletin No. 25, March 1954;
- *OECE Foreign Trade Statistical Bulletins*, Series IV; and the national trade returns of numerous countries.

Copies of Trade Intelligence Paper No. 4 are available on request from the Information Office, GATT Secretariat.