

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COTTON TEXTILES COMMITTEE

### Statement by the United Kingdom Delegation at Meeting of 1 December 1964

We have had a number of interesting statements this afternoon, including the very full statement by the delegate for the United States. I wish to say something about the United Kingdom's experience during the past year.

In the first half of 1964 United Kingdom imports of cotton cloth from low-cost producing countries were about 25 per cent higher than in the corresponding period of 1963. There were two main reasons for this. First, there was a cyclical recovery in the British cotton textile market following the sharp recession in 1962/63. Secondly, a number of new countries began to supply cotton textiles to the United Kingdom.

At the beginning of 1964 we had restraint arrangements which applied to purchases of cotton textiles from traditional suppliers. But we had no way of knowing what supplies were coming forward from other countries. Early in the year open licensing was withdrawn in respect of two sources from which large imports had quickly developed. In both cases large forward contractual commitments were found to exist - in one case alone some 30 million square yards were covered by irrevocable letters of credit.

Following this we decided that we should amend our licensing arrangements so that we could obtain advance information about orders placed. This was why, from 1 May 1964, specific licences were required for imports from many low-cost suppliers who were not subject to any restraint arrangements at that time. Importers were asked to furnish to us details of the forward contracts which they had entered into.

The picture thus revealed was disturbing, when considered with the volume of imports which the United Kingdom was already accepting from traditional suppliers; though less disturbing than it might have been if a cyclical business recovery had not been in progress in Lancashire. On cloth there were outstanding contracts for about 80 million square yards. This was equal to as much as one eighth of our total imports in 1963. This 80 million square yards was contracted with countries which in some cases had previously exported only insignificant quantities to the British market. There were very sizeable amounts of yarn and made-up goods as well.

The situation was difficult for two reasons. First, the acceptance of ever-increasing quantities from new countries would completely undermine the confidence of the Lancashire industry. Secondly, it would have been inequitable to those

countries which were already exercising restraint to allow the market which they had foregone to be taken over by other suppliers. We felt, therefore, that we had no alternative but to approach those countries from which significant exports had developed or were in prospect and to seek mutually acceptable restraint arrangements with them.

We approached nine countries and invited their co-operation in limiting their exports to the United Kingdom. Here I should like to give some indication of the increases in trade which have occurred. Our imports of cloth from these nine countries were 18 million square yards in 1963, and in 1964 have been running at an annual rate of over 40 million square yards. The comparable figures for made-up goods are £200,000 and £2,000,000.

For the most part the discussions with these countries have not yet led to any final agreement. In the meantime, however, we have been ready to grant licences to established importers for all goods covered by existing contracts which have been shipped to the United Kingdom to date. By accepting goods against contracts a substantial volume of trade has been continued although, as I have said, in most cases no final restraint arrangements have as yet been reached with these countries.

I should mention, in addition, that we had obligations to the traditional Commonwealth suppliers in Asia which provided, in certain circumstances, that we would accord them supplementary quotas if imports from other countries increased while they themselves were prevented from taking full advantage of the opportunities available in the British market. In view of the large increases in imports from new suppliers which had occurred, we accorded supplementary quotas to the three large Commonwealth suppliers - India, Hong Kong, Pakistan - to the amount of 33 million square yards between the middle of 1964 and the end of 1965.

These were the supplementary quotas to which my colleague from Pakistan referred. I must point out that this is a case where equity considerations led the United Kingdom to accord additional trade to certain suppliers as a result of increases in imports from others. British imports of piece-goods from Pakistan were 38 million square yards in 1962, 56 million square yards in 1963, and so far in 1964 have been running at a rate of 57 million square yards.<sup>1</sup>

The reorganization of the British cotton textile industry has continued. The long-run trends have continued in 1964 despite the cyclical improvement in market conditions to which I have referred: there has been a further contraction in the number of spindles and looms in place and in the labour force.

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<sup>1</sup>These figures include imports for process and re-export. The amounts were small in 1962 and 1963, but have been at an annual rate of some 10 million square yards in 1964. During the period 1962-64 Pakistan's exports of piece-goods and made-up goods for retention in the United Kingdom market have been limited, subject to the supplementary quota arrangements referred to above, to 42.4 million square yards annually.

In order to maintain the basis of confidence on which this reorganization is founded we cannot, as is well-known, undertake to give increased access to the British market. Roughly 30 per cent of our consumption of cotton textiles is met by imports from low-cost producing countries and the figure is over 40 per cent if total imports are considered.

We believe that other developed countries will bring their performance closer to our own and will grapple with the obstacles, which we well understand, to doing this. We have noted the indications in the papers before us that there has been some increase in access during the past year and we do sincerely welcome this.

We see the present session as an opportunity for views to be exchanged on the operation of the Long-Term Arrangement and to make preparations for the major review next year. The information which is becoming available about production and trade in cotton textiles should, in our opinion, provide a useful basis for this review. We would like to congratulate the secretariat on the valuable work which they have already done on the collation of some of this material; this greatly helps in making inter-country comparisons. We welcome the arrangements under which the secretariat will be able to seek the advice and help of experts in the further development of this work. This will reduce the risk that the major review next year might be impeded by technical discussions about figuring.

Finally, I should like to say that the United Kingdom sees the Long-Term Arrangement as an instrument for increasing trade. The presence of our colleagues from Hong Kong in our delegation underlines our interest in this.

The delegates for Japan and Pakistan have referred to the import surcharges which the United Kingdom Government recently imposed. This covered cotton textiles, for these are a significant element in our import bill. Imports of all cotton textiles (including made-up goods) had been £98 million in 1963, but were running at an annual rate of £120 million in the first half of 1964. These figures include imports from developing countries at £66 million in 1963, and in the first half of 1964 at an annual rate of over £90 million. This brings out that the restraint arrangements, designed to assist reorganization of the Lancashire industry, have not been operated so as to prevent any increase in imports, and could not therefore be regarded as equivalent to arrangements required to restrict imports for balance-of-payments reasons.

I should like to repeat what British Ministers have already stated, namely, that the import charge is a temporary measure and is not meant as a protective device. We very much regret the need for it. This in no way represents a change of policy or attitude on the part of the British Government, for we continue to attach great importance to increasing the opportunities of the developing countries for expanding their trade; and I believe that, when it is viewed in its historical context, the import charge will be seen not to have seriously disturbed the smooth working of the Long-Term Arrangement.