

RESTRICTED

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GENERAL AGREEMENT ON TARIFFS AND TRADE

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COTTON TEXTILE IMPORTS INTO THE UNITED KINGDOM

Addendum

Proposed Modifications to Earlier Proposals

1. Her Majesty's Government circulated to all interested governments in September 1965 an Aide-Memoire containing proposals for the regulation of cotton textile imports into the United Kingdom after 1965. This document was also circulated to members of the GATT Cotton Textiles Committee as COT/59, and was considered by the Committee at its meeting from 6-10 December 1965. The report of the meeting (COT/M/5, paragraph 151) records that the Committee:

- (a) took note of the United Kingdom proposal on cotton textile imports;
- (b) invited the United Kingdom delegation to report to the United Kingdom authorities the concern expressed in relation to the proposal during the Committee's discussion together with the comments and suggestions which had been made;
- (c) invited individual members of the Committee with special concern in this matter to accept the United Kingdom offer to enter into bilateral consultations in order to obtain further detailed information on points of particular importance to them;
- (d) agreed that, following these consultations, there would be a meeting of the Committee, before the next session of the CONTRACTING PARTIES (probably about mid-March 1966) to take up this matter as well as other points that might arise in the meantime.

2. The United Kingdom accordingly invited discussions with all those countries which had expressed views on the proposals either in the Committee or in bilateral communications. During February and the first half of March discussions were held with certain countries; other countries furnished a further statement of their views. Before this substantial programme of bilateral discussions had been concluded, the United Kingdom General Election was announced. British Ministers felt that in the circumstances they were unable to give careful and immediate consideration to the views of exporting countries and the United Kingdom accordingly sought a postponement of the meeting of the Cotton Textiles Committee which had been fixed for mid-March.

3. Her Majesty's Government have now thoroughly studied the views put forward by exporting countries, and are willing, in the light of them, to modify their original proposals. The modifications are designed to meet, as far as it seems practicable to the United Kingdom to do so, the particular points raised by exporting countries in connexion with the size of the global quota; the absence of adequate flexibility in the original scheme, both as regards categorization and as between one year and another; the limitation of the issue of import licences to British importers who traded in 1964; and the special problem of fashion trade in finished cloth and made-up goods.

4. Her Majesty's Government regret that, for the reasons given in paragraphs 5-11 of their earlier Aide-Memoire, they see no possibility of any practical alternative to a global quota system which would be fair to exporting countries. But the modifications at paragraph 5(iii)-(v) below are put forward to meet the apprehensions about the operation of a global quota by a number of the countries with which bilateral talks were held.

5. The modifications now proposed to the scheme in COT/59 are as follows:

- (i) The global quota originally proposed accounts for some 8 per cent of the British consumption of cotton textiles. Nevertheless, Her Majesty's Government now propose to increase the total permitted imports within the quota by 10 per cent over the original proposals, thus raising the quota for piece-goods and made-ups to 131 million yards. In view of the importance attached by many countries to trade in more finished products, the 12 million yard addition to the quotas for piece-goods and made-ups would be divided equally between grey cloth on the one hand and finished cloth, household textiles and apparel on the other.
- (ii) The categorization arrangements described in paragraphs 6 and 7 of the Annex to COT/59 and in Appendix C of that document, would be made more flexible in the following ways. First, the number of main groups would be reduced from five to four by the amalgamation of the household textiles and apparel groups. Secondly, the number of sensitive categories would be reduced from twenty-four to eighteen partly by the amalgamation of such categories and partly by treating some of them as not being sensitive. Thirdly, importers with licences for sensitive categories would be free, if they so wished, to use such licences for imports of non-sensitive items in the same group. Annex A shows the groups and categories now proposed and the associated quotas.

- (iii) In view of the cyclical nature of United Kingdom domestic demand for textiles, importers would be able, in any year, to anticipate one twelfth (i.e. $8\frac{1}{2}$ per cent) of their allocation for the following year. Similar facilities for anticipation would be applied to the additional country quotas described at (v) below. Under such arrangements traders would have the opportunity to do more business in years of heavy demand and less incentive to push sales when the capacity of the market to absorb imports is lower.
- (iv) Under the interim scheme, licences for imports from global quota countries were made available only to those United Kingdom traders who imported in 1964. Arrangements have been made so that licences will also be available to traders who imported in 1965.
- (v) To mitigate the difficulties referred to by some exporting countries in adapting the special demands of the fashion trade in some finished cloth and made-up goods to the administrative machinery necessary in a global quota scheme, the United Kingdom would be prepared to agree that the additional 6 million yards of finished cloth and made-up goods mentioned at (i) above should be allocated in the form of special country quotas. These country quotas would be set at the level of 500,000 yards per country where average trade in the years 1962/64 in the goods concerned reached this level. Except where past trade was very small the quota in other cases would be the average 1962/64 level. Annex B sets out the country quotas which would be available on this basis. (Licences would be issued in each case up to the total indicated above to importers in the United Kingdom named by the exporting countries. The country quotas would not be subject to detailed categorization but in certain cases the United Kingdom would wish to reach understandings with exporting countries about the level of trade in particular items.

6. In the view of Her Majesty's Government, the proposals in their earlier Aide-Memoire represented a fair and reasonable balance between the interests of the exporting countries and those of the United Kingdom, whose special position as an importing country was explained in the Aide-Memoire and was widely recognized at the December meeting of the Cotton Textiles Committee. The modifications to the proposals, which are set out above and which represent a further move to meet points raised by the exporting countries, are put forward in the hope that these countries will be prepared to regard the amended proposals as an acceptable solution to an exceedingly difficult problem.

7. It is, of course, the intention of the United Kingdom to play a constructive part in the discussions under Article 8(d) of the Long-Term Arrangement, and they have already made clear to the Cotton Textiles Committee their willingness to review the Arrangement for the control of imports of cotton textiles in the light of any decision that may be taken about the future of the Arrangement after 1967.

ANNEX A

Proposed List of Categories and Quotas
(A Revision of Appendix C to COT/59)

<u>Main group and category</u>	<u>Quota for 1966¹</u>
A. YARN (lbs.)	8,521,000
of which:	
Folded, grey or finished	3,440,000
B. GREYCLOTH (square yards)	99,046,000
of which:	
Drills, jeans and gaberdines	3,001,000
Poplins	1,060,000
Other fabrics exceeding 46" in width but not exceeding 60" width	5,804,000
Other fabrics exceeding 60" width	12,014,000
C. FINISHED CLOTH ² (square yards)	9,915,000
of which:	
Terry towelling and similar terry fabrics	6,000
Corduroys	1,028,000
Poplins	885,000
Other yarn-dyed piece-goods	1,980,000
Other bleached piece-goods	4,965,000
Other printed piece-goods	345,000
D. MADE-UPS ² INCLUDING HOUSEHOLD TEXTILES AND APPAREL (square yards equivalent)	16,904,000
of which:	
Bed linen	3,755,000
Towels	1,656,000
Men's and boys' shirts	2,629,000
Men's, women's and children's nightwear and underwear	3,327,000
Raincoats and other proofed garments	53,000
Handkerchiefs	133,000
Men's and boys' coats, waistcoats and trousers	2,600,000

¹ The quotas for main groups take into account minor adjustments to the proposed quotas shown in Appendix B of the Aide-Memoire of September 1965 and for greycloth the addition of six million square yards proposed in the present Aide-Memoire.

² The total for finished cloth and made-ups exclude the additional 6,000,000 yards being offered as separate country quotas (see paragraph 5(v) of the Aide-Memoire).

ANNEX B

GLOBAL QUOTA

MARGINAL COUNTRY QUOTAS FOR FINISHED AND MADE-UPS
sq. yds. equivalent

Countries	Proposed Quota ¹
Brazil	60,000
British Honduras	50,000
Cyprus	70,000
Formosa	220,000
Gibraltar	250,000
Greece	40,000
Israel	500,000
Jamaica	500,000
Macao	500,000
Madeira	130,000
Malaysia	500,000
Malta	340,000
Morocco	30,000
Nigeria	50,000
Pakistan	500,000
Senegal	10,000
Singapore	500,000
South Africa	500,000
South Korea	130,000
Spain	500,000
Thailand	10,000
Trinidad and Tobago	30,000
U.A.R.	500,000
Yugoslavia	500,000

¹The quota is based on average imports (retention only) of finished and made-ups in the years 1962-1964. The quotas are calculated on multiples of 10,000 sq. yds., the maximum entitlement being 500,000 sq. yds.