MEMORANDUM

TO: Heads of delegations who participated in the meetings of the Cotton Textiles Committee - 28 and 30 November 1966, 20 and 22 March and 3 April 1967

FROM: Director-General


Attached is the draft report on the meetings of the Cotton Textiles Committee of 28 and 30 November 1966, 20 and 22 March and 3 April 1967. Delegations are invited to submit any comments they might have as soon as possible and in any case not later than 30 May 1967.

The Protocol extending the Arrangement Regarding International Trade in Cotton Textiles of 1 October 1962 has been already circulated to the members of the Committee in document COT/77 dated 18 April 1967. This document will be annexed to the final version of the report.

Six copies of this draft are being sent to the leader of each delegation and two copies, for information, to the permanent representative of the participating countries in Geneva.
Subjects discussed: I. Continuation of the discussion, in accordance with Article 8(d), on the future of the Long-Term Arrangement

II. Consideration of the Protocol Extending the Long-Term Arrangement

III. Tariff reductions on cotton textiles

I. Continuation of the discussion in accordance with Article 8(d) on the future of the Long-Term Arrangement

(a) Meeting on 28 and 30 November 1966

1. It was agreed by the Committee at its meeting in September 1966\(^1\) that bilateral negotiations should take place between interested participating countries in order to determine the conditions under which the Long-Term Arrangement would operate in the event of its being renewed. The Committee therefore adjourned until 28 November 1966 when discussion on this item was continued.

2. The representatives of Japan, Hong Kong, India, Pakistan, the Republic of Korea and the United Arab Republic stated that, following the procedure agreed upon by the Committee at its September meeting, they had begun bilateral consultations with the European Economic Community as well as with other importing countries. These consultations had not yet been completed and, in their view, more time should be allowed for this purpose, so as to enable them to be in a position to proceed with the discussion on the future fate of the Long-Term Arrangement.

\(^1\) See document L/2712, page 21.
3. The representatives of Colombia, Jamaica, Mexico, Portugal and Spain expressed their willingness to proceed with the discussion under Article 8(d) if the Committee so wished. The representatives of Colombia and Spain favoured an extension of the Long-Term Arrangement. The representative of Mexico said that the Committee might wish to consider certain modifications put forward with a view to improving the implementation of the Arrangement.

4. The Chairman pointed out that a number of importing countries were prepared to liberalize the administration of the Arrangement, and to offer more favourable access, only if the Arrangement were extended in its present form. It seemed, however, that the exporting countries were unwilling to form any judgment on this proposition before knowing precisely what kind of access they would get. There was no point in the Committee discussing purely stylistic or minor textual changes in view of the fact that important changes would be brought about by an improved administration of the Arrangement.

5. The representative of the European Economic Community said that, in compliance with the procedure suggested by the Chairman at the September meeting, the Community had contacted a number of exporting countries with a view to ascertaining their desiderata; this first step was necessary in order to orientate the Community's internal work and to eliminate difficulties which might be encountered in seeking mutually satisfactory solutions if the Long-Term Arrangement were to be extended. The Community also had the problem of formulating a common commercial policy and the efforts made in this direction had not yet been completed. Thus, it was necessary, not only to consider the different interests of exporting countries but also to reconcile the efforts being made to harmonize the commercial policy of the member States. Bilateral consultations with the exporting countries should be continued with a view to finalizing what had been contemplated in the preliminary exploratory phase. These consultations, however, could not be pursued further until the member States were in a position to give precise replies to the questions, sometimes technical, put to them by exporting countries. While not being in a position to indicate an exact date for the conclusion of these negotiations, the spokesman for the Community expressed the hope that they would be completed as soon as possible.

6. The representative of the United States stressed the paramount importance of the Committee taking a prompt decision on the future fate of the Long-Term Arrangement. The tariff negotiations in the context of the Kennedy Round were bound to be delayed since the reduction of tariffs was tied to the future fate of the Arrangement. In addition, the uncertainty of the market was contrary to the interests of both importing and exporting countries. He therefore urged that consultations be speeded up in order to permit the Committee to reach a decision. The United States, for its part, had completed bilateral negotiations with almost all exporting countries and would conclude consultations with a number of other countries within the next few days.
7. The representative of the United Kingdom, referring the Committee to Table III of document COT/W/74/Add.1, pointed out that his country came head of the list with 25.3 per cent of its apparent consumption of cotton fabrics represented by imports from Group II countries and Japan. Commenting on the point raised by the spokesman for the Community on the harmonization of the commercial policy in the member States, he expressed the hope that, in achieving this harmonization, due regard would be given to the point he had made at the September meeting, namely, that it should even out the disparities in the performances among importing countries while providing opportunities of growth for exports from the developing countries.

8. The representative of Austria said that, although the Austrian cotton textiles industry was in a difficult situation, his country was prepared to continue the annual increase provided for Austria in Annex A.

9. The Chairman said that, in view of the fact that the European Economic Community was not yet in a position to finalize its offer, it would be advisable to keep the present session of the Committee in being, but to recess until the Committee was in a position to pursue the discussion effectively. He suggested that the discussion be resumed early in 1967; in the first half of January 1967 he would consult with those members of the Committee principally concerned so as to determine the precise date for the resumption.

10. Following these consultations by the Chairman, it was decided that the Committee should reconvene on 20 March 1967.

(b) Meeting on 20 and 22 March 1967

11. The Chairman, in his opening statement, enquired whether the Committee was in a position to proceed with the discussion under Article 8(d) of the Arrangement on the basis of a firm assessment by the exporting countries of their access prospects if the Arrangement were continued in its present form.

12. In reply, the representatives of India, Pakistan, the United Arab Republic, Hong Kong and Japan stated that they had engaged in a series of bilateral discussions and negotiations with some of the importing countries: (Austria, Canada, Denmark, the European Economic Community and the United States). The representatives of Pakistan and the United Arab Republic expressed the view that some bilateral talks had to be followed up and requested, therefore, more time to enable them to finalize these talks; in this connexion, it was suggested that the Committee might adjourn for forty-eight hours.

13. The representative of India said that the Long-Term Arrangement had so far been implemented in a somewhat one-sided way and its preambular provisions had almost been forgotten. The implementation, over the past four years, of the different provisions providing for greater access for the developing countries
had left a great deal to be desired. For these reasons, his delegation had, in the past, proposed that the entire Arrangement be reviewed and had tabled some amendments to this effect. He went on to say that there had recently been some movement in the direction which had been desired under the Arrangement. His country was engaged in bilateral consultations with a number of importing countries and had still to negotiate with a certain number of others; he indicated that more time, about three weeks, would be needed to finalize these negotiations. It seemed to him that if these negotiations resulted in the kind of consequences, conclusions and satisfaction which he had hoped for, he would be in a position to withdraw the request for a review of the Arrangement.

14. The representative of Hong Kong stated that although there were still some points to be finalized with several importing countries, Hong Kong was prepared to support an extension of the Long-Term Arrangement for a period of three years.

15. The representative of Japan said his country was not in a position to discuss the question of a renewal of the Long-Term Arrangement until further progress had been made in the bilateral negotiations with the Community. Unlike other exporting countries, he could not foresee at this stage how much time would be needed to settle these outstanding negotiations. A crucial element in Japan's concern was that, while a slight increase in the quotas was offered, the Community was not able to meet the requests made as regards: (i) improvements in the administration of these quotas; (ii) accelerated efforts towards import liberalization and (iii) increased opportunities for re-export of cotton textiles after processing. Serious concern was also expressed that the tariff offer by the Community, being less than the linear cut, might oblige other major importing countries to follow suit.

16. The representative of the Republic of China was in favour of an extension of the Long-Term Arrangement. However, he expressed the hope that any undertaking by the importing countries for a more liberal administration of the Arrangement, or wider access to their markets, should be accorded to all exporting countries without exception.

17. The representative of the United States, commenting on the point made in connexion with the adjournment of the discussion, said that forty-eight hours seemed to be an entirely reasonable period in which to tidy up what remained to be completed. The consequences if the Committee could not expedite the discussion would be a delay in the liberalization of the administration which had been promised contingent upon the extension of the Long-Term Arrangement, and also very serious uncertainty as regards the Kennedy Round negotiations. These negotiations clearly presented different problems for different countries, but the assumption on which the United States had been proceeding in these discussions was that the Long-Term Arrangement would be extended in its present
form. Any prolonged delay in the continuation of the discussions would compromise this position. Referring to the experience of the United States in negotiating with exporting countries, he expressed the hope that other importing countries would likewise reach a kind of general understanding with the exporting countries concerned, thus leaving the drafting of formal agreements, and in some cases some substantive problems, to be worked out at a later stage.

18. In order to provide further opportunity for bilateral discussions among the participating countries, the meeting was adjourned. Discussion was resumed on 22 March.

19. The spokesman for the European Economic Community, in his statement on 22 March which is reproduced in document COT/W/90, informed the Committee of the offers made by the member States. These, he pointed out, represented a major contribution to the progressive expansion of world trade in cotton textiles. On the assumption that the Long-Term Arrangement would be extended for three years in its present form, and taking into account the desires and concerns expressed by certain exporting countries, the member States were prepared to increase total imports of cotton textiles under quota to 15,500 tons by 30 September 1970; if account was to be taken of additional countries for which quotas had been granted after 1962, the total would be 16,540 tons. The commitments would be of a global nature but would, however, redress the situation in favour of those exporting countries whose exports in 1962 were insignificant. In addition, the member States were prepared to negotiate bilateral agreements with the developing countries pursuant to Article 4 of the Arrangement. These bilaterals would contain provisions for the Community to suspend, during the period of their validity, the quantitative restrictions under Article 2 and not to resort to Article 3 provided the negotiated ceilings were not exceeded. In conclusion, he asked that, for institutional reasons, a provision should be made, in the document extending the Arrangement, for the Community as such to reserve the right to resort in due time to any of the provisions of the Arrangement.

20. The Chairman, commenting on the statement made by the spokesman for the Community, said that, on the hypothesis that the discussions between exporting countries and the Community would lead to a satisfactory definition of the access which exporting countries would enjoy, the Committee should, in the course of the present meeting, take a decision in principle on the extension of the Arrangement for a period of three years. It was, in fact, essential that the discussion in the Kennedy Round should take place against the background at least of a decision in principle by the Committee now, in order to clear the way for a decision on tariffs in the context of the Kennedy Round. The Committee should later proceed to establish a protocol, or other appropriate instrument, to give effect to this decision in
principle. This protocol should be opened for signature at some date in the not too distant future, at which time the conditions of access to the markets of the Community would have been determined and any changes necessary either in Article 2 or Annex A could then be made and incorporated in the Protocol. He suggested that the Committee should reconvene on 3 April in order to co-ordinate its discussion with the discussion on the Kennedy Round issues; the possibility of the Committee continuing its discussion after that date, if this proved necessary, could be left open. At that meeting the Committee could determine what would be an appropriate date for opening the Protocol, or other instrument, for signature. The Chairman then enquired whether, against the background of the proposal for the extension of the Arrangement unchanged in its essentials, there were any amendments or changes which members of the Committee would wish to see incorporated in the Arrangement as extended, or whether there were any additional understandings which they would wish to see formulated in connexion with the extension.

21. The representative of the United States said that it had been the view of his Government since the beginning of the discussion on the future fate of the Long-Term Arrangement that the appropriate course of action was to extend the Arrangement in its present form. However, he was not certain as to what the significance of a decision in principle might be. The agreement of the Committee to the extension of the Long-Term Arrangement in its present form was a precondition for a definite action in the Kennedy Round negotiations and, as far as the United States and other importing countries were concerned, a precondition for the extension of certain measures of liberalization in the administration of the Arrangement. He expressed the hope that when the Committee resumed the meeting on 3 April, the outstanding problems would be eliminated or at least reduced; if this could not be done, whatever problems might remain could be isolated, thereby permitting a decision of substance to be reached, bearing in mind the vital connexion between the discussion within the Committee and the Kennedy Round negotiations. The United States believed that the Protocol which was needed must serve two purposes: (i) to provide the additional term of duration of the Long-Term Arrangement, and (ii) to provide a procedure for the adherence of new members to the extended Long-Term Arrangement. It might not be possible at the same time to draw up the complete text of Annex A: this could be done when the appropriate figures had been communicated to the secretariat.

22. The spokesman for the European Economic Community, commenting on the reference made to Annex A, pointed out that the commitments of the member States under Article 2 were determined and did not necessitate any further negotiation or delay.
23. The representative of India stated that in the light of the emerging and evolving situation and the move towards a more liberal administration of the Arrangement, he felt that he need not press the amendments his delegation had proposed at an earlier meeting of the Cotton Textiles Committee. He would also be willing to go along with the general desire and would agree in principle to a renewal of the Long-Term Arrangement for a period of three years, subject to the satisfactory conclusion of bilateral talks with some member countries and in accordance with his own observations and those of the Chairman earlier. Moreover, he referred in particular to the problem of handloom products which had been specifically and deliberately excluded from the purview and the provisions of the Long-Term Arrangement under Article 9. In view of the social, economic and political importance of the handloom industry in India, he stressed that textile products manufactured out of handlooms should be treated on a par with handloom fabrics and be kept completely outside the purview of the Arrangement. His country would like to append suitable understandings to the Long-Term Arrangement as had been done by some countries to the Long-Term Arrangement on the earlier occasion. He added that subject to this, he would recommend to his Government an extension of the Long-Term Arrangement. Referring to the connexion between the Kennedy Round negotiations and the future of the Long-Term Arrangement, he said that there should be no duty, or only a very nominal duty arrangement, in regard to handloom products. He, therefore, requested that developed countries which had any legislative difficulties, take note of this and think in terms of securing the necessary legislative amendments.

24. The representatives of Colombia, Japan and the Republic of Korea supported the procedure outlined by the Chairman.

25. The representative of the United Arab Republic said that, after the very recent bilateral consultations which his delegation had had with the importing countries concerned, he was in a position to agree in principle to an extension of the Long-Term Arrangement for a period of three years. He emphasized however that the basic objective of the participating countries was to achieve the liberalization of trade in cotton textiles and stated that the Long-Term Arrangement was still to be regarded as an exceptional arrangement designed to deal with a special problem. He further urged importing countries to implement their offers for tariff cuts in the field of cotton textiles.

26. The representative of Mexico expressed satisfaction with the bilateral negotiations Mexico had had with the United States. Certain understandings, however, were still to be finalized but he did not foresee any difficulty and therefore agreed to an extension of the Arrangement. This would not rule out the possibility of improving certain aspects of the Arrangement during its new term.
27. The representative of Greece stated that his country had concluded a mutually satisfactory agreement with the United States. It had been hoped that the United Kingdom would likewise give some encouraging indication with respect to outstanding problems, but unfortunately those remained unsolved. Under these circumstances, Greece had to join those countries which viewed the United Kingdom scheme in the light of paragraph (iv) of the conclusions adopted by the Committee at its meeting on 21 and 22 April 1966. Nevertheless, his Government was prepared to agree to the renewal of the Arrangement in its present form.

28. In conclusion, the Chairman said that the Committee would be reconvened on 3 April to proceed to the consideration of the draft Protocol providing for the extension of the Long-Term Arrangement for a period of three years. He invited those participating countries which had suggestions to make in connexion with the drafting of the Protocol to forward them to the secretariat as soon as possible. The secretariat, on its part, would submit a draft Protocol which would form the basis for discussion at that meeting, leaving the exact wording of Article 2 and Annex A to be decided upon, as well as the provisions relating to the date on which the Protocol should be opened for signature.

II. Consideration of the Protocol extending the Long-Term Arrangement

Meeting on 3 April 1967

29. The Committee had before it document COT/W/92 which contained the draft Protocol extending the Long-Term Arrangement for a period of three years, i.e. until 30 September 1970.

30. The Chairman invited the members of the Committee to consider the terms of the draft Protocol which gave effect to the decision in principle arrived at by the Committee at the earlier meeting. He pointed out that his suggestion to omit the somewhat ambiguous prefix "Long-Term" was reflected in the title of the Protocol. He further enquired as to whether the participating countries mentioned in paragraph 3 of the Protocol were in a position to indicate the percentage figures to be included in Annex A, thereby completing the text of the Protocol with a view to opening it for eventual acceptance in accordance with paragraph 4.

The discussion on specific paragraphs of the Protocol follows below.
Paragraph 3 - Annex A

31. The representative of Austria said that his Government was prepared to continue applying the annual increase of 19 per cent through the extended period of validity of the Arrangement, thus bringing the percentage figure of 95 provided for Austria in Annex A to 152 at the end of the three years. In undertaking this substantial growth factor, Austria had abided by the objective set out in the preamble to the Arrangement namely, that trade opportunities for the less-developed countries, possessing the necessary raw material and skills, should be increased.

32. The representative of Denmark said that his Government was prepared to continue applying the annual increase of 3 per cent; this would represent a percentage figure of 24 for Denmark.

33. The spokesman for the European Economic Community informed the Committee that the percentage figure to be included in Annex A for the Community as a whole would be 154.1 He recalled that the Community undertook to increase total imports of cotton textiles, subject to quotas, to 15,500 tons at the end of the three years, taking into account the additional countries for which quotas had been granted after 1962, the figure would be 16,540 tons. Moreover, the member States envisaged the conclusion of mutually acceptable bilateral agreements under Article 4 of the Arrangement with those exporting countries which had expressed a desire to obtain greater access to the markets of the Community.

34. The representative of Norway said that the percentage figures to be included in Annex A were of little significance. On account of the low self-sufficiency ratio of 32 per cent in Norway, and as an effect of its liberal import policy, imports of cotton textiles amounted to practically three quarters of total consumption. Thus, his country had reached the point where small increases in imports would cause great difficulties for the remaining hard core of its cotton textiles industry: even if Norway were to indicate a relatively low figure for insertion in Annex A, it would mean a great effort on its part. Norway was in favour of an extension of the Arrangement and in favour of liberalization of trade in cotton textiles within the framework of the Kennedy Round negotiations, and still intended to pursue its liberal import policy. He had hoped, nevertheless, that the policies pursued by other importing countries with bigger markets would have led to larger opportunities for exporting countries. In the absence of a greater effort on their part, it was unreasonable to expect a country with a small market like his own to go any further. He emphasized the importance which his country attached to the balanced development of world trade in cotton textiles.

1This represents the percentage increase in the figure of 16,540 tons over the quota of 6,509 tons opened in 1962 (see COT/69, page 13).
35. The representative of Sweden supported what had been said by the representative of Norway. He recalled that statistical and other relevant information communicated to the Committee showed clearly the liberal import policy of Sweden in the field of cotton textiles. Sweden had to write into Annex A a relatively low percentage figure, but he was not in a position to indicate the precise figure and stated that his Government would notify it in due time.\footnote{This was received on 11 April 1967: consequently, the percentage figure for Sweden to be inserted in annex A is 24 (see COT/77).}

36. The representative of the United Kingdom said that there should be some means of comparing the performances of those importing countries included in Annex A and, therefore, thought that the figures might be indicated in tonnage. Otherwise, it seemed to him less controversial to drop Annex A altogether.

37. The Chairman said that the percentage figures in Annex A were certainly not a clear indication of the liberal policy or otherwise of the countries against which they figured. The point of Annex A was to give at least a minimum guarantee to the exporters of the minimum growth they might expect in the markets which were limited by the maintenance of import restrictions.

38. The representative of the United States said that the Committee, at its previous meeting, had reached an agreement in principle to extend the Long-Term arrangement. The Committee was proceeding at the present meeting to consider the instrument giving effect to this agreement in principle. With respect to the European Economic Community, the exporting countries had been given assurances of certain treatment which could be expressed relatively simply in Annex A and had also been given the opportunity to negotiate bilateral agreements under Article 4; the latter would gradually replace the treatment promised them in Annex A. He, therefore, wondered whether it might be satisfactory to the Committee to accept Annex A with the understanding that the Governments of Norway and Sweden would communicate, in due course, the appropriate figures.

39. The representative of Norway stated that it was his understanding that the developing countries viewed an increased access to market as being more meaningful, in terms of trade, if it were through increased quotas rather than through tariff reductions. If this was the attitude of the developing countries and if they preferred to have an access to the Norwegian market expressed in terms of an increase in the quotas for the remaining hard core items, he was prepared to write into Annex A an annual increase of 3 per cent, which would mean a percentage figure of 24 at the end of the period of the prolongation of the Arrangement.
Paragraph 4

40. The spokesman for the European Economic Community referring to paragraph 4 of the Protocol, suggested the insertion of the following clause: "The Community, as such, would reserve the right to resort in due time to any of the provisions of the Arrangement". Later in the discussion, replying to the query made by the representative of India as to whether the clause suggested by the Community was to be considered as a total reservation on the extension of the Arrangement, he said that the insertion of the clause was merely intended to reflect the reservation which was entered into by the spokesman for the Community at the previous meeting when he said that "for reasons of an institutional nature, provisions should be made in the instruments to be established for the extension of the Arrangement for a clause under which the Community as such would reserve the right to resort in due time to any of the provisions of the Arrangement".

41. The representative of the United States said that it was his understanding that this clause was to permit the Community to assume, when it was in a position to do so, the rights and obligations which governments of the member States had had under the Arrangement. He would have thought that such a provision was not necessary since a notification to the effect that the Community was in fact functioning in such a way as to have the powers that individual governments had previously had might be accepted. If, however, a clause was needed to meet the needs of the Community, some attention would have to be given to the drafting of such a clause.

42. The Chairman pointed out that the wording, as suggested by the Community, would perhaps mean more than was intended when it referred to recourse to any of the provisions of the Arrangement. The member States in accepting the Arrangement had the right to resort to certain provisions; they had opted, for instance, to operate under Article 2 rather than Article 3. He further stated that a rather different drafting was necessary to the effect that the Community, at the appropriate time, would assume the rights and obligations which would have been assumed by the member States.

43. The spokesman for the European Economic Community said that he would submit a re-drafted text to the secretariat, in the light of the comments made.

Paragraph 5

44. The spokesman for the European Economic Community said that the reasons which led to the provision set out in paragraph 2 of Article 12 of the Long-Term Arrangement were still valid and, therefore, suggested the insertion of the same provision in paragraph 5 of the Protocol.

Footnote:

1. This was received by the secretariat and incorporated in paragraph 4 of the Protocol (see COT/77).
45. The representative of the United States said that such a provision was not necessary in view of the fact that this was not a new arrangement and that the Committee was in agreement to extend it. It seemed unlikely that a meeting would be needed as might have been the case in 1962. However, in September 1967 if some difficulties arose the Chairman would be in a position to convene a meeting to assess the situation at that time.

46. The Chairman said that the incorporation of paragraph 2 in Article 12 had been made in order to find a device corresponding to the key country approach, because it was quite uncertain at that time how many countries would accept the Arrangement. In so far as the Committee had reached a broad consensus on the extension of the Arrangement, this uncertainty did not exist and, therefore, he did not consider it necessary to make such an insertion on the occasion of the extension of the Arrangement. If, however, nearer the expiration date of the present Arrangement there were difficulties in securing signatories to the Protocol, it would be possible for him to call the Committee together to take whatever action might be necessary at that stage.

47. The spokesman for the European Economic Community said that the member States had agreed, as an additional effort, to apply in their future relations with certain exporting countries mutually acceptable arrangements pursuant to Article 4. They had been able to agree to this effort with the expectation that all exporting countries which were signatories to the present Arrangement, or parties thereto, would adhere to the Protocol. If there were to be doubts as to the number of exporting countries involved, every signatory State would be able to invoke paragraph 2 of Article 12 which was extended mutatis mutandis as well as other provisions of the present Arrangement.

48. The representative of the United States pointed out that the Protocol provided for the entry into force of the extended Arrangement on 1 October 1967 for the countries which have accepted it by that date. The United States had undertaken to liberalize its administration in specific ways with respect to certain countries at such time as it was assured that the Long-Term Arrangement would be extended. He would assume that his Government could be assured that, upon the decision of the Committee, the Long-Term Arrangement would be extended. Thus, the United States expected that any country which accepted liberalization of administration from it would not only concur in the extension of the Long-Term Arrangement at the present meeting but would also, in due course, carry through what was regarded as the formalities involved in the extension of the Arrangement.
49. The Chairman reiterated that, if shortly before 1 October 1967, acceptance gave rise to difficulties for one or more important countries, then under those circumstances he would call the Committee together to deal with the situation. He would apply paragraph 2 of Article 12 to the signature of the Protocol by analogy, that was to say that any such meeting would take place within the week prior to 1 October 1967. In view of the comments made no addition should be made to paragraph 5 of the Protocol.

Other matters

50. The representative of India drew the attention of the Committee to the summary of the Chairman at the major review (COT/W/65) as well as his summary on further procedures to be followed in connexion with Article 8(d) of the Arrangement (COT/W/86). He quoted paragraph 3 of COT/W/86 which reads: "It had also been proposed that the Committee should endeavour to agree on certain guidelines or standards. It was doubtful whether it would be practicable or feasible to try to reach agreement on such understandings during the present meeting. It was the feeling of the Chairman that an equally valid course would be to await the results of the bilateral discussions, and then to examine, against the background of these discussions, the possibility of formulating understandings which could be agreed upon, and which would both reflect the intentions of individual countries as regards the operation of the Long-Term Arrangement in the future in the event of its renewal - and also, as it were, give a kind of multilateral recognition of these intentions - and assist in a decision being reached under Article 8(d)...." The Protocol should reflect the liberalized principles which the bilaterals were supposed to have brought into operation and secure multilateral recognition of these intentions which were to give access to the markets of the developed countries. He further suggested the establishment of a drafting committee to go through the records of the Committee's past meetings and translate into the Protocol the relevant parts of the deliberations of the Committee during the last four years. This would incidentally enable countries like his own to speed up and finalize the conclusion of the bilateral negotiations. A re-worded Protocol of the type he was suggesting would also have to be scrutinized by the governments with respect to both the legal aspect and the policy involved.

51. The representative of the United States opposed the suggestion made by the representative of India. He said that his country had dealt with the question of liberalization of administration through bilateral negotiations and some understandings had been reached. These bilateral understandings embodied specific measures of liberalization designed to meet particular concerns
of individual exporting countries. The principles guiding this liberalization had been set forth in the preamble to the Long-Term Arrangement, and in meetings of this Committee. Restatement or reformulation of these principles in the Protocol extending the arrangement would not be constructive. He noted, however, that participants were free to bring up the question of the principles underlying liberalization of administration later in the year, at the fifth annual review of the Arrangement. He further stressed the importance of avoiding delay in clearing the way for both the Kennedy Round negotiations and those elements of liberalization of administration which were dependent on a definite assurance that the Arrangement was going to be extended.

52. The representative of Canada said that he was in agreement with the view expressed by the United States representative that the Committee should avoid delaying the tariff negotiations which were in the course of discussion. He added that if the Committee was to take up the proposal of the representative of India, it would take a long and difficult time to draft words which probably would be, in the end, of historical interest only. The preambular provisions of the Arrangement which set out, in some forceful and incisive language, what the participating countries would have liked to do had not been, in fact, very relevant.

53. The representative of the United Kingdom supported what had been said by the representative of Canada.

54. The representative of the United Arab Republic said that it might perhaps be useful to have in the Protocol a reaffirmation of the objectives set out in the preamble to the Arrangement.

55. The spokesman for the European Economic Community supported the proposal made by the representative of the United Arab Republic.

56. The representative of India said that he was not seeking a new principle but was only trying to reiterate the principles which had already been agreed and summed up by the Chairman as the consensus of opinion in the Committee.

57. The representative of the United States said that it would be even more difficult to find common principles for the measures of liberalization which importing countries as a whole had extended or promised to extend. He thought, however, that a reference to the preamble might be secured in the Protocol by adding to its preambular provision which reads: "ACTING pursuant to paragraph (d) of Article 8 of the Arrangement" some words on the following lines "and in accordance with the preamble to the Arrangement."
58. The representative of Pakistan thought it important that some recognition should be given to the points which had already been discussed and summarized by the Chairman on earlier occasions. He, therefore, asked if it was possible for those countries debating this point to make suggested compromises which might lead to an agreed draft for incorporation in the Protocol.

59. The Chairman, referring to his original proposal for a package deal combining tariff cuts and the future of the Long-Term Arrangement, said that one of the elements he had suggested was an understanding that importing countries would apply the Arrangement with greater flexibility, having due regard to the necessity of providing expanded access to their markets for exporting countries. He wondered, therefore, whether a preambular paragraph in the Protocol to this effect would be acceptable.

60. The representative of the United States was not in favour of the suggestion made by the Chairman and stressed that his Government had been proceeding, throughout the discussion of the future of the Long-Term Arrangement, on a very clear and precise understanding that the Arrangement would be extended in its present form, and accordingly it was embodying the measures of liberalization in the bilateral agreements which it had concluded with the exporting countries. Thus, any other possibility was contrary to this understanding which had been formally established, especially in the past two weeks. He reiterated his willingness for a reference to be made to the preamble to the Long-Term Arrangement.

61. The representative of the United Kingdom pointed out that the extent to which a country could allow flexibility would depend to a very considerable degree on the proportion of its domestic market which was taken up by imports. It would be difficult to agree to a declaration of the kind suggested by the Chairman without knowing what was intended. He supported the attitude taken by the representative of the United States in limiting any declaration in the Protocol to a reference back to the intentions set out in the preamble to the Long-Term Arrangement which, he would have thought, met the preoccupations of both importing and exporting countries.

62. The representative of India, replying to an enquiry by the Chairman as to whether he wished to pursue this matter further, said that if there were difficulties in translating what he had requested into the Protocol, and if the principles which had been discussed in the Committee could not be regarded as a part of the Protocol, he would be willing to consider the feasibility of translating these liberalized principles into a memorandum of understandings to be appended to the Protocol. He would circulate a paper to this effect if the Committee so desired.
63. The representative of the United States said that if the Committee had to open discussion on a memorandum of understandings, and if these understandings were to be of substance, a serious question would arise as to whether the Long-Term Arrangement was being extended in its present form. He recalled that the Committee, at its previous meeting, had reached a decision in principle to this effect. He further stated that a matter of crucial concern was to avoid any delay in concluding the Kennedy Round negotiations or in giving effect to the measures of liberalization embodied in the bilateral agreements.

64. The representative of Canada said that the desire expressed by the representative of India to see the principles of liberalization set out in a memorandum of understandings would create great difficulty for those importing countries which applied relatively liberal import policies. He shared the concern expressed by the United States representative that due consideration had to be given to the preoccupation of some countries with the comprehensive negotiations on tariff cuts. He further stated that it would be difficult to locate and set out principles in a memorandum of understandings which could be agreed upon.

65. The Chairman said that the Committee could incorporate in the records of the meeting a recognition that its action to extend the Arrangement was taken in the context of the discussion which had taken place in the Committee under paragraph (d) of Article 8 of the Arrangement. These discussions had included a number of statements by various importing countries as to their future intention in implementing the Long-Term Arrangement and evidence of the actual arrangements which had been made between the countries concerned. This was merely a statement of fact, as the decision which the Committee was taking at the present time had been arrived at after a long series of discussions supplemented by bilateral negotiations to give effect to those understandings on the basis of which the Committee had been proceeding.

66. The representative of the United States agreed that the statement made by the Chairman should be incorporated in the record of the meeting, adding that the documents which contained the liberalization were available from the secretariat. All the subsequent and contingent measures of liberalization would be similarly published as soon as they were put in legal form and would be circulated to the members of the Committee in due course.

67. The representative of India said that the preoccupation of the delegates who had expressed their views on this point seemed to be with the time factor. The Committee, at the earlier meeting, had taken a decision that the results of the bilateral discussions would be awaited and, against the background of these discussions, the possibility of formulating understandings would be examined. The Committee should, therefore, examine this possibility even if it took some time. This would permit the outstanding bilateral negotiations to be completed and enable his delegation to submit a paper. When this paper was available to the Committee it would be appropriate for a decision to be taken as to whether an understanding of this kind could in fact be formulated.
68. The representative of the United States said he was opposed in principle to any action different from that of extending the Long-Term Arrangement in its present form because of reasons of time and the repercussions resulting from a delay. His Government regretted that the measures of liberalization promised to the exporting countries, as distinct from those which were granted to them, in the course of discussion had not been in effect since the September meeting; the United States had been prepared to put these in practice had a decision at that time been reached to extend the Arrangement.

69. The Chairman said that what was important for the Government of India, and no doubt for others, was that in coming to their decision to agree to the extension of the Arrangement, they had inter alia been motivated by the declarations of policy and intention which had been made by a number of importing countries in the transactions leading up to this decision, and the translation of these declarations of intention into the form of bilateral arrangements to define the terms of access during the period of prolongation of the Arrangement. He suggested that the foregoing could be reflected in the records of the meeting. If that were acceptable, it might avoid the difficulty of trying to incorporate language in the legal instrument which might, as pointed out by the representative of the United States, raise new difficulties since such language might be interpreted as a modification of the terms of the Arrangement.

70. At a later stage, the Chairman suggested that the Committee note the reservation by India on the text of the Protocol and said that if other delegations had similar reservations to make, they could record theirs and the Committee would revert to the matter as and when they were in a position to discuss these reservations.

71. The representative of India asked the Chairman for clarification in connexion with the amendment to be forwarded by the Community and the suggestion made by the representative of the United Arab Republic. He further recalled that his delegation on 20 March had stated that India was prepared to withdraw its request for amendment to the Long-Term Arrangement on the conclusion of the bilateral negotiations. These negotiations had not yet been completed because of the intervention of the Easter holidays. He would have hoped, however, that some time would be made available to enable his delegation to complete these negotiations and thereby take a decision on the Protocol extending the Arrangement. He further enquired about the text on which the reservation was to be made.

72. The Chairman in reply said that the amendment proposed by the Community, with respect to paragraph 4 of the Protocol, was merely intended to record that at the appropriate time the European Economic Community would assume the rights and obligations at present assumed by member States through their signature to the Long-Term Arrangement and to the Protocol extending it. The spokesman for the Community would reconsider the wording which he had suggested
and submit a redrafted text with such modifications as he thought appropriate in the light of the comments made in the Committee. The Chairman added that, in the light of the explanation he had given as regards the drafting of paragraph 5, the spokesman for the Community was not pressing for the insertion of the provision analogous to paragraph 2 of Article 12 of the Long-Term Arrangement. Referring to the suggestion made by the representative of the United Arab Republic, he said that it had been intended as a substitute for the suggestion made by the representative of India. Since it was not accepted as a substitute by the representative of India, who wished to press his own amendment, the proposal by the representative of the United Arab Republic was presumably no longer before the Committee. On the other point, if the representative of India had intended at the last meeting to reserve his position on the decision in principle to extend the Long-Term Arrangement, then the Committee should note that the reservation was more extensive than the Chairman had thought, i.e. that it was merely a reservation on the document to give effect to this decision in principle. He asked the representative of India to clarify this point.

73. The representative of India, recalling what had been said by his delegation at the earlier meeting, and by the Chairman in summing up the discussions at that meeting, said that the understanding of the Indian delegation had been that when the bilateral negotiations were satisfactorily completed they thought that the situation would change for the better and consequently they could withdraw their own amendment to the Arrangement. At the least his delegation would expect that the Protocol would incorporate the earlier understandings. If these, however, were not incorporated, a new situation would arise for India.

74. The Chairman said that the Committee noted that, pending the outcome of bilateral negotiations and pending further discussion on the actual text of the Protocol, the Government of India totally reserved its position on the extension of the Long-Term Arrangement. The Committee took note of this comprehensive reservation in the hope that this point would eventually be solved satisfactorily.

75. At a later stage, in reply to a question put by the representative of the United Kingdom as to whether there would be need for a further meeting, the Chairman said that this need would only arise if the Indian Government decided to instruct its delegation to press for changes in the Protocol. This was a situation the Committee would have to deal with if it arose. In the absence of this, the Committee would go ahead with the Protocol, as drafted. There were various possibilities: the Government of India might decide to sign the Protocol with a reservation and then the reservation procedure would be followed. The Committee could not judge the situation until it had been judged by the Government of India. He thought that it would not be necessary to have a meeting to deal with the rather formal point made by the Community. In these circumstances and noting the reservation of the Government of India, the Committee should proceed with the discussion on tariffs.
76. In conclusion, the Chairman said that subject to the subsequent notification by Sweden of the percentage figure to be inserted in paragraph 3 of the Protocol and the submission by the European Economic Community of an additional clause to be added to paragraph 4, the Committee could regard the Protocol as agreed, with the reservation which had been indicated by the representative of India.

III. Tariff Reductions on Cotton Textiles

77. Following the proposal by the Chairman that the Committee should consider what would be the most appropriate arrangement for pursuing discussion on tariff reductions on cotton textiles within the context of the Kennedy Round negotiations, it was agreed that interested importing and exporting countries represented in the Committee, and at the same time participating in the trade negotiations, should meet with him to initiate a multilateral discussion on this issue.

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1 See footnote, page 10
2 See footnote, page 11