INTERNATIONAL TRADE IN COTTON TEXTILE PRODUCTS

Proposal by the United States

The delegation of the United States has submitted the attached outline of a proposal for consideration at the meeting beginning on 17 July.

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Basic Considerations

The participating countries recognize the following, among other, considerations as the basis for this agreement:

A. They have a common responsibility to take co-operative and constructive action to facilitate the expansion of world trade.

B. They must, as an indispensable policy for the Free World, co-operate in:

1. Assisting the less-developed countries to achieve an adequate rate of economic growth, including the development of types of industrial production appropriate to their resources;

2. Permitting the less-developed countries reasonable access to the markets of the world, so that they may, by selling the fruits of their production, begin to earn the foreign exchange resources necessary for the ultimate achievement of self-sustaining growth; and

3. Maintaining conditions in world markets in which economically advanced countries can, with a minimum of social and economic dislocation, effect those continual adjustments in their production required for the optimum use of resources in a dynamic Free World economy.

C. The abrupt increase in imports of certain major products, under conditions which cause or threaten the disruption of existing markets for established domestic industries, may tend to retard rather than advance the expansion of world trade, since:

1. It makes it difficult for an importing country to accomplish those structural changes essential to an efficient use of resources without the danger of undue social or economic hardship, and

2. It tends to produce unemployment which, while temporary and limited in scope, may be so concentrated as to result in distress within individual communities and industries.

D. Attempts of countries to deal unilaterally with such disruptive imports tend to take the form of restrictive measures, including quantitative limitations, that invite retaliation and impede the expansion of international trade.
E. World markets for cotton textiles are peculiarly subject to the rapid development of new sources of production and shifting trade patterns, because:

1. Large sectors of cotton textile production are characterized by intensive use of easily trained labour and by low fixed investment in plant and equipment in relation to volume of output; and

2. Many types of cotton textiles can be readily and economically produced wherever pools of unskilled labour exist, since equipment can be easily moved and erected and both the raw materials and the finished products cheaply transported.

F. In view of these facts, which characterize cotton textile production throughout the Free World, the sound growth of international trade in cotton textiles is threatened by the rapid development of export surpluses, particularly on the part of the developing nations, which can be assimilated only by making possible the orderly expansion of imports.

II

Guiding Principles

Faced with the need to prevent a glut of cotton textile exports from causing harmful disruption, while at the same time recognizing the necessity of facilitating the development of international markets, the participating countries are determined to seek an arrangement which will permit the expansion of world trade in cotton textiles on an orderly basis. To this end, they endorse the following principles:

A. Participating countries which presently impose quantitative restrictions on imports of cotton textiles shall significantly increase access to their markets by the progressive relaxation of such restrictions to an agreed level within an agreed period of time, looking toward the ultimate elimination of all restrictions other than those permitted under the arrangements contemplated by this agreement or under the GATT.

B. Participating countries which are not presently imposing quantitative restrictions on imports of cotton textiles shall impose no restrictions other than those permitted under the arrangements contemplated by this agreement or under the GATT.

C. Participating countries shall, with respect to their cotton textile exports, adopt and maintain measures of restraint required to carry out the arrangements contemplated by this agreement.
D. Participating countries shall give effect to these principles:

1. By developing an appropriate international arrangement regarding trade in cotton textiles over an agreed period of years, and,

2. By agreeing, pending the development of such a longer term arrangement, on provisional measures respecting trade in cotton textiles during the calendar year 1962.

III

International Textile Committee

A. An International Textile Committee (ITC), composed of representatives of the countries adhering to this agreement, will be immediately created within the framework of GATT.

B. The ITC will have the following responsibilities:

1. On or before 1 July 1962, to prepare and submit to the participating countries a project for a longer-term arrangement as contemplated under Article IV below.

2. To fulfill the responsibilities provided for in Article V below in connexion with the operation of the provisional arrangement for the year 1962.

3. To follow developments and receive reports concerning international trade in all textile products (regardless of fibre content) and make pertinent information available on a continuing basis.

4. To undertake a study of any aspect of trade in cotton textiles at the request of any participating country.

IV

Longer-Term Arrangement

In preparing the project for a longer-term arrangement, as contemplated by paragraph B(1) of Article III above, the International Textile Committee shall recommend provisions to carry out the guiding principles set forth in Article II hereof and, in particular, shall recommend:

A. Provisions making it possible for participating countries to share fairly in expanding market opportunities resulting from the growth of cotton textile consumption.

B. Safeguard provisions preventing non-participating countries from gaining unfair advantage in the markets of importing participating countries as a result of measures of restraint undertaken by exporting participating countries in pursuance of the objectives of the arrangement.
C. Additional safeguard provisions preventing either participating or non-participating countries from contravening the purposes and intent of the arrangement, whether by shifting exports to substitute fibres, by trans-shipping products, or by other means.

D. Provisions with respect to the scope of the arrangement, reflecting recommendations of the ITC as to what textiles, if any, in addition to cotton textiles, should be covered in order to make the arrangement fully effective and to fulfill the long-range interests and objectives of the participating countries.

E. Provisions fixing the duration of the arrangement.

F. Provisions governing the adhesion of additional participating countries.

G. Provisions to carry out the progressive relaxation of quantitative restrictions as provided for in paragraph B of Article VI below.
V

Provisional Arrangement for 1962

To minimize the consequences of market disruption pending the development of a longer-term arrangement, the participating countries agree to adopt for the calendar year 1962 the following provisional arrangement:

A. If any participating country determines, on the basis of past experience or recent trends, that imports of any or all categories of cotton textiles from any other participating country are causing or threatening to cause disruption in its domestic market:

1. It may report that determination to the International Textile Committee;

2. After so reporting, it may request the other participating country to take measures to restrain its exports of each or all such categories of cotton textiles so that such exports during the calendar year 1962 will not exceed a prescribed level. Such level may not be lower than the minimum prescribed level or levels determined for such category or categories under the provisions of paragraph H below.

   (As hereafter used in this agreement the phrase "requesting country" shall be deemed to refer to a participating country requesting a restraint of exports under this paragraph, and the phrase "producing country" shall refer to the country to which the request is addressed.)

B. Within 30 days after receiving a request under paragraph A(2) above, the producing country shall take necessary steps to restrain its cotton textile exports to the requesting country in accordance with such request.

C. To facilitate the fair and flexible operation of import restraints adopted pursuant to this agreement, the following adjustments are permitted:

1. In restraining its exports pursuant to a request under paragraph A(2) above, a producing country may exceed the prescribed level for any category of cotton textiles by 10 per cent, provided that its total exports to the requesting country for all categories of cotton textiles for which restraint has been requested do not exceed the aggregate of the prescribed levels for all such categories.

2. If any requesting country determines:

   a. That a shift in the pattern of imports from a producing country is resulting in an undue concentration of imports of a particular item within any category of cotton textiles and
b. That such concentration is causing or threatening to cause disruption of domestic markets, the requesting country, after notifying the ITC, may request the producing country to restrain its total 1962 exports of said item to a prescribed level. Such level may not be lower than that which prevailed for such item during the year ending 30 June 1961.

D. In the event that a requesting country determines that a producing country is failing to comply with a request conforming with paragraph A of this Article V, the requesting country may, after consultation with the ITC and notification to the producing country, impose unilateral restrictions to enforce the requested restraint.

E. If a participating country determines that imports from a non-participating country of textiles produced either from cotton or other fibers are frustrating the objectives of the agreement by disrupting or threatening to disrupt its domestic market for cotton textiles, it may, after notification to the ITC, take unilateral action to restrict each or all categories of such imports to that level which is necessary to prevent frustration of the agreement but in no event lower than 50 per cent below the prescribed minimum level fixed for each such category of imports by paragraph H of this Article V.

F. If a producing country determines that the effect of restraint resulting from action under paragraph A of this Article V is to place its exports at a substantial and unfair disadvantage in relation to competing exports of other countries which have not been so restrained, it may so advise the ITC. If the ITC finds that such exports are in fact being placed at such a substantial and unfair disadvantage it may recommend to one or more participating countries:

1. That such countries take action under paragraph A of this Article V to request the restraint of exports from certain designated participating exporting countries or

2. That such countries take unilateral restrictive action against certain designated non-participating countries under paragraph E of this Article V.

G. Participating countries shall use their best efforts to prevent the restraints introduced pursuant to this Article from being circumvented by such devices as the trans-shipment of merchandise or the substitution of textiles produced from other fibers.

H. For the purpose of this Article V, the prescribed minimum level for each category of imports of cotton textiles by a requesting country shall be fixed with respect to each producing country in the following manner:
1. Except as provided in subparagraph 2 hereof, the level shall be equal to the level prevailing for such category during the twelve-month period ended 30 June 1961.

2. In the event that the amount of cotton textiles of all categories imported by a requesting country from a producing country increased more than three-fold during the four-year period ended 30 June 1961, and amounted, during the year ended 30 June 1961, to more than 20 per cent of the total amount of cotton textiles of all categories imported by the requesting country from all sources, then the prescribed minimum level for each category of imports of cotton textiles from such producing country shall be the lower of

a. The level prevailing for each such category during the year ended 30 June 1961, or

b. The sum of:

(1) The four-year average of imports for each such category, and

(2) per cent of the difference between the level of imports of that category during the year ended 30 June 1961, and such four-year average.

I. For purposes of the provisional arrangement for 1962, the following general provisions shall be applicable:

1. The arrangement for 1962 shall apply to all cotton textiles. For these purposes, cotton textiles shall mean all products which are manufactured from raw cotton, cotton laps, or cotton waste and which have a cotton content of per cent or more.

2. For purposes of the arrangement for 1962, cotton textiles shall be divided into the following categories:

3. Levels of trade in all categories shall be expressed on a common quantitative basis (e.g., units and square yards, metric tons, or pounds of raw cotton content).

J. Each participating country agrees not to contest on the basis of the GATT the right of any other participating country to act in accordance with the provisions of this Article V.

VI

Relaxation of Import Restrictions

A. During calendar year 1962 the countries listed in Annex A to the agreement shall relax their import restrictions so that access to their domestic markets is made available in 1962 to countries
listed in Annex B for quantities of cotton textiles which are at least as large as those specified in Annex A.

B. The ITC shall be charged with recommending a schedule for progressive relaxation of quantitative restrictions against imports to be applicable after 31 December 1962.

VII

Provision for Coming Into Force

The entire agreement consisting of Articles I through VII shall become effective as soon as it has been accepted by countries having a total import and export trade in cotton textiles aggregating not less than 66-2/3 per cent of the aggregate imports and exports involved in total Free World trade in such textiles (based upon the statistics set forth in Annex C of this agreement).

ANNEXES

(not here included)