INTERNATIONAL TRADE IN COTTON TEXTILES

Memorandum by International Textile and Garment Workers' Federation

Attached is a copy of a memorandum submitted by the International Textile and Garment Workers' Federation and distributed for the information of delegations.
STATEMENT OF THE INTERNATIONAL TEXTILE AND GARMENT WORKERS' FEDERATION to the
SPECIAL GATT CONFERENCE DEALING WITH TEXTILE PROBLEMS.

1. The International Textile and Garment Workers' Federation is highly appreciative
of this opportunity to present our views and suggestions to your body. Our
organisation presently represents 43 national trade unions in 24 countries,
which includes 2 1/2 million workers in all continents.

2. We welcome the current effort to negotiate a multilateral agreement between
the nations, which would guide the flow of the textile and garment trade among the
nations of the world. Our organisation adopted a statement of policy in October
1960, which declares that "the desire of the developing nations for new outlets
for their products to earn foreign exchange; their conviction that textile
and garment exports are appropriate articles of trade for their country; the
increasing volumes of exports from state trade countries; and, finally, the
prevailing desire of nations to remove trade restrictions and reduce tariff rates
have created a need for a world trade policy for textiles and garments which
will maximise the benefits and reduce the economic, social and personal disadvanta­
ges" resulting from it. We are hopeful that the present conference will be
directed toward this end.

3. We are convinced that an unguided system of world trade in textiles and
garments would bring much distress, create much tension and produce uneconomic
output. In view of the political and economic implications of such unguided
trade relations, it is well that there be a world body which assists in the recon­
ciliation and adjustment of the varied interests, looking toward the continuing
accommodation of all nations and groups. We are hopeful that both the countries
seeking to increase their share of the world textile trade and those which will be
impacted by the rise will keep an open mind to the need of systematically dealing
with the respective interests, so that the benefits will be maximised and the
disruption and personal injury minimised.

4. Being a Labour organisation, we are particularly sensitive to the fact that
the major basis for the current flow of textile goods from the developing countries
is the wide disparity in labour rates and benefits which exist between those
prevailing in these countries and those currently being paid in many European and
North American countries. Unlike the experience of other industries, the new
textile plants built in the lower wage and benefit areas often contain much modern
equipment which is equal in productivity with that found in the advanced industrial
nations. Building structures and layouts also follow the models developed in
the latter. The supervision and management are trained or advised by the
textile leaders in these countries. The best operating practices which have evolved
in the older textile centres are taken over and applied in these mills. The test
of effectiveness is the standard attained by these advanced nations. The textile
industry has fully shared its know-how and its competence to enable all peoples to
enjoy the benefits of the developments of the last two centuries. The above condition
is reflected not only in the physical outlook and machinery, but also in the manning
schedules followed in these newer mills. As for the other costs, such as construction,
raw materials, money, taxes, and the other overhead items, they may at times be to
the advantage of the newer producing countries and at other times in favour of the
older countries. But on the whole, they are not of much moment in an industry in
which raw materials and labour dominate the costs of production. The contrast in
productivity per man-hour in the newer countries with that in the older countries
is not substantial enough to narrow this disparity in costs. Labour costs therefore
remain "the basic determinant of cost. What has been said regarding the textile
industry is even more applicable to the ready-made garment industry. This is a
newer industry which has been created in the post-war era in many newer countries.
Moreover, a number of these countries have witnessed the construction of a garment
industry designed primarily, if not exclusively, for export purposes. The new
industries are oriented towards finding markets for their goods, based primarily
on their low labour costs. It is, therefore, very probable that these low wage and
low employee benefit countries will seriously disrupt the existing manufacturing
pattern in many of the established production centres. We have considered the
respective interests of the various countries and have sought to develop long-term principles which might be helpful in the formation of policy. We are submitting several which are shared among our member trade unions, which may be helpful to you.

5. First, we are convinced that every nation or community of nations is entitled to establish a textile and garment industry of its own, designed to satisfy a substantial proportion of its domestic needs. Most newer countries are proceeding on this basis and are therefore encouraging the establishment of their own textile and garment productive capacity. Announcements of the construction of such plants in newer countries are a common occurrence at the present time.

There is an advantage in this trend for the local community and the entire world. The development of a local industry tends to reduce the costs of fabrics and textile products, and ultimately garments, which make them more accessible to the local population. The organisation of an indigenous industry ultimately contributes to the design of fabrics and garments specifically adapted to local needs. Local consumption tends to rise and the standard of living is therefore raised. This self-sufficiency, we recognise, serves the additional economic function of minimising the needs for foreign credits and of reducing the pressure to develop and find articles of export. The monetary controls of these nations become more manageable.

5.1 Second, these trends toward greater self-sufficiency had an adverse effect on foreign trade. We have noticed over the years that the ratio of world trade to total production in cotton textiles has continued to decline. While it represented some twenty-five percent at the beginning of the century, it dropped to ten percent in 1957. This ratio is unlikely to rise. Rather, there is every expectation that it will decline further.

Not only has the ratio of world trade in cotton textiles to total production declined, but the physical volume of cotton products in world trade is likely to remain stable, probably at less than the one billion metric ton level. As a result, there is likely to be a very limited total market for the goods of the newer countries. The only alternative is a deliberate contraction of segments of the textile and garment industries of some of these older producing countries, to make way for the output of the newer producing countries.

5.2 Third, total world consumption of textiles is likely to rise considerably, with the improvement of the standard of living and the total increase in population. But the rising productive capacity of the newer countries will take care of these needs in the respective countries without much need for imports or higher world trade.

5.3 It might be noted that in a number of the older producing countries, expansion in consumption is considerably restrained by the increase in inroads of alternative products such as paper and plastics which are eliminating traditional outlets for textiles.

Unfortunately, we may note that the textile industry has been most conservative in its research programmes. It has therefore sought few new markets which could expand the consumption of textile products, in order to offset the above-mentioned losses or to find ways of recovering markets which have been yielded to other products.

4. Concurrently, there has been an impressive increase in man-hour productivity in all established textile producing areas, with the consequence that available data show annual increases of five or more percent per annum. These increases in productivity, in the face of the stagnancy of total demand or the limited nature of its growth, have meant a considerable reduction in the textile work force in all older producing centres. Fortunately, these workers generally have been absorbed in a number of countries. But there are other established producing centres where the continuing displacement of textile workers has caused large pools of unemployment, considerable distress and chronic depression in textile communities. In these countries and areas, further displacement from imports over and beyond the continuing high levels of displacement already caused by internal advances in productivity would aggravate the distressed conditions. In the latter countries, it is the primary obligation of the government to find ways to redevelop the communities and possibly the local textile industry, in order that they may absorb the presently displaced workers.

In pointing to this condition, we are not arguing that the inefficient or high-cost areas of production should nevertheless be protected. Rather, we are contending that there is a great need for enabling these areas and countries to
modernise so as to be better able to maintain their position, to develop their research in order to expand the demand for their products, and to stimulate local community development programmes in order to promote alternative employment for the dislocated textile workers. Protection for these areas and actions to moderate the impact from external competitive forces cannot long be continued. But it behoves the individual governments to seek a long-term solution for the people in these areas and to make a commitment in this regard in the current trade agreements, if they are granted any concessions respecting the flow of imports into their countries.

6. We urge that the various importing countries consider their responsibility in providing greater markets for textiles and garments from the developing countries. This should prompt them to consider the possibilities of removing some restrictions now imposed on such imports, which take any one of a number of different forms. Since most countries have already accepted their obligations to promote freer trade, to remove trade restrictions, and to reduce tariff rates, it is important that in adapting these limitations on the volume of the textile imports that they concurrently accept certain specific commitments which should be part of any multilateral agreement.

First, the volume of imports of textiles and garments should not be at such a rate as to "unduly disrupt existing industry or cause major displacements of workers or increase the level of unemployment in textile or garment regions where the numbers are already high".

Second, these countries should immediately "institute technical and managerial changes necessary to modernise their procedure and equipment to enable them to maintain the level of production they desire to support".

Third, these nations " should organise programmes for the economic redevelopment of the affected communities so as to afford new employment opportunities and provide benefits to displaced textile and garment workers to help them adequately during periods of retraining or relocation and to provide for the costs involved therein."

Incidentally, we may note that the forty-fifth International Labour Conference endorsed these principles.

7. We urge that the developing countries which will share in the rising volume of world trade should also make commitments in which they will help to introduce orderliness and rationality in the development of textile and garment world trade, and assure the advanced nations that the benefits of trade are used for the establishment of better economic and social conditions in, and for the development of, these countries.

First, these countries recognise that the advanced countries shall be entitled to and may maintain industries and a productive capacity which shall supply a substantial proportion of their own domestic needs.

Second, that these countries accept the obligation to reduce working hours to a labour maximum, in no case more than eight hours per day, and that they should seek economic conditions which then permit them to lower such working hours to 40 hours per week, in line with ILO recommendations on this subject.

Third, that the materials shall not be "produced at labour standards below the levels prescribed in national collective agreements or government regulations" or be "sub-standard as to terms of employment in those countries or be "produced in cottage industries where such operations have not been traditional".

Fourth, national planning agencies "should carefully examine alternative uses of capital and labour resources "to determine whether sounder investments than in the new textile capacity for exports are available to them."

8. We urge that the GATT, following the conclusion of this multilateral agreement, establish a permanent Secretariat which will pursue these matters diligently and furnish regular reports on the developments in trade in the textile industry and the degree of compliance, both with the terms of the agreement and the commitments undertaken by the respective countries.

The GATT, either on its own initiative or in cooperation with other international bodies, should concurrently undertake the following responsibilities:
First, establish a programme for reporting annually the existing productive capacity of producing nations and their programmes for expansion.

Second, there shall be a continuing reporting system on levels of international trade, production costs, economic returns, prices, competitive production, structural dislocations, employment market disruptions, labour policy and new uses and applications for textiles and garments.

Third, an International Research Bureau should be established, to be financed through "intergovernmental and industrial funds", designed to engage in and promote market and product research looking to the expansion of consumption and "application of textiles, particularly in the industrial and household areas."

Fourth, a special study should be made of current national systems for contracting manufacture of garments so as to eliminate destructive bidding practices both nationally and internationally.

9. We close our statement with the full knowledge that the governments of the various countries will participate in the actual negotiations. On the acceptance of the overall principles of multilateral agreements, there will, of course, be necessity for adjusting the specific targets of the individual countries and accommodating their respective points of view. We hope that the above principles may be helpful to you in outlining approaches and considerations which should guide you. We are hopeful that the above recommendations as to commitments will also be made a part of the multilateral agreements.

The workers and trade unionists are very much concerned with these negotiations. We are hopeful that the costs of these adjustments are not transferred to the workers, who are affected by these efforts to advance international comity, understanding and productivity. The interests of the individual employee must not be forgotten. The test for the acceptability of these programmes and agreements will be the degree to which they provide for the textile workers in all countries, the extent to which their risks and problems are taken into account, and the degree to which the workers share in the rising productivity resulting from international advances.

Multilateral trade programmes which overlook the interest of workers in industrially advanced and developing countries will only dissatisfaction and fail in their primary objective which is to promote the well-being of the workers. We cannot rely on the indirect consequences of a shift in trade and the indirect results of national policies. There must be specific and tangible provisions and benefits for the textile and garment workers which provide them with the assurance that they will be protected and aided, as well as benefited by the agreements.

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