Neu, Axel Dietmar



# Adjustment in the textile and clothing industry: The case of West Germany

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# ADJUSTMENT IN THE TEXTILE AND CLOTHING INDUSTRY THE CASE OF WEST GERMANY

by

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Axel D. Neu



November 1973

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## I. Introduction

Among the industries expected in future to be - according to several surveys - exposed to high pressure through adjustment requirements due to accelerating export performance by developing countries, the textile and clothing industry occupies a predominant rank.[1] The question whether developing countries are well advised to penetrate into the markets of developed countries as new suppliers of textile and clothing products has subsequently led to vehement controversies.[2]

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1) See H.B. Lary, Imports of Manufactures from Less Developed Countries (New York, London, 1968) - J. de Bandt, Die Textilindustrie in der EWG. Analyse und Aussichten (1975): (Bericht für die Kommission der Europäischen Gemeinschaften. (Ecole Pratique des Hauten Etudes, CETEM, 5885/III/69) Paris, 1969) - I. Little, T. Scitovsky, M. Scott, Industry and Trade in Some Developing Countries. A Comparative Study (London, New York and Toronto, 1970) - Study on Textile. Report of the Working Party on Trade in Textiles. (Edited by the General Agreement on Tariffs and Trade, L/3797, 1972) - G. Fels, "The Choice of Industry Mix in the Division of Labour between Developed and Developing Countries". In: Review of World Economics (Weltwirtschaftliches Archiv). Vol. 108 (1972), No. 1, pp. 71 - 121.

2) In support of the counter-position see Modern Cotton Industry. A Capital Intensive Industry (Ed. Organisation for Economic Co-Operation and Development (OECD), Paris, 1965) - The Textile Industry. Perspectives for Industrial Development in the Second United Nations Development Decade (Ed. United Nations Industrial Development Organization (UNIDO) New York, 1971) - For the discussion in the Federal Republic of Germany see F. Aumann, U. Einhoff, E. Helmstädter, D. Isselhorst, "Entwicklungsstrategie und Faktorintensität. Eine Stellungnahme zu neueren Untersuchungen des Instituts für Weltwirtschaft, Kiel". In: Zeitschrift für Allgemeine und Textile Marktwirtschaft, Münster, 1972, Vol. 2, pp. 1 seq. - E.-M. Scharrer, Die Chancen der Textil- und Bekleidungsindustrie in hochentwickelten Ländern (Kieler Diskussionsbeiträge, No. 26, Dezember 1972) - G. Fels, Die Textilindustrie und das Theorem der komparativen Kosten. Eine Erwiderung (Kieler Diskussionsbeiträge, No. 27, Januar 1973) - J.B. Donges, G. Fels, A.D. Neu u.a., Protektion und Branchenstruktur der westdeutschen Wirtschaft (Kieler Studien, Vol. 123. Tübingen, 1973).

The following contribution does not intend to examine more closely the questions raised in this connection, but, within the limits of this contribution, the following aspects shall be treated:

- extent and direction of the structural change in the textile and clothing industry of the Federal Republic of Germany during the last decade, and their origin;

- to show the protective measures granted to the West German producers of textile and clothing goods vis-à-vis their competitors from so - called low price countries and to analyse the quantitative effects of these protective measures;

- to examine the question which percentage of the imports from so-called low price countries is absorbed by the different industrial countries and whether it is possible to develop standards for a "fair distribution of the import burden from low price countries";

- finally to analyse more closely the development of textile and clothing exports from developing and so-called low price countries, in order to obtain possibly data about the future development.

## II Structural changes in the textile- and clothing industry of the Federal Republic of Germany during the last decade (1959 to 1972)

The increase in the demand for textile products, in terms of apparent consumption, has been only subaverage with 5.1 per cent annual change from 1959 to 1972; the demand for manufacturing has, in comparison, grown by 8.1 per cent (Table 1). This development was combined with a nearly continuous decrease of the share of the textile industry in the total industrial turnover from 6.9 per cent in 1959 to 4.5 per cent in 1972.

On the other hand, the expansion of the demand for clothing products exceeded with an average annual growth of 9.4 per cent that of total manufacturing, the share of the consumption of clothing products in relation to the overall consumption of industrial products amounted to just over 3 per cent.

During the whole period under investigation the market share in the apparent consumption in the textile and clothing area held by foreign suppliers has steadily increased, as, incidentally, also on the average of total manufacturing. While however an export surplus was realized for the average of all industrial products, the textile and clothing industry, during the whole period of investigation, showed import surpluses. These remained, for the textile industry, relatively stable in relation to the apparent consumption (the rate of growth of imports and exports being equal), whereas, in the case of the clothing industry the import surplus has steadily increased - the balance being originally settled. At the beginning of the seventies imports were twice as high as exports (Table 1).

It must however be taken into account that the import share of the clothing industry up to 1970 was far below the average of total manufacturing as well as of the consumer goods industry, merely in 1972 it was slightly above the total manufacturing average. But the import shares of the textile industry have been, during the whole period under consideration, distinctly above the total manufacturing average and equally above the consumer goods industries. The combined import shares of the textile and clothing industry correspond approximately to the total manufacturing average.

Table 1 - THE DEVELOPMENT OF BASIC ECONOMIC DATA FOR THE TEXTILE AND CLOTHING INDUSTRY AND TOTAL MANUFACTURING IN THE FEDERAL REPUBLIC OF GERMANY

| | Year | | | Avarage annual rate of change (%) | | |
|---|---|---|---|---|---|---|
| | 1959 | 1965 | 1972 | 1965/59 | 1972/65 | 1972/59 |
| turnover | | | | | | |
| in million DM | | | | | | |
| textile industry | 14 855 | 20 922 | 26 476 | 5.8 | 3.4 | 4.5 |
| clothing industry | 6 028 | 12 252 | 16 956 | 12.6 | 4.8 | 8.3 |
| total manufacturing | 214 256 | 364 006 | 583 804 | 9.2 | 7.0 | 8.0 |
| in % of total manufacturing | | | | | | |
| textile industry | 6.9 | 5.7 | 4.5 | . | . | . |
| clothing industry | 2.8 | 3.4 | 2.9 | . | . | . |
| exports | | | | | | |
| in million DM | | | | | | |
| textile industry | 1 438 | 2 681 | 5 483 | 10.9 | 10.8 | 10.8 |
| clothing industry | 253 | 644 | 1 596 | 16.8 | 13.8 | 15.2 |
| total manufacturing | 38 051 | 67 277 | 141 668 | 10.0 | 11.2 | 10.6 |
| in % of turnover | | | | | | |
| textile industry | 9.7 | 12.8 | 20.7 | 4.7 | 7.1 | 6.0 |
| clothing industry | 4.2 | 5.3 | 9.4 | 4.0 | 8.5 | 6.4 |
| total manufacturing | 17.8 | 18.5 | 24.3 | 0.6 | 4.0 | 2.4 |
| apparent consumption | | | | | | |
| in million DM | | | | | | |
| textile industry | 15 746 | 23 153 | 29 811 | 6.6 | 3.7 | 5.1 |
| clothing industry | 6 027 | 12 743 | 19 354 | 13.3 | 6.1 | 9.4 |
| total manufacturing | 196 183 | 342 086 | 538 864 | 9.7 | 6.7 | 8.1 |
| in % of total manufacturing | | | | | | |
| textile industry | 8.0 | 6.8 | 5.5 | . | . | . |
| clothing industry | 3.1 | 3.7 | 3.6 | . | . | . |
| imports | | | | | | |
| in million DM | | | | | | |
| textile industry | 2 329 | 4 912 | 8 818 | 13.2 | 8.7 | 10.8 |
| clothing industry | 252 | 1 135 | 3 994 | 29.0 | 19.7 | 24.0 |
| total manufacturing | 19 978 | 45 357 | 96 728 | 14.6 | 11.4 | 12.9 |
| in % of apparent consumption | | | | | | |
| textile industry | 14.8 | 21.2 | 29.6 | 6.7 | 4.9 | 5.5 |
| clothing industry | 4.2 | 8.9 | 20.6 | 13.3 | 12.7 | 13.0 |
| total manufacturing | 10.2 | 13.3 | 18.0 | 4.5 | 4.4 | 4.5 |

SOURCE: turnover : Statistisches Bundesamt, Fachserie D, Industrie und Handwerk. Reihe 1: Betriebe und Unternehmen der Industrie. I. Betriebe, Beschäftigte und Umsatz, current years.

foreign trade: Statistisches Bundesamt, Fachserie G, Außenhandel, Reihe 7. Sonderbeiträge: Außenhandel nach Ländern und Warengruppen und -zweigen des Warenverzeichnisses für die Industriestatistik, current years.

Own calculations. -

During the period of 1962 to 1972 there have been no appreciable shifts either in the textile or in the clothing industry between imports from EEC countries and from non EEC countries; the share of suppliers from EEC member countries during the period observed was about two thirds of the textile imports and roughly half of the clothing imports. As to the imports of total manufacturing, the share of suppliers from the EEC area equally amounted to about one half, a slight shift of the market share in favour of suppliers from EEC being noticeable.

The development of the most important data concerning factor absorption is compiled in Table 2. The thesis of a comparative advantage of the textile industry in highly developed economies is often based on the assumption that in the textile industry a vigorous intensification of capital has taken place changing it from a labour intensive into a relatively capital intensive industry. At the same time this process is often taken as an argument that industrialising countries with a surplus of labour are ill advised to concentrate their export efforts on textile products as the production of these export articles demands rapidly more capital and therefore provides relatively few jobs for labour surplus in the future.

The development during the last decade provides only little evidence for this extremely high acceleration of capital intensity. It is true that the gross fixed asset per employed person has risen more in the textile industry with an average annual rate of 6.9 per cent than on the average of the total manufacturing with 5.7 per cent; the investments thus being more labour-saving than on the industrial average (Table 2). But at the same time the textile industry did not yet - with just over 38,000 DM gross fixed asset per employed person - reach the industrial average of just under 42,000 DM gross fixed asset per employed person. It is therefore, by no means, among the industries above the average of all manufacturing. As regards the rate of acceleration of capital intensity ist must be noted that the average annual rate of growth of the gross fixed asset per employed person during the first half of the decade (+ 7.6 per cent) was distinctly above the average annual rate of growth during the second half of the last decade (+ 6.2 per cent). This corresponded to the development in total manufacturing.

Table 2 - FACTOR ABSORPTION IN SELECTED INDUSTRY BRANCHES, FEDERAL REPUBLIC OF GERMANY

| | Year | | | Avarage annual rate of change (%) | | |
|---|---|---|---|---|---|---|
| | 1959 | 1965 | 1971 | 1965/59 | 1971/65 | 1971/59 |
| factor capital | | | | | | |
| gross fixed asset[a] (in million DM) | | | | | | |
| textile industry ..... | 10 248 | 14 507 | 18 321 | 6.0 | 4.0 | 5.0 |
| clothing industry ..... | 2 051 | 3 319 | 4 281 | 8.4 | 4.3 | 6.3 |
| total manufacturing ..... | 151 491 | 243 183 | 342 703 | 8.2 | 5.9 | 7.0 |
| gross fixed asset per employed person (1 000 DM) | | | | | | |
| textile industry ..... | 17.1 | 26.5 | 38.1 | 7.6 | 6.2 | 6.9 |
| clothing industry ..... | 6.0 | 8.3 | 11.5 | 5.6 | 5.6 | 5.6 |
| total manufacturing | 21.4 | 30.5 | 41.6 | 6.1 | 5.3 | 5.7 |
| volume of investment[a] (million DM) | | | | | | |
| textile industry ..... | 797 | 1 022 | 977 | 4.2 | - 0.7 | 1.7 |
| clothing industry ..... | 205 | 313 | 270 | 7.3 | - 2.4 | 2.3 |
| total manufacturing ..... | 14 412 | 21 194 | 25 943 | 6.6 | 3.4 | 5.0 |
| factor labour force | | | | | | |
| employed persons (1 000 persons) | | | | | | |
| textile industry ..... | 600.7 | 547.0 | 481.5 | - 1.5 | - 2.1 | - 1.8 |
| clothing industry ..... | 339.2 | 398.2 | 371.6 | 2.7 | - 1.1 | 0.8 |
| total manufacturing ..... | 7 090.4 | 7 986,2 | 8 231.6 | 2.0 | 0.5 | 1.3 |
| employment by hours worked (million) | | | | | | |
| textile industry ..... | 1 196.8 | 1 004.4 | 857.9 | - 2,9 | - 2.6 | - 2.7 |
| clothing industry ..... | 661.2 | 694.5 | 610.6 | 0.8 | - 2.1 | - 0.7 |
| total manufacturing | 14 701.8 | 15 433.8 | 15 287.5 | 0.8 | - 0.2 | 0.3 |
| gross output per employed person (1 000 DM) | | | | | | |
| textile industry ..... | 11.8 | 16.8 | 24.1 | 6.1 | 6.2 | 6.1 |
| clothing industry ..... | 11.2 | 13.8 | 16.5 | 3.6 | 3.0 | 3.3 |
| total manufacturing ..... | 17.5 | 23.4 | 30.9 | 5.0 | 4.7 | 4.9 |

[a] In constant prices of 1962

Source: Deutsches Institut für Wirtschaftsforschung (DIW), Produktionsvolumen und -potential, Produktionsfaktoren der Industrie im Gebiet der Bundesrepublik Deutschland einschl. Saarland und Berlin (West). Statistische Kennziffern, 12. Folge (1960-1971), Berlin, 1972. - Own calculations.

It remains unknown whether this drastic acceleration of capital intensity so often referred to will occur in the near future. It must however be pointed out that this thesis is not supported by the development upto now.

The demand for textile goods expanded only below average, and the investments made in the textile industry were more labour-saving than on the manufacturing average, so that the textile industry belonged to those branches which, during the last decade, diminished labour force input. The number of employed persons decreased fairly constantly by 1.8 per cent per annum, the number of employed persons diminished by one sixth during the last decade. As a rule this corresponded to the rate of natural leavings, so that there was hardly any need to release jobs through dismissal of labour force.

The clothing industry belonged, contrary to the textile industry, to those branches where the demand grew to the same extent as the manufacturing average and which thus can be reckoned among the growth industries. The gross fixed asset per employed person increased at the same rate as the average of manufacturing (see Table 2). The gross fixed asset per employed person amounted, however, at the end of the sixties, to only about one quarter of the industrial average, the clothing industry thus belongs to the industrial branch with the highest labour content of production.

The propensity to invest was marked by a change of trend: whereas until the middle of the sixties the volume of investment of the clothing industry grew above average, a remarkable decrease of the propensity to invest was to be noticed in the second sub-period. The same development can be observed for the number of employed persons, which, at first, increased stronger than on the manufacturing average, but decreased slightly towards the end of the decade. The effects of releasing jobs in the textile and clothing were distinctly aggravated in the years 1972 and 1973. Apart from an increased import pressure by foreign competitors the domestic demand was strongly suppressed by anti-inflationary measures taken by the government. Apart from the building construction and the shoe industry the decrease in demand specially affected the range of textile and clothing products. The reduction in the number of jobs could no longer be compensated through natural retirements and for the first time to a greater extent

workers were released who remained unemployed. This growing pressure of adjustment due both to factors of supply and demand has of course called up the lobby of producers in order to induce the government to increased protection of the industry concerned. Also for this reason the extent and development of the protection in favour of the textile and clothing industry shall be discussed in the following Chapter.

## III Tariff and non-tariff protection of the textile and clothing industry; - some empirical evidence.

The textile and clothing industry is among those branches which through the still existing tariff barriers of EEC range at the top level of effective tariff protection.[1] The effective tariff protection against imports from extra-EEC countries amounted in 1970 in the textile industry to 21.0 per cent and 21.5 per cent in the clothing industry, compared with a manufacturing average of 11.9 per cent (Table 3). The total nominal tariff reduction within the framework of the Kennedy-Round is equally, in both fields, inferior to the industrial average. Compared with an average nominal tariff reduction of 3.7 percentage points during the period 1964 up to 1972, the textile industry showed an average tariff reduction of 2.4 percentage points and the clothing industry a reduction of 2.5 percentage points[2].

Apart from its being an industry with more than average effective tariff protection, the textile and clothing industry belongs to those branches which are more than the average favoured by the non-tariff trade barriers of the Federal Republic of Germany.

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1) For the concept and the empirical background for the measurement of nominal and affective rates of protection see the contribution of Ullrich Hiemenz and Kurt von Rabenau in this volume.

2) In order to prevent possible misunderstandings it shall here again be pointed out explicitly that this concerns an intersectoral and not an international comparison of protection. It is thus neither maintained that the tariff level of EEC is extremely high in comparison with other industrial countries, nor that, within the Kennedy-Round, analogous asymmetric tariff reductions have not been carried out by other industrial countries.

Table 3 - NOMINAL AND EFFECTIVE TARRIF PROTECTION AND EFFECTIVE TOTAL PROTECTION FOR SELECTED INDUSTRY BRANCHES IN THE FEDERAL REPUBLIC OF GERMANY

| | 1958 | 1964 | 1970 | 1972 |
|---|---|---|---|---|
| | | textile industry | | |
| intra EEC | | tariff protection | | |
| nominal | 11.1 | 2.6 | 0 | 0 |
| effective | 20.3 | 4.5 | 0 | 0 |
| extra EEC | | | | |
| nominal | 11.1 | 12.7 | 11.0 | 10.3 |
| effective | 20.3 | 24.0 | 21.0 | 20.8 |
| | | total effective protection | | |
| intra EEC | 24.9 | 5.2 | 0 | . |
| extra EEC | 24.9 | 29.3 | 25.6 | . |
| | | clothing industry | | |
| intra EEC | | tariff protection | | |
| nominal | 13.6 | 2.8 | 0 | 0 |
| effective | 17.7 | 2.7 | 0 | 0 |
| extra EEC | | | | |
| nominal | 13.6 | 16.5 | 14.7 | 14.0 |
| effective | 17.7 | 22.3 | 21.5 | 20.7 |
| | | total effective protection | | |
| intra EEC | 20.9 | 3.2 | 0 | . |
| extra EEC | 20.9 | 26.0 | 25.1 | . |
| | | total manufacturing | | |
| intra EEC | | tariff protection | | |
| nominal | 8.5 | 1.4 | 0 | 0 |
| effective | 10.4 | 1.9 | 0 | 0 |
| extra EEC | | | | |
| nominal | 9.0 | 11.0 | 8.8 | 7.3 |
| effective | 11.8 | 14.8 | 11.9 | 10.0 |
| | | total effective protection | | |
| intra EEC | 14.9 | 3.4 | 0 | . |
| extra EEC | 14.9 | 22.1 | 19.3 | . |

Source: J.B. Donges, G. Fels, A.D. Neu u.a. Protektion und Branchenstruktur der westdeutschen Wirtschaft. Kieler Studien, Bd. 123. Tübingen 1973, p. 198.

Among the non-tariff trade barriers still applied by the Federal Republic quantitative restrictions rank highest.[1] Quantitative import restrictions are still to be found vis-à-vis state trading countries and trade partners compiled in "country list B"[2]. The items subject to trade barriers through quantitative restrictions vis-à-vis these two groups of countries are represented for the manufacturing sectors and for four subsequently following years in Table 4.

Table 4 shows that the items subject to quota vis-à-vis country list B in the field of manufacturing are distributed on relatively few spheres of competence and reach particular importance only for two spheres:

- the coal mining industry
- and the textile and clothing industry.

In the glasses and pottery industry only few items are quantitatively restricted.

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1) See Hans H. Glismann and Axel Neu, "Towards New Agreements on International Trade Liberalization - Methods and Examples of Measuring Nontariff Trade Barriers." In: Weltwirtschaftliches Archiv, Bd. 107 (1971), H. 2, pp. 235 - 271.

2) "Country-list A" covers those countries whose industrial exports to the Federal Republic of Germany are fully (de jure) liberalized. Importation from these countries requires no special license, but merely a declaration (declaration procedure). The group of countries covered by "list A" consists - with but few exceptions - of the member states of the former OEEC and their colonies and mandatories at that time. "Country-list B" comprises all other countries in so far as they are not state trading countries. Contrary to the imports under "list A", imports under "list B" principally are subject to authorization. To these imports under license a differentiated liberalization procedure is applied:
   - the imports can be treated as liberalized "de jure", only the declaration is replaced by the license which is allotted automatically (so-called de facto or quasiliberalization), or
   - the imports are subject to restrictions in which case an import license is not granted automatically, but is bound to certain criteria.

While non-tariff trade barriers may be implied in the second instance, the first category of imports is treated on similar lines as imports from trade partners under "list A". For more details see Axel Neu and Hans H. Glismann, "Quantitative Aspects of Nontariff Distortions of Trade in the Federal Republic of Germany". In: Prospects for eliminating Non-Tariff Distortions, edited by Anthony Scapalanda (Publication of the John F. Kennedy Institute. Leiden, 1973).

Table 4 - ITEMS OF THE COMMODITY LIST FOR FOREIGN TRADE STATISTICS[a] UNDERLYING QUANTITATIVE RESTRICTIONS VIS-A-VIS COUNTRIES OF COUNTRY LIST B AND STATE TRADING COUNTRIES

A: as of February 1st 1970
B: as of July 1st 1971
C: as of August 1st 1972
D: as of August 1st 1973

| Industry sector[b] | Total items of the commodity list | of which: items quantitatively restricted vis-à-vis | | | |
|---|---|---|---|---|---|
| | | Country list B | | Bulgaria, Czechoslovakia, Poland, Rumania, Hungary | |
| | Absolute | Absolute | % Col. 2 | Absolute | % Col. 2 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 01 Iron and steel basic industries ...A | 319 | - | - | 234 | 73.4 |
| B | 322 | - | - | 186 | 57.8 |
| C | 323 | - | - | 165 | 51.1 |
| D | 326 | - | - | 132 | 40.5 |
| 02 Non-ferrous metals .....A | 280 | - | - | 146 | 52.1 |
| B | 279 | - | - | 33 | 11.8 |
| C | 269 | - | - | 28 | 10.4 |
| D | 269 | - | - | 21 | 7.8 |
| 03 Solid combustibles .....A | 13 | 3 | 23.2 | 13 | 100.0 |
| B | 12 | 2 | 16.7 | 9 | 75.0 |
| C | 11 | 2 | 18.2 | 7 | 63.6 |
| D | 12 | 3 | 25.0 | 5 | 41.7 |
| 04 Shipbuilding .....A | 32 | - | - | 13 | 40.6 |
| B | 33 | - | - | 9 | 27.3 |
| C | 35 | - | - | 9 | 25.7 |
| D | 35 | - | - | 9 | 25.7 |
| 05 Mining (excl. coal mining).....A | 15 | - | - | 6 | 40.0 |
| B | 14 | - | - | 5 | 35.7 |
| C | 14 | - | - | 5 | 35.7 |
| D | 15 | - | - | - | - |
| 06 Chemicals .....A | 1,420 | - | - | 136 | 9.6 |
| B | 1,368 | - | - | 41 | 3.0 |
| C | 1,333 | - | - | 35 | 2.6 |
| D | 1,380 | - | - | 13 | 0.9 |
| 07 Rubber and asbestos products .....A | 127 | - | - | 65 | 51.2 |
| B | 129 | - | - | 27 | 20.9 |
| C | 130 | - | - | 23 | 17.7 |
| D | 136 | - | - | 6 | 4.4 |
| 08 Petroleum and shale oils .....A | 74 | 6 | 8.1 | 67 | 90.5 |
| B | 74 | 6 | 8.1 | 20 | 27.0 |
| C | 76 | 6 | 7.9 | 16 | 21.1 |
| D | 78 | 7 | 9.0 | 6 | 7.7 |
| 09 Textile and clothing .....A | 1,026 | 270 | 26.3 | 820 | 79.9 |
| B | 1,016 | 262 | 25.8 | 631 | 62.1 |
| C | 1,015 | 262 | 25.8 | 526 | 51.8 |
| D | 1,036 | 263 | 25.4 | 304 | 29.3 |
| 10 Leather, footwear and furs .....A | 153 | - | - | 92 | 60.1 |
| B | 153 | - | - | 47 | 30.7 |
| C | 152 | - | - | 41 | 27.0 |
| D | 163 | - | - | 23 | 14.1 |

(continued)

Table 4 - (continued)

| Industry sector[b] | Total items of the commodity list | of which: items quantitatively restricted vis-à-vis | | | |
|---|---|---|---|---|---|
| | | Country list B | | Bulgaria, Czechoslovakia, Poland, Rumania, Hungary | |
| | Absolute | Absolute | % Col. 2 | Absolute | % Col. 2 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 11 Paper and paperboard etc. .....A | 531 | - | - | 287 | 54.0 |
| B | 535 | - | - | 66 | 12.3 |
| C | 529 | - | - | 36 | 6.8 |
| D | 550 | - | - | 17 | 3.1 |
| 12 Stone quarrying and sand pits ....A | 164 | - | - | 64 | 39.0 |
| B | 163 | - | - | 39 | 23.9 |
| C | 162 | - | - | 31 | 19.1 |
| D | 165 | - | - | 6 | 3.6 |
| 13 Manufactures of glases and potteryA | 197 | 13 | 6.6 | 122 | 61.9 |
| B | 200 | 13 | 6.5 | 72 | 36.0 |
| C | 200 | 13 | 6.5 | 59 | 29.5 |
| D | 200 | 13 | 6.5 | 22 | 11.0 |
| 14 Tobacco manufactures .....A | 10 | - | - | - | - |
| B | 10 | - | - | - | - |
| C | 23 | - | - | - | - |
| D | 23 | - | - | - | - |
| 15 Coffee .....A | 8 | - | - | 8 | 100.0 |
| B | 8 | - | - | 8 | 100.0 |
| C | 8 | - | - | 8 | 100.0 |
| D | 9 | - | - | 9 | 100.0 |
| 16 Machinery and transport equipment (excl. aircraft).....A | 1,059 | - | - | 107 | 10.2 |
| B | 1,077 | - | - | 23 | 2.1 |
| C | 1,087 | - | - | 20 | 1.8 |
| D | 1,111 | - | - | 3 | 0.3 |
| 17 Manufactures of aircraft .....A | 27 | - | - | 9 | 33.3 |
| B | 27 | - | - | 9 | 33.3 |
| C | 26 | - | - | 8 | 30.8 |
| D | 27 | - | - | - | - |
| 18 Electrical and fine mechanics ....A | 627 | - | - | 16 | 2.3 |
| B | 713 | - | - | - | - |
| C | 747 | - | - | - | - |
| D | 746 | - | - | - | - |
| 19 Manufactures of metal products, except machinery and transport equipment .....A | 856 | - | - | 356 | 41.6 |
| B | 858 | - | - | 86 | 10.0 |
| C | 855 | - | - | 77 | 9.0 |
| D | 860 | - | - | 36 | 4.2 |
| Total 01 - 19 .....A | 7,008 | 292 | 4.2 | 2,561 | 36.6 |
| B | 6,991 | 283 | 4.0 | 1,311 | 18.8 |
| C | 6,995 | 283 | 4.0 | 1,094 | 15.6 |
| D | 7,141 | 286 | 4.0 | 612 | 8.6 |

[a]On the six digit level. - [b]Corresponding with the sphere of competence in the Federal Ministry for Economics and Finance, Bonn.

SOURCE: Bundesamt für gewerbliche Wirtschaft (import licensing authority); unpublished data.

The countries noted within the group of the state trading countries present a more differentiated picture. Recently however liberalisation has made steady progress. This is shown by the fact that the share of items still underlying quantitative restrictions in 1970 (roughly one third) has mean time been reduced to just under 9 per cent.

As can be seen from Table 4, there are 270 of the about 1,000 items[1] in the textile and clothing industry quantitatively restricted vis-à-vis countries of list B. But these quantitative import restrictions do not apply without exception vis-à-vis all countries of list B.

Bilateral negotiated quotas[2] exist vis-à-vis the GATT members Japan, India, Pakistan, Egypt, South Korea, and Yugoslavia as well as vis-à-vis the non-GATT member Taiwan. Vis-à-vis all other GATT members of list B the importation of textile and clothing products is regulated according to the de-facto-liberalisation. For the other about 45 non-GATT-members of list B, which are mostly developing countries, importation in this sphere of competence has however been autonomously fixed as to quantities; the textile and clothing supply from these countries is of course not yet of any major importance. Thus the share of the quantitatively regulated textile and clothing imports from the seven countries of list B with bilateral quotas in the total regulated textile and clothing imports from list B was, in 1970, 99.8 per cent.

There are no import restrictions vis-à-vis country list A with the exception of Hong Kong. The cotton imports from Hong Kong were deliberalised in the frame of the Long-term arrangement regarding international trade in cotton textiles (LTA) at the end of 1966 and placed under a voluntary self-restraining agreement. At the beginning of 1970 raw cotton fabrics and Turkish towels were reliberalised. The extent of

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1) Six-digit items of the product list of the German foreign trade statistics. The difference between the individual years is due to transformation of items.

2) Bilateral quotas are as a rule, based on trade agreements or self-restraining agreements under the LTA.

the non-liberalised imports until 1970 was with about 40 items roughly half as great as the non-liberalised items in the cotton sector vis-à-vis list B.

As regards the remaining self-restraining agreements in the frame of the LTA (India and Pakistan until 1968 and Japan since 1970), merely hitherto existing quotas have been transformed into self-restraining agreements, so that in theses cases it is not question of a deliberalisation. With the exception of Japan, the hitherto indicated trade barriers were directed exclusively against the textile and clothing imports from developing countries.

The extent of items under restriction is much larger within the textile and clothing imports from state-trading countries (see Table 4). A steady liberalisation can however be noted. For statistical reasons[1] the scope of items under review here shall be limited (also for the state-trading countries) to the goods underlying restrictions vis-à-vis list B.

The 270 items of textile and clothing products restricted by quotas vis-à-vis some countries of list B have been, since the mid-sixties, consolidated to 13 "baskets of products" (so-called collective tender) and have been published, in these consolidations, in the "Bundesanzeiger" (Federal Advertiser). The extent of imported products underlying quantitative restrictions is shown - in terms of the share of apparent consumption - for the 13 "baskets of products" and for the years 1966 to 1970 in Graph 1. In the cotton sector the supplying countries with regulated imports possess - with the exception of men's cotton clothing - important market shares only in the relatively narrow markets of raw cotton fabrics and cotton handkerchiefs. In the sphere of

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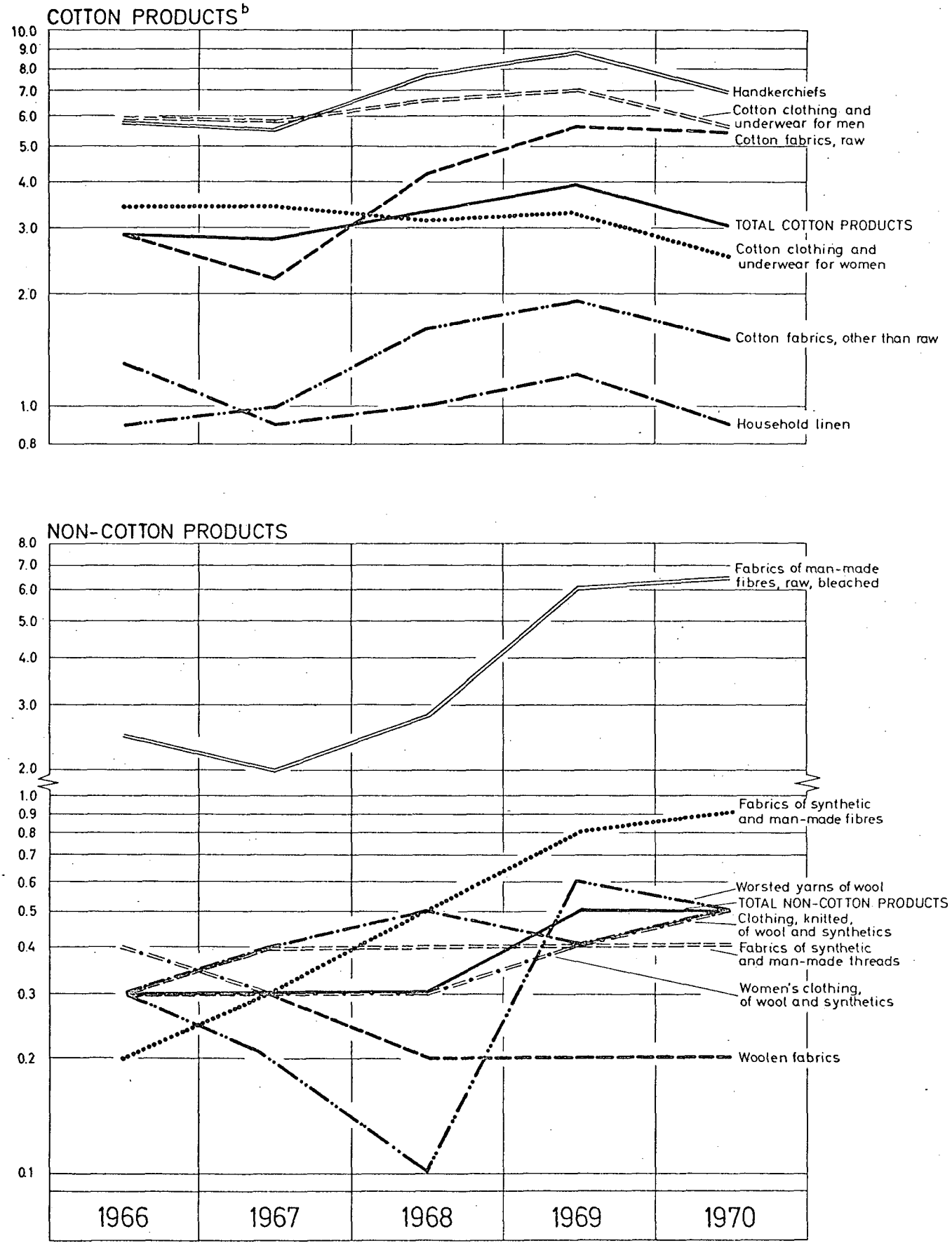
1) A separate specification of the import figures from state trading countries is basically possible, according to the information given by the import licensing authority of West Germany (Bundesamt für gewerbliche Wirtschaft). Such a specification would however imply very high financial and time expenditure, so that it was impossible to carry out this computing programme within the limits of this study.

Graph 1 - SHARE OF RESTRICTED IMPORTS[a] IN TOTAL APPARENT CONSUMPTION OF TEXTILE AND CLOTHING PRODUCTS UNDERLYING QUANTITATIVE RESTRICTIONS VIS-A-VIS COUNTRY LIST B IN THE FEDERAL REPUBLIC OF GERMANY FOR THE YEARS 1966-1970

(semi-logarithmic scale, %)




[a] From Japan, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia and from U.S.S.R., Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland.

[b] Including Hong Kong.

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non-cottons, the market share of regulated imports (without Hong Kong) transgresses the one per cent mark only in the relatively small sector of raw and bleached fabrics of man-made fibres.

A chronological comparison shows, moreover, that in the Federal Republic of Germany regulated imports from low-price countries by no means increase more rapidly than the corresponding total imports of these products. Whether this is traceable to the effect of quotas and whether the increase in imports might have been more rapid without quotas, can unfortunately not be verified. The exhaustment quotas held by the individual countries are not placed at public disposal by the competent authorities.

The extent of the tariff equivalent (TE) - here in terms of the difference between domestic price and world market price - which the suppliers could secure in the Federal Republic of Germany through the hitherto discussed non-tariff protection as protective effect remains to be estimated. The methods of computation and the data have already been explained in detail in another source[1]. These computations led to the following results: whereas the prices of liberalised imports from the countries of "list B" with bilateral agreements reached an average of 58 per cent of the domestic prices, the corresponding value concerning restricted goods amounted to about 40 per cent. This shows that the price gap in relation to domestic products was by 18 percentage points higher for restricted commodities as compared with liberalised ones.

This price gap corresponds - in terms of import prices of the restricted products - to an implicit tariff of 45 per cent. If the price gap is seen in relation to the import prices of liberalised products the TE

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1) See Hans H. Glismann and Axel Neu, "Towards ... op. cit. and Axel Neu and Hans H. Glismann, Quantitative Aspects ... op. cit.

amounts to 31 per cent[1].

Thus the protective effect is proved to be considerable - al least in this specific area. It seems all the more surprising that this protective effect (increasing of price gaps via import restrictions) is regarded rather as a derangement by the beneficiaries of protection. Regarding this it must be stated that quotas are an inappropriate means of defending market shares and - at the same time - of levelling price gaps.

The desire for protective measures can only be articulated in terms of alternatives: Should levelling the price gap be the main objective of those lobbying for protection, the instruments of tariff policy seem rather more adequate than those of quantitative import restrictions.

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1) It shall not be discussed in this context which is the "correct" basis of reference. A number of pros and cons may be put forth for "free trade prices" as well as for "quota prices".

## IV Distribution of imports of textile and clothing products from low price countries - the problem of burden-sharing

In defense of the still existing quotas - especially vis-à-vis list B - it is often pointed out that an exceptionally high percentage of the imports from low price countries is focused on the Federal Republic of Germany because other industrial countries, especially the EEC partners, have practised a particularly restrictive import policy. The manipulating measure of applying quotas is considered to be necessary in order to achieve a "just sharing of the import burden from low price countries".

Concerning this argument, it must be pointed out that it primarily takes account of the interests of the textile and clothing producers of the importing country and pays little attention to consumers' interests. What constitutes an "import burden" for one group is a bargain for the others. It is thus a partial approach which can hardly claim validity from a general economic viewpoint. Nevertheless it shall be examined in the following whether the Federal Republic of Germany in fact absorbs more textile and clothing imports than adequate to a developed market economy not suffering from any balance of payments difficulties and which declares itself for the principles of liberal exchange in foreign trade too.

In the following the problem of the "import burden" shall be studied on the basis of the import structure of the OECD countries[1] from low price countries, examining the textile and clothing products combined and including the state trading countries in the group of the suppliers from low price countries. The term of low price countries is applied to that group of countries which are still underlying quantitative restrictions in the textile and clothing sector in the Federal Republic of Germany.[2]

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1) As OECD membercountries include the most relevant industrial countries, it seems to be justified to identify OECD imports with imports of industrial countries.

2) In detail OECD imports from the following countries are concerned: Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia and the European state trading countries U.S.S.R., Democratic Republic of Germany, Poland , Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland.

Regarding the following analysis it must, moreover, be taken into account that the Federal Republic of Germany occupies a significantly higher rank in 1971 in comparison[1] to 1969. This was not so much due to a strong increase in the imports valued in DM, as to the increase of the Dollar-value of these imports in the wake of several DM-revaluations.

As a first criterion the share of imports from low price countries in the total of imported textile and clothing products of the consumer countries, respectively of the country groups, has been examined and the results have been arranged in Graph 2. Hence follows that the United States show by for the highest share of textile and clothing imports from low price countries, which is not surprising in view of the dimension of the market and the wage level of this country. The Federal Republic of Germany occupies, within OECD countries, a medium position. Its share of textile and clothing imports from low price countries in the respective overall imports is indeed higher than the EEC average, but lower than the average of all OECD countries.

Furthermore, one can allow for population differences and standardise the imports from low price countries as to "imports per head". The results of this computation have been compiled in Graph 3. In this comparison the index number of the Federal Republic of Germany ranges relatively high, slightly below Canada and Sweden. As this is an absolute index number, however, the effects of the DM revaluations show their greatest impact. In 1969 the Federal Republic of Germany still ranged, by this comparison of index numbers, behind Norway, the United States, the United Kingdom and the entire EFTA countries. The index number thus established is extremely low for France and Italy.

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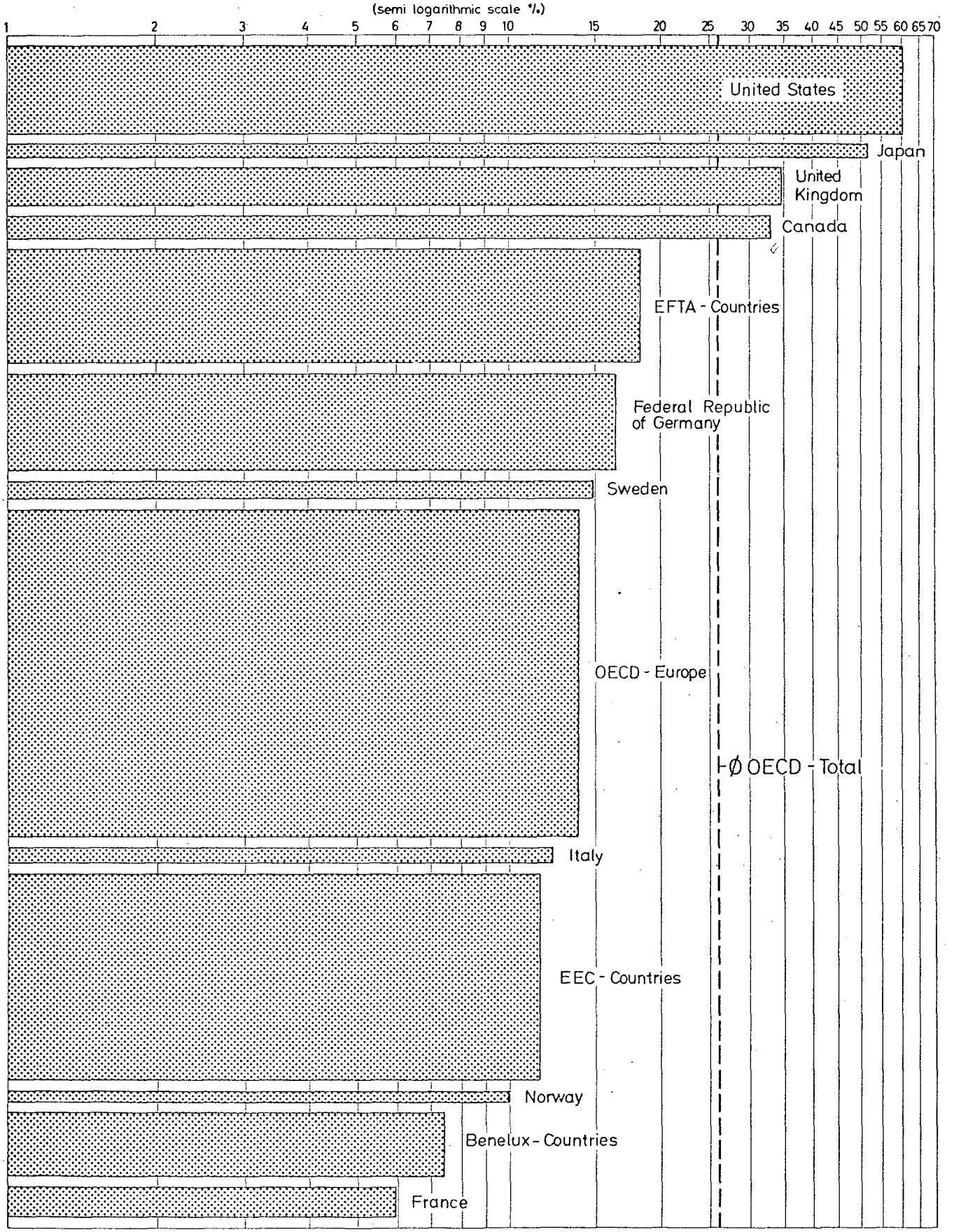
1) For a comparison with the situation in the year 1969 see Axel D. Neu, Tarifäre und nicht-tarifäre Handelshemmnisse der Bundesrepublik Deutschland gegenüber Einfuhren aus Entwicklungsländern (Kieler Diskussionsbeiträge, No. 20, Juni 1972).

Graph 2

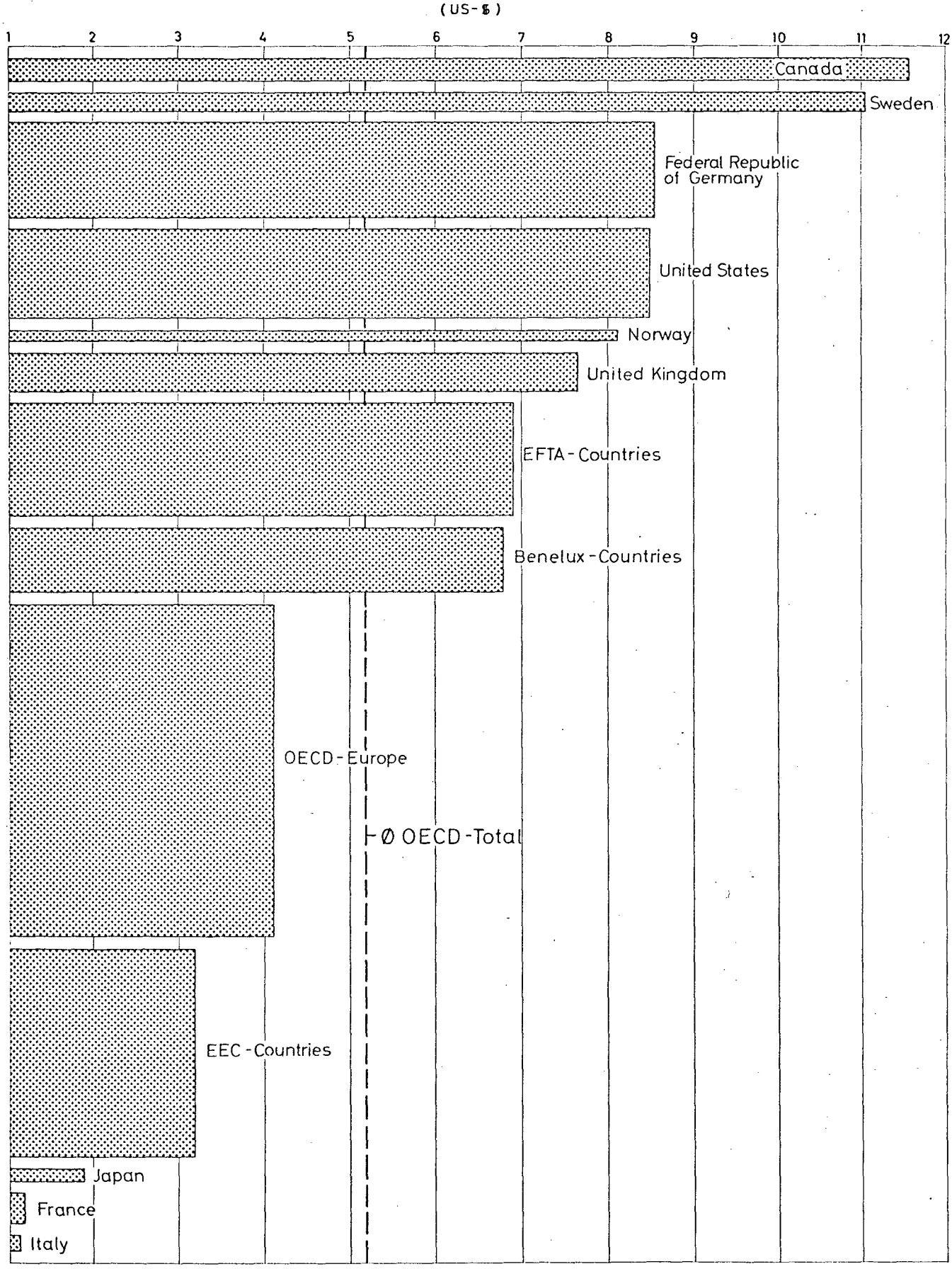
# SHARE OF IMPORTS OF TEXTILE AND CLOTHING PRODUCTS[a] FROM LOW PRICE COUNTRIES[b] IN THE TOTAL OF IMPORTED TEXTILE AND CLOTHING PRODUCTS FOR SELECTED OECD - COUNTRIES[c] 1971

(semi logarithmic scale %)




[a] SITC - Divisions 65 and 84. [b] Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia, and the European state trading countries U.S.S.R., Demokratic Republic of Germany, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland. - [c] The length of a column corresponds to the share of textile and clothing products from low price countries in the total of imported textile and clothing products of a country. - The breadth of a column corresponds to the share of imports of the respective country in all OECD imports of textile and clothing from low price countries.

Graph 3 IMPORTS OF TEXTILE AND CLOTHING PRODUCTS[a] FROM LOW PRICE COUNTRIES[b] PER INHABITANT IN US $ FOR SELECTED OECD-COUNTRIES[c] 1971




[a] SITC-Divisions 65 and 84. - [b] Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia and the European state trading countries U.S.S.R., Democratic Republic of Germany, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland. - [c] The length of a column corresponds to the imports per inhabitant (in US $). - The breadth of a column corresponds to the share of imports of the respective country in all OECD imports of textile and clothing from low price countries.

Taking into account differences in the gross national product, the share of imports from low price countries in the gross national product constitutes the index number. The results of these computations are shown in Graph 4. The EFTA member countries and Canada range far ahead of the Federal Republic of Germany which, within the OECD countries, lies above the average of these countries. The index number for Italy and France is here, too, extremely low. The foreign trade ratio being lower for a large country as the United States than for small countries, it is not astonishing that the United States, in this comparison, have a relatively low index number, not as low, however, as Japan, Italy and France and the overall EEC countries.

Differences in the foreign trade ratio can be taken into consideration by using the percentage of textile and clothing imports from low price countries in the volume of foreign trade as index number. The results of this comparison between the different countries are shown in Graph 5. The comparison shows that the index number of the United States, the United Kingdom and Canada ranges substantially higher than that of the Federal Republic of Germany, where it is, however, still higher than in the EFTA countries, Norway and Sweden. In this comparison, too, Italy and France have by far the lowest import burden figures.

Finally the clothing imports only (without textiles) shall be examined again and placed in relation to private expenditure for clothing[1]; the result of this operation is shown in Graph 6. The Federal Republic ranges behind Sweden, Canada and the United Kingdom, bur far ahead of the index number of the EEC countries. Again France and Italy present by far the lowest index numbers.

Independent of the question which of the different index numbers are considered as the "right" indicators for an assessment of the distribution of the import burden from low price countries, the following two statements can be made:

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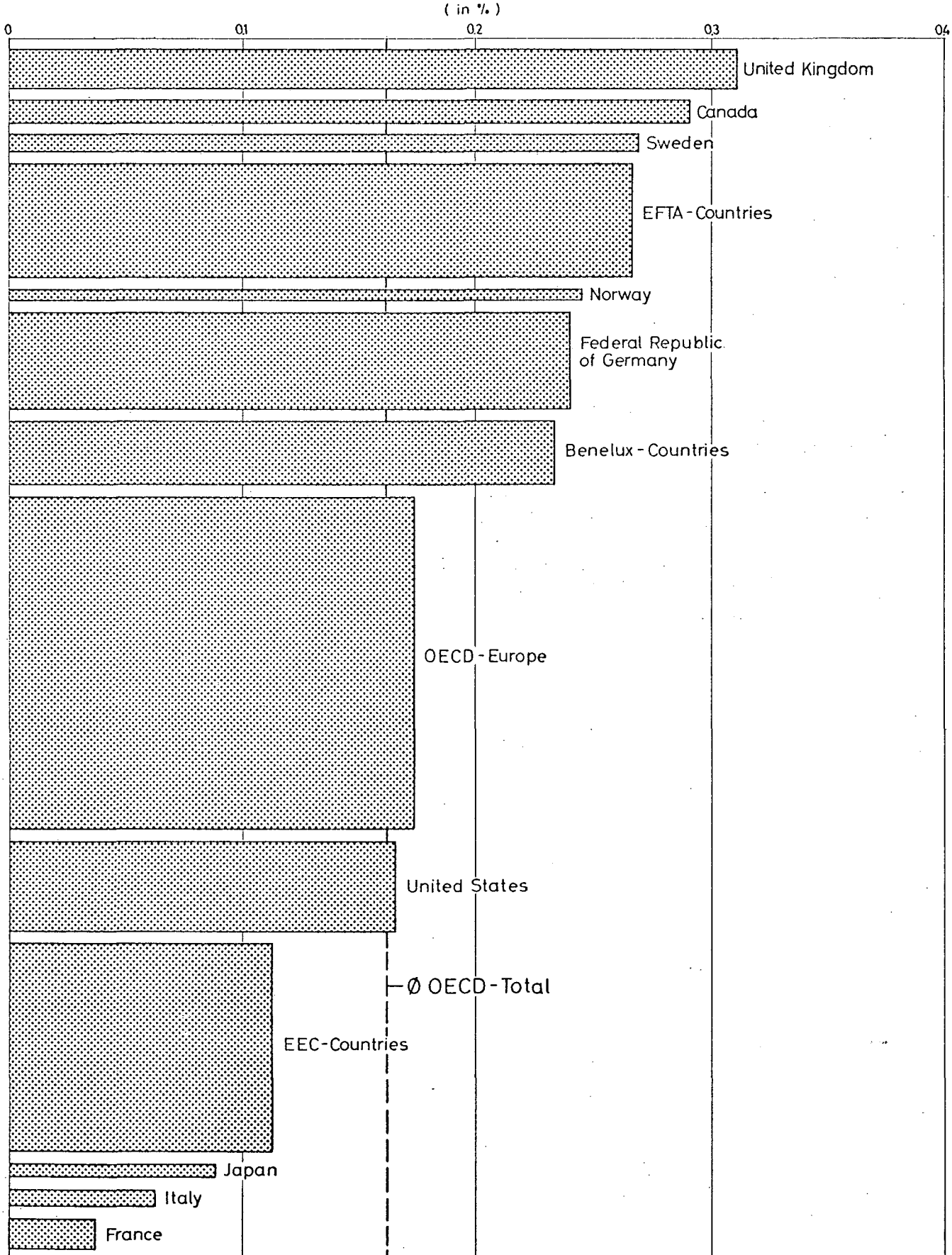
1) The relation to production or turnover could not be applied because of the incomparability of national and international statistics.

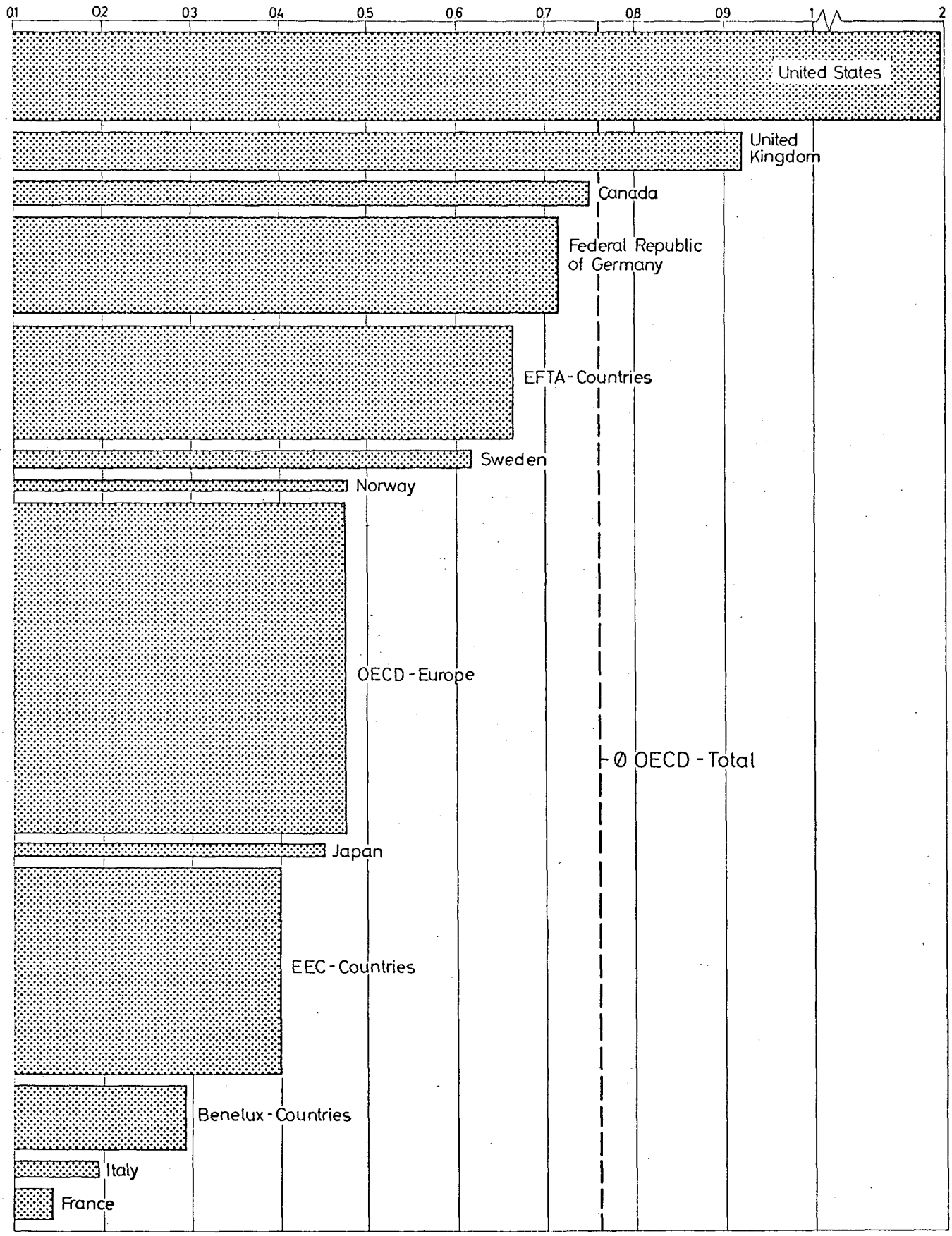
Graph 4 SHARE OF IMPORTS OF TEXTILE AND CLOTHING[a] FROM LOW PRICE COUNTRIES[b] IN GROSS NATIONAL PRODUCT[c] FOR SELECTED OECD-COUNTRIES[d] 1971




[a] SITC-Divisions 65 and 84. - [b] Japan, Hong-Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia and the European state trading countries U.S.S.R, Democratic Republic of Germany, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland. - [c] Gross national product in current market value and current exchange rates. - [d] The length of a column corresponds to the share of imports of textile and clothing products from low price countries in the gross national product. - The breadth of a column corresponds to the share of imports of the respective country in all OECD imports of textile and clothing from low price countries.

Graph 5 SHARE OF IMPORTS OF TEXTILE AND CLOTHING[a] FROM LOW PRICE COUNTRIES[b] IN THE TOTAL VOLUME OF FOREIGN TRADE FOR SELECTED OECD-COUNTRIES[c] 1971

( in % )




[a] SITC - Divisions 65 and 84. - [b] Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslawia, and the European state trading countries U.S.S.R., Democratic Republic of Germany, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland. - [c] The length of a column corresponds to the share of imports of textile and clothing from low price countries in the total volume of foreign trade. - The breadth of a column corresponds to the share of imports of the respective country in all OECD imports of textile and clothing from low price countries.

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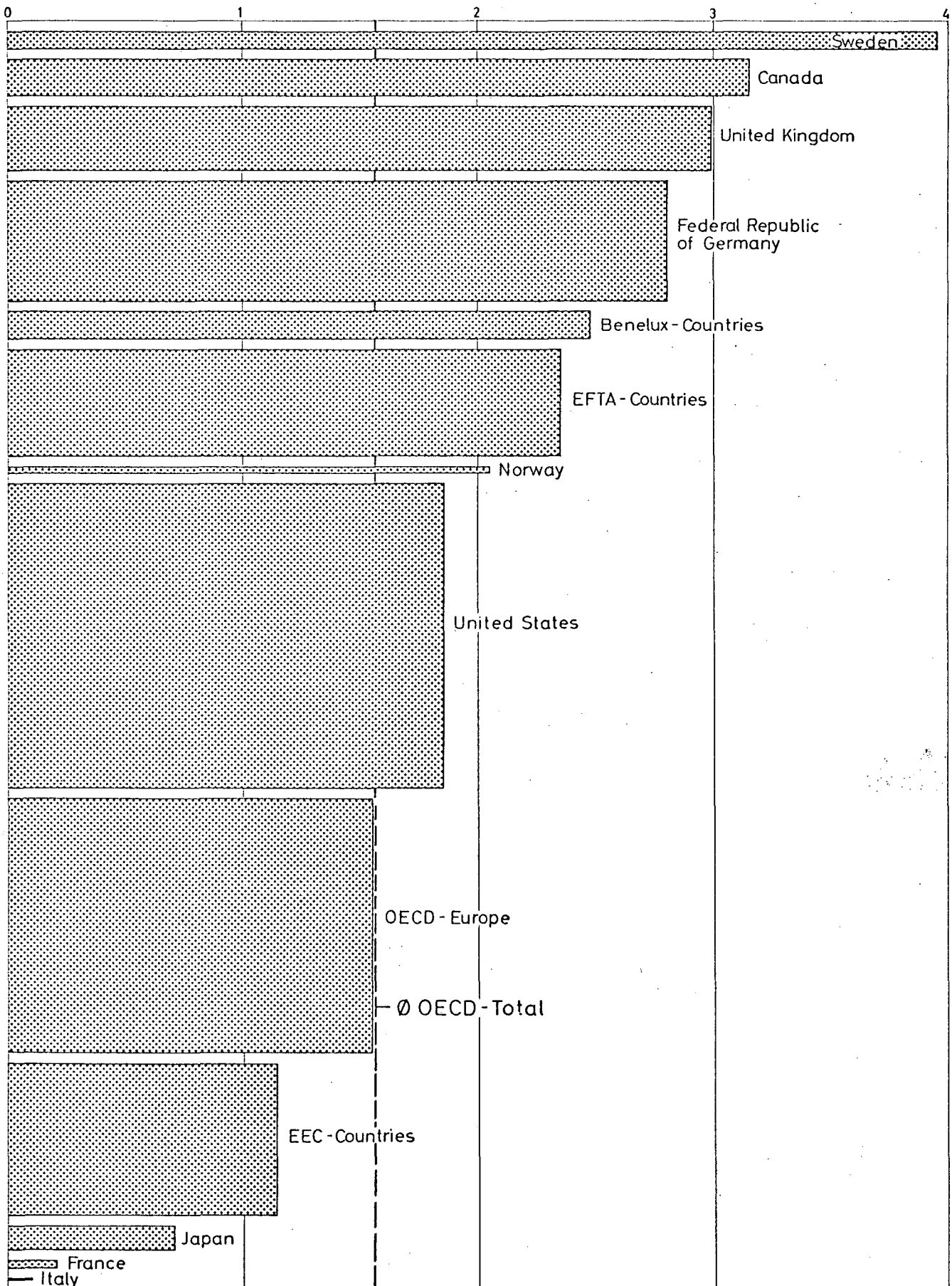
Graph 6 SHARE OF IMPORTED CLOTHING[a] FROM LOW PRICE COUNTRIES[b] IN THE TOTAL OF PRIVATE EXPENDITURE FOR CLOTHING FOR SELECTED OECD-COUNTRIES[c] 1971

(in %)




[a] SITC-Divisions 65. - [b] Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea, Yugoslavia and the European state trading countries U.S.S.R., Democratic Republic of Germany, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and China Mainland. - [c] The length of a column corresponds to the share of imported clothing from low price countries in the total of private expenditure for clothing product of a country. The breadth of a column corresponds to the share of imports of the respective country in all OECD imports of textile and clothing from low price countries.

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- among all OECD countries the Federal Republic occupies a medium position, its index numbers corresponding approximately to the average of all OECD countries, or partly lying above them; but in none of the cases is it in a leading position on the top;
- among the EEC countries the index numbers for the Federal Republic of Germany are substantially higher than the average of all EEC countries; extremely low are the import burden figures for Italy and France.

The customs duties on imports of textile and clothing products from low price countries being indentical for all EEC countries, the very low imports, in comparison to the Federal Republic, of France and Italy are occasionally explained by the assumption that protectionism by means of non tariff trade barriers is more extensive and more effective in those two countries than in the Federal Republic of Germany. It is however very difficult to verify this assertion as it is unknown which is the extent of quotas existing and to which degree they are exhausted. Expecially the reproach, often made, of a high administrative protectionism in those two countries can hardly be proved. Within the limits of the enumeration of non tariff trade barriers through the procedure of complaints made by the GATT-Enquête, Italy (5 complaints) and France (4 complaints) are, in the textile and clothing sector, not much more often subject to complaints than the Federal Republic of Germany (3 complaints).

A discrepancy in the extent and efficiency of non tariff barriers does however not constitute the only hypothesis explaining the concentration of EEC imports on the Federal Republic of Germany. It must be regarded as a concurrent hypothesis that the strong demand pull for imports is much more distinct in the Federal Republic than in the other partner countries. This is due to at least three reasons[1]:

- on the one hand, imports are favoured in the Federal Republic through the significance of mail order firms which are main importers of the textile and clothing products from low price countries. As catalogue sale in France and Italy assumes, by no means, the

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1) The federation of the textile industry stated on inquiry, in addition the following reasons for comparatively low imports on the part of the partner countries:
- capital interdependence of trade and industry;
- high participation of state bank in trade financing;
- technical import barriers, e.g. the "Visa Technique" in France or the price control procedure applied in Belgium.

importance it has in the Federal Republic, this explains - at least in part - the strong regional concentration of the textile and clothing imports within the EEC.

- on the other hand it must be considered that the wage level of industrial workers in the Federal Republic of Germany is noticeably higher and the interregional wage differences are less marked than in Italy or France. Producing units for labour intensive textile and clothing products may still be profitable there, whereas West Germany already imports these products.
- furthermore the structure of demand of the Federal Republic of Germany may differ from those in France and Italy, in so far as in West Germany it favours the imports from low price countries more than in the other member countries of the EEC.

## V. Export performance of low price countries.

In Chapter IV only those exports from low price countries were examined which were supplied to OECD member countries. Of course this is only part of the overall textile and clothing exports of these countries. In the following the development of the total exports from this group of countries for the years 1966 and 1969 shall be examined; for reasons arising from the statistical sources used it was necessary to limit the circle of these low price countries to the following group of countries: Japan, Hong Kong, India, Pakistan, Egypt, Taiwan, South Korea and Yugoslavia. In return, the range of products was, in the following report, extended, in the textile and clothing sector, to textile fibres (not manufactured into yarn, thread or fabrics) and their waste (see Table 5).

In detail the following development became apparent for the countries under consideration:

- The Federal Republic absorbs in 1969 4.6 per cent of the exports in textiles fibres; that is just under one third of the overall EEC imports. In the entire EEC trade with non-EEC-countries the share of the Federal Republic is also just above one third of the imports. The importance of the Federal Republic as an import region increases from 1966 to 1969 whereas the importance of the overall EEC decreases.
- The EEC share of the Federal Republic in yarns, fabrics and finished textile products lies somewhat above the average share of imports from non-EEC-countries. The United States import, in 1969 and 1966 more than EEC and EFTA together. The importance of EEC and also of the Federal Republic as importing regions increases during the period observed, whereas the importance of the EFTA countries and of the United Kingdom diminishes.
- The EEC share in clothing products on the part of the Federal Republic of Germany is, with two thirds, distinctly higher than its average share. This results from a strong concentration of the exporting countries Hong Kong and Yugoslavia on the Federal Republic. In the other countries of supply the share is sub-average. In the clothing sector too the United States import more than EEC and EFTA together.

| reporting countries | total exports in 1 000 US $ | share in total exports % | destination of exports (importing country) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | developed countries[a] | developing countries | United States | Canada | Japan | Western Europe | EEC | Fed. Rep. Germany | EFTA | United Kingdom |
| | | | in % of reporting countries total export | | | | | | | | | |
| **Textile fibres (not manufactured into yarn, thread or fabrics) and their waste (SITC 26)** | | | | | | | | | | | | |
| Japan .....1966 | 151,406 | 19.1 | 41.2 | 44.3 | 18.5 | 0.5 | - | 16.3 | 7.9 | 2.0 | 5.9 | 1.8 |
| 1969 | 173,887 | 23.1 | 36.2 | 57.1 | 9.6 | 0.5 | - | 19.7 | 10.6 | 4.6 | 6.5 | 0.9 |
| Hong Kong ....1966 | 1,588 | 0.2 | 89.9 | 10.2 | 25.2 | . | 30.6 | 22.8 | 8.2 | . | 13.1 | 9.9 |
| 1969 | 1,986 | 0.3 | 86.4 | 13.6 | 33.1 | . | 16.2 | 25.4 | 11.5 | . | 8.7 | 6.2 |
| India .....1966 | 46,100 | 5.8 | 60.8 | 3.5 | 8.3 | 0.5 | 28.2 | 22.1 | 9.7 | 1.3 | 10.7 | 10.5 |
| 1969 | 33,177 | 4.4 | 73.3 | 1.2 | 5.5 | 0.7 | 46.9 | 18.2 | 6.6 | 0.8 | 7.0 | 6.9 |
| Pakistan[b].....1966 | 236,097 | 29.8 | 61.7 | 19.9 | 5.7 | 0.6 | 7.7 | 46.4 | 25.6 | 4.8 | 16.0 | 13.9 |
| 1969 | 193,462 | 25.8 | 52.9 | 20.3 | 2.5 | 0.3 | 9.4 | 38.9 | 19.5 | 4.7 | 15.3 | 11.7 |
| Egypt .....1966 | 334,597 | 42.2 | 28.6 | 10.8 | 2.8 | . | 3.8 | 22.0 | 11.8 | 3.2 | 2.9 | 1.4 |
| 1969 | 306,054 | 40.7 | 36.2 | 9.3 | 0.4 | . | 8.6 | 27.2 | 15.2 | 4.9 | 4.3 | 1.9 |
| Taiwan .....1966 | 2,687 | 0.3 | 93.5 | 6.5 | 8.9 | . | 69.4 | 15.2 | 15.0 | 7.3 | . | . |
| 1969 | 5,857 | 0.8 | 45.9 | 54.1 | 4.6 | . | 36.2 | 5.1 | 5.1 | 5.0 | . | . |
| South Korea ..1966 | 12,857 | 1.6 | 99.8 | . | 76.8 | . | 21.3 | 1.8 | 1.7 | . | . | . |
| 1969 | 27,091 | 3.6 | 98.8 | 1.2 | 18.2 | . | 71.9 | 8.6 | 8.3 | 1.8 | . | . |
| Yugoslavia ...1966 | 7,729 | 1.0 | 76.8 | 22.7 | 6.4 | . | 4.1 | 66.3 | 48.6 | 10.9 | 14.2 | 1.8 |
| 1969 | 9,531 | 1.3 | 71.0 | 6.8 | 8.9 | . | . | 61.7 | 42.7 | 14.7 | 12.8 | 5.9 |
| All above countries.....1966 | 793,061 | 100.0 | 44.7 | 19.4 | 8.3 | 0.3 | 6.2 | 28.3 | 15.2 | 3.4 | 7.9 | 5.7 |
| 1969 | 751,045 | 100.0 | 76.2 | 22.9 | 4.1 | 0.2 | 10.9 | 27.7 | 14.9 | 4.6 | 7.7 | 4.4 |
| **Textile yarn, fabrics, made-up articles and related products (SITC 65)** | | | | | | | | | | | | |
| Japan .....1966 | 1,270,703 | 53.5 | 39.4 | 57.2 | 19.0 | 3.0 | - | 7.3 | 3.1 | 1.6 | 3.2 | 1.0 |
| 1969 | 1,645,506 | 54.0 | 38.3 | 56.9 | 17.7 | 3.4 | - | 7.0 | 3.6 | 2.1 | 2.6 | 0.9 |
| Hong Kong ....1966 | 161,221 | 6.7 | 72.1 | 26.7 | 23.1 | 2.6 | 0.2 | 32.3 | 3.7 | 1.8 | 28.1 | 26.8 |
| 1969 | 186,209 | 6.1 | 73.2 | 26.3 | 23.1 | 1.7 | 0.3 | 30.0 | 2.9 | 1.3 | 26.8 | 24.1 |
| India .....1966 | 509,974 | 21.4 | 61.2 | 23.7 | 34.6 | 5.6 | 0.1 | 15.2 | 3.5 | 1.3 | 9.8 | 8.5 |
| 1969 | 484,994 | 15.9 | 68.0 | 19.8 | 39.4 | 5.5 | 1.5 | 17.1 | 4.8 | 1.6 | 10.2 | 8.8 |
| Pakistan[b].....1966 | 204,154 | 8.5 | 45.0 | 49.5 | 18.3 | 1.6 | 0.1 | 16.5 | 2.8 | 0.7 | 9.6 | 8.6 |
| 1969 | 320,230 | 10.5 | 50.0 | 37.4 | 19.7 | 2.6 | 2.5 | 19.4 | 7.1 | 1.9 | 10.7 | 9.2 |
| Egypt .....1966 | 91,355 | 3.8 | 12.6 | 23.0 | 1.8 | 0.4 | . | 10.4 | 4.6 | 2.6 | 3.8 | 0.2 |
| 1969 | 133,123 | 4.4 | 17.7 | 23.3 | 3.5 | 0.5 | . | 13.7 | 9.2 | 3.2 | 3.3 | 0.9 |
| Taiwan .....1966 | 61,268 | 2.5 | 23.4 | 76.6 | 11.3 | 0.9 | 0.3 | 5.8 | 3.6 | 0.2 | 1.9 | 1.8 |
| 1969 | 135,012 | 4.4 | 30.0 | 69.8 | 7.9 | 0.8 | 5.1 | 10.9 | 7.9 | 0.8 | 2.7 | 1.2 |
| South Korea ..1966 | 34,476 | 1.4 | 52.1 | 47.9 | 26.9 | 1.7 | 7.2 | 11.6 | 7.8 | 1.3 | 3.6 | 3.2 |
| 1969 | 65,700 | 2.2 | 44.0 | 56.0 | 19.0 | 3.2 | 7.9 | 12.6 | 9.4 | 2.8 | 2.8 | 2.1 |
| Yugoslavia ...1966 | 48,569 | 2.0 | 68.6 | 21.0 | 4.7 | 1.3 | . | 62.5 | 50.1 | 17.7 | 11.5 | 4.8 |
| 1969 | 76,249 | 2.5 | 72.7 | 15.4 | 3.4 | 1.2 | . | 67.9 | 51.8 | 19.2 | 15.2 | 1.5 |
| All above countries.....1966 | 2,381,720 | 100.0 | 46.1 | 45.5 | 21.5 | 3.2 | 0.1 | 12.7 | 4.2 | 1.8 | 7.0 | 5.0 |
| 1969 | 3,047,023 | 100.0 | 46.1 | 45.1 | 20.3 | 3.2 | 0.9 | 13.4 | 5.9 | 2.4 | 6.5 | 4.5 |
| **Clothing (SITC 84)** | | | | | | | | | | | | |
| Japan .....1966 | 340,444 | 41.2 | 67.4 | 26.7 | 50.9 | 5.7 | - | 9.1 | 6.4 | 4.9 | 2.5 | 1.6 |
| 1969 | 451,390 | 30.5 | 73.0 | 19.4 | 58.1 | 5.8 | - | 7.4 | 5.0 | 3.5 | 2.1 | 1.2 |
| Hong Kong ....1966 | 353,778 | 42.9 | 87.6 | 12.4 | 33.1 | 3.4 | 0.2 | 49.5 | 21.0 | 16.5 | 27.7 | 20.0 |
| 1969 | 613,281 | 41.4 | 89.3 | 10.5 | 39.5 | 4.6 | 1.2 | 41.9 | 16.7 | 13.6 | 25.0 | 16.5 |
| India .....1966 | 10,556 | 1.2 | 14.1 | 23.7 | 7.6 | . | . | 6.2 | 2.0 | . | 3.9 | 3.6 |
| 1969 | 26,902 | 1.8 | 34.3 | 18.0 | 6.2 | 0.5 | 0.7 | 26.8 | 12.9 | 4.9 | 13.4 | 7.7 |
| Pakistan[b].....1966 | 2,853 | 0.3 | 60.2 | 33.0 | 44.9 | . | . | 11.9 | 4.0 | . | 6.8 | 5.8 |
| 1969 | 5,294 | 0.4 | 52.6 | 24.2 | 25.5 | 6.0 | . | 20.0 | 9.7 | 5.3 | 10.0 | 6.3 |
| Egypt .....1966 | 3,031 | 0.3 | 17.1 | 80.1 | . | . | . | . | . | . | . | . |
| 1969 | 11,580 | 0.8 | . | 9.7 | . | . | . | . | . | . | . | . |
| Taiwan .....1966 | 26,024 | 3.1 | 86.0 | 13.9 | 58.0 | 13.2 | 0.9 | 11.7 | 8.2 | 2.2 | 3.0 | 0.9 |
| 1969 | 127,572 | 8.6 | 93.5 | 6.5 | 71.6 | 8.8 | 2.4 | 7.7 | 5.7 | 3.3 | 1.9 | 1.3 |
| South Korea ..1966 | 33,386 | 4.0 | 95.1 | 4.8 | 48.7 | 1.4 | 8.2 | 36.5 | 6.3 | 1.3 | 29.8 | 2.8 |
| 1969 | 160,770 | 10.9 | 96.7 | 3.3 | 61.8 | 3.7 | 19.2 | 11.2 | 5.6 | 2.6 | 5.5 | 1.2 |
| Yugoslavia ...1966 | 54,570 | 6.6 | 57.9 | 0.5 | 3.1 | . | . | 54.6 | 34.8 | 22.9 | 19.4 | . |
| 1969 | 83,163 | 5.6 | 62.9 | 0.4 | 5.6 | 0.9 | . | 56.3 | 36.7 | 26.4 | 19.5 | 0.7 |
| All above countries.....1966 | 824,642 | 100.0 | 76.2 | 17.6 | 39.5 | 4.2 | 0.4 | 30.5 | 14.5 | 10.7 | 15.5 | 9.4 |
| 1969 | 1,479,952 | 100.0 | 82.2 | 11.7 | 47.5 | 4.9 | 2.8 | 25.2 | 11.9 | 8.9 | 13.1 | 7.6 |

[a] excluding state trading countries. - [b] 1970 instead of 1969.

Source: Commodity Trade Statistics, several years. United Nations, New York. - Own calculations.

It is moreover a remarkable trait of the hitherto development, that, with the exception of finished textiles, the share of the industrial countries in the textile and clothing exports of the country group considered increases. The intra-group trade of the developing countries is, for these groups of products, nevertheless by far higher than for the other manufacturing products.

During this period, the following structural change with regard to individual regions became apparent for the imports of the Federal Republic of Germany:

- in developing countries a shift in the range of products can be observed. Developing countries with a relatively low level of development (India, Pakistan, United Arab Republic) widened their export capacity for standardised fabrics, generally on a not very advanced processing level, with emphasis on cotton fabrics. Production and exportation of household linen and handkerchiefs preceded the manufacture of ready-made clothes and their integration in the range of export goods;
- the more advanced developing countries (Hong Kong, Taiwan, and South Korea) shifted their export efforts from the production of semi-finished and finished textiles to clothing products;
- Japan's export efforts in the textile and clothing sector continue to be strong regarding nearly all restricted items, although the share of these products within Japan's total exports is rapidly declining.

These exports efforts hit upon an industry which is - not only in West Germany but all through industrial nations - undergoing an ever growing process of structural adjustment.

## VI. The philosophy of anomalous competition

In defence of quantitative restrictions for textile and clothing imports from low price countries it is often argued that those administrative measures are not directed against competition as such, but served only as a protection from "anomalous" or "unfair" competition on the part of this country group. As main evidence of the anomaly of competition, allusion is made primarily to the wage level in these countries which is, in comparison, very low.

This discrepancy of the wage level is uncontested; it is merely open to question whether it should be interpreted as a competitive advantage or as a distortion of competitive ability. It is widely accepted in economic theory that differences in the endowment with natural resources are one of the main reasons for the existence of an exchange of goods between countries and groups of countries. Insofar differences in the endowment with labour force and the resulting gaps in wage levels are doubtless a criterion of a competitive advantage and not of a distortion of competitive ability.

The reproach that low price countries in pursuing their export policy "offend the rules" which constitute criteria for a fair competition, is to be taken more seriously. Generally the codified competition rules of the GATT treaty are used as such criteria. It is argued in this respect that these supplier countries themselves protect their own industries by comparatively high tariff barriers and quantitative import restrictions and that they apply dumping measures.

As regards India and Pakistan, the reproach of maintaining themselves high trade barriers is certainly fully justified and for other countries at least partially. The main supplier Hong Kong, on the contrary, does not levy any import duties. Not regarding the question whether developing countries are well advised to pursue a policy of import substitution behind high trade barriers, this policy can hardly be used as an argument to justify the application of quantitative import restrictions here:

- In the case of balance of payments difficulties the continuance or introduction of quantitative import restrictions are absolutely in conformity with GATT regulations, as long as they are not focused on a certain sector as the textile and clothing industry. Both criteria are fulfilled in most supplier countries. Concerning the Federal Republic of Germany, since the middle of the fifties, balance of payments difficulties cannot be asserted, without mentioning that the existing import restrictions vis-à-vis country list B are focused on few branches;
- the import barriers against textile and clothing products in developing countries are hardly directed against potential imports from

developed economies, but against the imports from other low price countries. It is open to question whether the developing countries should mutually impede their access to markets. In any case the textile and clothing industry in developed economies cannot justify the maintenance of quotas as a retaliatory measure against the violation of their own export interests.

As further evidence of the anomaly of competition it is maintained that the textile and clothing exports from low price countries often constitute dumping. Apart from the fact that the reproach of dumping in the case of the Federal Republic of Germany could not yet be verified for a single case in the textile and clothing sector, it is questionable how far the reproach of dumping can justify the retention of quotas. In the cases of dumping imports the developed countries would have the possibility, in conformity to GATT regulations, to counteract these imports by levying anti-dumping duties.

A variant of the hitherto discussed criteria for an identification of anomalous competition is put forth for the imports of textile and clothing products from state trading countries. It is maintained that, due to the foreign trade monopoly of these countries and the prevailing economic system, aspects of competition are no criterion for the pricing policy within this group of suppliers. Moreover, barter transactions with these countries have for more often led to imports in the textile and clothing sector than in the case of other manufactured products.

As only incomplete data on the textile and clothing imports from state trading countries were available, it appears somewhat difficult to make, within the frame of this study, a statement on this complex question. It must however be kept in mind that the textile and clothing industry occupies a special position as to the degree of liberalisation vis-à-vis state trading countries, insofar as liberalisation achieved is lower than, on average, for total manufacturing (see Table 4).