Mr. Chairman,

I would like to add some few observations to the previous discussion regarding Article 7. I intend first to deal with the more basic problems of principle.

Any reasoning must start by keeping in mind what we want to achieve. As I see it, and I do not believe that anybody will quarrel with my opinion in this case, we want an orderly expansion of markets obtained by our cutting back not production in healthy industries but only in those which have no viability in an international sense. We might, at a later stage, set our goal higher and perhaps adjust production downwards in the affluent societies merely in order to give further possibilities for import expansion from less-developed countries. But this belongs to the future.

If we maintain the principle of adjustment as just stated, I believe that the percentage of imports from the low-cost countries is perhaps the best index of viability that we have available. May I remind you that the Swedish figures are 50 per cent total import coverage and some 20 per cent from the Six exporting countries.

The index of performance, contribution, sacrifice or whatever term you want to use that various countries make in the common cause is obviously not the contraction in production in general but only contraction of non-profitable production. The most convenient index in this case is the degree of unemployment caused by growing international competition. In our case the labour force was nearly 70 per cent bigger in the cotton industry in 1950 than it is today.

Thus, for reason of logics and fairness there are only two sets of figures which are of importance, namely the percentage market coverage and the employment figures.

Why is it then that we ever entertained the idea of variations in production as an index? I believe this was because it is valid under special conditions when it enhances statistics showing the developments on the labour market. If, for example, local industry is under pressure from international competition mainly from high-cost countries, then the curves for unemployment and fall in production will tend to be pretty well synchronized. But when a country is bearing the full impact of international competition from low-cost exporters,
then the development will be different: unemployment will spread and production will tend to fall and balance will be achieved only at a point when low-cost import is no cheaper than local production. This will imply that wherever the means of adjustment and rationalization exist total cotton textile production in the importing country will not fall to the same degree as employment - indeed production may even increase. When industry is 100 per cent rationalized then the employment and production curves will again be correlated.

I shall now deal with the special case of Sweden. I believe that I have shown that according to any sound criteria Sweden should be included in the Article 7 group of countries. One consideration may seem to contradict this claim, namely that we have reached such a degree of viability in our cotton textile industry that we cannot claim exemption from an increase in competition, as we are supposed to be able to cope with it anyhow. The fact, however, is that we can hold the fort only under present price and quota conditions. If other countries drag their feet and do not liberalize as we have done, we may be under the impact of offers from, in this case the Six, at prices much below today's. This may be a rather hypothetical risk in the case of great countries like the United States and important markets like the EEC, but it exposes a small country to delicate and difficult problems. A part of our textile industry may dwindle and die only because of insufficient market expansion for low-cost imports in other countries. When these slow-moving importers finally liberalize their markets, a new demand and supply situation will follow under which Swedish factories, which previously have had to close down, would again become profit-making, had they existed.

I hope I have conclusively shown the valid reasons for our being included under Article 7. At this stage I have to ask whether any country is not convinced of the justice in our case, our "qualifications" for Article 7 treatment? However, this demand for Article 7 treatment of course depends to a large extent upon the efforts which other countries and especially the large, rich, progressive and dynamic economies are prepared to make. Provided that we see not derisory efforts but substantial increases bringing other affluent societies up to our level or at least somewhere near our level within the next five years I will be happy to recommend to my Government that we waive our claim to Article 7 treatment. When I know what others do and what the big import markets do then we will be happy to make up our mind. We sympathise with the export countries. We have a great feeling of the international duty that confronts us and we will be happy to support GATT as far as possible in this textile effort and aid in our own modest way to a happy ending of this long tale.