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Committee III - Expansion of Trade (Sub-Committee B)SUMMARY OF REMARKS ON RAW COTTONMADE BY THE UNITED STATES DELEGATE ON 15 MARCH 1960

It has been stated that United States quantitative restrictions on imports of cotton (of upland staple lengths) denies cotton exporting countries the advantages of its free entry treatment of cotton imports and that the United States cotton price support programme tends to maintain production of a commodity in which some less-developed countries have a competitive advantage and which offers, therefore, a suitable field for expansion of their export earnings. It is difficult to see how this is so.

In the first place, the United States is the world's largest exporter of cotton. If the import restrictions were removed, it would mean that the price support programme would also have to be abandoned, in which case domestic needs would be fully supplied by American cotton. In fact, many cotton experts in the United States believe that, if price supports and acreage restrictions were completely abandoned in the United States, the American cotton growers would be able to produce and export at the world price more cotton than they do now owing to the fact that the removal of all restrictions would permit a far more efficient production of cotton than is now possible. It would mean, of course, a re-organization of cotton growing, larger and fewer cotton farms, use of the most advanced and efficient methods and equipment and of the most suitable land, all of which would result in much lower costs.

This points to the fact that the cotton problem in the United States involves important social considerations. Although there is a considerable movement of population from rural to urban areas, it has not been great enough to permit desirable adjustments in agriculture. The abandonment of the cotton price support programme and acreage restrictions would mean that thousands of small cotton growers would be forced out of production and left without a means of livelihood.

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Furthermore, attention may be called to the fact that the United States cotton price support programme, which began in the middle thirties, has for a long time been a stabilizing factor in the world cotton market. It tended to govern the world price. However, the United States price was a very profitable one for other exporting countries which understood to increase their production and sell at something less than the United States, with the result that the United States became a residual supplier and a focal point for the building up of world surplus stocks. At an international cotton meeting in 1954, the United States indicated that this could not go on indefinitely and urged other exporting countries to control their production or exports. This urging was not heeded and in 1956 the United States Congress passed legislation requiring that United States exports of cotton be sold at competitive world prices with a view to maintaining the United States fair share of the world market. This required subsidization of United States cotton exports and created apprehension among other exporting countries who feared it would lead to excess price fluctuations. Prices were fairly steady, however, until 1958 when a break occurred in the prices of other exporting countries. In June 1959, the United States and Mexico invited the other cotton exporting countries to a meeting in Washington to discuss the problem. The result was the establishment of the cotton exporting countries study group, the purpose of which is to facilitate consultation among the cotton exporting countries with a view to seeking greater market stability. The outlook for the current years promises a decided improvement in the world cotton situation.