THE PARTICIPATING COUNTRIES recognize the need to take co-operative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less-developed countries by providing increasing access for their exports of manufactured products.

They take note, however, that in some countries situations have arisen which, in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles. In using the expression "disruption" the countries concerned have in mind situations of the kind described in the Decision of the CONTRACTING PARTIES of 19 November 1960 the relevant extract from which is annexed as Appendix A to this Agreement.

The participating countries desire to deal with these problems in such a way as to provide growing opportunities for exports of these products provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production.

I. PROVISIONAL ARRANGEMENT

Pending a long-term solution the participating countries agree to deal with immediate problems through international action designed, at the same time:

(i) to significantly increase access to markets which are at present subject to import restrictions;

(ii) to maintain orderly access to markets where restrictions are not at present maintained; and

(iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

Accordingly the participating countries agree to adopt the following provisional arrangement for the twelve-month period beginning 1 October 1961.

A. A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category (see Annex A) of cotton textiles causing or threatening to cause such disruption, and failing agreement within
30 days, the requesting country may decline to accept imports at a level higher than the specified level. \[1\] In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. \[2\]

It is intended by the participating countries that this procedure will be used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports.

B. A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 per cent provided that its total exports to the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories.

C. If a requesting country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening disruption, the requesting country may request the producing country to restrain its total exports of the said item during the 12 months beginning 1 October 1961 to a prescribed level not lower than that which prevailed during the year ending 30 June 1961.

D. Participants agree to take action to prevent circumvention or frustration of this provisional arrangement by non-participants, or by trans-shipment, or by substitution of directly competitive textiles. In particular, if the purposes of this arrangement are being frustrated or are in danger of being frustrated through the substitution of directly competitive textiles, the provisions of paragraph A above shall apply to such goods, to the extent necessary to prevent such frustration.

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\[1\] In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in Section 40 A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to ensure that imports would not fall below the minimum level as defined in this paragraph.
E. Participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from 1 January 1962, significantly increase access to their markets by countries, the imports of which are now restricted. A specific statement of the new access will be forthcoming.

F. This provisional arrangement shall be valid for a period of 12 months, beginning on 1 October 1961; however, the provisions of section E above shall not enter into force until 1 January 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement shall meet as necessary to consider any problems arising out of the application of this Agreement.

H. In the event that a participating country considers that, as a result of a restraint which is being exercised under Article I, a third country is being afforded an inequitable opportunity to increase similar exports to the country requesting the restraint, the country under restraint may call for consultation with the requesting country and, failing agreement on remedial action, refer the matter to the participating countries.

II. LONG-TERM ARRANGEMENT FOR COTTON TEXTILE PRODUCTS

A. Participating countries agree to create a Provisional Cotton Textile Committee and to request the CONTRACTING PARTIES to confirm the establishment of the Committee at the nineteenth session.

   The Committee shall:

   1. undertake work looking toward a long-term solution to the problems in the field of cotton textiles referred to in the Preamble to this Agreement.

   2. Collect all useful data for this purpose.

   3. At an early date, not later than 30 April 1962, make recommendations for such long-term solution.

B. The discussions and consultations to be undertaken by the Committee on the long-term problem shall be of the kind provided for by the Market Disruption Committee at the seventeenth session of the CONTRACTING PARTIES. The Committee shall, as appropriate, from time to time report to this Committee and to Committee III of the Expansion of Trade Programme on progress made and on its findings.

C. The Provisional Textile Committee referred to in this article shall meet on 2 October 1961 to initiate consideration of this long-term problem.
APPENDIX A

Extract from the CONTRACTING PARTIES' Decision of 19 November 1960.

"These situations [market disruption] generally contain the following elements in combination:

(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

(iii) there is serious damage to domestic producers or threat thereof;

(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."