STATEMENT BY MINISTER PAULO NOGUEIRA BATISTA,
HEAD OF THE BRAZILIAN DELEGATION, AT THE MEETING OF 2 MAY 1973

The terms of reference of this Working Party, as amended on 30 April last by the Council, can only be satisfactorily complied with if we have a very clear view of what we are talking about. In other words, there is a need - for all of us - to know what are "the problems that exist in international trade in textiles and textile goods" and to develop an agreement on the nature of our problems.

To do this, we need that each country presents its own case. This first round of meetings should, in our view, be dedicated to the presentation of the problems each one of us faces. After this has been done, it will be clear whether we are all talking the same language, a fact past events do not seem to corroborate.

As a matter of fact, the link between the problems and their solutions is the interpretation we give to the concept of market disruption. Only after having an agreement on how market disruption should be assessed is that we can search for a solution acceptable to all - provided, of course, that we do identify real problems, not problems that are either imaginary or politically motivated.

Let me, at this point, take a detour, in order to make a reference to one aspect of the definition of market disruption adopted by the Council of Representatives on 19 November 1960, namely, its complete disregard for the disruption on the export side. As market disruption has so often been invoked, in the field of textiles, by developed countries against less-developed countries, the iniquity of its application is evident. It relates real or imaginary harm to one industrial sector of a developed country to real and measurable harm to the generally most important industrial sector of the economy of developing countries. Evidently, in this bargain it is the weaker side that suffers most. This iniquity, as I call it, seems to derive from the fact that the 1960 Decision on market disruption makes no reference at all to special regard having to be given to less-developed countries. Not only the definition is insufficient. Its application is left to the unilateral discretion of governments without any multilateral surveillance.
The Decision on market disruption was taken at a time when GATT membership stood at only thirty-eight; the historic process of granting independence to many countries that are now GATT members was just beginning. The First UNCTAD was still four years away, and Part IV of our General Agreement was also in the far future.

No wonder the definition of market disruption now seems so inadequate, so incomplete, so unbalanced; and no wonder, furthermore, that its application has brought so much hardship to developing countries.

In the view of the Brazilian Delegation the characterization of a situation described as market disruption cannot be envisaged only in terms of a deficit on trade in the sector. It should encompass at least three sets of properly correlated data: production, imports and employment. But even the interpretation of these three sets of data needs to be done with the utmost care, and, to explain why, let me offer a simple comparison.

The textile industry of the EEC of Six shows a large trade balance; its trade extra-EEC (since intra-Community imports and exports cancel out) increased from $1,123 million in 1960 to $1,429 million in 1971. Employment in the EEC of Six textile and clothing industry decreased from 2,313,400 in 1960 to 2,190,500 in 1970, i.e., by 5.3 per cent. Finally, the index of production for the textile, clothing and leather industry of the Six increased from 100 in 1963 to 123 in 1972.

In the United States, the trade balance in textiles and clothing went from a deficit of $256 million in 1960 to a deficit of $2,077 million in 1971; employment in the textile and clothing industries increased by 9 per cent between 1960 and 1970 (the latter being, by the way, a year of recession for the industry) and the index of production for the sector increased from 100 in 1963 to 122 in 1972.

So: in the EEC the trade surplus increased, employment decreased and production increased; in the United States, the trade deficit increased, employment increased and production increased; and, in spite of these widely diverging situations, both the United States and the EEC countries apply restrictions on textile imports...

In a parenthesis let me explain, that exactly for this reason - the EEC, for instance, a net exporter of textiles, being considered in the GATT factual study as an importer - is that heretofore I shall not distinguish between importing and exporting countries, but rather between countries applying restrictions and countries suffering restrictions.
I would also like to comment on the hurry with which certain countries acted, in the past, in order to establish restrictions on imports. Perhaps the most striking instance is that of Austria, and I now quote from document 1/1535, of 1961: "In 1960 the balance of trade in textile manufactures showed a large deficit for the first time, imports having increased by 30 per cent over the 1969 level while exports had only risen by 14 per cent. In previous years there had always been a surplus ... Although the percentage of Austrian imports of textiles from low-cost countries was rather small compared with imports from all sources, their value was relatively high if imports per capita of the population were taken into consideration. The representative of Austria pointed out that, with the very large increase in imports from OEEC countries, especially from member States of the European Economic Community, any additional imports of low-price textiles would be likely to damage Austria's domestic textile industry."

The above is, I repeat, a striking example, as it makes it clear that at the first deficit in its trade balance of textiles Austria was immediately ready to apply restrictions to less-developed countries, even if it recognized that their participation in its imports was "rather small" and that the large increase in imports was from the then OEEC countries. I am of course referring to a historical situation; however, we cannot go on living with similarly easy claims of market disruption and with similarly drastic application of corrective measures to developing countries.

My rather long detour into the terra incognita of market disruption is over. I call it terra incognita, even if so many countries of GATT have plodded through it, because so often they have done so blindly.

I now revert to the present mandate of this Working Party. It includes the provision of a progress report to the Council not later than 30 June, and we agree with this, as we fully recognize the importance of this matter. But the Brazilian Government refuses to be either railroaded or bulldozed.

We refuse to be railroaded into a solution without having had the opportunity of listening to everybody's case; from those who apply restrictions as well as from those who suffer the application of said restrictions, even when these are euphemistically described as "voluntary restraints". And after hearing the cases we would like to discuss solutions and how they would work - provided, of course, that they are necessary. We would like to avoid the hurry that led some GATT Members to the solution of the Long-Term Arrangements in 1961: on 16 June 1961, the Council of Representatives called for a 17 July meeting of high level officials
of countries substantially interested in the exportation and importation of cotton textiles. However, only five days later, from 21 to 23 June 1961, a meeting took place in Washington which examined a set of United States proposals. It is evident that the 17 July meeting was a game with set cards; frankly, my Government would not like the repetition of this railroading us into a solution.

We also refuse to be bulldozed, either by being pushed aside or by being buried under. Brazil has an ever-increasing interest in the international trade of textiles, and we would like that the solution eventually adopted be taken with our full participation and be acceptable to us.

Several solutions are being talked about, in the corridors, for problems that have not yet been properly identified. Once again, let me caution all delegations on the danger of precipitate solutions.

One solution now being talked about would be the enlargement of the Long-Term Arrangement to cover all types of textiles. Nevertheless, the very author of the proposal for the Long-Term Arrangement - the United States - declared way back in 1961 (and again I quote from L/1535): "From the United States point of view there was no question of any ad hoc solution relating to cotton textiles which might be found during the present meeting establishing a precedent which could subsequently be applied to other products." This is, of course, the very idea embodied in the last sentence of Article I of the Long-Term Arrangement.

The Long-Term Arrangement also was, as stated in its Article I, devised for "the next few years", nevertheless, it has been in force for almost eleven years. The world has changed in those eleven years; new ideals of international cooperation have been recognized; international trade has prospered; the developed countries have prospered with speed and vigour; many things have changed - but not the Long-Term Arrangement and the constraints that under its cover some countries have placed on the legitimate exports of a number of countries, Brazil among them. It would, therefore, be a motive of concern if a solution arrived at in a hurry could become a semi-permanent one.

The preoccupation "to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources", as stated in the preamble of the Long-Term Arrangement, remained on paper. We sincerely hope that by now the preoccupation is enough to worry countries applying restrictions into doing something beneficial to the developing countries.
Let me turn now to the problems faced by Brazil in view of the present situation in the international trade in textiles. We have made in recent years a sizable contribution to the development of international trade. From 1968 to 1972 our imports increased by 129 per cent, while our exports augmented by 112 per cent; our total foreign trade jumped from $2.5 billion in 1964 to $3.7 billion in 1968 and $8.2 billion in 1972.

This increase has been obtained through the expansion of exports of both primary products and manufactures. Unfortunately, textiles did not participate in this increase as they might have, if they could be exported freely to all our prospective buyers.

Nevertheless, the balance trade of textiles of Brazil and the countries generally applying restrictions does not show such a fantastic surplus in favour of Brazil. As a matter of fact, in the eleven-year period from 1960 to 1970 our trade balance with the EEC of Six, the United Kingdom, Denmark, Canada, the United States, Sweden and Switzerland shows a total surplus of $35 million in favour of Brazil. This is less than 1 per cent of our total imports in 1972, and about 10 per cent of the trade deficit we had with the United States in 1972.

Another point I would like to make is that, since international trade is a whole, countries applying restrictions to Brazilian textiles, as well as other developed countries, have benefited from the expansion of our textile industry. In the ten-year period from 1961 to 1970, Brazil imported $230 million of textile machinery; the names of the Federal Republic of Germany, the United States, the United Kingdom, Switzerland, France, Japan and Italy, in this order, are the ones found most frequently among the two largest suppliers of different items.

The corollary, in international trade, would be to be able to export the manufactures said machinery is going to produce; however, the suppliers mentioned above include those opposing the most strict barriers against our textile exports.

This, in a nutshell is Brazil's problem. We are trying to increase our exports in order to be able to import more. In 1971 and 1972 our balance of trade, usually in surplus, showed deficits. We have liberalized our external trade regulations. We have invested heavily in imported equipment. But we cannot export all we would like to. This, again is our problem: we need a real, effective liberalization of the international trade in textiles, because without it the whole liberalizing process of the MTNs would be seriously harmed.

One last word on the factual study contained in document L/3797.
Firstly, in its intervention at the December 1972 meeting of this Working Party, the Brazilian Delegation did stress that the factual study contained a number of expressions which went beyond its fact-finding character. The growth of exports of developing countries was always qualified by adjectives such as "phenomenal", "meteoric", and so on. In the second place, statistical tables are arranged in such a way that the reader gets the impression that those countries applying restrictions are always and uniformly net importers of textiles. Also, the fact that imports by these countries are usually compared against their apparent consumption, and not against their production, distorts the picture, specially in the case of countries which are also large exporters. The EEC, for instance, is as we have seen a large net exporter; if we compare its imports with its apparent consumption, the picture we obtain is very different than that we arrive at comparing its imports with its production. Finally, the study does not offer much information on the cases where countries applying restrictions succeeded in increasing their exports or have a net surplus in their international textile trade.

In all these respects, therefore, the study would have to be completed.

It would also have to be completed with regard to the period covered, as 1970, the terminal year, was a rather abnormal one; in the case of the largest importer, the United States, it was a year of recession. From 1969 to 1970, employment in the United States textile and clothing industry declined by 2.5 per cent, while from 1971 to 1972 it increased by 1.5 per cent. In 1970, the net income of leading United States corporations producing textiles and clothing and apparel decreased respectively by 20 and 21 per cent with regard to 1969; however, in 1972 the net income of said corporations increased by 24 and 17 per cent, respectively, with regard to 1971. Therefore, the study should also be updated.

Finally, it would be useful if the secretariat, at the request of this Working Party, used the updated and completed study in order to draw some conclusions about the nature of the problems we face. This would, of course, be an independent exercise from the evidence that we - both countries applying and countries suffering restrictions - would present on our own.

To sum up what I have said:

(1) let us first hear from all countries what are the problems each country believes to be facing;
(2) let us make sure that the concept of market disruption takes into account disruption on both sides of trade: the import and the export sides;

(3) let us make sure that we all have the same understanding of what market disruption is;

(4) let us ask the secretariat to update and complete the factual study and then to draw their own conclusions on the nature of the problems we have to solve;

(5) let us, if we recognize the existence of problems, search for appropriate solutions that make as little violence as possible to the principles of GATT, to the logic behind international trade and to the interest of all countries, especially, as our amended terms of reference state, in view of the particular importance of the trade in textiles for the economic and social development of developing countries, and for their export earnings;

(6) finally let us act coolly and make hurry slowly. Let us avoid taking a precipitate decision we could very much come to regret and which could damage the prospects of the MTNs and challenge the usefulness of the participation of less-developed countries in such negotiations.