

25 March 1960

Committee III - Expansion of TradeDRAFT THIRD REPORT OF COMMITTEE III
ON EXPANSION OF TRADEAddendumRAW COTTON

1. The Committee further examined the factors referred to in the Second Report of the Committee as contributing to the difficulties particularly of less-developed countries in seeking to expand their earnings of foreign exchange from the export of raw cotton. In considering these difficulties the Committee had in mind that raw cotton in terms of value was one of the three main primary products in international trade. It was produced by a considerable number of less-developed countries and accounted for a very substantial share of export earnings for some of them.

2. The single most important producer and exporter of raw cotton was, however, the United States which produced more than half of the total output of raw cotton of all GATT Member countries. In view of the great importance of the United States as a consumer, producer and exporter of this commodity the Committee concentrated its discussion on the effects on trade of the price support programme operated on behalf of US cotton growers and also on the import restrictions imposed in support of this programme as well as on the possibly harmful effects on the export markets of less-developed countries which could follow from the special financing facilities granted to US exports of raw cotton. An explanation of the policies followed by the United States Government with respect to raw cotton was given. The text of this explanation is circulated in document COM.III/. The statement explaining the policies concluded that it was far from certain that abandonment of US cotton price supports with their accompanying acreage and import restrictions, would benefit other cotton exporting countries.

3. The Committee also noted the unfavourable effects of high tariffs and quantitative restrictions imposed by some countries on the import of raw cotton. It was noted, however, that with these exceptions, the export trade in raw cotton, unlike the export trade in a number of other commodities for consideration before the Committee, was not unduly restricted by tariff barriers and other measures. Nevertheless the existing restrictions often led to considerable hardships for cotton producers in less-developed countries, especially because of the relatively low capacity of these countries to absorb unemployment with sufficient rapidity through an expansion of other industries.