COMMUNICATION FROM INDONESIA

The following document has been submitted by the delegation of Indonesia on behalf of a number of developing countries, for circulation to the members of the Negotiating Group on Textiles and Clothing.

Introduction

1. Any multilateral discipline for invocation of sectoral protection has to be justified in terms of the state of the industry. The state of the industry can only be assessed in terms of commonly recognized and published indicators on several factors such as turnover, market shares, profits, export performance, employment, imports, production, utilization of capacity, productivity and investments.

2. The textiles and clothing industries in developed countries have sought and obtained special protection, of a discriminatory nature, for nearly three decades, by invoking, at the aggregate level of textiles and clothing, the following arguments: stagnation of consumption (in terms of fibre equivalent), fast growth of imports and excessively high import penetration ratios (in tonnage), leading to a contraction of production and employment.

3. Despite the methodological and statistical difficulties encountered, a more balanced and fair assessment of the state of the industry at the aggregate level of the textiles and clothing industries has to be based on indicators in value terms. Only such indicators can meaningfully comprehend the technological improvements in the saving of fibres per unit, the enormous product diversification and the continuous shift to higher valued products.

4. This paper is a broad overview of the evolution of the textiles and clothing industries and trade of the United States and the EEC from 1973 to 1986. It covers the period of the Multifibre Arrangement, of its extensions in 1977 and 1981 and five months of the Protocol of 31 July 1986.

5. Chapter I contains the Conclusions, Chapter II deals with the United States and Chapter III with the EEC.

Chapter I Conclusions

6. The main conclusions that emerge from the examination of the state of the textiles and clothing industries in the United States and the EEC over the period of 1973-1986 are the following:

7. From 1973 to 1982 the rise in shipments (turnover) and earnings in the textiles and clothing industries, though largely due to the high rate of inflation, enabled them to expand their outlays on wages, profits and investment. In value terms, the largest part of consumption was covered from domestic supplies both in the United States and the EEC. In the United States imports had
remained below their level of 1973 until 1981. In the EEC, after a relatively faster increase between 1973 and 1980, imports from third countries declined in the two following years.

8. The period 1982 to 1986 was characterized in the United States by a strong acceleration of consumer expenditure on clothing in real terms. This resulted from the sharp expansion in disposable incomes, the decline in the savings ratio and relative price movements, consumer prices for clothing having risen much less than for the other consumer goods and services. In the EEC, mainly due to the sluggishness of disposable incomes, consumer expenditure on clothing stagnated between 1980 and 1984. Since then, as disposable incomes have been rising at a faster pace, consumer expenditure on clothing has picked up in several EEC member countries, particularly in the United Kingdom and in Germany, the two main EEC markets. The example of the United Kingdom illustrates illustrates, as in the United States, the fact that consumer expenditure on clothing is largely dependent on the rise in incomes and relative prices.

9. Shipments (turnover) and earnings of the textiles and clothing industries expanded at an accelerated rate between 1982 and 1986 in the United States as well as in the EEC. As a result, their outlays on labour costs, profits and investment have been raising year after year. In 1986 the performance and profitability have been more favourable in the textiles and clothing industries of the United States than in manufacturing as a whole and prospects for 1987 are also good as regards sales and profits.

10. Employment in textiles and clothing had fallen throughout the period in both the United States and the EEC, though the rate of decline has tended to slow down in recent years. The decline in employment can be attributed primarily to the sharp gains in labour productivity. Technological advances and the increased use of labour saving equipment, to improve the competitiveness of the textile and clothing industries, have been a major factor leading to the continuous labour shedding. The objective of increased competitiveness and profitability of the textiles and clothing industries has inevitably been in conflict with the objective of maintaining employment.

11. In the United States the remarkable growth in consumption from 1982 to 1986 benefited domestic producers, predominantly for textiles and to large extent for clothing. Supplies from the domestic industries could however not keep pace with consumption, inspite of capacities being almost fully utilized. As a result, the growth of imports accelerated, fuelled also by the appreciation of the dollar during most of this period. In the EEC the expansion in sales of the textiles and clothing from 1982 to 1985 was to a significant part due to the rise in exports to third countries, particularly to the United States and EFTA countries. In 1986 it reflected mainly the rise of consumption within the EEC. In the EEC the largest part of the consumption in value terms was also met by domestic supplies.

12. The growth of imports at the aggregate level of textiles and clothing, has generally not been detrimental to the performance of textiles and clothing industries of the United States and the EEC which displayed an increased ability to compete. This resulted from the combination of the following factors. First the proximity of a huge domestic market in the United States and of a European market without any trade barriers for the EEC permitted their textiles and clothing industries to intensify their specialization required by the continuous product diversification and the shift to higher valued products. Secondly, the "quick response" strategies in order to adapt as rapidly as possible to the frequent changes in demand. Thirdly, the increased investments in labour-saving devices such as computerization and robotization, which make a growing number of product lines less labour-intensive.
Chapter II  United States

I. Consumption (Chart I)

13. There are two main reasons why it is necessary to elaborate on the indicators of consumption trends. First, consumption is an essential determinant of movements in both production and trade. Second, arguments put forward for continued, or more restrictive, protectionist measures in textiles and clothing are based on the allegation that consumption of products of these industries has been stagnating in developed countries.

14. It is true that in the United States, like in other developed countries, mill consumption of fibres, or consumption in terms of fibre equivalent, has been almost stagnating between 1973 and 1986 (see Chart I). Such data are useful for the producers of fibres to assess their market opportunities in the United States.

15. For the measurement of trends in consumption of processed textiles and clothing products, however, data on fibre consumption are misleading indicators, significantly underrating the actual growth. This is due to the following two main reasons: (i) Steady technological improvements have resulted in increased savings of fibres per unit of processed product. (ii) Continuous shifts in the consumption of textiles and clothing towards higher valued products have significantly raised the value of these products in relation to the input of fibres.

16. This point was brought out convincingly by the Director of the International Textiles Manufacturers Federation in reviewing developments until the mid-1980's: "As long as the textile industry produced mostly commodity products, fibre use provided indeed a good indicator for textile consumption. Modern technology and market requirements have changed the situation quite considerably. With consumers requiring more and more finer yarns and fabrics, we are not only getting more running metres of yarn and square metres of fabric out of the same amount of raw material, we also obtain a product with a higher value added, thereby improving both our textile to raw material ratio and our profitability."

17. Consumer expenditure on clothing in value has grown steadily during the period under review. Although part of this increase reflected the increase in prices, even in real terms consumer expenditure on clothing has shown a strong upward trend. The consumer boom was particularly pronounced in 1983, 1984 and 1986, when consumer expenditure on clothing expanded in real terms by 6.6, 7.6 and 6.6 per cent, respectively. Consumption of household textiles, of textiles for industrial uses and of non-woven textiles for various purposes has also expanded strongly in value terms.

18. One reason why consumer expenditure on clothing has been as buoyant after 1982 has obviously been the accelerated growth of disposable incomes in the United States. At the same time the downward drift in personal savings as a proportion of disposable income has continued falling from 7.5 per cent in 1981 to 3.8 per cent in 1986 (in the last quarter of the year it had dropped to merely 2.5 per cent).

19. Another major factor behind the strength of demand for clothing has been the consistently faster growth of consumer expenditure on clothing in terms as compared with total consumer expenditure. This is a relatively new development, contradicting the traditional view that in high income countries consumer expenditure on clothing grows slower than the total. More complete explanations would require detailed examination by type of product, income brackets, etc. It appears nevertheless that relative price developments played a major role, the consumer price deflator having increased much less for clothing than for the total, as shown in Chart II. The data for 1986 are particularly revealing in this respect. Consumer expenditure on clothing grew by 6.6 per cent in real terms, as compared with 4.2 per cent for consumers expenditure as a whole. The price

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deflator for clothing declined in 1986 by 0.3 per cent, while it rose by 2.5 per cent for total consumer expenditure.

II. Shipments, Value Added and Production

20. The strong expansion of consumer expenditure on clothing, especially since 1982, benefited to a large extent the domestic producers of clothing which, as shown below in the sub-section on trade, account for the greatest part of consumption. In the case of textiles the growth of demand in the United States was even more concentrated on domestic supplies, which represent the overwhelming part of consumption.

21. At the aggregate level of textiles and clothing, similarly to consumption, indicators of shipments and production have to be expressed in value terms in order to comprehend globally movements in many thousands individual products as well as the shift to higher valued products. Chart IIla (Textiles) and Chart IIlb (Clothing) show the following three main indicators: (i) Shipments at current prices. (ii) Value added at current prices, representing the contribution of these industries to Gross National Product and consisting essentially of wages and profits. (iii) Production indices, representing value added at constant prices. The intricate technical problems involved in the definition and calculation of each of these indicators can be found in the sources mentioned in the Charts.

22. Shipments and value added in both the textile and clothing industries expanded in current prices throughout the period examined, except in 1975, 1982 and 1985. Production measured by value added at constant prices increased much less than shipments until 1979 and then declined up to 1982. Since 1982 the production indices also show a strong recovery, particularly in 1983, 1984 and 1986.

23. Considering the period as a whole, the discrepancy between shipments and value added at current prices, on one hand, and the indices of production, at constant prices on the other, is so wide that it requires some explanations. The largest part of this discrepancy is obviously due to the rise in prices, which have inflated the data in current values, especially during the period of high inflation until 1982. Another contributory factor has been the shift towards higher quality and higher value added products, which cannot be statistically isolated from the price effect. Thus in considering the performance and profitability of the textile and clothing industries indicators in current value have to be taken into account. The commonly used indices of production (value added at constant prices) significantly underrate the actual growth of earning, profits and investments, of these industries in most years.

III. Profits and Investment

24. As a result of the rise in sales revenues, the US textiles and clothing industries were able to expand significantly their wages, profits and investment, especially during the period 1982-1986. While fluctuating from one year to another reflecting the evolution of sales and of prices, after-tax profits in the textile industry recorded sharp gains in 1983, 1984 and particularly in 1986 (see Chart IV). Indications available suggest a similar upward trend in the profits and investment of the clothing industry.

25. The major indicators show that between 1973 and 1982 the profitability in textiles was significantly lower than in manufacturing as a whole. Since then the gap between the two tended to narrow, and in 1983 and 1986 profits on total assets were higher in the textile industry than in manufacturing as a whole (see Chart V).

26. The expanded earnings of the textile and clothing industries enabled them also to add year after year new capital expenditure on plant and equipment to the existing stock of capital. The
expansion of new investment in plant and equipment in 1982-1986, which occurred despite the high level of interest rates and a strong dollar during most of this period, can be attributed to the following main factors: (i) the favourable prospects for further increases in consumption of both traditional and new textile and clothing products, (ii) efforts to maintain or regain competitiveness, especially in more labour-intensive product lines, through increasing utilization of labour-saving machinery (micro-electronics and robots), (iii) the acquisition of new equipment permitting a faster response to rapid changes in consumer requirements (the so called "Quick response").

IV. Employment and Productivity

27. Employment showed a downward trend throughout the period under review, but the rate of decline slowed down between 1982 and 1985. In 1986 employment was practically stabilized in both textiles and clothing (see Charts VIa and VIb).

28. Labour productivity has increased strongly year after year, with only few exceptions, in both textiles and clothing. Increased specialization and economies of scale resulting from the proximity of a huge and expanding domestic market has been a major factor behind the impressive gains in productivity. Another major explanation lies in the steadily rising investments in labour-saving equipment in all stages of processing yarn and fabrics, in dyeing and finishing, and increasingly also in the hitherto more labour-intensive operations in clothing.

29. The decline in employment can therefore clearly be related to the gains in labour productivity. In the textile industry, where the fall in employment has been stronger than in clothing, the productivity growth was the fastest.

V. Capacity Utilization

30. Capacity utilization rates in the textile industry have increased significantly since 1982 with the strengthening of consumption. The capacity utilization rate in the textiles industry had followed closely that of manufacturing as a whole from 1973 to 1979, when both declined markedly. Since then, however, capacities were more fully utilized in the textile industry. The gap widened in 1986 when the rate of capacity utilization in textiles reached the unprecedented high level of 95 per cent, as compared with less than 80 per cent for manufacturing as a whole (see Chart VII).

VI. Foreign Trade

A. Exchange Rates

31. Because of their volatility, exchange rates have become a major determinant element of foreign trade in both value and volume, together with consumption, production and domestic prices. After having depreciated from 1973 to 1980, the dollar appreciated strongly between 1980 and 1985. Since the last quarter of 1985 the the dollar has been depreciating again.

B. Evolution and Pattern of Trade
32. In 1982 imports of textiles and clothing processed from cotton, wool and man-made fibres were 16 per cent higher than in 1973, but still slightly below their peak of 6.25 billion square yard equivalent reached in 1972.

33. From 1982 to 1986 imports of textiles and clothing showed a strong upward movement (see Chart VIII). The increases in imports were the fastest in 1983 (26 per cent), 1984 (32 per cent) and 1986 (17 per cent), i.e. in the years with the most rapid growth of consumer expenditure on clothing.

34. During the course of 1986 the growth of imports had already slowed down. In the first quarter of 1987 imports of textiles and clothing processed from cotton, wool and man-made fibres exceeded by only 4 per cent their level of the corresponding period of 1986.

35. As regards the pattern of imports by fibre, the decline in imports between 1973 and 1981 was concentrated on textiles and clothing processed from man-made fibres. Between 1982 and 1986 the expansion was shared by textiles and clothing processed from each of the three types of fibres.

36. The evolution of imports from the developing MFA suppliers has been influenced significantly, apart from movements in consumption, production, stock, prices and exchange rates, by the discriminatory restrictions which faced them and which have intensified in recent years. The share of developing MFA suppliers in total imports of textiles and clothing processed from cotton, wool and man-made fibres, had risen from 41 per cent in 1973 to peak of 64 per cent in 1981, during the period of stagnating total imports. This share fell to 57 per cent in 1985 and recovered to 59 per cent in 1986. The fall in the share of developing MFA suppliers in US imports between 1981 and 1986, during the period of faster total import growth, was particularly pronounced for cotton, from 84 to 75 per cent, and wool products, from 55 to 45 per cent (see Chart IX).

37. Exports of textiles and clothing processed from cotton, wool and man-made fibres had almost trebled between 1973 and 1980, when they peaked at 1.3 billion pounds. As a result of the growth in domestic consumption and of the appreciation of the US dollar, exports fell back by almost one half between 1980 and 1985. They recovered by 18 per cent during the course of 1986 and at an even faster pace in the first quarter of 1987.

C. Trade Related to Consumption

38. A comparison of movements in trade, on one hand, and in consumption, or production, on the other, can meaningfully be made, at the aggregate level of textiles and clothing, only in value terms. Expressed in tonnage or fibre equivalent the size and growth of domestic supplies is considerably underrated. In Charts Xa and Xb apparent consumption of both textiles and clothing were obtained from value data on shipments, plus imports less exports. Though imports have increased faster than consumption in relative terms since 1981, the growth of consumption benefited domestic producers predominantly in the case of textiles and to a large extent in the case of clothing. Imports from developing MFA suppliers can be estimated to have accounted in 1985 for approximately 6 per cent of apparent consumption, in value terms, for textiles and 18 per cent for clothing.

D. Trade Balances

39. The rise in the import surplus of textiles and clothing in recent years reflected both the particular conditions of these sectors, characterized by the strong expansion of consumption, as well as macro-economic factors such as the evolution of exchange rates. Chart XI shows that the trade deficit in textiles and clothing increased much less between 1982 and 1986 than the deficits in all manufactures and all merchandise. In 1986 the US deficit in textiles and clothing (processed from all fibres) accounted to S21 billion, as compared with deficits of nearly S1.40 billion in all manufactures and S1.77 billion in all merchandise.


Chart II
Consumer Expenditure & Prices
Index numbers, 1973=100

1) Total consumer expenditure at 1982 prices
2) Consumer expenditure on clothing at 1982 prices
3) Price deflator for total consumer expenditure
4) Price deflator for consumer expenditure on clothing


1. Profits on total assets, all manufacturing.

2. Profits on total assets, textiles.

Chart VIa Textiles

Employment and Productivity

Index numbers 1973=100

1) Employment

2. Productivity - Productivity indices have been derived from production (value added at constant prices) and employment data. They should be considered only as orders of magnitude.

1) Employment

2. Productivity - Productivity indices have been derived from production (value added at constant prices) and employment data. They should be considered only as orders of magnitude.


Source: Textile World, monthly (original source: Data Resources McGraw-Hill Economics)

2. Capacity utilization rates in total manufacturing

Source: Federal Reserve Bulletin, monthly
Chart VIII

Imports of Textiles and Clothing

Billion of sq. yard equivalent


1. US imports of cotton textiles and clothing
2. US imports of wool textiles and clothing
3. US imports of man-made textiles and clothing
4. US imports of cotton, wool and man-made textiles and clothing
Note - The shares are derived from data in square yard equivalent.


1. Share of developing MFA suppliers in US imports of cotton textiles and clothing.

2. Share of developing, MFA suppliers in US imports of wool textiles and clothing.


1. Apparent consumption (shipments plus imports minus exports) of textiles (SIC 22).

2. Imports of textiles (SIC 22).

3. Exports of textiles (SIC 22).


Note - Data in the Chart should be considered only as indicating orders of magnitude, given the methodological and statistical problems involved in relating shipments to foreign trade.
Chart X b Clothing
Apparent consumption and trade

1. Apparent consumption (shipments plus imports minus exports) of clothing (SIC 23).

2. Imports of clothing (SIC 23).

3. Exports of clothing (SIC 23).


Note - Data in the Chart should be considered only as indicating orders of magnitude, given the methodological and statistical problems involved in relating shipments to foreign trade.
1. Trade balance in all merchandise.
2. Trade balance in manufacturers.
3. Trade balance in textiles and clothing.

Source: GATT International Trade, yearly. Data for 1986 were obtained from the GATT Secretariat.
Chapter II  European Economic Community

I.  Consumption

40. Consumer expenditure on clothing in current prices has expanded throughout the period 1973-1986. Most of the increase was due to the rise in prices. In real terms consumer expenditure on clothing in the EEC had risen only slowly between 1973 and 1980. From 1980 to 1983 consumer expenditure on clothing declined slightly in real terms. Thereafter it has picked up again by 1 per cent in 1984, 2 per cent in 1985 and 3 per cent in 1986.

41. The sluggishness of consumer expenditure on clothing in real terms in the EEC from 1973 to 1986 was due to slow growth in disposable incomes and the high savings ratios which in 1986 still exceeded 20 per cent in Italy and 12 per cent in Germany and France.

42. In the EEC consumer expenditure on clothing lagged considerably behind the total in real terms (see Chart XII). This can partly be explained by movements in relative prices. Prices for clothing rose much faster than total consumer prices. However in the United Kingdom, consumer expenditure on clothing in real terms expanded from 1980 to 1986 by one third, i.e. much faster than in the other EEC countries. During this period consumer expenditure on clothing in the United Kingdom increased faster than the total in real terms, while consumer prices rose less for clothing than for the total. In 1986, for instance, consumer expenditure on clothing expanded by 2.5 per cent in real terms, as compared with 5 per cent for the total. The price deflator increased by nearly 6 per cent for total consumer expenditure.

II.  Turnover, Value Added and Production

43. Turnover in both the textiles and clothing industries more than doubled between 1975 (the earliest year for which comparable data for the EEC as a whole have been published) and 1986, in current prices. Value added in each of these two industries increased during the same period by approximately 75 per cent, also expressed in current prices (see Charts XIIa and XIIb). As shown in the next sub-section, this enabled these industries to raise their outlays for labour costs and for other components of value added, among which profits are the most important.

44. The indices of production (value added at constant prices) show a different trend as compared with shipments and value added at current prices. Despite the recoveries recorded for both textiles and clothing since 1983, in 1986 their level was still below the peak of 1979 for textiles and of 1976 for clothing.

45. A significant part of the increase in turnover and value added in current prices was due to the rise in prices, especially during the period of high inflation rates. The discrepancy between the rise of turnover and value added in current prices, on one hand, and the indices of production (based in principle on value added in constant prices) is however so great that it can hardly be explained by the rise in prices alone. As in the case of the United States, the indices of production at the aggregate level of textiles and clothing do not reflect sufficiently changes in the composition of

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2 Unless otherwise specified, data in this Chapter refer to the EEC of 10.
3 See OECD, Economic outlook, December 1986.
output toward higher value products, thereby underrating the actual performance of these industries as regards profits and investment.

III. Labour Costs, Profits and Investment

46. Labour costs as well as other value added have been generally expanding in line with the rise in sales revenues in both the textiles and clothing industries (see Charts XIVa and XIVb). In the absence of precise data on profits, value added other than labour costs can be regarded as an approximation to profits.5

47. In recent years the competitiveness and productivity of textiles and clothing industries improved in several EEC countries. Their strengthened competitive position has been evidenced by the substantial growth in exports, especially in the two leading EEC exporters, Italy and Germany. In the United Kingdom, after having recovered from the recession of 1980-81, by 1985 the textiles and clothing industries have made great strides in competitiveness and have seen their profits increasing.6 In 1986, shares of the textiles industry in the United Kingdom recovered further and performed better than the overall all-share index.7

48. From 1975 to 1981 investments in the textiles and clothing industries of the EEC have increased in current values, but declined somewhat when adjusted for inflation. Since 1981, however, the flow of annual investment has continued to grow in current prices and picked up again when adjusted for inflation.8

49. The upward trend in investment appears to have strengthened in recent years. To give a few examples: In Germany, investments of plant and equipment in the textile industry expanded by 50 per cent between 1982 and 1985.9 In the United Kingdom fixed capital expenditure in the textiles and clothing industries (including leather) expanded by 6 per cent in real terms in 1986, an increase for the fifth consecutive year.10 In Italy the clothing industry has been investing 7 to 10 per cent of its turnover, which in 1986 has risen by nearly 12 per cent.11

50. The growth of investment since 1982 was concentrated on machinery and equipment, aimed at increasing productivity and competitiveness through modernization, rationalization, robotization and other labour-saving devices. In Germany, for instance, nearly 90 per cent of the increase in total investment in textile industry from 1982 to 1985, referred to in the preceding paragraph, consisted of new investment in machinery and equipment.12

IV. Employment and Productivity

5 The methodological and statistical reasons why value added other than labour costs can be considered as an approximation to profits were given in greater detail in the study “Structure and Change in European Industry”, United Nations, Economic Commission for Europe, 1977 pages 42-43.

6 See the address by Mr. Paul Channon, Minister for Trade, Extract from House of Commons Hansard, 9 May 1985.

7 See the Article “According to their cloth”, Financial Times 9 February 1987.


11 According to the Italian Clothing and Knitwear Manufacturers Association, as reported in Financial Times of 23 April 1987.

12 See Statistisches Bundesamt, op. cit.
51. Employment declined by nearly 40 per cent for textiles and 25 per cent for clothing from 1980 to 1986. In both industries the rate of decline on employment slowed down since 1983 (see CI XVa and XVb).

52. Between 1975 and 1986 productivity rose by 75 per cent in the textile and by 26 per cent in the clothing industries. Much of the increase in labour productivity can be related to growing vestment in labour-saving equipment, automation and computerization devices which were in duced to a larger extent in the textiles than in the clothing industries during this period.

53. The close relationship between the growth in productivity and the decline in employment evidenced by the fact that the decline in employment was much luster in textiles, where productivity gains have been more rapid than in clothing.

V. Capacity Utilization

54. Data on capacity utilization rates for the EEC as a whole are available only since the begin ning of 1984. In January 1987 the degree of capacity utilization in textiles was 82 per cent and clothing 86 per cent, as compared with 86 per cent for industry as a whole. For both textiles and clothing the rate of capacity utilization in January 1987 was roughly the same as in January 1984.13

VI. Foreign Trade

A. Exchange Rates

55. The wide fluctuation in exchange rates can be illustrated by the example of the relation between the ECU and the US dollar. Between 1973 and 1980 the ECU appreciated by 12 per cent. From 1980 to 1985 it depreciated by 80 per cent. In 1986 the ECU appreciated again, by more than 30 per cent, vis-a-vis the US dollar.14

B. Evolution and Pattern of Trade

56. Between 1973 and 1980, when consumer expenditure on clothing in the EEC had been increasing and ECU appreciated, imports of textiles and clothing from third countries doubled in tonnage, while exports to third countries rose by approximately 20 per cent.15

57. For the period 1980 to 1985 Chart XVI shows in tonnage intra-EEC trade, extra-EEC imports and exports from developing MFA suppliers of textiles and clothing.16

58. Intra-trade of the EEC increased slightly from 1980 to 1982 and more rapidly between 1982 and 1985, when it exceeded by 50 per cent its level of 1980. In 1986, with the enlargement of the

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16 Data in this paragraph and the remaining paragraphs of this sub-section were taken from Statistical Office of the European Communities, SCI-2510, Annual data. Textiles and clothing include Group 1-3.
EEC to Portugal and Spain, intra-trade of the EEC (12) in textiles and clothing expanded further substantially, reaching 3.5 million tons.

59. Imports into the EEC from third countries declined from 1980 to 1982, but resumed their upward trend since then. In 1985 they were 11 per cent higher than in 1980 in tonnage. In 1986 they expanded at a faster rate, under the combined impact of the stronger consumer demand in the EEC and of the appreciation of the EEC currencies. In 1986 imports into the EEC (12) from third countries amounted to 1.9 million tons.

60. Imports into the EEC from developing MFA suppliers increased in tonnage by 25 per cent between 1980 and 1985 and by 16 per cent in 1986. In 1986 imports from the developing MFA suppliers into the EEC (12) amounted to 1 million tons. In 1986 imports of textiles and clothing coming from developing MFA suppliers represented in tonnage 19 per cent of EEC (12) imports from the world if intra-EEC trade is included and 56 per cent of extra-EEC imports.

61. Extra EEC exports of textiles and clothing expanded by approximately 50 per cent in tonnage between 1980 and 1985, contributing significantly to the rise in turnover and production during this period of stagnating domestic consumption in most EEC countries. Nearly two-thirds of the increase in extra-EEC exports of textiles and clothing in value terms during this period was accounted for by the strong rise in exports to the United States and EFTA countries, reflecting mainly, (i) the depreciation of the EEC currencies against the US dollar, (ii) the intensification of discriminatory restrictions against the developing MFA suppliers in the US market, where the EEC was able to increase its share (iii) the double preference (no tariffs and no quantitative restrictions) in the EFTA countries. In 1986 exports to third countries declined slightly. For the EEC (12) exports of textiles and clothing to third countries amounted in 1986 to 1.5 million tons.

C. Trade Related to Consumption

62. For the reasons already explained, at the aggregate level of textiles and clothing the relation between consumption and foreign trade is more meaningful in value terms. In Charts XVIIa and XVIIb apparent consumption has been obtained as turnover, plus extra-EEC imports less extra-EEC exports and is shown for the period 1980-1985 in terms of ECU.

63. Although extra-EEC imports have increased faster than consumption in percentage terms, the largest part of EEC consumption has continued to be covered from domestic supplies for textiles as well as for clothing. Imports from the developing MFA suppliers can be estimated to have represented in 1985 approximately 7 per cent of EEC apparent consumption for textiles and 18 per cent for clothing in value terms.17

64. The proportion of consumption accounted for by imports varies greatly between the individual member countries. As regards the major markets within the EEC, this proportion is considerably higher in Germany and the United Kingdom than in France and Italy.

65. Between 1980 and 1985 a growing proportion of turnover was destined to exports. Extra-EEC exports can be estimated to have accounted in 1985 for approximately 18 per cent of EEC turnover in the case of textiles and 15 per cent in the case of clothing.18

66. For individual member countries the proportion of production destined for export is considerably larger, taking into account the fact that their main markets are within the EEC. In Italy, for instance, exports of clothing represented 48 per cent of turnover in 1986, as compared with 38 per cent in 1982.19 In Germany the proportion of exports in turnover rose between 1982 and 1986 from 23 to 27 per cent for textiles and from 15 to 19 per cent for clothing.20

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17 In charts XVIIa and XVIIb and in this paragraph textiles refer to NACE 43 and clothing to NACE 453, 455 and 456.
18 Textiles refer to NACE 43 and clothing to NACE 453, 455 and 456.
19 According to estimates by the Italian Clothing and Knitwear Manufacturers' Associations, reported in the Financial Times, Supplement on Italy, 23 April 1987.
20 Statistisches Bundesamt, Wirtschaft und Statistik, 51983 and 51987.
Kingdom the ratio of exports to sales in the twelve month period ending in June 1986 reached 30 per cent for textiles and 19 per cent for clothing.21

D. Trade Balances

67. For textiles and clothing22 (taken together) in its trade with third countries the EEC had an export surplus in 1973 and 1974. It turned into a growing import surplus which reached a peak of 3.38 billion ECU in 1980. In 1985 the import surplus in textiles and clothing had been reduced to 2.19 billion ECU. In the same year the EEC had an export surplus of $116 billion in all manufactures and an overall merchandise trade deficit of $15 billion (see Chart XVIII). In 1986 the EEC import surplus in textiles and clothing increased again.

22 In this paragraph textiles and clothing refer to SITC Division 65 and 84, respectively. Trade balances were obtained as the difference between extra-E.C. imports and extra-E.C. exports.

2. Consumer expenditure on clothing at constant 1980 prices converted into ECU at 1980 exchange rates.

Chart XIII Textiles

Turnover, Value added & Production

Index numbers, 1975=100


1. Labour costs.

2. Other value added, consisting essentially of profits, obtained as the difference between total value added at factor cost and labour costs.

1. Labour costs.

2. Other value added, consisting essentially of profits, obtained as the difference between total value added at factor cost and labour costs.

1. Employment

2. Productivity indices have been derived from production (value added at constant prices) and employment data. They should be considered only as orders of magnitude.

Sources: Eurostat, Employment and Unemployment, yearly, and Eurostatistics, Data for short-term Economic Analysis, monthly.
1. Employment

2. Productivity indices have been derived from production (value added at constant prices) and employment data. They should be considered only as orders of magnitude.

Sources: Eurostat, Employment and Unemployment, yearly, and Eurostatistics, Data for short-term Economic Analysis, monthly.
Chart XVI
Exchange Rate of the ECU

Index Number 1973=100


3. ECU per Hong Kong $. Source: IMF, Idem and Eurostatistics idem.

4. ECU per Korean won. Source: IMF, idem and Eurostatistics idem.

5. Ecu per Indian Rupee. Source: IMF, idem and Eurostatistics idem.

6. ECU per Pakistan Rupee. Source: IMF idem and Eurostatistics idem.

2. Extra-EEC imports.


Textiles include NACE 43.


Note: Data in the chart should be considered only as indicating orders of magnitude, given the methodological and statistical problems involved in relating shipments to foreign trade.
Chart XVIIb Clothing
Apparent Consumption and Trade

Million ECU


2. Extra-EEC imports.


Clothing includes NACE 453, 455 and 456.


Note: Data in the chart should be considered only as indicating orders of magnitude, given the methodological and statistical problems involved in relating shipments to foreign trade.
1. Trade balance in all merchandise
2. Trade balance in all manufacturers
3. Trade balance in textiles (SITC 65) and clothing (SITC 84)

Source: GATT International Trade, yearly.