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COMMITTEE OF ECONOMIC ADVISERS

UNITED KINGDOM TRADE WITH CZECHOSLOVAKIA

Note by the United Kingdom Delegation

New arrangements for Anglo/Czechoslovak trade signed on 6th April, 1964 are intended to allow trade to develop on a more natural and flexible basis than has hitherto been possible under a rigid system of annual quotas.

2. Mr. Edward Heath, M.P., Secretary of State for Industry, Trade and Regional Development announced in the House of Commons on 28th January that he had decided to remove quota restrictions from the import of a number of manufactured goods from Czechoslovakia, Poland, Rumania, Hungary and Bulgaria. At the same time he made it plain that he would only sanction the change if certain conditions were met. The negotiations with Czechoslovakia have been largely concerned with these conditions.

3. The Czechoslovak Authorities have given an assurance that the Czechoslovak Foreign Trade Corporations, the bodies responsible for Czechoslovak import and export trade, intend to keep their pricing arrangements under review in order to ensure that Czechoslovak goods are sold to the United Kingdom at prices which are reasonable in relation to the prevailing prices of comparable goods from all other sources. In addition, the Board of Trade retain the right to re-impose quota restrictions on goods whose import has been liberalised, if this appears necessary to the Board at any time.

4. The Czechoslovak Authorities have also undertaken to use their best endeavours to increase their purchases of United Kingdom goods as their own exports to the United Kingdom result in an increased availability of sterling. In addition, they have said that imports of British goods will be treated, in principle, equally with imports of comparable goods from all other countries. Apart therefore from certain British consumer goods for which individual quotas have been settled with the Czechoslovaks, specific quotas for British exports will no longer be negotiated. Instead, a list has been agreed of British goods for import into

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Czechoslovakia. The list is in three parts. The first part includes, but is specifically not limited to, all the goods, other than consumer goods, which have hitherto been included in quota lists. The extent of purchases of these goods will largely depend on Czechoslovakia's sterling resources. The second part includes those British consumer goods for which individual quotas have been agreed: these quotas total £1,100,000 (in 1964 the corresponding figure was £920,000). The third part includes, but is specifically not limited to, all the other consumer goods for which quotas have hitherto been agreed. The figure for this part is £440,000 (in 1963 the corresponding figure was £375,000).

5. On the import side the new arrangements are briefly as follows. Hitherto Czechoslovak goods have either been imported freely under the World Open General Licence, or have been subject to quota control. Quota lists have been agreed annually and have lengthened from year to year as new goods have been added.

6. This system has now been changed. A list has been drawn up of goods to remain subject to quota restrictions, but is much shorter than the old quota list. For most items on the list value (or volume) quotas have been agreed but the list also includes a small number of goods which have not hitherto entered into the trade, but which, if Czechoslovakia wished to send them to the United Kingdom, would be subject to specific quota control. For these goods no figures appear since at present there has been no question of trade in them.

7. For the next quota period, quotas for this list total £4,414,000.

8. No change has been made in the list of goods which may be imported under World Open General Licence.

9. With certain exceptions (notably foodstuffs and mineral fuels) all other goods may now be imported freely on Open Individual Licence. This means that individual importers may apply for licences, which will be issued without quantity restriction.

10. The changes in the new arrangements do not, of course, affect the general prohibitions and restrictions relating to imports from all sources, for example, on drugs, flick knives, etc. Those (which are listed for convenience in Part 2 of the United Kingdom Customs and Excise Tariff) continue to apply. The British consumer goods for whose export to Czechoslovakia individual quotas have been agreed, include motor vehicles, spare parts and components, motorcycles, toys, footwear and textiles. Goods whose import has not been liberalised include virtually all textiles and clothing, domestic sewing machines, non-electric clocks, bicycles and parts, motorbicycles, transistors and transistorised radio and television sets, china and earthenware, fishing tackle, foodstuffs for which

quotas were previously agreed, and other articles. Goods which have been liberalised include machine tools, motorcars, cameras, machinery of all types, tools, building materials apart from cement, glassware, furniture.

11. The validity of the three-year trade arrangement signed in December 1962, has been extended up to 31st December, 1967; a copy of the quota lists established under the arrangement for the period 1st April, 1964 to 31st March, 1965 has been deposited at the Registry of the Division of ~~Economics~~ and Finance for consultation by members of the Committee of ~~Economic~~ Advisers.

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