Attached is the provisional draft of part of the chapter on commodities to be included in the Annual Report. The section distributed herewith deals with recent developments in the textile trade of the Asian exporters and in the trade of Western Europe and North America in cotton textiles, and with the Arrangements for cotton textiles. The text is subject to editorial changes and to minor factual modifications in the light of information which may be received later.

Contracting parties wishing to make suggestions are asked to forward them to the secretariat before 27 July 1962.
The position of the Asian exporters

For the major Asian textile exporters taken as a whole, the year 1961 witnessed a decline. The combined exports of textiles and clothing (SITC Divisions 65 and 84) from the three suppliers shown in Table... ¹ which from a value of $1,600 million in 1959 had risen to $1,870 million in 1960 reached only $1,820 million in 1961. The shortfall was due chiefly to reduced North American imports of clothing, which fell off by almost 30 per cent, while Western European purchases remained at the previous year's level and those of the non-industrial areas slightly increased. In yarn and fabric exports, the situation changed little from 1960, a marginal downward movement in exports to North America being slightly outbalanced by increases to Western Europe and the non-industrial areas.

Within these totals, cotton textiles suffered a greater than average decline, so that the level of cotton textile exports from the Asian countries as a whole stood in 1961 again somewhat below the 1959 level. There was only a slight decline in exports of rayon goods.

Hong Kong was the only major Asian exporter to show an increase in cotton cloth shipments in 1961, of the order of about one quarter on the previous year. The increase to industrial destinations was only small, and due to a 15 per cent rise in the direction of North America², whereas the West European market, a much larger customer, took the same quantities as in the previous year. The United Kingdom imported less cloth from Hong Kong than in 1960, but a substantial rise occurred in exports to Germany. The relatively poor prospects for further expanding exports to the industrial countries have redirected the attention of Hong Kong to the other parts of the world, where it seems to have scored remarkable successes, in particular in South East Asia (Malaya, Thailand, and an about six-fold increase to Indonesia). The almost tripled cotton fabric shipments to Asia were thus only slightly offset by the shrinking of the markets in Oceania and South Africa, and exports to non-industrial destinations as a whole showed an increase of almost 75 per cent on the previous year.

Exports of rayon and mixture piece-goods, largely consisting of re-exports destined for the non-industrial areas, were considerably below the 1960 level. A recovery occurred however in shipments to Malaya and Indonesia.

¹ Hong Kong, India, Japan. The Table will appear in the final version.
² Exports to the United States, which had been running well below the previous year's level during the first half of 1961, showed a remarkable rise in the third quarter of the year, and led to administrative measures on the part of the United States authorities.
Exports of clothing from Hong Kong showed a decline of 15 per cent, having attained a value of $151 million in 1961, compared to $177 million in the previous year. The decline, concentrated in the industrial areas, consisted of a reduction in value of $24 million in shipments to North America, and $3 million each to the United Kingdom and continental Western Europe. Falls in exports of clothing to Oceania, South Africa and Latin America, were compensated by increases to Asia and to the rest of Africa.

The serious shortfall of shipments of cotton textiles from India was variously ascribed to unfavourable price differentials on account of high prices of cotton, to an undue concentration on exports of greys, demand for which is falling in the less-developed areas where new weaving capacity is being developed, to the relative uncompetitiveness of Indian finished cloth on the world market, and to competition from rayon. While production of cotton yarn rose substantially in 1961, exports were well below the previous year's level. Exports of cotton cloth which amounted to $106 million compared to $123 million in 1960, suffered particularly in the United Kingdom and Australian markets, but also in North America where they dropped by about one third from their 1959-60 boom level. There was some improvement in shipments to Asia and to certain African destinations (Sudan, East Africa). Exports of rayon and mixture piece-goods almost doubled in quantity between 1960 and 1961, having successfully broken into the Moroccan market, and having substantially expanded their markets in Ceylon and in Malaya and Singapore.

The value of jute manufactures exported from India rose from $251 million in 1960 to $266 million in 1961, as the higher prices in the latter year, occasioned by the shortage of raw jute during most of the year, more than made up for the lower quantities shipped.

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1See, for instance, "India's Exports of Cotton Textiles during January-September, 1961" (supplement to Texprocil Bulletin (Inland Edition)).
Exports from Japan also failed quite to reach the previous year's level. There was a sharp drop in exports of cotton yarns, in particular to Indonesia, although declines occurred to most destinations. The level of cotton cloth exports was however maintained, at only 1 per cent below that of 1960, with a slight increase being recorded in shipments to North America and no change in those to Western Europe, while the substantial reductions in takings by Australia, South Africa and Hong Kong were almost made up by increases to other Asian and African destinations. Among these, increases in exports of cotton piece-goods were achieved in particular to Singapore (22 per cent compared to 1960), Ceylon (38 per cent), Indonesia (20 per cent, exports from Japan having already recovered from a 1959 low by doubling in 1960), West Africa (14 per cent more than in 1960 and now Japan's largest single market). Mention should also be made of the Sudan, which, after taking practically no Japanese cloth in 1959, took 5½ million square yards in 1960 and over 17 million in 1961.

The contraction in exports of Japanese rayon piece goods by 4 per cent, the fourth in succession, thus stood in contrast to the developments in cotton. A decrease in deliveries to the United States was not matched by the smaller increase to Western Europe, while in Asia, the sharp comeback in exports to Singapore failed to outweigh the fall in deliveries to Hong Kong and Indonesia. Exports to the Republic of South Africa and to West Africa declined substantially, but there were increases to a number of minor destinations in Asia.

Exports of clothing from Japan declined to a level of $190 million from $220 million in 1960. A contraction in shipments to North America ($140 million in 1960, $105 million in 1961) contrasted with a rise by about one quarter in those to Western Europe, which reached $15 million. For the industrial areas as a whole, the decline was of the order of 20 per cent. As regards non-industrial markets, declines recorded to Oceania, South Africa and Asia outweighed increases to destinations in the Middle East and Latin America.

Pakistan in 1961 exported only about one fifth of the tonnage of cotton yarn sold a year earlier, mainly as a result of a severe cut in takings of Hong Kong, its chief customer. Exports of cotton piece-goods also underwent a decline of about 20 per cent, both the United Kingdom and the United States taking considerably reduced quantities.

There was hardly any change in the tonnage of jute manufactures exported from Pakistan in 1961, as compared to the previous year, but export earnings from this source, amounting to about $73 million, were more than $20 million greater, on account of higher prices. Substantial increases could thus be recorded in the value of fabrics and canvas shipped to North America and South Africa, while bags did particularly well in Australia, Cuba and Peru, as well as in Burma. The rise in earnings from jute manufactures in fact almost exactly equaled the drop in those from cotton manufactures, so that for textile exports as a whole, Pakistan's position remained virtually unchanged between 1960 and 1961.
The trade of Western Europe and North America in cotton textiles

The trade situation of the industrial areas developed divergently: while in Western Europe both production and exports of cotton textiles tended to be low, North America, having weathered the recession, saw its exports take an upward turn.

Western Europe, where consumption of textiles was still growing, experienced a decline in exports. In trade within Europe, the reduced imports into the Federal Republic of Germany were the dominating feature, while the two factors that chiefly contributed to the decline in overseas trade were the shrinkage of the United States and Australian markets. The European countries adversely affected by the fall in West German imports were Switzerland in particular, but also the Netherlands, Austria and, to a lesser degree, Italy, whereas Belgium and France increased their shipments. The exports of the latter two countries increased also in the direction of the Netherlands, as did the exports from the Federal Republic of Germany. Spain's exports to the United Kingdom and continental Europe as a whole fell off, while shipments from Portugal, though showing the same declining trend in continental Western Europe, at least scored an increase in the direction of the United Kingdom.

Portugal and Spain's exports lost heavily in the United States, whose cotton cloth imports from Spain in 1961 contracted to about one tenth, and those from Portugal to one quarter of the quantities bought in 1960. But they were not the only suppliers to suffer, for exports to North America from Western Europe as a whole were below the previous year's level. The contraction of the United States market severely affected cotton cloth exports also from the United Kingdom, France (whose exports to the United States were more than halved) and from Switzerland; other continental European countries nevertheless registered increases. In contrast to the United States, the much smaller Canadian market absorbed more from the European continent than in 1960, but took one third less from the United Kingdom. European exports to the rest of the world were also considerably smaller in 1961. A number of countries suffered losses in exports to the diminished Australian market, among them the United Kingdom, Belgium, Italy and the Netherlands. There was a fall in shipments to South Africa from the United Kingdom and the Netherlands; the latter's exports to Commonwealth countries in West Africa, however, rose remarkably, while exports to them from the United Kingdom declined. France's shipments to Morocco, Algeria and Tunisia fell off sharply, and generally declined to the rest of the franc zone, Portugal's exports suffered in Angola and Mozambique, and Belgium's in the Congo (Leopoldville). The events in the Congo may also be a reason for the higher imports into East Africa, from where the eastern parts of the Congo were probably supplied.
United States exports of cotton piece goods to Canada rose by almost 10 per cent in 1961, but did not regain the level attained two years earlier. A most remarkable expansion occurred in exports to the United Kingdom, which from 400 thousand square yards in 1959 grew to no less than 17 million in the following year and to over 28 million square yards in 1961. In trade with the continent, there was a substantial increase in shipments to France. There was hardly any change in the overall quantities shipped to the non-industrial areas; exports to Venezuela rose by one fifth and a remarkable expansion in sales to Indonesia made that country one of the major markets for United States cotton piece goods. On the other hand, exports to South Africa and Australia registered a fall. While cotton piece goods thus recovered by 6 per cent, those made of rayon and mixtures continued their long-term decline, spread over all destinations.

Arrangements for cotton textiles

A major development in commercial policy in the field of cotton textiles was the conclusion, under the auspices of GATT, of a Short-Term Arrangement in July 1961, to deal with immediate problems relating to cotton textiles through international action designed, at the same time: (i) to significantly increase access to markets where imports are at present subject to restriction; (ii) to maintain orderly access to markets where restrictions are not at present maintained; and (iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets. The Arrangement came into force on 1 October 1961 for a period of twelve months.

Meanwhile, the Cotton Textiles Committee, the establishment of which was envisaged in the Short-Term Arrangement and approved by the CONTRACTING PARTIES to the GATT in November 1961, drew up, in February 1962, the text of a Long-Term Arrangement, which is now before governments for acceptance. The new Arrangement, which has the same broad aims as its predecessor, would cover a period of five years. In early 1962, voluntary arrangements under the provisions of the Short-Term Arrangement were entered into between the United States and, respectively, Hong Kong and Spain, in order to avoid disruptive effects in the United States market.

Another development of importance was the offer of the Hong Kong authorities to extend for a further three years the voluntary limitation of exports of cotton goods for retention in the United Kingdom, and to make yarns subject to limitations also. The United Kingdom accepted the offer which was, however, made conditional on the acceptance of similar arrangements by India and Pakistan, whose present agreements with the United Kingdom industry would normally end in 1962.

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1 See International Trade 1960, note on p. 50.

2 In March 1962, the United States authorities placed an embargo on certain cotton textile imports from Hong Kong, for the remainder of the period of the Short-Term Arrangement.