Restraints on Imports of Cotton Textiles

The history of cotton textiles in recent years illustrates how the very growth of trade can be its own undoing through provoking restrictive measures by the importing countries. Following the swift increase in imports of cotton textiles from India, Hong Kong, and other Commonwealth sources in the 1950's,[13] the United Kingdom made a series of bilateral agreements aimed at limiting the further growth of the trade. The United States, after a rapid rise in imports from some of these countries and from Japan, took the lead in negotiating in 1961 a short-term and then, in 1962, a long-term international cotton textile "arrangement," under which it has made numerous bilateral agreements for "voluntary restraints" by the exporters. Continental European countries were happy to join in the arrangement, with the blessing it confers on avoidance of "market disruption," but for the greater part have continued to prove willing and able to apply their own import restraints.

These restraints are sometimes more than meet the eye. The director-general of the GATT, in opening the major review called for in the arrangement at the end of the third year, noted that all trade restrictions on cotton textiles are not fully notified by participating governments and urged them to help lift the haze which still rests over this subject.[14]

Despite these open and hidden restrictions, imports of cotton textiles by the developed countries from developing exporting countries have increased relatively fast. Those of Western Continental European countries doubled from about $50 million in 1961 to something over $100 million in 1964. At that level, however, they still fell short of imports from the same sources by the United Kingdom (around $170 million) and by the United States ($126 million), both of which had risen substantially as well.

Apart from the United Kingdom, these increases have all been from extremely low levels compared with home consumption—so low in several of the Western Continental European countries that even their commitment to large percentage increases under the 5-year arrangement was regarded by some of the exporting countries as

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[13] The rise in these imports is explained as follows by A. M. Alfred, the chief economist for Courtaulds Ltd., in a paper read at the Manchester Statistical Society on November 10, 1965 ("United Kingdom Textiles—A Growth Industry"):

On the import side, you will know well that the United Kingdom textile industry, particularly the cotton sector, has suffered from an unforeseen consequence of the Imperial Preference Treaty negotiated at Ottawa in 1932. Under that treaty, it was agreed that cotton and wool textiles and madeup goods could enter the United Kingdom duty free if coming from the Commonwealth. At that time there was no textile activity of relevance in India, Pakistan, or Hong Kong. In fact India (then undivided) imported 550 million yards of cloth from the United Kingdom. In 1964 the United Kingdom imported 450 million square yards of cloth and madeup goods from India, Pakistan and Hong Kong—a reversal of a billion yards. This large volume arose because of the channelling of these Commonwealth exports into the only country into which they could come duty free.

After noting that these imports, together with imports from other underdeveloped countries made up 35 percent of British consumption, compared with his estimates of 8 percent for the United States and 9 percent for the European Common Market, Mr. Alfred went on to speak of "the ridiculous state of affairs whereby the United Kingdom cotton industry is the only industry in any developed country of the world to have zero protection against a major supplier."

While recognizing that the "market disruption" in the British textile industry has been far greater than in other developed countries, one cannot fail to detect in this account a double standard frequently characteristic of attitudes in developed countries toward trade with the less-developed countries: Free trade in textiles within the Commonwealth seemed logical and desirable as long as the flow was from the United Kingdom outward, but ceased to be so when the flow reversed (through the initial impact of British factory-produced textiles on the Indian handicraft industry in the 19th century had been no less disruptive than that more recently experienced in the United Kingdom when the tide turned).

[14] Press release GATT/946, Dec. 8, 1965.