Attached hereto is a preliminary draft for a long-term arrangement on international trade in cotton textiles, which has been prepared by the United States Government for consideration at the meeting of the Provisional Committee on 23 October. The United States Government points out that it may wish to modify these proposals in the light of further consideration.
United States Proposal for a Long-Term Arrangement on International Trade in Cotton Textiles

I. Introduction.

This paper has been prepared by the United States Delegation to the meeting of the Cotton Textile Committee for the Committee's discussions on a long-term arrangement. The appendix to this paper is a suggested provisional outline of a long-term arrangement on cotton textiles which might be entered into by participating countries pursuant to the Arrangements regarding International Trade in Cotton Textiles of July 21, 1961.

The US Delegation has not attempted to present all provisions that would be necessary for a long-term arrangement. Rather it has endeavored to provide the major points of such an arrangement. It is hoped that as a result of the meeting of the Provisional Cotton Textile Committee beginning October 23, the participating countries will reach some understanding as to the type of mechanism which would be preferred and then give some guidance to one or more working groups with a view to developing a draft long-term arrangement.

II. Background.

The recent rapid growth of cotton textile production in certain countries is a natural development in their industrialization process. Cotton textile production, particularly for those countries also producing raw cotton, is well suited to the economies of certain countries because of the labor intensive nature of this industry and the growing needs of the local market. Such countries have expanded their output; they have, in a number of cases, been able to export a rapidly growing volume of cotton textiles. They have been endeavoring to secure a more proportionate distribution of such exports among importing countries than has, in fact, occurred.
It was against this background that the Geneva arrangements were negotiated last July. It is useful to refer to the recent developments with regard to international trade in cotton textiles because the problems arising therefrom are no less serious in October than they were in July.

There was a substantial increase in world cotton textile trade in the last two years, reversing the almost steady decline which has characterized such trade since World War I. World exports of cotton cloth in 1960 were the highest since the 1920's. World exports of cotton yarn increased correspondingly and reached a level almost a third higher than the previous peak reached in 1937. Although complete data are not available on exports of apparel items, 1960 data for several countries indicate a major upsurge in such trade as well.

The growth in world cotton textile exports resulted from substantial increases in exports by Japan, India, and a number of newer textile suppliers (Hong Kong, Korea, Pakistan, Portugal, Spain, Taiwan and the United Arab Republic).

Exports of cotton textiles from these countries, as indicated above, were not distributed uniformly among the importing countries. For example, in 1960 around 70 per cent of the cotton textile imports of the United Kingdom and the United States came from these countries. On the other hand, the bulk of textile imports of individual EEC countries originated in other European countries and only perhaps 10 per cent came from the countries enumerated above.

In the case of the United States, imports of cotton textiles, which had risen steadily during the 1950's, increased by a further 50 percent during 1960. The major part of this increase originated in many of the countries mentioned above.

Undoubtedly part of the growth in world trade in cotton textiles was associated with a growth in the consumption of such textiles. As further background to any proposals for a long-term arrangement, it is important to note that cotton textile consumption is not stagnating. Various studies on this subject prepared by such international organizations as the FAO, OEEC, IBRD, OAS, and the International Cotton Advisory Committee (ICAC) and by the US Department of Agriculture indicate that the 1960's will be a decade of growth in the consumption of textiles,
including cotton textiles. All of these studies base their projections largely on two factors—growth in per capita incomes and growth in population.

III. Operations of Cotton Textile Committee.

Several suggestions are offered with regard to the work of the Cotton Textile Committee. The Committee would appear to have three primary functions.

(1) To develop long-term arrangement for international trade in cotton textiles as provided in the Geneva arrangements.

(2) To collect all useful data for the above purpose and to develop and circulate continuing statistical and factual information with regard to developments affecting international trade in textiles. Participating countries should be asked to submit periodic reports to the Committee containing such necessary data as production, consumption, capacity, plans for expansion, etc.

(3) To review progress in implementation of the short-term arrangement.

In connection with (2) and (3) it is suggested that a document be prepared and maintained on a current basis containing current detailed information with regard to exports and imports by individual countries. In order to follow developments with regard to trade in competitive textiles (para 1-D of the Geneva Arrangements) statistical information should be gathered on trade in all textile products.

In order to expedite work of the Committee on the above points, it is suggested that two sub-committees formed.

(1) Drafting Sub-Committee - This sub-committee would prepare a detailed long-term agreement for the Cotton Textile Committee based upon the decisions reached by the Committee at its meeting beginning October 23. The sub-committee should begin its work no later than December 1, and preferably sooner, with a view to completing a draft preferably by December 31, and at the latest by January 31.

(2) Statistical Sub-Committee - This sub-committee would develop and circulate statistical and factual information. It should work concurrently with the Drafting Sub-Committee.

I. Objective.

The objective of the long-term arrangement should be to provide opportunities for the orderly expansion of international trade in cotton textiles in a manner that will avoid disruption or undue concentration of imports in individual markets or on individual lines of production. In essence, then, the objective is to provide a mechanism for orderly growth in world cotton textile trade.

Such a mechanism should permit the distribution of cotton textile trade over a large number of importing countries and over a large number of different types of textiles so as to preclude disruptive concentration of such trade in certain markets or in certain types of cotton textiles. Such a mechanism, too, should be a substitute for unilateral quantitative restrictions on cotton textile imports in various markets with a view to bringing about a situation in which international trade in cotton textiles will take place on the freest basis possible, but within the framework of a multilateral arrangement which avoids disruption.

II. Importing Countries.

1. Importing countries would provide growing opportunities for international trade in cotton textiles. The objective would be to have all importing countries afford unrestricted access to their markets by the end of the arrangement subject to the protection against disruption provided for in the arrangement.

2. Countries now exercising quantitative or other restrictions against the products of other participating countries would relax such restrictions with a view to their elimination by the end of the arrangement and would provide increasing access to imports of cotton textiles in accordance with an agreed-upon schedule. A schedule for annual minimum relaxation of quantitative restrictions would be drawn up at the time the arrangement is negotiated, but the schedule would be subject to annual review in the light of market conditions. The purpose of such a review would be to determine if any unusual developments have occurred in the markets of individual countries, such as a
temporary cyclical decline in consumption or an unexpected growth in demand, which might warrant some modification in the schedule for a limited period of time.

3. Countries not presently maintaining quantitative restrictions would agree not to impose them during the arrangement, except as authorized by GATT or by the arrangement itself.

III. Exporting Countries.

1. Exporting countries would take appropriate measures in their export policies in order to avoid disruptive effects in import markets as defined in the Geneva Arrangements. Such measures would have the purpose of preventing abnormally large increments in exports to any country either of total exports or in any particular category or of preventing radical shifts in categories resulting in disruptive concentration.

2. If requested by another participating country, which feels that unrestricted imports of cotton textiles in any of the categories listed in the arrangement are disrupting its domestic market, the exporting country would agree to restrain its exports of any category causing this disruption to a level established for the year in accordance with a schedule. Such a schedule would be drawn up for each year of the arrangement at the time it is negotiated, but the schedule would be subject to annual review in the light of market conditions. The purpose of such a review would be to determine if any unusual developments have occurred in the markets of individual countries, such as a temporary cyclical decline in consumption or an unexpected growth in demand, which might warrant some modification in the schedule for a limited period of time. The schedule which is envisaged is one which has as its starting point a base year level (the twelve months ending June 30, 1961) which would be increased by percentage increments for each year of the arrangement.

3. A decision would need to be made as to how the mechanism would be administered from the point of view of individual cotton textile items or categories.

4. If the exporting country declined to restrain its exports within the limit for the period as requested by the participating country, the requesting country may decline to accept imports at a level higher than specified for the period. It would be expected that this procedure will be used sparingly, and only when necessary to avoid disruption. The requesting country would inform the Cotton Textile Committee of the action taken.
5. Provision should be made to recognize the right of new exporting countries (i.e. countries not now exporting in significant volume or not exporting at all) to a portion of the world cotton textile market and to bring them under the arrangement as participating countries.

IV. Enforcement Provisions.

1. As in the short-term agreement, participating countries would agree to take action to prevent circumvention of the agreement by:

(A) Non-participating countries.
(B) Transshipment.
(C) Substitution of directly competitive textiles.

2. Surveillance of world trade in cotton textiles would be a continuing function of the Cotton Textile Committee.

V. Duration.

The arrangement should be of 5 years duration with provisions for renewal. The longer the duration provided in the arrangement the longer the period of certainty which textile industries, in both importing and exporting countries, would have with regard to future levels of trade in cotton textiles. The participating countries should decide at least six months before the termination of the arrangement what further arrangements they will want, if any, beyond the termination date.