INTERNATIONAL TRADE IN COTTON TEXTILES

International Federation of Cotton and Allied Textile Industries

Attached, for the information of delegations, is a copy of a memorandum submitted by Mr. Mario Ludwig, Director of the International Federation of Cotton and Allied Textile Industries.
Statement by Mr. Mario Ludwig, Director of the International Federation of Cotton and Allied Textile Industries (IFCATI), to the International Textile Conference held under the auspices of the GATT in Geneva as from the 17th July 1961

1. It is an honour and a privilege for me to express to this meeting the views held by the members of the International Federation of Cotton and Allied Textile Industries on current problems connected with world trade in textile goods.

2. IFCATI includes among its membership the national trade associations of spinners and manufacturers of cotton and allied fibres in eighteen countries, i.e.

- Western Europe
- United Arab Republic (Egyptian Region)
- Japan
- United States of America.

The mills affiliated with its member associations represent almost two thirds of the world's total cotton spindles and looms. IFCATI enjoys consultative status (register) with the Economic and Social Council of the United Nations and liaison status with the Food and Agriculture Organisation. It provides the only free forum for the cotton and allied textile industries of the world.

3. Naturally the interests of the members of an organisation such as this cannot always be identical, particularly on a controversial matter such as competition in the international textile trade, where the vested commercial interests of individual member countries are at stake and may even be in conflict. There are, nevertheless, certain basic principles on which a common viewpoint has been formed. Those principles are not affected by differing national interests, and they should be taken into account in any arrangement which may be made with the aim of providing order and prosperity among the textile industries of the world as a whole. It is these principles which I shall attempt to enunciate here.

4. Five days after President John F. Kennedy of the United States of America made his declaration, which was at the origin of this conference, IFCATI held its general assembly in Osaka, Japan. Much interest was there expressed in President Kennedy's proposals and it was noted with satisfaction that the existence of a special problem of the international textile trade, requiring special solutions, had at least been officially recognised. It was felt that some action was required to create conditions under which both old-established and new industries would be able to look forward to a stable future.
5. The discussion of the concrete forms of international textile competition, which took place at the meeting in Japan, brought in evidence that the concepts, on which current world trade policies are based, ought to be reconsidered. The economic and industrial advance of many developing countries in the textile sector has created conditions under which normal competition may, at times, become distorted or inequitable, if the competitive process continues to function along traditional lines. It has therefore become necessary to formulate and adopt a new policy for world trade in textile goods, based on the concept of functional or orderly competition.

6. I shall now turn to the more specific conclusions, which the members of IFOATI reached in their discussion of the international textile problem.

7. First of all, in view of the many, and often ambitious plans for an expansion of existing or establishment of new textile industries in many developing countries, it is necessary to point out the danger of an excessive concentration, expansion or reliance on the textile industry in any one area of the world. In the long run this could only be to the detriment of the economies of those areas themselves, as past experience has shown. We therefore feel that existing plans for the establishment of new or expansion of existing textile industries in the developing countries should be carefully re-assessed, in the context of the world economy as a whole.

8. In this connexion reference must be made to the prospects for an increase in the overall textile consumption. It has, indeed, been forecast that there exists a large potential for an increase in textile consumption. Whilst we share this optimistic outlook, we must nevertheless point out that any increase in consumption is usually matched, if not caused by an equivalent increase in labour and machine productivity. In fact, we believe that under normal conditions the present spinning, weaving and finishing capacity of the world's cotton and allied textile industries will be adequate to meet the anticipated increase in demand. It would therefore seem advisable to create such conditions as are favourable to a continuation and intensification of the already great efforts which are being made everywhere towards a modernisation and rationalisation of existing productive capacity, rather than to expand it.

9. At the same time it is essential to eliminate such commercial practices and manipulations which may lead to a distortion of competition in the world's textile markets, depending on the degree with which they are being applied. They are:

(1) Dumping
(2) Bonuses on raw materials
(3) Direct export subsidies
(4) Export credit facilities
(5) Tax and duty reimbursements
(6) Non-imposition of taxes and duties
(7) Reimbursement of social charges
10. At their recent meeting in Japan, the members of IPCATI emphasised that they fully recognised the aspirations of developing countries and their claims to a share in the world's textile trade. They also emphasised, however, that the disruption of established textile industries and further threats to their existence must be brought under control. It cannot be stressed too strongly that the established cotton and allied textile industries must continue to produce mass-manufactured goods in order to ensure their continued viability. Although the trend towards the production of speciality goods will no doubt continue, it would be a fallacy to assume that any industry could survive without a substantial basic manufacture of mass-produced staple goods.

11. The international solution of the textile problem will present certain difficulties on account of the complex and intricate pattern according to which textile goods move and are marketed in foreign trade. It is not sufficient merely to consider the total volume of exports and imports and relate it to domestic production in the various countries concerned; the degree of their concentration on specific types of products must also be taken into account.

12. In view of the complexity of the problems involved and the considerable technical and commercial knowledge required for their solution, it is hoped that further negotiations will take place in full and permanent consultation with the textile industries in the countries concerned.

13. These are some basic considerations which should be taken into account in any arrangements that may be made on an international level to solve the special problems of the textile industries. In conclusion I should like to thank you for having given me this opportunity of expressing the common views of the members of the International Federation of Cotton and Allied Textile Industries.