

Embargo : 17.00 hrs
11 October 1976

SPEECH BY THE RT. HON. SIR CHRISTOPHER SOAMES
VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES,
TO THE INTERNATIONAL FEDERATION OF COTTON AND ALLIED TEXTILE
INDUSTRIES, VIENNA.

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MONDAY, 11 OCTOBER 1976

INTERNATIONAL FEDERATION OF COTTON AND ALLIED TEXTILE
INDUSTRIES

Mr Chairman,

Thank you very much for asking me to be with you today here in Vienna - this great and ancient city which was the cross-roads of Europe and is now one of the cross-roads of the world.

Your Federation brings together industries and trades which played a central role in the building of the Western European and American economy and which are playing an equally vital part in the industrialization of the developing world today. This year marks the hundredth anniversary of your host Association of Austrian Textile spinners and weavers - and this reminds us of the depth of the roots which your industry has struck in Europe. Cotton, once King, is still a major Prince. And although the world scene continues to change, cotton and its allied textile trades continue to be vitally important as much for the older industrialized economies as for the new.

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As Vice-President of the Commission in charge of the European Community's external trade relations over the past four years, I feel a deep sense of responsibility in addressing you. International trade is the life blood of your business, and one of my principal tasks in Brussels has been to contribute to the framing of the rules under which trade in

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textiles takes place between the Community and the rest of the world. I have therefore had to assume a share of responsibility for policies and agreements which I know touch deeply upon the lives and livelihood of your members in all parts of the world.

All is not well with that livelihood - as well I know. Shakespeare summed it up four hundred years ago:

" The clothiers all," he wrote, "not able to maintain
The many to them'longing, have put off
The spinsters, carders, fullers, weavers, who
Unfit for other life, compell'd by hunger
And lack of other means, in desperate manner
Daring the event to the teeth, are all in uproar."

This quotation illustrates very well an important point - that the textile scene has for centuries been characterised by rapid and often disruptive changes. Perhaps things today are not quite as bad. [Nevertheless the vital statistics of the European textile industry tell a bleak story. Between 1960 and 1972 employment in the Community's textile sector fell steadily at an annual rate of about 50,000 workers a year, mainly as a result of new investment and modernization. At the same time, however, in the clothing industry employment remained stable and even increased slightly in some Member States. But in the two years [1973-1974] employment in clothing fell by 120,000 jobs, and the decline in employment in the textile sector accelerated to a loss of about 190,000 jobs. This decline in employment in the Community's clothing and textile industries continued at an even faster rate in 1975. Meanwhile imports of textiles and clothing into the Community rose by nearly half in 1973 and again by a quarter /in 1974,

in 1974, while by contrast the rate of growth of the Community's exports in these sectors fell by ¹⁴.... per cent over the same period

The urgent and pressing social realities behind these stark figures have set the scene for the policies we in the Commission have followed over the past few years towards the Community's textile industries and the international trade in textiles.

In my country, the City of Manchester - the home of my old friend, your Chairman-elect, Mr Tom Normanton - will always be associated with two things: with the Lancashire cotton industry and with the so-called 'Manchester school' of free trade. In the 19th century there seemed to be no incompatibility between the industry and the school - they were seen as complementary.

But today however this seems no longer to be the case, perhaps because governments and public authorities have intervened so much in the functioning of the economy, for better or for worse. All around the world textile capacity has been built up in the pursuit of economic development and diversification - and has not always happened in response to the play of competitive forces. That is why I believe that there is something to be said for the view that nowadays the need for order in the growth of markets for textiles must be among our highest priorities.

Of course our long-term strategy should be to continue the post-war progress towards an increasingly open world economy. Expanding trade between the Community and all parts of the world - including the state-trading countries and the Third

World - is fundamental to our prosperity as well as to theirs. And in these circumstances what could be more natural than that those developing countries which grow cotton should also wish to spin, then to weave, then to finish and make up their cloth and then to sell these manufactures not only in their own markets but also in those of the old industrialised countries? What could be more natural than that? But what is also more predictable than that this process should pose real problems in Europe and America?

The device with which we have sought to solve these problems and to reconcile the claims of openness and the claims of order in the world economy is of course the GATT "Multifibre Arrangement" and the bilateral agreements which have been negotiated under it.

The solutions which we have found, both in the Community and elsewhere, cannot be expected to please everybody. We have had to take into account the various and sometimes conflicting interests of our manufacturers, our traders and our consumers. We have had to take special care for those affected by unemployment, sometimes in localities where the textiles trades have been for a century and more the most important single employer of labour. And we have had to strike a balance between these domestic interests and the needs of the developing countries, many of which depend for an important part of their prosperity upon our markets. Amidst this welter of divergent interests and claims I have often felt - but not, I hasten to add, among you today - like some sort of death's head at the feast. Or as Shakespeare

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also said in describing Sixteenth century England -

"... they vent reproaches
most bitterly on you, as
putter-on of these exactions."

Now of course we again face the task of defining or redefining within the framework of the GATT the framework rules for international trade in textiles. [And I am delighted to see here today Ambassador Wurth, the Chairman of the GATT Textiles Surveillance Body, whose contribution to this effort will be second to none, and with whom I had the pleasure of such an agreeable business and personal relationship when he was in Brussels as the Swiss ambassador to the Community.]

What is the Community's approach to this work of redefinition? I believe that it is very well described in the existing statement of the basic objectives of the existing Multi-Fibre Agreement - namely, "to achieve the expansion of trade the progressive liberalization of world trade in textiles products and the avoidance of disruptive effects in individual markets". These objectives are sound, and they provide the test against which to judge both the present MFA and whatever succeeds it.

The first steps must be taken in the context of the "major review" of the operation of the MFA which should start in Geneva at the end of November. It will be essential to look very carefully at what has been happening to production, consumption and trade since the Arrangement was negotiated in 1973 - bearing in mind, of course, that these have been years of world-wide recession.

/The Community

The Community is not, I repeat, opposed to a natural and orderly development of the international industrial and trading structure. What we cannot accept is that one of our major industries should be extinguished. There can be no question of this, and we do not anticipate anybody expecting it. Market conditions should increasingly be stabilised by a combination of the process of economic recovery and of the bilateral textiles agreements that we have negotiated. That is part of the purpose of the MFA and it must be part of the purpose of any future Arrangement. We must judge our success by the extent to which we have succeeded in creating such a climate of confidence among manufacturers, workers and traders as can alone enable the expansion of trade to take place without jeopardising prosperity.

That prosperity is itself in the widest sense indivisible. In today's interdependent world economy it is not realistic to suppose that prosperity can be had in only one part of the world. Our prosperity in the developed industrial countries is needed for the developing world to thrive, just as we need a thriving and expanding Third World economy to restore and consolidate our own.

And here I would sound a note of concern. There is, I think, a danger that the claims of developing countries, well-founded and reasonable as many of them are, may be weakened by the way in which they are presented. In the particular case of the MFA, it would be a very serious matter if the exponents of the developing countries' position approached the discussions in Geneva in a way which fails to take account of industrial and social realities in importing countries. The developing countries can be proud of their achievements in building up new textiles industries and in

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expanding the markets for their output. But, as every practical businessman knows, sound and long-term commercial benefits are most easily obtained by cultivating the sort of relations with your customers which flow from an understanding of their situation and their problems. This trade in all its manifestations is too important to us all to be put at risk by rhetoric offered up on the altar of ideology.

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Mr Chairman, I should like now to turn to another subject which I know is of great interest to your Members - that is, the question of the Community's relations with the state-trading countries of Eastern Europe, especially in the textiles sector.

The starting-point of our policy towards the East is our belief that the state-trading countries are unescapably involved in the progressive interdependence which characterises the modern world economy, and that they should be encouraged to go further along the road to a more normal economic and commercial relationship with the rest of the world.

Interdependence is a fact about the present international scene from whose implication no country can escape, and no-one should be under any illusion that they can exclude themselves - or that they will be excluded - from this development. The actions of the state-trading countries - for instance in the sphere of agricultural trade, or in respect of

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their trade balance with the developing countries - can have a wide-ranging impact upon the world economy. Similarly, there can be no doubt that the prospects for stability and growth in their markets abroad - especially in the Community - have a very important bearing upon their own economic prospects at home. This can be very clearly seen in the problem of the growing indebtedness of the state-trading countries, about which there is now so much concern in the West.

The management of this tendency to interdependence requires an equivalent growth in international cooperation and the removal of artificial and political obstacles to the normal and natural development of trade and economic relations. It is a striking fact that the Community's trade with the state-trading countries - while it has been growing in recent years - still accounts for less than ten per cent of its total. From the economic point of view, and in view of our geographical proximity and our close cultural ties it would be natural to expect a much larger volume of commercial exchanges. Why then does this not occur?

The reason lies largely, I believe, in the differences between the economic system of East and West.

In socialist countries the state controls most economic functions, including international trade. The chief instrument for the management of foreign trade is the plan - whether a plan at the level of the enterprise, or of a whole industry, or of a foreign trade organisation, or indeed at the national level. The details vary: but in a socialist economy it is basically the

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government which decides what raw materials and production resources shall be devoted to producing exports, what foreign currency resources shall be allotted to imports, and what priorities shall be allocated to particular markets abroad, both in respect of imports and in respect of exports. All this - including the crucial matter of price formation - is decided centrally.

Upon what principles, then, are we to find a satisfactory basis for commerce with the state-trading countries comparable with that which exists between the Western economies? And upon what principles are we in the Community to receive satisfactory treatment on the part of the Eastern European state agencies which decide about foreign trade? Until we can achieve greater clarity in these matters there will inevitably continue to be constraints on the development of trade between the Community and the Eastern European countries - and this is the nub of the difficulties which state-trading export strategy and price policies in particular sometimes cause us and which have led us to retain a number of quantitative restrictions.

The Community accepts the objective of reducing the limits which quantitative restrictions impose upon the exports of the state-trading countries. It is indeed a matter of record that the proportion of imports from the socialist countries affected by these restrictions has been steadily

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reduced over recent years. But in respect of the pricing policies of Eastern state-trading agencies, where these give rise to pressure on already sensitive sectors of industry in the Community we have to take appropriate measures of self defence - measures which are at present our only recourse. And of course we have had to be particularly active in the textiles and clothing sectors.

However we would infinitely prefer that the trade problems which arise from the differences between our economic systems should be resolved by agreement and cooperation. That is why we have offered textiles negotiations to the three Eastern European countries that are party to the MFA, although so far I regret to say that only one has yet accepted this offer. With that one country, Romania, we are now, I hope, near to reaching agreement on a basis which will help to resolve some of the difficulties which are of such great concern to your members.

And it is for exactly the same reason - our preference for resolving problems by agreement - that we in the Community have always shown ourselves ready to negotiate solutions to the whole range of problems that arise from the differences in economic organisation between West and East. This is what underlay the decision of the Council of the Community to make a formal offer of negotiations to each state-trading country back in 1974. And this is the spirit that will inform the Community's response to the COMECON proposal of last February. In our view there is no reason why the development of bilateral relations between the Community and any member of COMECON

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should hinder or be hindered by the development of good working relations with COMECON as such. A normalisation of the whole of our relations with the member countries of COMECON as well as with that organisation itself would seem to us the most logical and lasting outcome for all concerned.

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Mr Chairman, I would ask you to set the remarks I have made this afternoon at your kind invitation in the wider context of the prospects for the world economy as a whole in the aftermath of the recession from which we are now, I hope, emerging. It is about this broad subject that I should like to offer you some concluding thoughts.

The figures for world production and trade indicate a cautious though still patchy resumption of economic activity mainly in the industrialized countries but also in the developing world. We still have a long way to go, but it seems that the world economy as a whole is turning upwards.

Two years ago, when the recession was at its height, it was widely compared with the slump of the early 1930s. Certainly the down-turn was the worst the world has seen since that time. But the comparison was undoubtedly an exaggerated one - the depression of forty years ago was of quite a different order of magnitude from that which we have recently been experiencing.

Nevertheless, it is, I believe, worth reflecting on the differences, and the conclusions to which I am led are on the whole encouraging.

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The first important difference between the events of the 1930s and the events of the 1970s has been our success in keeping the trade routes open. We have all worked together to see to it that the basic structures of the open world economy have weathered the storms of recession. Although there have been significant and sometimes violent fluctuations in exchange rates we have contrived to avoid the competitive devaluations which were such a depressing feature of the 1930s; and by and large we have resisted the pressures for physical protection to which the world economy succumbed forty years ago.

All this is hopeful, although of course we must not be too smug about the fact that we have succeeded in not doing ourselves a bad turn. Forty years ago protectionism was a damaging policy. In today's very much more interdependent international economy, with international trade representing a much greater proportion of GNP in nearly all of our countries, such a policy would be not merely damaging - it would be mad.

The second important difference between the two recessions is also encouraging. In the 1970s in many countries consumer demand - and therefore the apparatus of production and exchange - has to a not inconsiderable extent been sustained by an enormous mass of government budget deficits, welfare transfer payments and borrowings, both nationally and internationally. In the 1930s, by contrast the reaction of governments to deficit was to cut national expenditure and increase unemployment and to reduce transfers and borrowing. And at the international level, the world's trade and payments system was allowed to break down to the point that neither the international machinery nor the will existed for the stronger economies to help the weaker ones.

I believe that this contrast between the 1970s and the 1930s marks nothing less than a major advance in the moral and political organization of mankind. It is ^{regrettably} true that in some ways the least has been done for those who have needed the most help - I refer especially to the very poorest citizens of the industrialized nations, and the Most Seriously Affected countries of the developing world. But by and large, as compared with what happened forty years ago, our societies - and world society as a whole - have shown not only a high degree of cooperation and mutual support but also a welcome capacity for recognising and pursuing the logic of enlightened self interest. For both moral solidarity and a sense of enlightened self interest can be said to have inspired the vast transfers that have taken place - transfers that have helped to sustain markets, to maintain productive capacities, and to avoid social and political disorder and disruption.

This progress can, I think, give us good grounds for hope for the future. It is possible that both in some cases at the national level and in terms of the balance of the world economy as a whole the growth of these transfers may have disguised a widening of the gap between Community levels of production and consumption and those levels that are justified on the basis of real efficiency and competitiveness. And it is also probable that for this and for many other reasons we cannot, I believe, look forward to a return to that pattern of confidential growth and expansion which characterised the decades of the 1950s and 1960s. But it is clear that we are leaving the lessons of interdependence. We have shown ourselves able to work together to avoid disaster. Now we must show ourselves able to work together to achieve success.

SPEECH BY SIR CHRISTOPHER SOAMES TO THE INTERNATIONAL FEDERATION OF COTTON
AND ALLIED TEXTILES INDUSTRIES¹

In a speech read on his behalf to the International Federation of Cotton and Allied Textiles Industries in Vienna, Sir Christopher Soames said today that the need for order in the growth of markets for textiles should be among the Community's highest current priorities, even if the long-term strategy should be to continue the post-war progress towards an increasingly open world economy.

The Community's approach to redefining the framework rules for international trade in textiles should be based on the stated objectives of the existing GATT Multifibres Arrangement, namely, "the expansion of trade..... the progressive liberalisation of world trade in textile products and the avoidance of disruptive effects in individual markets."

In his speech, Sir Christopher emphasised that "the Community is not (...) opposed to a natural and orderly development of the international industrial and trading structures. What we cannot accept is that one of our major industries should be extinguished."

Looking ahead, he expected that market conditions would increasingly be stabilised by a combination of the process of economic recovery and of the bi-lateral textiles agreement that the Community has negotiated under the MFA. This was part of the purpose of the MFA and must be part of the purpose of any future arrangement.

However, he expressed concern "that the claims of developing countries, well-founded and reasonable as many of them are, may be weakened by the way in which they are presented". Referring to the forthcoming discussions in Geneva on the future of the MFA, Sir Christopher said that "it would be a very serious matter if the exponents of the developing countries' position approached these discussions in a way which fails to take account of industrial and social realities in importing countries".

Relations with Eastern Europe

Referring to the Community's relations with the state-trading countries of Eastern Europe, Sir Christopher said that the starting point of the Community's policy was its belief that "the state-trading countries are unescapably involved in the progressive interdependence which characterises the modern world economy, and that they should be encouraged to go further along the road to a more normal economic and commercial relationship with the rest of the world".

The Community has always shown itself ready to negotiate solutions to the problems arising out of the differences in economic organisation between the state-trading countries and the West, as demonstrated by the decision of the Council of the Community to make a formal offer of negotiations to each state-trading country in 1974.

The Community's response to the COMECON proposal of last February will be made in the same spirit. In the Commission's view, "there is no reason why the development of bilateral relations between the Community and any member of COMECON should hinder or be hindered by the development of good working relations with COMECON as such. A normalisation of the whole of our relations with the member countries of COMECON as well as with that organisation itself would seem to us the most logical and lasting outcome for all concerned."

¹ In Sir Christopher Soames' absence, the speech was read on his behalf by Mr. B. Meynell, Director in the Commission's External Relations Directorate General.