

UNITED KINGDOM IMPORT RESTRICTIONS ON COTTON
TEXTILES

*Report of the Panel adopted on 5 February 1973
(L/3812 - 20S/237)*

1. The Panel was appointed by the Council on 25 October 1972 with the following terms of reference:

"To investigate, in accordance with the provisions of paragraph 2 of Article XXIII, the matter referred to the CONTRACTING PARTIES by the Government of Israel concerning the restrictions on imports of cotton textiles maintained by the United Kingdom and to report thereon to the Council".

2. The following was the composition of the Panel:

Chairman: Mr P.T. Eastham (Canada)

Members: Mr. P. Affolter (Switzerland)
Mr. H. Colliander (Sweden)
Mr. Eun Tak Lee (Korea)

3. In the course of its investigation of the matter, the Panel held consultations with the delegations of Israel and the United Kingdom. The matter turned on the question of whether Israel should, at this time, be considered to be a low cost, disruptive supplier of cotton textiles in the United Kingdom market for the purposes of the United Kingdom global quota scheme. Background information submitted by both delegations on imports, wage rates, prices, structural changes, and other relevant data served as a basis for the examination of this question.

4. The delegation of Israel contended, *inter alia*, that there had been structural changes in Israel's cotton textile industry, which was now concentrating on more sophisticated and higher value products, that wage rates in the industry had risen to Western European levels, and that landed prices of cotton textile imports from Israel were as high as, or higher than, those of comparable goods produced in the United Kingdom or in non-restricted supplier countries. The United Kingdom delegation contended that the action taken by the United Kingdom in continuing to apply the quota system to Israel in 1972 was justified and necessary given the high degree of import penetration of the United Kingdom cotton textile market by a large number of suppliers and the consequent danger of market disruption.

5. In the light of the consultations which took place in the meetings held by the Panel, representatives of the two governments concerned conducted bilateral discussions. The panel was advised that as a result of these discussions a mutually acceptable settlement had been reached, under which Israel would be treated as an unrestricted supplier as of 1 January 1973. The broad outlines of this settlement have been announced in both countries in the following terms:

"Discussions were held at the Department of Trade and Industry on 21 December with a delegation from the Israel Government about Israel's exports of cotton textiles to the United Kingdom. In view of recent developments in the Israel cotton textile industry, it was agreed that restrictions on imports of cotton textiles from Israel would come to an end on 31 December 1972. During a transitional period of two years, if imports of cotton textiles from Israel exceeded agreed levels, consultations would be held to review the situation and the United Kingdom could restrain further imports in specific categories if that proved necessary."

6. The Panel noted the unanimous view of the Executive Committee of the British Textile Confederation that Israel is no longer a low-cost producer of cotton textiles. They also noted that this view had been taken into account in the settlement reached between the two parties.

7. The Panel draws the attention of the Council to this agreement and expresses the view that it constitutes a solution to the matter referred to the Panel in accordance with paragraph 2 of Article XXIII. In view of the fact that a solution has been reached between the parties, the Panel considers that it is unnecessary to undertake further investigation of this matter.