

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/M/6  
12 July 1966

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## COTTON TEXTILES COMMITTEE

Report of the Meeting of the Committee held at the  
Palais des Nations on 21 and 22 April 1966

Chairman: Mr. E. WYNDHAM WHITE

Subject discussed: Proposals concerning Cotton Textile  
Imports into the United Kingdom

1. The Chairman recalled that the Committee had had a full discussion at its last meeting (COT/M/5) of the proposals which had been notified by the United Kingdom (COT/59). At that meeting, the Committee took note of the United Kingdom's proposals, and invited the United Kingdom delegation to report to their Government the concerns which had been expressed about the proposals, together with the particular comments and suggestions which had been made. Further, individual members of the Committee with special concern in the matter had been invited to accept the offer, which the United Kingdom had made, to enter into bilateral consultations with them. It had been agreed that, after these consultations had taken place there would be a meeting of the Committee to take up the matter again in the light of further developments. The stage of bilateral consultation had been completed and the Committee now had before it suggested modifications to earlier proposals transmitted by the United Kingdom delegation (COT/59/Add.1)<sup>1</sup>; these modifications were designed to meet some of the anxieties which had been expressed, either in the course of discussions in the Committee, or in bilateral consultations.

2. The representative of the United Kingdom stated that the delay in distributing the modified proposal was due to a certain political lull in the United Kingdom, during which his Government had been unable to study the outcome of the bilateral discussions that had been held with a number of countries concerned. He said that the modifications were intended to meet fully the points and apprehensions which were raised by other countries, both at the last Committee meeting in December 1965 and during the subsequent bilateral discussions. Although the United Kingdom remained convinced that the basis of import programmes for the 1966/70 period must stand for reasons already explained, at the average of imports in 1962-64, it did appear that an ad hoc adjustment of some 10 per cent in this figure might ease some

<sup>1</sup>This document, together with the original aide-memoire (COT/59), is attached to this report.

of the difficulties of the exporting countries. Moreover, an adjustment of this amount might be used to shift, to some extent, the balance between grey cloth, on the one hand, and finished cloth and made-up goods, on the other, a little in favour of the latter, as there was a general desire amongst many of the exporting countries for more scope for exports of sophisticated goods. An increase of 10 per cent in the global quota was therefore proposed. This amounted to 12 million yards, or yards equivalent in the case of made-up goods; half of which would go into the global quota for grey cloth and the other half would go towards finished cloth and made-up goods.

3. Among the particular points which had been raised by a number of countries was the question of trade in finished cloth and made-up goods. Where finished cloth was essentially a fashion article, it was frequently imported into the United Kingdom directly, either by retail, department and chain stores, or others, but these had not, in the past, always been importers of cotton textiles from abroad. Thus, if the global quota operated in these cases, there was a probability that some imports of finished cloth and made-up goods would be curtailed. The modification described in paragraph 5 of COT/59/Add.1 had been made to resolve this problem. 6 million yards of finished cloth and made-up goods had been allocated in small country quotas to all those countries which had had previous trade with the United Kingdom in these articles. Any country, which between 1962 and 1964 had an export average to the United Kingdom of up to half a million yards, would receive a quota of the amount of their average exports, and those countries which had an average of half a million yards or more would receive a quota of half a million yards. Annex B to COT/59/Add.1 set out all the countries which had had previous trade with the United Kingdom and the amount of quota for which they would in fact qualify. The inclusion of Madeira was an error and should be deleted. It was the earnest hope of the United Kingdom that the number of exporting countries and, in particular some of the smaller countries, affected by the proposals would find in these modifications a means of continuing their trade in finished cloth and made-up goods, which they considered the global quota scheme would impede. It was recognized to be a specialized trade, and the United Kingdom also had recognized that it must try and devise some specialized means of helping this trade, it was to this end that these proposals had been evolved.

4. The United Kingdom representative drew attention to three further modifications. The first (paragraph 5(i) of COT/59/Add.1), was the introduction of a greater degree of flexibility in the system of categorization put forward in the earlier proposal. This additional flexibility would be apparent from a comparison of Annex A of that document with the categories which were set out in the original aide-memoire. The number of categories had been reduced and the "not elsewhere specified categories" had been increased; it would be seen that, in the last of each of the four groups was a broad category which covered everything not elsewhere set out. This ought to make administration more flexible from the point of view of the exporting countries and give British importers a wider range of choice when using the licences.

5. Secondly, the highly cyclical nature of the United Kingdom textile trade was pointed out during the discussion in December 1965. To meet this difficulty, a system, under which quotas in any given year could be exceeded to the amount of  $8\frac{1}{2}$  per cent, had been evolved. This ought to mean in terms of the textile cycle that trade could be increased by  $8\frac{1}{2}$  per cent in a year which was good for imports, and since such a year was normally followed by a year which was not so good, the borrowing could be repaid in that year, or in the following year. This degree of flexibility should enable the exporting countries to sell in the British market, when it was most profitable for them to do so. This would be a useful and practical degree of flexibility for exporting countries and ought, if properly applied, to increase their sterling earnings.

6. Thirdly, it had been pointed out that trade with some countries had been hindered to a certain extent by the fact that British importers who had traded during 1965 for the first time were unable to obtain import licences. The United Kingdom, therefore, proposed to make licences available to those who imported either in 1964 or 1965, or both, thus bringing the importers list up to date for the benefit of those countries whose first contacts with British importers were made during 1965.

7. The representative of the United Kingdom drew the attention of the Committee to the last paragraph of the same document (COT/59/Add.1) which was a statement of policy. The United Kingdom intended to play a constructive part in the discussions under Article 8(d) and look at its own arrangement in the light of any decision that might be reached as to the future of the Long-Term Arrangement. He reaffirmed what was set out in paragraph 6 of the document, namely that the United Kingdom was convinced that the proposals put before the Committee in December 1965 represented a real and serious effort on its part to find an equitable solution to an extremely difficult problem. The modifications were intended as improvements in the scheme, without detracting from its basic principles, so as to make easier the position of the exporting countries or remove particular difficulties besetting their trade.

8. In conclusion, he expressed the hope that exporting countries would recognize that the combination of the earlier proposals and the present modifications would form an acceptable solution to the problems which arose.

9. The representative of Pakistan said that, when the United Kingdom scheme came up at the December meeting, his country brought up several points for consideration by the United Kingdom Government. He recalled that Pakistan had for three years suffered a quota which did not give it its legitimate share in the United Kingdom market, and which was also inconsistent with the obligations of the United Kingdom under the provisions of the GATT, and that the United Kingdom should take into account the legitimate interests of Pakistan in framing its new policy. If the request for the enlargement of the quota for Pakistan was not acceptable, all countries might be allowed to compete in the overall quota. Should this be

considered difficult, a compromise would be to give half country quotas to the three traditional suppliers and an opportunity to compete in the rest of the global quota. Under the present scheme, twenty-four countries had to compete within a quota which was one fifth of the overall quota and less than one third of the quota established for two countries. Pakistan also suggested that, in determining the size of the global quota, the Government of the United Kingdom should follow the provisions of the Long-Term Arrangement, namely Annex B, and adopt 1964 imports as the basis for its overall quota; and that the 1 per cent growth rate for the global quota should be raised to 5 per cent. He further stated that his country hoped that a mutually satisfactory solution would be found to the problem which had been the source of considerable anxiety to Pakistan in the last three years.

10. After referring to the statement by the representative of the United Kingdom and the modifications introduced by him, the representative of Pakistan said that these changes were only of a marginal character and did not meet any of the basic points raised by Pakistan; it was, therefore, understandable that they could not consider this scheme an acceptable solution. He further reiterated that Pakistan did not agree that the exports of developing countries constituted a threat to the United Kingdom cotton industry. The purpose of the restrictions imposed by the United Kingdom was not only to protect, but also to expand its industry. He recalled that the representative of the United Kingdom admitted at the December meeting that his Government foresaw an expansion in its cotton textile industry during the next five years. That was another reason why Pakistan considered the United Kingdom scheme contrary, not only to the procedural provisions of the Long-Term Arrangement but also to its objectives, and he invited the United Kingdom Government once again to remove discrimination between developed and developing countries from its policy on cotton textiles. Another concern was that the United Kingdom scheme might well become a precedent for other importing countries. The United Kingdom had at least argued that it was already importing one third of its total consumption of cotton textiles from developing countries. If other importing countries whose imports from developing countries were a very small fraction of their consumption, were also tempted to seek inspiration from the formal aspects of the United Kingdom scheme and institute arbitrary global quotas of their own, the less-developed countries might be worse off than they were at present. He further argued that, if other importing countries decided, as the United Kingdom had done, that the Long-Term Arrangement was only a framework or a guide, and put forward schemes which they considered to be consistent only with the broad objectives of the Arrangement, as they understood those objectives, it would accentuate the difficulties encountered by the less-developed countries in the cotton textile sector. He therefore expressed the hope that the Committee would give consideration to this aspect of the scheme when drawing its conclusions.

11. The representative of Pakistan drew the attention of the Committee to the system of invisible control through import licences, implicit in the administration of the global quota. In theory, at least, the possibility remained that a developing country might find it difficult to export, due to the operation of the

licensing system, and might find itself saddled with the charge that its products were not competitive enough. He stated that the global quota might not offer real scope for competition and that it could only be a different way of keeping imports from a particular country at a level already decided upon by the Board of Trade and he sought assurance from the United Kingdom that full and free competition would be allowed in the global quota.

12. He further raised two issues of a legal nature. Firstly, the Long-Term Arrangement, under which the Committee had been constituted, was to expire by 30 September 1967. Even if it were assumed that the Arrangement would be extended, it was difficult to anticipate at this stage whether or not a committee would be set up under the new Arrangement and what precisely would be the terms of reference of the new committee. In these circumstances, the present Committee could not concern itself with the United Kingdom's scheme after 30 September 1967. He went on to say that he had no doubt that the Committee would underline this point in its report. The second point stemmed from the remarks made by the United Kingdom representative at the December meeting concerning the legal status of the Arrangement. Any contracting party participant in the Long-Term Arrangement, who wished to impose quantitative restrictions on cotton textiles on a discriminatory basis, did not seek a waiver for doing so, because it was more or less tacitly assumed by the contracting party concerned that the Long-Term Arrangement, in some way, covered its action, despite what was said in Article 1 of the Arrangement. But if the Long-Term Arrangement was not a precise treaty or a code of rights and obligations, and only a guide or a framework, then it would be necessary for the United Kingdom to seek a waiver from the CONTRACTING PARTIES, before it could introduce this scheme on a permanent basis. He hoped therefore, that the United Kingdom would take appropriate steps to obtain a waiver from the CONTRACTING PARTIES for its two-year scheme.

13. In conclusion, he appealed to the United Kingdom to give some consideration to the points raised by Pakistan, since it was well within the United Kingdom's capacity to accommodate his country, if only serious enough efforts were made in this respect.

14. The representative of the United Arab Republic said that, in compliance with the Committee's decision at its last meeting in December 1965, bilateral talks had been held in London between the representatives of the United Arab Republic and the British Government, during which concern was expressed with respect to certain aspects of the initial British proposals: Firstly, under the global quota, some exporting countries had preferential treatment, which meant that other countries were handicapped. Secondly, exporting countries under the global quota were at the mercy of British importers, who, once in possession of import licences, would have free choice of sources, and thereby could exert a certain pressure upon exporting countries to accept their conditions. Thirdly, the dangerous competition, which could result from this scheme would be harmful, both to exporting countries as well as to the British market, since this would inevitably lead to a multiple drop in prices. For these reasons, the United Arab Republic delegation

put forward the following proposals: (i) when granting import licences under the global quota, the United Kingdom should guarantee for each country a certain ceiling reckoned on the basis of its exports either in 1964 or the 1962-64 average; and (ii) the United Kingdom should exclude from the global quota fine cotton textile products (yarn and fabrics), as these were not considered to be disruptive items; this would help the exporting countries to diversify and step-up their exports without creating any market disruption in this sector.

15. Referring to modifications to the earlier proposals, the representative of the United Arab Republic stated that these, while bringing about a certain improvement in the initial proposals, such as an increase in the global quota, and expanding the scope for flexibility, did not fully satisfy the proposals which had been made by his country. He recalled the position of his delegation at the December meeting with regard to the incompatibility of the British scheme with the Long-Term Arrangement, and their concern that this should not create any precedent in this particular field. Moreover, while having noted the contents of paragraph 7 of document COT/59/Add.1, he felt it should be understood that the United Kingdom scheme could not be extended beyond the period of the present Arrangement, namely the end of September 1967.

16. The representative of Japan said that, although the United Kingdom scheme under consideration would not directly affect Japan, since Japan was excluded from the global quota, his delegation was not clear as to whether the scheme was, in fact, compatible with the provisions of Article 4 of the Long-Term Arrangement. The United Kingdom Government had made it known that it was its intention to maintain the global quota beyond the period of validity of the Long-Term Arrangement. Despite the fact that the United Kingdom was prepared to review the proposed Arrangement at the time when the Long-Term Arrangement would expire, his delegation would like it to go on record that Japan was unable to support the continued application of the global quota beyond the period during which the Long-Term Arrangement would be in force. The scheme seemed to be so restrictive that it did not promise an improvement in the administration of the Long-Term Arrangement which, in the view of the Japanese Government, should be the prerequisite to the extension of the Long-Term Arrangement.

17. In conclusion, the representative of Japan stated that a bilateral agreement had been reached between the Government of Japan and the United Kingdom towards the end of last year regarding trade in cotton textiles in 1966. This agreement failed specifically to provide for increases in the annual agreed quotas. Nevertheless, his Government earnestly hoped that future bilateral negotiations would bring about an improvement in trade opportunities for Japan in the United Kingdom market.

18. The representative of Turkey recalled the deep concern expressed by his delegation at the new scheme, which seemed to offer little opportunity of access to the British market for many exporting countries, including his own. He had hoped that the United Kingdom authorities would soon find it possible to do better

in this connexion and regretted that the proposed modification to the earlier proposal offered no possibility of this hope being realized. The new proposal appeared to Turkey not as an improvement, but a step back, because it created a clear discrimination against new exporting countries and cut off all possibilities of access to the British market for newcomers in finished fabrics and made-up goods. It failed to meet the basic requirements of new exporting countries, and also impaired the basic principles of both the General Agreement and the Long-Term Arrangement. Turkey, therefore, found it difficult to view the modification as a constructive step and reserved its position on this vital issue.

19. The representative of Israel said that, in the Council meeting in March 1966, the United Kingdom delegation undertook to come in mid-April with practical proposals, and he thought that, despite all the criticism of these proposals, it had to be admitted that they were an advance on the existing ones. The proposal for country quotas for piece-goods and made-up articles was an advance in principle. However, while the size of the country quota, at least as far as Israel was concerned, might be 10 per cent more than the original proposal, it was still somewhat less than what Israel exported in 1965. This meant that it did not really allow for the same amount as was exported in 1965, and certainly did not take into account Israel's development needs. He further stated that what was lacking in the suggestion was a provision for some arrangement as regards yarns. His country had a bilateral arrangement with the United Kingdom, under the Long-Term Arrangement, for exports of yarns, and Israel believed that an arrangement of that sort made between countries bilaterally was both within the letter and the spirit of the Long-Term Arrangement, under which no global quotas were envisaged. The Arrangement envisaged either a request for restraint or bilateral arrangements between the importing and exporting countries. Israel would like to see whether the United Kingdom could give some indication in the field of yarns for exporting countries.

20. One aspect of the United Kingdom scheme open to great criticism was its discriminatory nature in favour of certain countries which were not subject to any limitation at all, although the granting of country quotas, did give, at least within the limits of those quotas, some assurance that this discriminatory effect would be removed. With respect to the future, he asked what provisions the United Kingdom could suggest for reasonable development needs for the year 1967. When the future fate of the Arrangement was to be considered at a later date, it would be appropriate for the Committee to take into account what in fact had happened as regards the United Kingdom scheme. It might well be shown that countries, which were not subject to any kind of restrictions, expanded their exports at the cost of other countries which were restricted. This would lead to the conclusion that the United Kingdom should either remove these restrictions, or bring all countries within the restrictions.

21. It would also be appropriate to see during 1966, whether the countries, which were limited under the United Kingdom scheme, by use of their individual country quota, in addition to whatever they might be able to achieve within the global quota, did, in fact, represent any danger in terms of market disruption. If it did not appear so, the United Kingdom should take the step of removing the restrictions from those countries in the light of their export performance.

22. The representative of Spain recalled that trade relations in this particular sphere between the United Kingdom and Spain had been developing in a normal way, as a result of an inter-industry agreement, signed between both countries in October 1961, and further extended up to 31 December 1965. The new scheme proposed by the United Kingdom was considered by the Spanish Government as being discriminatory and harmful to its trading interests, and this had been made clear in the Committee's meeting last December. Bilateral talks had been held between both countries and a memorandum, setting out the main points raised by Spain to solve the problem, had been forwarded to the United Kingdom delegation. The modifications to earlier proposals set out in COT/59/Add.1, were rather disappointing, as they did not basically represent any fresh element of importance which would make it possible to find a satisfactory solution to this difficult problem. These measures had been taken contrary to the provisions of the Long-Term Arrangement and, consequently, they would also affect the position which the Spanish Government might take if Spain were to consider the renewal of the Arrangement.

23. Referring to the letter sent to the Director-General concerning the position of his Government with respect to the renewal of the Arrangement, he emphasized that Spain was in favour of its renewal. It seemed, however, that there was one condition which was elementary and absolutely necessary for such a renewal, namely, that the spirit and the letter of the Arrangement should be respected. In the absence of this, it might occur in the future, as had happened in the past three years, that the restrictive measures taken by some countries, and those recently proposed by the United Kingdom, would affect harmfully a large majority of the exporting countries. The Long-Term Arrangement provided for bilateral agreements, and within its framework the inter-industry arrangement between the United Kingdom and Spain could be renewed, or an official arrangement between both Governments could be concluded, as was the case with the United States and Spain. Referring to the country quota set out in Annex B to COT/59/Add.1, he said that the Spanish authorities had taken note that the inclusion of Gibraltar in the list of producers and exporters of cotton textiles, meant that there should exist a textile industry of quite considerable importance in Gibraltar. With respect to the remainder of the British proposal, he reserved the right to refer to this matter subsequently.

24. The representative of India said he would state in general terms the problems which affected his country as it was, in his view, not fair to go into details after the bilateral discussions between both countries. He went on to

say that the United Kingdom Government had been concerned with finding solutions to three major principles. The first was the problem of doing justice to the traditional suppliers, who had voluntarily restricted themselves for almost six years. The second was the need to allow for a measure of protection for the Lancashire industry. The third was to extend and apply the equity provision to countries, some of which were developing, that had built their position in the United Kingdom market at the cost of the traditional suppliers.

25. As far as India was concerned he stated that: (i) exports had been restricted, categorized and had not been allowed to grow. Carry-over was not recognized in the new arrangement. It was not fair to put back the clock; (ii) contrary to the preambular provisions of the Long-Term Arrangement, on which India had commented at every meeting of the Committee, no restrictions were envisaged for developed countries and (iii) India's view on the future of the Long-Term Arrangement remained the same as in December 1965, and nothing in the arrangement proposed by the United Kingdom would alter its position.

26. The representative of Jamaica said that, in his view, these new proposals demonstrated undoubted ingenuity on the part of the United Kingdom delegation and a genuine desire to face and resolve certain difficulties which were raised by exporting countries during the December meeting, and presumably during subsequent bilateral discussions. There was no doubt that these latest proposals went some way towards meeting a number of individual problems. However, the Committee was still left with a considerable problem, namely, to consider the United Kingdom scheme in the context of the Long-Term Arrangement, and it could not therefore ignore the fact that this scheme contravened the Long-Term Arrangement in a number of important respects. In the view of his delegation, the most important of these related to the very considerable list of countries which had been exempted from these restrictions on the grounds that their exports to the United Kingdom had not been disruptive. This would indicate that all the countries, whose exports to the United Kingdom had been restricted, had disrupted the United Kingdom market; this was clearly not the case, as there were a number of countries, and Jamaica was one, whose exports of cotton textiles to the United Kingdom had had no disruptive effect whatsoever. His concern on this point stemmed from the fact that this particular restrictive action by the United Kingdom might, and probably would, create distortions in the market in terms of prices and the direction of trade, which could lead to a serious disruption of trade flows due to significantly increased exports from exempted countries. It was inevitable that there would be some increases in price levels in the United Kingdom. There would be restricted low cost suppliers directing some of their exports to other markets, and it seemed very probable that these supplies would find admittance, to a very great extent, to the United Kingdom market after conversion in the exempted countries. This could mean that the last stage might very well become worse than those which.

had preceded it. It was, therefore, the view of his delegation that some provision to combat this possibility should be included in the scheme. He further pointed out that several delegations, including his own, had paid full contribution to the United Kingdom for their import performance, and there was no question that, if other highly industrialized countries had matched this performance, there would have been no need to have this discussion. The fact still remained that other countries might also seek to introduce restrictive import schemes in contravention of the Long-Term Arrangement, on the grounds that this had been done before. The Committee could not condone a scheme which was in contravention of the Arrangement to which all the members were signatories, and which they were obliged to uphold. It seemed that the Long-Term Arrangement was a formal waiver approved by the GATT, and if the United Kingdom, for justifiable reasons, was unable to operate within the specific terms of the Arrangement, then it would be necessary for some other form of waiver to be granted in these special circumstances.

27. The representative of the Republic of Korea stated that consultations between his country and the United Kingdom, pursuant to the Committee's decision of last December, had not been held; due to the political situation in the United Kingdom. His delegation had just taken note in the Committee of the proposed modifications to earlier proposals by the United Kingdom, and therefore was unable to make any close review of these modifications at this stage. However, the position of his Government would be made known in detail at a later date through the official channels. Referring to document COT/59/Add.1, he said that the modifications would appear to be important, to some extent, in trying to meet the appeal of the developing countries, namely, the increase in the global quota and the flexibility introduced regarding categorization. However, the 1962-64 average taken as a base period in fixing the quota was unfair to the countries which had rapidly increased their exports in 1964. In the case of his country, 5 million dollars' worth of cotton textiles was exported to the United Kingdom during 1964. This amount was reduced to 600 thousand dollars' value in 1965, following the measures recently taken by the United Kingdom. The annual growth rate granted by the United Kingdom would not be sufficient in the case of Korea, even in five years' time, to bring the quota to its 1964 level of exports.

28. All countries under the global quota should have an equal chance to compete and, accordingly, the same tariff should be applied to all of them. In this connexion, he drew the attention of the Committee to the fact that a 17.5 per cent tariff had been imposed on made-up goods from Korea, whereas some other countries were being afforded favourable treatment. His delegation shared the views expressed by other delegates that the United Kingdom proposal should not be extended beyond the date of expiry of the present Long-Term Arrangement. In conclusion, he stated that his Government would enter into bilateral consultations with the United Kingdom on this matter at the earliest possible date.

29. The observer for Nigeria said that he was not in a position at the moment to comment on the application of the Long-Term Arrangement. His apprehension, however, arose from the fact that recently the British Chancellor of the Exchequer made a public announcement that Britain would continue to assist developing countries in their development plans, in spite of Britain's domestic difficulties. He therefore wondered, in view of this, whether the amount allocated to his country in the quota would be regarded as not being in conflict with this type of proclamation. He suggested that a modification of the United Kingdom proposal might be possible with respect to grey cloth and less-sophisticated products of cotton textiles. As these products, in a number of developing countries, were just trying to enter the market, it would be very unfair towards a country like Nigeria if such products were placed within the purview of this type of quota.

30. The observer for Malta stated that his country was one of those with which the United Kingdom had had bilateral talks. The stand taken by Malta during these bilateral talks was that no restrictions whatsoever should have been imposed on its exports. This stand was fully supported by facts, which were clearly put by the Maltese representatives to their United Kingdom counterparts. The matter remained to be decided, but the position of Malta was still the same, namely, that on the facts presented, exports of cotton textiles from Malta to the United Kingdom should not be restricted.

31. The Chairman, in response to a question put by the representative of Pakistan regarding the way in which the Committee would proceed in dealing with this matter, said that the Committee had had before it at the December meeting a scheme put forward by the representative of the United Kingdom, and which was considered by the United Kingdom Government as being in accordance with the general objectives of the Long-Term Arrangement and representing a reasonable means of achieving them. The formal questions regarding the compatibility of the scheme with the Long-Term Arrangement had been left aside, in order that there should be consultations between the United Kingdom and the individual countries affected. If these consultations had led to mutually satisfactory arrangements, such arrangements would have fallen within the provisions of Article 4, and in that case the question of compatibility, or otherwise, would not have arisen. The proposals had been reported to the Committee by the United Kingdom, no doubt in the hope that they might turn out to be "mutually acceptable arrangements on other terms", in which case, some international accommodation would thus have been reached. Since this did not seem to be the case, the question had arisen as to what would be an appropriate action for the Committee to take. The United Kingdom had never asked the Committee to endorse its proposals or to approve them, and therefore, he supposed, there would be no basis, as far as the Committee's technical competence was concerned, for it to pass judgment on the United Kingdom scheme. However, the Committee could take note of the expressions of dissatisfaction of the individual members concerned

and of the views that had been expressed that the measures proposed by the United Kingdom were, in fact, contrary to the Arrangement. The purpose of the Long-Term Arrangement was to bring about an accommodation between importers and exporters. It represented a sort of truce whereby the exporting countries, without abandoning their legal rights under the General Agreement, accepted the Long-Term Arrangement in the belief that if it was satisfactorily applied, it might, in the long run, produce more constructive results than the assertion of, and the reliance upon, rights under the General Agreement. That situation would presumably not exist, in effect for those countries which felt that their interests were damaged by the measures proposed by the United Kingdom. These countries had taken advantage of the facilities in the Committee to bring forward their complaints and dissatisfactions and there was a further procedure open to them, should they wish to avail themselves of it, namely that provided for under the General Agreement itself. The latter procedure was not, of course, one which as such would be engaged in the Committee.

32. This was the sort of summing-up he would contemplate as being appropriate if discussions were to terminate on the basis of the discussion so far. He pointed out that this was not an attempt to judge the views of the Committee or its wishes, but only an indication of the situation as he saw it, at the moment. He therefore invited members of the Committee, who thought that some other course of action or procedure would be appropriate, to mention these ideas so that other members of the Committee could reflect on them and come to some conclusions as to what would be the most constructive and proper course of action for the Committee to take.

33. The representative of Pakistan stated that, if it was the intention of the Committee not to reach any conclusions of its own, but to leave the summing-up to the Chairman, that would, of course, be one way of approaching the problem, but if the Committee were to draw some conclusions, his delegation would certainly want to participate in the drafting of these conclusions. He further added that the question of the taking note of the scheme by the Committee should be suitably qualified, as it had already been pointed out that the Committee's term, at least under the present circumstances, was to expire on 30 September 1967, and consequently, it could not deal with this particular aspect of the matter beyond that date. With regard to the rights of the injured party to have recourse to the provisions of the GATT, he emphasized that, while the Long-Term Arrangement did not affect these rights, it did not release any party from its obligations, and this point should be taken into consideration.

34. The Chairman, commenting on the remarks made by the representative of Pakistan, said that the views he had expressed were not intended to be exhaustive, but merely suggesting a line of procedure. It would be preferable if the Committee could try to draw up conclusions along the lines that he had suggested, rather than just rely on a summing-up from the Chair. He stated that he was somewhat

disappointed that the Committee had thought it necessary, at its last meeting, to take the somewhat unheroic course of putting the burden upon the Chairman of trying to put forward some clear and pointed conclusions, with the Committee merely taking note of them. He would put forward a draft which could be considered a basis for the conclusions of the Committee, and only fall back on the summing-up from the Chair, if the Committee should find itself so divided that his draft conclusions would be diluted to the extent of having no value. He added that there was also a course open to the country acting at variance with the strict application of the provisions of the General Agreement, which was to seek accommodation from the CONTRACTING PARTIES for that purpose. He further pointed out that taking note of the arrangement did not in any way carry with it any commitments as regards endorsement. The fact that the arrangement, as notified, had a longer life than the life of the Committee did not prevent the Committee from taking note of what had been communicated to it, but in so doing, it could also take note of the fact that the arrangement proposed would operate beyond the period for which the present Committee had responsibility. This point could be brought out to make it clear that the taking note by the Committee of arrangements with a longer term than the Committee did not mean that the Committee was, in fact, extending its mandate beyond the period for which it was competent.

35. The representative of the United Kingdom, commenting on the points raised by other representatives, said that it would have been impossible for the United Kingdom to have reached the level of imports in 1963, let alone that reached in 1964, had the United Kingdom Government been prepared from 1962 onwards to interpret rigidly Article 3 of the Long-Term Arrangement. The United Kingdom would then have been in a position to bargain with exporting countries and offer substantial increases in their quota, and now would have just about reached the 1963 level of imports. Perhaps it was wrong that his country paid more attention to what it felt was the spirit of the Long-Term Arrangement rather than to its letter, and to the belief that it ought to facilitate the access to the British market for all countries, even at the cost, as it discovered in 1964, of having carried the process to such an extreme that the reconstruction of its own industry was imperilled. The representative of Pakistan had taken reconstruction to mean expansion; this was certainly not the case. The representative of the United Kingdom quoted a passage, in which he had referred in the December meeting to what the United Kingdom was doing with regard to the British textile industry: "The industry is being shaped so that we shall have in the United Kingdom - and we hope we shall be well on the way to having this by 1970 - a similar viable, effective and vigorous textile industry. I believe that there is every prospect that it is moving in the direction in which the delegates, and especially the distinguished delegates of India and Pakistan, consider to be the right one, namely, in the direction of a high degree of specialization and those functions to which it is best fitted, and not in the direction which will require the perpetual need for special protective measures from imports from other countries". This was an important matter, because, if the United Kingdom was attempting to use the provisions of the Long-Term Arrangement for purposes of protection, while building up a large textile industry of its own, it would, in fact, be behaving contrary to all the objectives of the Arrangement and this was certainly not what the United Kingdom was doing.

36. With respect to the point made by many delegates that the United Kingdom proposals might represent a temptation to other countries to try and solve their problems in a similar way to the United Kingdom, he said that, while appreciating these apprehensions, he did not believe them to be well founded. The problems which arose for a country which had allowed the level of its imports to rise to 40 per cent and more of its consumption, with imports from developing countries reaching over one third of this consumption, was that it had no room for manoeuvre. It was not justifiable to rule out the procedure which the United Kingdom had devised for putting this limit on its imports simply because other countries which had no need to impose such a limit might follow suit. It was improbable that any country, whose record of imports was substantially lower than that of the United Kingdom, would be able to persuade the Committee even to consider, let alone to accept, the kind of proposition put forward by the United Kingdom on account of its peculiar situation. There was general acceptance of the principle that the United Kingdom had done enough, and that if it established its imports at the present level, this would set an example which, if widely followed by other industrialized countries, would be satisfactory rather than the reverse, and both the developing countries and the United Kingdom would as a result be in a much less unhappy situation.

37. However, there were countries which felt that they were not getting their fair share of the benefits. It was practically impossible to assess precisely what would be a fair share of the United Kingdom imports for all exporting countries. However, the traditional suppliers, who had been limited for some seven years and were facing the prospect of a further five years limitation, might, if they had been free, have increased their share in the British market. If this had been the case, some of the countries which were complaining that their share was inadequate would probably never have had a share at all.

38. In the present situation, the United Kingdom was bound to try and evolve a scheme which reflected its acceptance of the objectives of the Long-Term Arrangement, namely to give the exporting countries adequate access to the British market, and at the same time to adapt it to a situation which could not have been foreseen in 1962. The problem remained extremely difficult, and the United Kingdom was trying to solve it in a way which seemed to it fair and equitable. Modifications had been introduced in order to meet some of the points which had been raised, and the United Kingdom would consider very carefully the concrete suggestions that had been made in the course of the present discussion; for example, the point raised by the representative of Israel regarding yarns, and some of the suggestions made by the representative of the United Arab Republic. There ~~were~~, however, certain suggestions which it would be dishonest to say that the United Kingdom could hope to satisfy. The requirement of Article 4 of the Long-Term Arrangement was that a scheme should be mutually acceptable and, in terms of cotton textiles, mutually acceptable meant mutually agreeable. He would have thought that if there was a recognition that an importing country was genuinely doing its best and that it could not do better than its best, then the means by which it was trying to maintain the position which it had reached, although difficult to accept, should be considered with as much sympathy as the countries concerned could muster.

39. The global quota, which was described by the representative of Pakistan as being a relatively small proportion of the United Kingdom's imports, in fact represented in its present form some 8 per cent of domestic consumption. With respect to the point made by the same speaker that the global quota should be competitive and that there should be no tendency on the part of the United Kingdom to exercise control over imports from specific sources through the issuing of licences, he emphasized that his Government would, under no circumstances, attempt to influence any importer who received a global quota licence, as to the source from which he should import the goods. This was an assurance which he gave with the greatest possible certainty.

40. Referring to queries raised by other delegations as to why it was impossible for the United Kingdom to continue those bilateral arrangements which they had had in the past, the representative of the United Kingdom said that it was pointed out in the original aide-memoire that the United Kingdom could not adopt the bilateral technique as it had found it impossible to conclude bilateral agreements with all existing, let alone potential, exporting countries. It was fair to say that, while imports constituted only a small proportion of domestic consumption, it was possible to regulate the future of those imports by bilateral arrangements, because a fairly substantial increase in this proportion could, and indeed should, in the spirit of the Long-Term Arrangement, be feasible. However, when the situation was one like that reached in the United Kingdom, room for manoeuvre was missing.

41. There was generally no disagreement with the proposition that imports into the United Kingdom had reached a level on which no improvement could reasonably be expected for some time to come. What, however, did provoke great difficulty were two factors; firstly, the duration of the United Kingdom proposal, which was until 1970, and secondly, the element of the global quota. As to the duration of the proposal, he believed that it would be misleading to the exporting countries to suggest that it would be possible for the United Kingdom to envisage any increase in imports of cotton textiles, except for the growth which had been recorded in the scheme until 1970. Supposing it could be agreed that this was a reasonable level for the United Kingdom to reach, and supposing that the United Kingdom was to agree that the methods by which this system would be applied should be subject to review, in the light of what had happened over a year or two of its operation, he wondered whether this would meet the difficulties expressed by some delegates. However, it had to be expected that if, following the review of the legalities of the scheme it proved impossible in the Committee to reach mutual agreement on possible changes, the scheme would be continued, subject to any reconsideration that might be desirable in the light of amendments which might be made to the Long-Term Arrangement.

42. With regard to the apparent discrimination between countries which were subject to restrictions and those which were not, he said he had described at great length at the December meeting the reasons for this. He emphasized that his Government would not accept a position in which those countries not subject to restraint benefited from the restraint of others, and that it would watch this matter with the greatest care.
43. Commenting on the point raised by the representative of Jamaica regarding the diversion of trade due to restraint, he said that his Government had already dealt severely with a number of cases which had occurred during the last six months, and it was widely known among United Kingdom importers that, if they were to import from an unrestricted country without taking precautions to ensure that the goods did, in fact, originate in that country, they put themselves in considerable financial peril and risk. The British Government would continue to maintain the closest possible watch on the origin of cotton textile products and would, if it deemed it necessary, take stronger measures at governmental level.
44. With respect to the possibility that British importers might buy from unrestricted countries goods which, but for the restriction, they would have bought from developing countries, he said that, if the situation arose in which there was a substantial increase in imports from an unrestrained country of the type of goods which might equally have come from a restricted country, but which there was reason to believe were not being imported from the latter because of the scheme, then the United Kingdom would take the necessary steps to adjust this situation promptly. He stated that, at subsequent meetings of the Cotton Textiles Committee, the United Kingdom would be able, if it had to take steps of this kind, to report to the Committee on the measures taken, with a view to assuring the participating countries that the implementation of the scheme had been in line with the assurance he was giving.
45. Commenting on the point raised by the representative of Israel regarding provisions in the scheme for development needs in the future, he said that, as far as the United Kingdom was concerned, the total scope for increased trade in cotton textiles was limited to the growth factor in the scheme. Although, in 1962, it was recognized by virtually all members of the Committee that further growth in the United Kingdom's imports was not to be expected, with the result that it was exempted from the growth formula, the United Kingdom admitted that it was undesirable at this particular period of time for any industrialized country not to increase access to its market for the developing countries; and for that reason, provision for a growth rate of 1 per cent had been introduced in the scheme.
46. Concern had been expressed by a number of countries that the global quota, as it stood, deprived them of any measure of certainty as to the possibility in practice of exporting to the United Kingdom. This was a theoretical defect of any global quota system, since it was possible that an exporting country might fail to secure any exports at all to the country administering the global quota.

However, cotton textile trade with the United Kingdom has been in existence for a very long time, and there was a natural tendency to continue to use the existing trading channels. One would not, therefore, in practice, expect importers, who traditionally imported from certain countries, suddenly to change their practice. Nevertheless, this was a real problem that he had discussed informally with a number of delegates, including the delegate of the United Arab Republic. The United Kingdom would listen to the suggestion which the delegate of the UAR had indicated he might be putting forward, as well as to any other constructive suggestions, with the greatest possible interest. The representative of the United Kingdom repeated that the objective was to secure a situation in which the British cotton textile industry could know for a period of five years from now what the level of imports would be, both in total and categories. The United Kingdom had evolved the most practical solution it could devise to ensure this, and it would listen with interest to any alternative possibilities which would achieve the same basic objective.

47. The representative of Pakistan said that the United Kingdom delegate when commenting on the concern expressed that the scheme would become a precedent, had focussed his attention on the question of the United Kingdom's high imports from developing countries. Pakistan's concern about the scheme becoming a precedent related to the selection of the base period. If the United Kingdom had selected 1964 as a base period, then, as far as Pakistan was concerned, the problem would not have arisen. The scheme gave rise to apprehension because the base period was selected to enable the United Kingdom to fix the size of both the overall and the global quotas at a lower level than what was actually achieved in 1964, and this was inconsistent with the provisions of the Long-Term Arrangement. He therefore enquired, since the United Kingdom representative said that he would be willing to listen to any suggestions, whether it would be possible for the United Kingdom to use 1964 as the base period instead of the 1962-64 average. He expressed the hope that the Government of the United Kingdom would give more consideration to some of his suggestions with a view to accommodating Pakistan; in his view, it was within the capacity of the United Kingdom to do so if another effort were made in this direction.

48. With respect to the point he had made regarding the expansion of the industry in the United Kingdom, and on which the representative of the United Kingdom had commented, he drew the Committee's attention to paragraph 147, page 38 of the Committee's report on its last meeting (COT/M/5), which read: "As regards the element of growth envisaged in the United Kingdom textile industry, this was assumed to be largely in synthetic fibres and in the wool and synthetic fields and not primarily in cotton or cotton mixtures".

49. The representative of Jamaica said that his delegation strongly supported the idea of a review of the scheme's operation and added that there should also be provision for review of exports from the exempted countries. He went on to say that any suggestion of acceptance of the scheme by the Committee, even if it was

modified, bearing in mind the clear points of conflict with the terms of the Long-Term Arrangement, would lead the Committee into difficulties. As the Committee was obliged to regard the terms of the Long-Term Arrangement as a guideline within which it should operate, it was necessary for some sort of assurance that other countries, which deserved less sympathy than the United Kingdom, did not take advantage of this precedent. This was not intended as a criticism of the United Kingdom scheme as such, but related purely to the obligation resting on the Committee, and the same thing was true in connexion with the exemption of certain countries. He was perfectly willing to accept the assurance of the United Kingdom delegate that his Government would use administrative procedures to guard against any diversions of trade as a result of these countries having been exempted, but the point was that the Committee had the responsibility of ensuring that some arrangement was made to keep the situation under control.

50. The representative of the United Arab Republic reiterated the main principles set out in his previous statement in connexion with the United Kingdom scheme and added that exports from his country were not considered as being disruptive to the United Kingdom market. With respect to the guarantees to be given to the exporting countries within the framework of the global quota, he proposed that the global quota be divided into two, 50 per cent being allocated as a country quota and the remainder remaining as a global quota. His delegation made this proposal after hearing the statement by the representative of the United Kingdom that the British authorities would take into account the question of diversions of trade and would deal with this within the general framework of the level established for the global quota. He believed that this was a vital point and should be given full consideration by the United Kingdom Government. He emphasized that this proposal was subject, of course, to final approval by his Government, and stated that his delegation had to reserve its position with respect to the United Kingdom scheme as a whole.

51. The representative of Spain said that his delegation would consider these proposals by the representative of the United Arab Republic as a new basis for discussion, but in principle, the percentage which had been proposed, i.e. 50 per cent, would not be enough for the country quotas. It should be at least 75 per cent.

52. The representative of Israel, commenting on the suggestion regarding the 50 per cent for country quotas, stated that it did seem to give something more to those countries which, under the proposal contained in COT/59/Add.1 might receive less than 50 per cent of their past performance. He nevertheless supported the suggestion made by other speakers, that, instead of 50 per cent, the figure should be 75 per cent, or even 100 per cent. The idea behind the proposal did, however, seem to take the Committee somewhat further forward, and he expressed the hope that the United Kingdom would give favourable consideration to it. As regards the implementation of the scheme, the point that unrestricted countries should not derive undue benefit at the cost of countries which were within the quota, and that the United Kingdom would take steps to ensure this, should be reflected in an undertaking by the United Kingdom.

53. The representative of the United Kingdom said that the proposal which was made by the representative of the United Arab Republic and which received some support with qualifications from the representatives of Spain and Israel, was an interesting one, and it would be of great value to him to know whether any delegation found it wholly unattractive or whether it was one to which the United Kingdom sought to give weight in considering its future course of action.

54. The observer from Nigeria stated that his country was not in a position to make any comment on the United Arab Republic proposal, but he thought it a commendable proposal deserving further study. He added that it might be necessary at a later stage, for his country to enter into bilateral negotiations with the United Kingdom, with a view to increasing the quota allocated to it, having due regard to the substantial expansion in the textile industry that had taken place in Nigeria in recent years.

55. The representative of Pakistan said that it was difficult for him to make any comments on the United Arab Republic proposal at this stage for two reasons. Firstly, he did not know the precise terms of the proposal and it seemed to him that the representative of the United Arab Republic linked his idea with the idea of an increased global quota. Secondly, he would have to seek instructions from his Government on the subject. He added that the Committee might also like to take note of the proposal regarding the overall size of the global quota; if, however, it was strongly opposed to the idea of an increased global quota, then he would put the proposal in the name of his delegation.

56. The representative of the United Kingdom said that his delegation had hurriedly got out a table which roughly indicated the country quotas that would be available on the basis of splitting the existing global quota into two halves; which had been tentatively suggested by the United Arab Republic; it would be helpful if this could be circulated to the members of the Committee in order to give them an idea of the country quotas which they would acquire on that basis. He further drew attention to the fact that it did not include the increase of 6 million yards in grey cloth which the United Kingdom put forward in the modified proposals, nor the allocation in the country quotas of the 6 million yards of finished cloth and made-up goods. For convenience, the United Kingdom would propose maintaining these additional quotas, since countries had been formally offered them.

57. The representative of the United Arab Republic stated that his delegation would support the representative of Pakistan with regard to the increase in the global quota, and added that his proposal in principle was concerned, firstly, with an increase in the global quota and the splitting of it into two halves; secondly, with the base period of either 1964, or the average of 1962-64, and this was to be discussed and thirdly, with the wise administration of the quota as a whole.

58. The Chairman said it was understood that the table which had been put forward by the United Kingdom was circulated to the members of the Committee as an indication and illustration of the United Arab Republic proposal, with the reservation that it was a rough and ready calculation.

59. The Committee adopted the following conclusions:

- (i) The Committee continued its consideration of the United Kingdom proposals regarding imports of cotton textiles into the United Kingdom in the light of the modification to these proposals presented by the United Kingdom delegation (COT/59/Add.1) at the present meeting.
- (ii) The Committee noted that the United Kingdom proposals, which covered the period 1966-70, went beyond the expiry of the period of competence of the present Committee i.e. 30 September 1967, and recognized, therefore, that its consideration of the United Kingdom proposals could not extend beyond 30 September 1967. In this connexion it noted the United Kingdom's offer that its proposals should be subject to review in the light of the situation existing after 30 September 1967.
- (iii) While recognizing that the proportion of imports from less-developed countries to consumption in the United Kingdom was about one third, various exporting countries expressed serious misgivings in regard to the proposals referred to in the preceding paragraph.
- (iv) As the discussions in the Committee and the bilateral consultations had not resulted in agreement between the United Kingdom and the exporting countries concerned, the proposals could not be regarded as falling within the terms of Article 4 of the Long-Term Arrangement. Moreover, the proposals could not be regarded as falling under either of the other relevant provisions of the Arrangement (i.e. Articles 2 and 3).
- (v) It was recognized that it was open to any participating country, which felt that its interests were being seriously affected by the United Kingdom system of import control, to have recourse to the provisions of Article 7 of the Long-Term Arrangement and, in the final resort, to bring the matter before the CONTRACTING PARTIES, under the provisions of Article XXIII of the General Agreement. If the matter were so brought before the CONTRACTING PARTIES, the discussions which had taken place in the Committee would be taken into account.
- (vi) It was also clear that the United Kingdom, for its part, could bring the matter before the CONTRACTING PARTIES for their consideration if, in its judgment, it deemed such a step appropriate.

- (vii) The Committee noted the offer of the United Kingdom to consider any suggestions put forward by the exporting countries concerned aimed at improving the administration of the arrangements without detracting from their basic objectives. One such suggestion which was noted with interest and which on reflection might form a basis for further bilateral discussions or discussion in the Committee, related to the division of half of the global quota into country quotas, the remaining half to be an open quota.
- (viii) The Committee noted the proposal made by a number of exporting countries that the size of the global and country quotas should be enlarged to the level of United Kingdom imports in 1964 and expressed the hope that the United Kingdom Government would give further consideration to it.
- (ix) The Committee also noted the United Kingdom undertaking that, if countries outside the quota benefited at the expense of those countries within the quota, the United Kingdom would take the necessary steps to remedy the situation. In view of its importance, developments in connexion with this matter would be subject to review by the Committee.

60. The representative of the United Kingdom, referring to paragraph (iv) of the conclusions by the Committee, expressed regret that the United Kingdom had been unable, in spite of all its efforts, to evolve a scheme acceptable to members of the Committee as a whole. It remained the hope and the intention of the United Kingdom to preserve the total limit on its imports from now until 1970, subject to the review of whether the Long-Term Arrangement should be extended, modified or discontinued, and his Government was fully prepared to have further bilateral or multilateral discussions about the best way in which the operation of the limit could be carried out. However, there was no time for the very extensive consultations which would obviously be needed if some new proposals were to be worked out from the ground up, as there was the most urgent need to take some measures to enable the flow of trade to be resumed after the half quotas, which had so far been issued, were used up and to enable exporting countries to take orders for the autumn season. It seemed to him probable that the United Kingdom Government would take the view that it would improve the existing interim scheme by the modifications that it had suggested and it would then operate the revised scheme for the whole of 1966. However, the proposal which was made by the representative of the United Arab Republic, and commented on by some other representatives, appeared to be one worthy of very serious consideration and the United Kingdom Government would certainly take this proposal under advisement, before deciding what system to adopt for the rest of the year. The United Kingdom could not, at this stage, accept more than 50 per cent of the global quota in the

form of country quotas; the country quotas that would be available on this basis, in addition to the small country quotas which the United Kingdom had already offered in the modified proposals, were indicated approximately by the figures which had been circulated to the members of the Committee as a rough calculation.

61. It would be interesting, therefore, to know whether there was a consensus in favour of a system under which every country had a country quota equal to the half of its average exports to the United Kingdom during the period 1962-64, with the balance of the quota remaining global. If there was not such a consensus, then the entire quota would remain global and no country would have country quotas other than those indicated in Annex B of COT/59/Add.1. It was quite impossible to mix the two schemes; either one or the other should be adopted, and whatever decision might be taken would affect all the exporting countries now grouped in the global quota. This was a decision which the United Kingdom had the responsibility to take but, before doing so, it should know the preference of exporting countries for one or the other of the schemes. There was no reason why imports from India and Hong Kong which had country quotas should be held up pending a decision by other countries and he hoped there would be no objection to the United Kingdom authorizing the other half of their 1966 quotas.

62. The representative of the United Kingdom agreed that licences for the 50 per cent, which would be going to the global quota countries in any event as a global quota for the next six months of the year, would be issued as quickly as possible. The United Kingdom would expect to hear from other countries by 15 May whether they had any strong preference as to the balance of the quota being issued as country quota or as global quota, it being clearly understood that the United Kingdom would take no further steps to remind any country. In the absence of a reply from any country by that date, it would be assumed that the country concerned had no preference between the two schemes. Any country which wished to receive further information should contact the United Kingdom directly.

MEMORANDUM

(COT/M/6)

Cotton Textile Imports into the United Kingdom

1. The present export restraint arrangements which a number of countries have made with the United Kingdom expire at the end of 1965. This Aide Memoire sets out Her Majesty's Government's proposals for regulating imports of cotton textiles for a period of five years thereafter.

United Kingdom policy on cotton textile imports

2. Her Majesty's Government will continue to afford developing countries the opportunity to supply substantial and increasing quantities of cotton textile manufactures to the British market. The British record in this respect has consistently been far ahead of anything achieved by any other major industrialized country; the proportion of the United Kingdom's consumption which is met from imports from developing countries is now approximately one third. This extremely high figure has created problems for the United Kingdom of a different order from those experienced by countries whose textile industries are still sheltered by restrictions that limit imports to a much lower proportion (generally less than 10 per cent) of consumption. It justifies and indeed necessitates special measures of restraint if any further growth of imports is not to be accompanied by further serious disruption of the British market.

It was recognized in 1962 by all the signatories (except Pakistan) to the GATT Long-Term Cotton Textile Arrangement that the scale of British imports together with the great contraction of the British cotton industry in the preceding decade justified the exemption of the United Kingdom from the growth provisions of the Arrangement. Nevertheless, and despite this exemption, there has since then been a substantial increase in imports from countries with which no restraint agreements were in force, some of whom had no trade at all with the United Kingdom in 1962. Imports of cotton cloth and made-up goods from these countries rose from 12 million square yards in 1962 to 76 million square yards in 1964. This has come about notwithstanding the facts that there has been no material change in the restraint arrangements that were already in existence with the suppliers of the bulk of the United Kingdom's imports - India, Hong Kong and Pakistan - and that the President of the Board of Trade in 1962 gave a clear warning that new exporting countries should not count on building up a market in Britain while her traditional suppliers were exercising continuing restraint.

3. Meanwhile, the British Government has continued to promote the reorganization and adjustment of the domestic industry to the changing conditions which it has to face. Because of its history, its former massive size and its earlier extensive

export trade, its transformation into a compact and competitive industry with a completely changed pattern of trade presents formidable problems of adjustment. The British Government has taken positive steps to assist this adjustment by making Government grants for the scrapping of capacity and the modernization of equipment. The Government has also actively encouraged the structural re-organization of the industry. This has shown marked acceleration since 1963 and further rapid progress is expected during the next five years. But that progress depends upon the confidence of both labour and capital that the domestic market for the industry's products will preserve a measure of stability and will not be disrupted by uncontrolled and unpredictable imports either generally or in particular sectors.

4. In these circumstances, Her Majesty's Government think it necessary to propose that an overall annual limit should be set on imports for the next five years, except for imports from certain countries whose exports to Britain, by reason of their nature and price, have not in the past grown in such a way as to threaten disruptive effects. The large proportion of the United Kingdom market already filled by imports continues in the view of Her Majesty's Government to justify them in not undertaking the same obligations to permit further growth of imports as are appropriate in the case of other importing countries participating in the Long-Term Arrangement. Her Majesty's Government do not, however, propose to insist any longer on the maintenance of the Protocol which allows them to accord no growth at all. Instead, they propose that the total limit on imports should be raised each year by an amount which it is estimated will allow importers the opportunity to share equally with domestic production the natural growth in United Kingdom consumption.

#### Establishment of global quotas

5. Her Majesty's Government have reached the conclusion that the best way of implementing this basic concept will be to institute a series of global quotas for the main categories of cotton textiles which will be open to all suppliers with certain exceptions. Their reasons for making this proposal are as follows.

6. Because of the United Kingdom's liberal trading policy and the size of its market, the number of countries supplying cotton textiles to it has rapidly increased. When the first restraint arrangements were concluded in 1959 only three countries were concerned; now, only six years later, arrangements are in force or being negotiated with eighteen exporting countries. In addition imports from a number of other countries are controlled by special bilateral trading arrangements. Details of all these arrangements are given in Appendix A of the Annex.

7. This growth in the number of supplying countries has so increased the practical difficulties of negotiation as to make it virtually impossible to continue attempting to conclude arrangements of the kind hitherto made. Any agreement has to be satisfactory and equitable not only to the two parties negotiating it but also to all other supplying countries which already have restraint arrangements and which will not tolerate an agreement with a new supplier which seems to them more favourable than that which they already have. The problem has been exacerbated by the fact that the capacity of different countries to export has developed at different times and at different rates and consequently quotas have had to be fixed piecemeal over a period of time. Moreover, since entitlement to quotas under the Long-Term Arrangement depends largely on a country's past exports to the market in question, even a short delay in imposing restraint can make a considerable difference to the basis of a country's quota, and a premium has thus been placed on a sudden and rapid build-up of imports so as to secure a good base period to start from.

8. Her Majesty's Government tried to meet some of these difficulties by introducing in May 1964 a system of specific licensing of imports from countries not already subject to restraint so as to provide, in the first instance, information about future contracts. This information confirmed that suppliers in a number of countries had entered into forward contracts of unprecedented volume with United Kingdom importers. In those cases Her Majesty's Government has entered into negotiation for restraint agreements with the countries concerned; meanwhile, to avoid disruption of the market, they have limited imports from these countries to goods which were the subject of contracts entered into before 1 May 1964.

9. In these and other negotiations it has proved extremely difficult to reach agreement. In fact, although many negotiations are in progress, only two agreements have been concluded since the beginning of 1963. This is largely because so much of the British market is already taken up by imports from the major traditional suppliers that the British Government has generally been unable in the negotiations to offer quotas much in excess of the amounts calculated in accordance with Annex B of the Long-Term Arrangement, and these have been considered by the supplying countries to be inadequate.

10. These difficulties might have been avoided, and the results intended when the no growth Protocol was generally accepted in 1962 might have been achieved, if Her Majesty's Government had rigorously applied the Long-Term Arrangement to imports from those countries with which negotiations were in progress and to imports from all other suppliers who might benefit from the restraint imposed on

their competitors and whom it would therefore be inequitable to leave uncontrolled. Although this course of action would not have been contrary to their obligations and rights in relation to exporting countries, Her Majesty's Government did not take it because, as the exporting countries themselves have pointed out, the resulting control would have been arbitrary and illogical in its effects between one country and another.

11. For these reasons, Her Majesty's Government have reached the conclusion that it would be impracticable to negotiate a series of country quotas for all supplying countries which would be equitable as between them, acceptable to the countries concerned and would at the same time achieve the objective of avoiding disruption of the British market. They therefore propose to institute a series of global quotas on the lines described in the Annex to this Aide Memoire for imports from all countries except those mentioned in paragraphs 12 and 13 below. Her Majesty's Government believe that such a system of global quotas will bring about a more equitable solution of the problem presented by cotton imports in present circumstances than a system of individual country quotas on the lines envisaged in the Long-Term Arrangement. They consider that their proposals are in accordance with the general objectives of the Arrangement and represent a reasonable method of achieving them. They will welcome full discussion of the proposed arrangements in the GATT Cotton Textiles Committee and they are willing that they should be subject to review in the light of any modifications or extensions of the Long-Term Arrangement after 1967.

#### Other restraint arrangements

12. It is proposed that imports from India and Hong Kong should be excluded from the global quota and that these countries should be invited to enter into new agreements under which they would continue to restrict their exports to the levels agreed with them in 1962. The reason for this is that both countries have very large industries geared to the British market, of which they have been for many years the largest suppliers. Their restraint agreements date from 1959 and they were among the traditional suppliers whom the President of the Board of Trade had mainly in mind when warning new suppliers not to count on being able to build up a market at the expense of countries which were already restricting their exports.

13. It is also proposed to exclude from the global quota the countries of China, the Soviet Union and East European countries (for which certain separate arrangements already exist), as well as Portugal, the Irish Republic and Japan (with which it will be necessary to discuss special arrangements) and the following countries:- Australia, Austria, Belgium, Canada, Denmark, Finland, France, German Federal Republic, Italy, Luxemburg, Netherlands, New Zealand, Norway, Sweden, Switzerland and the United States.

14. Relevant import figures together with proposed quotas are set out in Appendix A to the Annex.

Transitional arrangements

15. Negotiations already in hand with a number of countries for establishment of country quotas will be discontinued. Where imports are being admitted against any balance of pre-1 May 1964 contracts these arrangements will be continued until the end of 1965.

16. The British Government is aware of the need to ensure that trade in the early part of 1966 should not be brought to a standstill, and will shortly make proposals for interim arrangements to enable business to be carried on and orders to be placed for 1966 delivery.

ANNEX

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Outline of Proposed Arrangements

1. The following is an outline of the restraint procedures which it is proposed shall apply to all imports of cotton textiles, from India, Hong Kong and the countries in the proposed global quota after the end of 1965.

Scope of restraints

Products to be covered

2. These will be broadly those affected by existing restraint arrangements, namely cotton yarn; woven cotton cloth, both grey and finished; and household textiles and apparel made of woven cotton cloth. Precise details of proposed product coverage are set out in Appendix A.

Countries to be covered

3. The proposed procedures are intended to apply to imports from all countries other than the following:

- (i) Portugal, the Irish Republic and Japan with whom special arrangements will be discussed;
- (ii) Sino-Soviet countries with whom separate arrangements will be continued as hitherto;
- (iii) United States, Canada, Australia, New Zealand, West Germany, France, Belgium, Holland, Luxemburg, Italy, Switzerland, Norway, Sweden, Denmark, Austria and Finland whose exports will remain unrestricted as hitherto.

Period to be covered

4. The arrangements would cover a five-year period commencing on 1 January 1966.

Establishment of base period quotas

5. As indicated in the Aide Memoire, it is intended that India and Hong Kong should be limited under individual country quotas and imports from other countries should be limited by global quota. The base period quotas will be calculated on the following bases:

India and Hong Kong  
Global quota countries

Basic quotas 1962-64  
United Kingdom imports 1962-64.

Division into main groups

6. The quotas would be divided into five main groups as follows:-

		<u>India</u>	<u>Hong Kong</u>	<u>Global quota countries</u>	<u>Total</u>
Yarn	(m.lbs.)	11.5	6.3	8.5	26.3
Greycloth	(m.sq.yds.)	162.5	74.0	93.0	329.5
Finished cloth	(m.sq.yds.)	16.5	26.0	9.8	52.3
Household textiles	(m.sq.yds.)	13.7	16.0	6.8	36.5
Apparel	(m.sq.yds.)	2.3	69.0	9.8	81.1

7. The quotas for each main group of products would be further sub-divided into categories. For global quota countries, it is proposed that the categories listed in Appendix C should be established. These correspond in the main to categories already established under agreements with supplying countries.

8. It is proposed broadly that Hong Kong and India should continue with the existing degree of categorization, as set out in the agreements between their industries and the British industry. Where the degree of categorization for these two countries is less detailed than is proposed for the global quota countries (Appendix C), additional categories would be created in order to achieve an appropriate and reasonably uniform degree of categorization for all imports.

9. Imports for the year 1964 from the principal global quota countries and from other sources by category are set out in Appendix D. For each category the percentage which imports bear in relation to imports in the main group is given in brackets. It is proposed that these percentages would be applied to the main group totals in the penultimate column of paragraph 6 above to obtain a basic level for each category.

Increases in basic quotas

10. It is proposed that for 1967 and succeeding years total imports from restricted sources shall be allowed to grow by 1 per cent compound annually. This percentage is the best available estimate of the likely increase in United Kingdom domestic consumption of cotton textiles in the period 1966-70.

Administration of quotas

11. It is proposed that, as under the existing Agreement, the quotas for India and Hong Kong shall be administered by export licences issued by the appropriate authorities in these two countries. These licences would be exchanged by the United Kingdom Import Licensing Branch for import licences. Import licences would be issued automatically so long as the quotas or sub-quotas to which they related had not been exceeded.

12. The global quota would be administered wholly by import licensing in the United Kingdom. Import licences would be allocated among British importers on the basis of their imports from the global quota countries by main groups and by categories during 1964.

13. Such increase on the base period quotas as may be attributable to the global quota would be similarly allocated.

APPENDIX A

UNITED KINGDOM: IMPORTS OF COTTON TEXTILES AFTER 1965

Products to be Covered

1. Items which it is proposed shall be covered by the restraint arrangements are yarn, woven fabrics and articles made of woven fabrics containing 50 per cent or more by weight of cotton and falling within the following tariff headings:

- 52.01 Metallized yarn
- 52.02 Woven fabrics of metal thread or metallized yarn
- 55.05 Cotton yarn and thread not put up for retail sale
- 55.06 Cotton yarn and thread put up for retail sale
- 55.07 Cotton gauze
- 55.08 Terry towelling and similar terry fabrics
- 55.09 Other woven fabrics
- 58.04 Woven pile fabrics and chenille fabrics
- 58.10 Embroidery in the piece, in strips or in motifs
- 59.07 Textile fabrics coated with gum of a kind used for the outer covers of books; tracing cloth, buckram, prepared painting canvas etc.
- 59.08 Textile fabrics impregnated or coated with preparations of cellulose derivatives etc.
- 59.09 Textile fabrics coated or impregnated with oil etc.
- 59.11 Rubberized textile fabrics etc.
- 59.12 Textile fabrics otherwise impregnated or coated etc., painted textile fabrics being theatrical scenery, studio backcloths or the like
- 59.13 Elasticated fabrics and trimmings etc.
- 59.14 Wicks, gas-mantles etc.
- 59.15 Textile hose-piping etc.
- 59.16 Industrial belting etc.
- 59.17 Textiles used in machinery or plant
- 61.01 Men's and boys' outer garments
- 61.02 Women's, girls' and infants' outer garments
- 61.03 Men's and boys' undergarments including collars, shirt fronts and cuffs
- 61.04 Women's, girls' and infants' undergarments
- 61.05 Handkerchiefs
- 61.06 Shawls, scarves, mufflers, mantillas, veils and the like
- 61.07 Ties, bow ties and cravats
- 61.08 Collars, tuckers, fallals, cuffs, flounces, yokes and similar accessories and trimmings
- 61.09 Corsets, suspender belts, brassieres, braces etc.
- 61.10 Gloves, mitts, stockings, socks etc.
- 61.11 Made-up accessories for articles of apparel e.g. dress shields, shoulder pads, belts, etc.
- 62.01 Travelling rugs and blankets

- 62.02 Household linen, curtains and other furnishing articles
- 62.03 Sacks and bags of a kind used for the packing of goods
- 62.04 Tarpaulins, sails, awnings, sunblinds, tents etc.
- 62.05 Other made-up textile articles (inc. dress patterns)

2. The following would not be restricted:

- (i) cotton textiles whether yarns, in the piece, or made up, which are imported into the United Kingdom for re-export therefrom, with or without processing or making up in the United Kingdom
- (ii) hand loom fabrics and made-up goods thereof
- (iii) articles manufactured from cloth of United Kingdom origin.

APPENDIX B

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Group A - Yarn

Th. lbs.

	United Kingdom Imports <sup>(1)</sup>			Existing Quota <sup>(1)</sup>	Proposed Quota <sup>(1)</sup>
	1962	1963	1964		
A. <u>Countries with unrestricted exports</u>	8,634	6,693	6,786		
B. <u>Countries with individual country quotas</u>					
India	7,312	9,524	11,993	11,500	11,500
Hong Kong	8,081	4,753	6,321	6,300	6,300
Sub Total	15,393	14,277	18,314		
C. <u>Countries included in global quota</u>					
Pakistan	618	713	368	600	
Malaysia	-	0	-		
Yugoslavia	-	2	-		
Spain	1,639	6,913	6,352	8,400	
Formosa	-	-	-		
Israel	784	1,184	2,149	1,663	
Macao	-	-	-		
South Korea	-	-	-		
Brazil	-	-	-		
United Arab Republic	590	620	975	Negotia- tion	
Greece	188	506	930	Negotia- tion	
Turkey	-	1	-		
Colombia	-	-	-		
Mexico	-	-	-		
Others	3	96	863		
Sub Total	3,822	10,035	11,637		8,498
D. <u>Sino-Soviet countries</u>	0	-	-	(2)	
E. <u>Countries with which special bilateral arrangements will be discussed</u>					
Portugal	1,159	2,177	1,369	Negotia- tion	
Irish Republic	2,697	2,010	2,349	2,750	
Japan	-	2	-	Nil	
Sub Total	3,856	4,189	3,718		
World Total	31,705	35,195	40,456		

Notes:

(1) Excluding imports for re-export

(2)

Imports from Sino-Soviet Bloc countries are limited by quotas, but these are expressed in value terms and because of their varied nature cannot conveniently be summarized in a single figure.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Group B - Greycloth

Thousand square yards

	United Kingdom Imports <sup>(1)</sup>			Existing quota <sup>(2)</sup>	Proposed quota <sup>(3)</sup>
	1962	1963	1964		
A. <u>Countries with unrestricted exports</u>	18,786	22,406	28,924		
B. <u>Countries with individual country quotas</u>					
India	142,802	175,737	213,844	195,000 <sup>(2)</sup>	162,500 <sup>(3)</sup>
Hong Kong	82,321	71,165	62,681	80,000 <sup>(4)</sup>	74,000 <sup>(5)</sup>
Sub-total	232,123	246,902	276,525		
C. <u>Countries included in global quotas</u>					
Pakistan	37,274	55,568	32,255	42,400 <sup>(2)</sup>	
Malaysia	4,522	5,762	7,446	8,200 <sup>(6)</sup>	
Yugoslavia	5,474	4,683	7,271	5,500	
Spain	13,484	6,252	7,446	33,000	
Formosa	5,965	4,786	2,245	2,000	
Israel	0	14	36		
Macao	-	-	-		
South Korea	-	1,292	28,835	Negotiation	
Brazil	-	3,341	15,912	"	
United Arab Republic	610	1,615	3,927	"	
Greece	36	28	256	"	
Turkey	4,735	3,696	5,519	"	
Colombia	12	-	2,740	"	
Mexico	0	0	2,821	"	
Others	1,323	128	850		
Sub-total	74,342	87,237	117,553		93,046
D. <u>Sino-Soviet countries</u>	5,350	6,806	6,672	(7)	
E. <u>Countries with which special bi-lateral arrangements will be discussed</u>					
Portugal	14,922	26,338	19,878	Negotiation	
Irish Republic	1,608	2,077	3,265		
Japan	4,734	3,622	4,704	7,000 <sup>(6)</sup>	
Sub-total	21,271	32,044	27,847		
World total	351,942	395,444	457,527		

(1) Excluding imports for re-exports.

(2) Combined quota for greycloth, finished cloth and made-up goods, greycloth may be shipped up to full extent of the combined quota.

(3) Existing combined quota less 1965 quota for finished cloth and made-up goods.

(4) Combined quota for greycloth and finished cloth of 100 million sq.yds., of which greycloth shall not exceed 80 million sq.yds.

(5) Existing combined quota divided according to 1964 pattern of imports.

(6) Combined quota for greycloth and finished cloth. Greycloth may be shipped up to the full extent of the combined quota.

(7) Imports from Sino-Soviet countries are limited by quotas, but these are expressed in value terms and because of their varied nature cannot conveniently be summarized in a single figure.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Group C - Finished Cloth

	United Kingdom Imports <sup>(1)</sup>			Existing quota <sup>(1)</sup>	Proposed quota <sup>(1)</sup>
	1962	1963	1964		
A. <u>Countries with unrestricted exports</u>	84,680	79,215	74,273		
B. <u>Countries with individual country quotas</u>					
India	9,165	16,666	21,169	32,500 <sup>(2)</sup>	16,500 <sup>(3)</sup>
Hong Kong	28,864	27,217	22,024	59,000 <sup>(4)</sup>	26,000 <sup>(3)</sup>
Sub-total	38,029	43,883	43,193		
C. <u>Countries included in global quota</u>					
Pakistan	0	95	3,548	42,400 <sup>(5)</sup>	
Malaysia	5	416	2,560	3,000	
Yugoslavia	417	487	4,277	Negotiation	
Spain	3,802	3,327	2,315	7,000	
Formosa	507	68	106	Nil	
Israel	278	323	302	-	
Macao	-	-	-	-	
South Korea	-	0	4		
Brazil	35	33	102	Negotiation	
United Arab Republic	952	2,528	1,870	Negotiation	
Greece	0	20	53		
Turkey	-	-	0		
Colombia	-	-	-		
Mexico	1	3	2		
Others	162	103	93		
Sub-total	6,160	7,473	15,831		9,821
D. <u>Sino-Soviet countries</u>	5,571	5,660	7,581	(7)	
E. <u>Countries with which special bi-lateral arrangements will be discussed</u>					
Portugal	4,608	11,260	7,627	Negotiation	
Irish Republic	3,942	3,487	3,879		
Japan	528	1,218	2,958	7,000 <sup>(6)</sup>	
Sub-total	9,078	15,965	14,524		
World total	143,528	152,198	155,402		

(1) Excluding imports for re-exports.

(2) Combined quota for finished cloth and made-ups.

(3) Existing combined quota divided according to 1964 pattern of imports.

(4) Combined quota for greycloth and finished cloth of 100 million sq.yds. of which finished cloth shall not exceed 30 million sq.yds.

(5) Combined quota for greycloth finished cloth and made-up goods.

(6) Combined quota for greycloth and finished cloth.

(7) Imports from Sino-Soviet countries are limited by quotas, but these are expressed in value terms and because of their varied nature cannot conveniently be summarized in a simple figure.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Group D - Household Textiles

Thousand square yards equivalent

	United Kingdom Imports <sup>(1)</sup>			Existing quota <sup>(7)</sup>	Proposed quota <sup>(1)</sup>
	1962	1963	1964		
<u>A. Countries with unrestricted exports</u>	13,569	15,416	15,337		
<u>B. Countries with individual country quotas</u>					
India	6,538 <sup>(4)</sup>	10,136 <sup>(4)</sup>	17,657 <sup>(4)</sup>	32,500 <sup>(3)</sup>	13,700 <sup>(3)</sup>
Hong Kong	21,141	15,891	12,002	85,000	16,000
Sub-total	27,477	26,027	29,646		
<u>C. Countries included in global quota</u>					
Pakistan	36	212	335	42,400 <sup>(6)</sup>	
Malaysia	5	182	6,589	7,600 <sup>(5)</sup>	
Yugoslavia	1	0	8		
Spain	4,068	3,932	3,227		
Formosa	-	-	-		
Israel	17	25	32		
Macao	-	12	75	Negotiation	
South Korea	-	-	35		
Brazil	0	1	2		
United Arab Republic	0	10	2		
Greece	1	42	5		
Turkey	0	0	1		
Colombia	0	-	0		
Mexico	0	1	1		
Others	547	484	739		
Sub-total	4,675	4,901	10,851		6,800
<u>D. Sino-Soviet countries</u>	2,046	3,106	3,750	(8)	
<u>E. Countries with which special bilateral arrangements will be discussed</u>					
Portugal	820	6,026	5,583	Negotiation	
Irish Republic	205	624	952		
Japan	15	38	398	(7)	
Sub-total	1,740	6,758	4,535		
World total	50,409 <sup>(9)</sup>	56,208 <sup>(9)</sup>	64,517 <sup>(9)</sup>		

<sup>(1)</sup> Excluding imports for re-exports.  
<sup>(2)</sup> Combined quota for finished cloth and made-up goods.  
<sup>(3)</sup> Existing combined quota divided according to 1964 pattern of imports.  
<sup>(4)</sup> Based on Hong Kong Export Statistics of actual yardage.  
<sup>(5)</sup> Combined quota for all made-up goods.  
<sup>(6)</sup> Combined quota for greycloth, finished cloth and made-up goods.  
<sup>(7)</sup> Combined value quota for all made-up goods.  
<sup>(8)</sup> Imports from Sino-Soviet countries are limited by quotas, but these are expressed in value terms and because of their varied nature, can't conveniently be expressed in single figures.  
<sup>(9)</sup> Adjusted to take account of note (4) above.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965Group E - Apparel

Thousand square yards equivalent

	United Kingdom Imports <sup>(1)</sup>			Existing quota <sup>(1)</sup>	Proposed quota <sup>(1)</sup>
	1962	1963	1964		
A. <u>Countries with unrestricted exports</u>	22,609	11,452	15,868		
B. <u>Countries with individual country quotas</u>					
India	325	1,394	3,017	32,500 <sup>(2)</sup>	2,300 <sup>(3)</sup>
Hong Kong	63,425	66,900	62,630	85,000 <sup>(5)</sup>	69,000 <sup>(3)</sup>
Sub-total	63,750	68,294	65,647		
C. <u>Countries included in global quota</u>					
Pakistan	5	274	648	42,400 <sup>(6)</sup>	
Malaysia	15	1,109	7,454	7,600 <sup>(5)</sup>	
Yugoslavia	92	198	349		
Spain	2,634	1,120	808		
Formosa	-	-	-		
Israel	346	186	181		
Macao	47	3,292	5,051	Negotiation	
South Korea	-	-	355		
Brazil	-	-	0		
United Arab Republic	33	2	-		
Greece	8	6	4		
Turkey	1	1	0		
Colombia	0	-	-		
Mexico	1	0	2		
Others	2,125	741	2,446		
Sub-total	5,307	6,929	17,298		9,845
D. <u>Sino-Soviet countries</u>	4,892	5,595	4,786	(9)	
E. <u>Countries with which special bilateral arrangements will be discussed</u>					
Portugal	209	1,979	1,790	Negotiation	
Irish Republic	8,361	9,109	10,204	(8)	
Japan	255	553	1,459	(7)	
Sub-total	8,825	11,641	13,453		
World total	105,383 <sup>(10)</sup>	103,911 <sup>(10)</sup>	117,052 <sup>(10)</sup>		

- (1) Excluding imports for re-exports.  
(2) Combined quota for finished cloth and made-up goods.  
(3) Existing combined quota divided according to 1964 pattern of imports.  
(4) Based on Hong Kong Export Statistics of actual yardage.  
(5) Combined quota for all made-up goods.  
(6) Combined quota for greycloth, finished cloth and made-up goods.  
(7) Combined value quota for all made-up goods.  
(8) Value quota of £600,000 for garments made of Japanese, Chinese and Eastern Area cloth.  
(9) Imports from Sino-Soviet countries are limited by quotas, but these are expressed in value terms and because of their varied nature cannot conveniently be summarized in a single figure.  
(10) Adjusted to take account of note (4) above.

APPENDIX C

UNITED KINGDOM COTTON TEXTILE IMPORTS AFTER 1965

Proposed List of Categories

<u>Main Groups and Category Nos.</u>	<u>Category Headings</u>	<u>Classification</u>
<u>A. Yarn</u>		
(1)	Grey folded	Sensitive
(2)	Finished, single or folded	Sensitive
<hr/>		
<u>B. Greycloth</u>		
(3)	Drills, jeans and gaberdines	Super-sensitive
(4)	Poplins	Super-sensitive
(5)	Other fabrics not exceeding 46" in width	Sensitive
(6)	Other fabrics exceeding 46" in width but not exceeding 60"	Sensitive
(7)	Other fabrics exceeding 60" in width	Sensitive
<hr/>		
<u>C. Finished cloth</u>		
(8)	Terry towelling and similar terry fabrics	Sensitive
(9)	Corduroys	Sensitive
(10)	Poplins	Super-sensitive
(11)	Yarn dyed piecegoods n.e.s.	Sensitive
(12)	Bleached piecegoods	Sensitive
(13)	Piece dyed piecegoods n.e.s.	Sensitive
(14)	Printed piecegoods n.e.s.	Sensitive
<hr/>		
<u>D. Household textiles</u>		
(15)	Bed linen	Sensitive
(16)	Towels	Sensitive

Main Groups and  
Category Nos.

Category Headings

Classification

E. Apparel

(17)	Men's and boys' shirts	Super-sensitive
(18)	Women's and girls' blouses and dresses	Sensitive
(19)	Men's, women's and children's nightwear and underwear	Sensitive
(20)	Raincoats and other proofed garments	Super-sensitive
(21)	Handkerchiefs	Sensitive
(22)	Men's and boys' coats, waistcoats and trousers	Super-sensitive
(23)	Women's and girls' coats, costumes, skirts and slacks	Sensitive
(24)	Corsets, suspender belts and brassieres	Sensitive

APPENDIX D

UNITED KINGDOM-IMPORTS OF COTTON TEXTILES AFTER 1959

Retained Imports During 1964 by Categories

Category No.	YARN				GREY CLOTH		
	1	2	3	4	5	6	7
	th.lbs.	th.lbs.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.
A. <u>Countries with unrestricted exports</u>	1,511	2,729	164	325	26,511	1,015	700
B. <u>Countries with individual country quotas</u>							
India	7,362	-	14,967	724	83,873	100,492	11,734
Hong Kong	5,536	70	31,422	5,696	30,462	4,803	10,229
Sub-total	12,898	70	46,449	6,490	94,335	105,295	21,963
C. <u>Countries included in global quota</u>							
Pakistan	133	-	714	-	26,076	4,451	1,015
Malaysia	-	-	1,981	-	2,569	47	2,851
Yugoslavia	-	-	218	84	4,912	264	1,793
Spain	2,767	274	34	5	1,459	86	5,812
Formosa	-	-	-	-	2,245	-	-
Israel	522	103	-	-	36	-	-
Macao	-	-	-	-	-	-	-
South Korea	-	-	-	568	-	-	-
Brazil	-	-	-	-	27,042	1,225	-
United Arab Republic	451	10	70	-	15,771	-	141
Greece	209	8	19	600	2,117	185	955
Turkey	-	-	-	-	237	-	-
Colombia	-	-	472	-	4,858	-	661
Mexico	-	-	-	-	907	632	730
Others	384	-	-	-	2,520	-	301
Sub-total	4,546 (39.06%)	402 (3.45%)	3,558 (3.03%)	1,357 (1.07%)	91,599 (77.92%)	6,890 (5.86%)	14,259 (12.13%)
D. <u>Sino-Soviet countries</u>	-	-	-	-	6,351	163	12
E. <u>Countries with which special bilateral arrangements will be discussed</u>							
Portugal	100	591	862	3,496	11,573	305	3,640
Irish Republic	506	407	125	48	2,092	295	705
Japan	-	-	1	1,076	1,288	2,218	116
Sub-total	606	998	989	4,620	14,943	2,822	4,461
World total	19,561	4,199	51,160	12,694	233,745	116,185	41,395

Notes: (1) For descriptions of categories see Appendix C.

(2) Figures in brackets indicate the percentages which imports in the particular category from global quota countries form of total imports in the relevant main group for the global quota countries.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

Retained Imports During 1964 by Categories

Category No.	FINISHED CLOTH							HOUSEHOLD TEXTILES	
	8 th.sq.yds.	9 th.sq.yds.	10 th.sq.yds.	11 th.sq.yds.	12 th.sq.yds.	13 th.sq.yds.	14 th.sq.yds.	15 th.sq.yds.	16 th.sq.yds.
A. <u>Countries with unrestricted exports</u>	198	807	3,289	11,628	5,625	16,613	17,485	1,376	2,228
B. <u>Countries with individual country quotas</u>									
India	2,263	-	57	11,379	2,115	1,299	2,510	9,660	7,466
Hong Kong	256	127	11,550	5,379	753	420	2,848	2,539	7,284
Sub-total	2,519	127	11,617	17,258	2,868	2,319	5,358	12,199	14,750
C. <u>Countries included in global quota</u>									
Pakistan	10	-	-	142	3,293	36	68	99	214
Malaysia	0	-	94	2,308	89	11	41	3,401	1,595
Yugoslavia	-	-	-	-	4,277	-	-	5	-
Spain	0	1,658	24	490	102	223	340	2,415	620
Formosa	-	-	-	-	-	-	-	-	-
Israel	-	-	9	161	45	1	86	0	32
Macao	-	-	-	-	-	-	-	-	72
South Korea	-	-	-	-	-	-	-	-	35
Brazil	-	-	-	3	98	-	1	-	-
United Arab Republic	-	-	1,294	59	75	365	-	-	2
Greece	-	-	-	20	-	32	-	0	-
Turkey	0	-	-	-	-	-	-	-	0
Colombia	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	1	-	1	-	1	-
Others	-	-	5	8	25	10	20	12	61
Sub-total	10 (0.06%)	1,658 (10.47%)	1,426 (9.01%)	3,192 (20.16%)	3,004 (50.55%)	679 (4.29%)	556 (3.51%)	5,284 (55.15%)	2,639 (24.32%)
D. <u>Sino-Soviet countries</u>	10	-	108	791	722	1,068	4,539	1,385	1,199
E. <u>Countries with which special bilateral arrangements will be discussed</u>									
Portugal	32	-	2,609	2,120	909	458	1,385	2,550	720
Irish Republic	2	10	21	255	259	285	2,030	576	285
Japan	2	625	1,051	78	201	389	499	5	275
Sub-total	36	638	3,751	2,456	1,369	1,430	4,014	3,141	1,280
World total	2,773	3,230	20,191	35,325	18,585	22,109	31,952	24,005	22,097

Notes: (1) For descriptions of categories see Appendix C.

(2) Figures in brackets indicate the percentages which imports in the particular category from global quota countries form of total imports in the relevant main group from the global quota countries.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965  
Retained Exports During 1964 by Categories

Category No.	APPAREL							
	17	18	19	20	21	22	23	24
	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.	th.sq.yds.
A. <u>Countries with unrestricted exports</u>	548	643	299	2,533	390	5,349	125	1,726
B. <u>Countries with individual country quotas</u>								
India	418	0	863	2	1,114	59	0	-
Hong Kong	21,528	4,381	2,901	6,881	41	14,573	3,537	1,985
Sub-total	21,946	4,381	3,764	6,883	1,155	14,632	3,537	1,985
C. <u>Countries included in global quota</u>								
Pakistan	427	0	69	-	-	39	-	-
Malaysia	1,020	0	3,284	0	-	2,876	106	-
Yugoslavia	159	-	81	8	-	63	0	-
Spain	15	97	361	0	40	9	2	-
Formosa	-	-	-	-	-	-	-	-
Israel	-	8	30	84	-	-	1	-
Macao	2,771	14	1,731	-	-	352	26	18
South Korea	110	-	190	-	-	52	-	-
Brazil	-	-	-	-	-	-	0	-
United Arab Republic	-	-	-	-	-	-	0	-
Greece	1	1	0	0	-	-	0	-
Turkey	-	-	-	-	-	-	0	-
Colombia	-	-	-	-	-	-	-	-
Mexico	1	1	0	0	-	0	0	-
Others	115	13	99	1	248	1,178	6	516
Sub-total	4,619 (26.70%)	134 (3.07%)	5,845 (33.79%)	93 (0.54%)	288 (1.66%)	4,569 (26.41%)	141 (0.82%)	534 (3.09%)
D. <u>Sino-Soviet countries</u>	1,085	85	420	49	1,165	308	0	5
E. <u>Countries with which special bilateral arrangements will be discussed</u>								
Portugal	1,008	62	379	26	-	-	0	-
Irish Republic	2,337	1,794	150	593	119	1,878	643	0
Japan	220	37	11	56	1,011	58	0	-
Sub-total	3,565	1,893	540	675	1,130	1,936	643	0
World total	32,563	7,136	10,868	10,233	4,128	26,874	4,446	4,250

Notes: (1) For descriptions of categories see Appendix C.

(2) Figures in brackets indicate the percentages which imports in the particular category from global quota countries form of total imports in the relevant main group for the global quota countries.

UNITED KINGDOM IMPORTS OF COTTON TEXTILES AFTER 1965

1. It is proposed that the following interim arrangements should apply to imports from global quota countries from 1 January 1966:-

- (a) With effect from 1 January 1966, import licences would be required for all imports of cotton textile products (as defined in Appendix A to the Aide Memoire, but excluding sacks and bags which will not now be subject to control) from global quota countries.
- (b) Interim quotas would be established equal in amount to one half of the total annual quotas proposed for the global quota countries in paragraph 6 of the Annex to the Aide Memoire.
- (c) In accordance with paragraph 9 of the Annex to the Aide Memoire, these quotas would in turn be divided into twenty-nine sub-quotas as listed in Notice to Importers No. 1115 (i.e. the twenty-four categories in Appendix C of the Aide Memoire, plus five residual categories).
- (d) United Kingdom importers would be invited to apply for import licences and to specify the categories for which licences were required.
- (e) Import licences would be allocated among importers in the proportion which their own imports in 1964 bore to total imports in 1964, as calculated from returns made by importers under Notice to Importers No. 1115 (the main provisions which were reproduced in the Board of Trade Journal of 22 October, page 949).
- (f) Import licences would be valid for imports from any of the global quota countries without restriction at any time during the twelve months ending 31 December 1966.

2. Imports from India and Hong Kong would be similarly admitted up to one half of the amount of the quotas proposed for these countries in paragraph 6 of the Annex to the Aide Memoire, and would be appropriately categorized. For imports from Japan, China, the Soviet Union and the Eastern European countries the existing quota and licensing arrangements will be continued.

(COT/59/Add.1)

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 1966<sup>1</sup></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 <sup>2</sup> (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 <sup>2</sup> 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	3,527,000
Raincoats and other proofed garments	53,000
Raincoats	183,000
Men's and boys' coats, waistcoats and trousers	2,600,000

<sup>1</sup>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.

<sup>2</sup>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 <sup>1</sup>
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
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
United Arab Republic	500,000
Yugoslavia	500,000

<sup>1</sup>The 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.