

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/105/Add.2
15 October 1968

Special Distribution

Original: English

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Information on Steps to Facilitate Adjustments in the Cotton Textile Industries

Addendum

In compliance with paragraph C(h) of the conclusions adopted by the CONTRACTING PARTIES on 24 November 1967 relating to trade of developing countries (BISD, Fifteenth Supplement, page 72) importing countries participants in the Cotton Textiles Arrangement were requested in GATT/AIR/640 to notify to the secretariat, for the information of the Cotton Textiles Committee all relevant information on the measures taken or contemplated by them to facilitate adjustments in their cotton textiles industries during the period of special protection provided by the Cotton Textiles Arrangement.

The following is an additional notification received from the United Kingdom Mission.

The broad history of contraction of the British cotton industry is well known. Between 1912 and 1958 annual production of cotton fabrics fell by almost 75 per cent largely because of the decline in exports and the fact that imports had increased considerably. Towards the end of 1958 the United Kingdom Government decided to introduce measures to rationalize the domestic industry. The measures that were taken were embodied in the Cotton Industry Act 1959. Under the schemes for dealing with excess capacity the United Kingdom Government agreed to pay two thirds of the compensation for scrapping obsolete equipment, the remaining third to be paid by firms which remained in the industry. As regards re-equipment the Government paid grants of up to 25 per cent of the cost of modernizing existing machinery. In all, the Government contributed approximately £25 million.

Following the period of rationalization covered by the 1959 Act the United Kingdom industry continued to contract. The numbers employed in the doubling, spinning, weaving, waste spinning and finishing sections of the industry continued to fall as shown in the following figures:

	1959	1963	1964 ¹	1965	1966	1967	1968 June figure
Production also fell:	222,120	169,680	166,160	155,530	147,060	127,146	115,750
							<u>Jan.-July</u>
Spinning (million lb.)	651.56	515.5	551.7	527.1	495.3	424.3	260.47
Waste spinning (million lb.)	106.60	100.1	102.3	100.1	96.6	84.0	48.34
Doubling (million lb.)	242.84	238.4	256.0	251.9	233.3	213.3	134.32
Weaving (million linear yds.)	1,925.04	1,574.4	1,645.2	1,639.4	1,531.9	1,364.3	758.66

¹Fifty-three weeks.

Mills were forced out of business and closed at the rate of fifty-one a year up to 1965, but this accelerated and sixty-four mills closed in 1966, and ninety-four mills closed in 1967.

In 1966 the Global/Country Quota scheme was introduced to restrict the import of cotton goods and in June that year the Textile Council, a statutory body, was invited by the United Kingdom Government to undertake a major study of the cotton textile industry with a view to considering the ways in which the efficiency and productivity of the domestic industry could be most rapidly increased. In extending the invitation the Government pointed out the need to make the best possible use of the breathing space afforded to the industry by the limitations that had been imposed on imports from low-cost sources until the end of 1970. The study consists mainly of a United Kingdom analysis which, with the exception of marketing, is being carried out by the Textile Council itself; a parallel international cost comparison and a marketing study, both abroad and in the United Kingdom, are being undertaken by consultants. The United Kingdom Government is meeting the full cost of employing the consultants.

It is expected that the study will provide a comprehensive and objective survey of the problems of the United Kingdom cotton industry and the Government is awaiting the results of the study before giving further consideration to the future of the industry. The report of the study is expected to be completed later this year.