From the London End

Clashing Cotton Interests

THE debate on the cotton textile industry in the House of Commons last week has highlighted, once more, the difficulties that Indian textiles are likely to meet in future, both in the. U K and the Common Market. Although it is recognised that trade is one of the best means of assisting developing countries and that the need of the moment is for the industrialized countries to open their doors to exports from the developing countries, vested interests in the U K. cotton textile industry are carrying on a fierce campaign to reduce imports from Asian countries. This, despite the recent agreement under the GATT to take in more textiles from these countries.

The recent stand taken by the Common Market countries, in insisting that Britain must apply 30 per cent of the Common External Tariff on textiles as soon as she joins the Common Market, and a further HO per cent within eighteen months, has given fresh hope to the textile interests in Britain. The Common Market statement on cotton textiles was, however, sugar-coated with the promise that should Britain join the Common Market, the Six would sign a comprehensive trade agreement with the Asian members of the Commonwealth, taking into account the development plans and financial problems of these countries. It remains to be seen how far the 'Six' will go to help the developing countries.

Textile Action Group

In advance of the debate in the Commons, the Textile Action Group, as part of its plan to put pressure on the Government to cut imports from Asian countries, sent a six-man delegation to Brussels to persuade Common Market textile leaders to oppose British entry into the European Economic Community, unless the Government agreed to full protective external tariffs. Thus: "Before terms are finalized, it is hoped to impress on our Continental counterparts the danger to their own markets if the U K is admitted to membership without accepting in full the Common External Tariff under the terms of the Treaty of Rome............There is no alternative available; failure to secure agreement on these lines can only lead to the easy access of Asian textiles into the Continental markets with the resultant chaos and eventual breaking up of the E E C textile industry". In a statement aimed at the European cotton trades, the Action Group said that the future of 270,000 British workers employed in textiles was in jeopardy. "Unrestricted cheap textile imports would have the same effect on you, resulting in mass unemployment in your own country".

The latest quarterly report of the Operative Spinners Amalgamation points out that if after Britain joins the Common Market the industry has still to compete with products from the Asian countries imported as now duty-free, and at the name time to open its markets, by lowering tariff, to the countries of the E E C, it could do serious damage to the Lancashire industry. It should not be overlooked that the textile industry would still have to compete with products from Asian countries which would remain lower in price, even after the addition of the 13½ per cent tariff, than goods produced in the U K. It is also pointed out that joining the Common Market and adopting a Common External Tariff would mean the end of the preferential tariffs for Lancashire goods in Commonwealth countries. At present, almost two-thirds of Lancashire's exports go to these markets and anything which would cause a sharp reduction in this trade cannot but be a matter of concern for Lancashire.

Labour Party's Stand

Last week, in advance of the Commons debate on a labour censure motion calling for "positive steps to promote the stability and prosperity of the industry", six labour MPs. four mayors from Lancashire cotton towns, five pipe and brass bands and 4,000 cotton workers marched two miles through London, This group was demonstrating against imported yarns and cloth. A pamphlet which it handed out to passers by said: "No single industry can stand up to such unfair and withering competition, and as a result, two-thirds of our cotton mills have closed down since the war and over 250,000 people have left the industry."

The main line taken by the opposition in the debate in the Commons was that the Government had let the industry down by allowing imports from Asia. The industry had responded to Government inducements to modernise and become more efficient, but everybody knew that whatever it did, it would be unable to withstand competition from low-cost Asian countries. The Government should, therefore, urge other participants in the Geneva talks to liberalise their imports in keeping with the objectives of the Geneva arrangements. The strongest obligation was the United States. During the course of the debate, Mr Anthony Greenwood said: "l am sick of watching the steady murder of the cotton textile towns in East Lancashire. The Government's acceptance of the 1961 ceilings is the final blow." He also warned that if the Government persisted in its present policy. not one single Tory would be left representing the textile towns after the next election. With unemployment in his own constituency now standing at 7.1 per cent, he said thai the 1952 slump now looked like a time of prosperity. Even the Conservative members from the cotton towns came out against the Government's policy, one member. Sir John Barlow, saying that while he was a very loyal person to his party, he must "very reluctantly" vote against the Government at the end of the debate, "Why should the textile industry be the first and probably the greatest industry to be sacrificed?" he asked. Ultimately, however, the opposition motion was defeated by 266 votes to 189 and the Government amendment was carried by 258 votes to 185.

Inefficiency — Lancashire's Problem

It is perfectly understandable that labour MPs from textile towns should take a strong line to protect the interests of their constituents, but no long-term solution to the textile industry's problems will be found by attempting to restrict exports from Asian countries. In the long run, surely, it is only those sections of the , British industry that can really stand up to competition that can be expected to survive. The general feeling of pessimism in the industry reflects the misconception that the industry cannot hope to compete effectively with imports from low wage countries. This view is shared by Continental and American cotton industries.

The real problems that beset Lancashire are, however, different. During the debate the President of the Board of Trade pointed out that if the cotton industry modernized itself, it could exploit better its large home market and win back lost export markets. It should be remembered that in 1960 and the early part of 1961. there was a high demand for cotton textiles. As a result, this led to rising prices and lengthening delivery dates as the cotton industry could not meet this demand. Naturally, producers in other countries took advantage of the situation. Since imports from the Asian Commonwealth countries were already restricted, imports came in from other sources. The Board of Trade President pointed out that no other manufacturing industry in Britain had the same definite safeguards. India and Hong Kong had already agreed to continue with the present ceilings to the end of 1965 so that the industry now knew where it stood in relation to imports for the next 3½ years, subject only to possible changes upon Britain joining the Common Market.

Lancashire's Inefficiency

The relative inefficiency of the British textile industry can he judged from the slow introduction of shift work and the astonishingly few hours a week that spindles work as compared with other countries, and the low output per worker. The President of the Board of Trade pointed out that in 1960 spindles worked for 104 hours a week in Belgium, 100 in Holland, 86 in France, 78 in Germany and only 50 in Britain.

Against the obviously propagandist arguments put up in the House of Commons, it is refreshing to turn to the Congress held last week at Deauville by the International Federation of Cotton and Allied Textile Industries. It was pointed out that in a world context, the future of the textile industry lay in the elimination of surplus capacity, combined with the higher possible productivity. It had to be borne hi mind that more textile mills would be built in many countries where at present none existed and that existing textile industries would continue as an integral and basic part of their national economies. Since more and more textile industries would be catering to the needs of their domestic markets, a structural change had to take place. The problems of competition created by this would have to be solved by a new approach to international trade policies. The Congress hoped that the long term arrangements on international trade in cotton textiles under the GATT would be ratified by all the Governments concerned.

Even more encouraging was the belief expressed at the Congress that "there is considerable scope for growth in the textile industry, provided that the industry remains within the structural limits which are justifiable in the context of the world economy as a whole, and provided that within these limits, it seeks to attain the highest possible degree of rationalisation". It was estimated that an increase of 25 per cent to 30 per cent was likely during the next years in textile consumption in the Common Market countries, but even this would barely bring Europe to the level of II S consumption in 1939. There would therefore be further opportunities for expansion, especially as Common Market income and spending was rising faster than in the U S.

The Congress believed that the campaign against imports from cheap sources was taking too pessimistic a view of the cotton industry's prospects of survival. Imports into U K are at present running at an annual rate of 330 million square yards, against the agreed ceiling of 422 million square yards from Hong Kong, India and Pakistan, On the basis of the agreed ceilings and taking into account imports from non-Commonwealth sources such as China, Japan and Spain, total imports from low wage countries could be contained at a figure of 500 million square yards. On this basis, the Lancashire industry should be able to operate fully and profitably in the home market and in its now relatively small export trade. Home consumption of cotton cloth in the UK runs to about 1,850 million square yards, and if 100 million square yards are added for export, the trade needs an annual supply of 1,950 million square yards. Placing the output from the Lancashire mills at the optimistic figure of 1,450 million square yards, it will be seen that this falls short of requirements by about 500 million square yards — roughly the same figure as that of imports from low wage countries.

Barbara Castle Speaks Out

An eminently sane note was sounded by Barbara Castle in last week's *New Statesman,* While recognising the problems of Lancashire, she emphasised the problems of the developing countries and the need to reconcile this clash of interests. The Labour Party, she points out, has been urging for many years that the only way to integrate imported textiles into the home market, without totally disrupting the cotton industry, is by putting the import trading in textiles in the hands of a Government sponsored import commission. This, according to her, is the only way of ensuring that the voluntary limitation of their cotton exports to the U K by India. Pakistan ami Hong Kong, is not nullified by the action of Manchester merchants, who up to now have merely filled the gap by increasing their cheap imports from other sources such as Formosa and Spain. She concluded: "Certainly the traditional solutions of quotas and tariffs, designed to meet purely Western needs, provide no remedy. Nor can the West salve its conscience by promising to increase grants and loans. To offer aid instead of trade is to condemn the underdeveloped countries to be perpetual remittance-men. Somehow, some time, the world must work out a trading,, partnership,"