MEETING ON INTERNATIONAL TRADE IN
COTTON TEXTILE CONCLUDED

1. Representatives of governments substantially interested in the importation and exportation of cotton textile products met at Geneva from 17 to 21 July. The decision to convene this meeting was taken by the GATT Council when it met, at the request of the United States, on 16 June 1961.

2. The representatives who have participated in the meeting have drawn up an Agreement. In the Preamble to the Agreement they recognize the need to take co-operative and constructive action with a view to the development of world trade. They also recognize that such action should be designed to facilitate the expansion of national economies and in particular to promote the development of the less-developed countries by providing increasing access for their exports of manufactured products. They have taken 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.

The Preamble also states that 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.

3. The Agreement which has been drawn up contains two Articles:

Article I. Short-Term Arrangement for Cotton Textile Products.
Article II. Long-Term Arrangement for Cotton Textile Products.
I. Short-Term Arrangement

Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles 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 a short-term arrangement for the twelve-month period beginning 1 October 1961, the main provisions of which are set out as follows.

A. If unrestricted imports of cotton textiles are causing or threatening to cause disruption of the domestic market of a participating country, it 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 of cotton textiles causing or threatening to cause such disruption. Failing agreement within 30 days, the requesting country may decline to accept imports at a level higher than the specified level. In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion.

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 "swing" clause allows a country requested to restrain its exports to a specified level in certain circumstances to exceed the specified level for any category by 5 per cent.

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1The cotton textile categories are set out in an Annex to the Agreement.
6. 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, under the procedure set forth in paragraph A above, 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 B above shall apply to such goods, to the extent necessary to prevent such frustration.

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 short term arrangement will be valid for a period of 12 months, beginning on 1 October 1961; however, the provisions of section E above will enter into force not later than 1 January 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement will 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

Participating countries have agreed to create a Provisional Cotton Textile Committee and to request the Contracting Parties to confirm the establishment of the Committee at their nineteenth session.

The Committee will:

1. undertake work looking towards a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principle set out 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.

The Provisional Textile Committee will meet on 2 October 1961 to initiate consideration of this long-term problem.

4. The following governments were invited to take part in the meeting on trade in cotton textiles:
   - Australia
   - Austria
   - Canada
   - India
   - Japan
   - Pakistan
   - Portugal
   - Spain
   - Sweden
   - United Kingdom
   - United States
   - Member States of the European Economic Community

The Commission of the European Economic Community also participated; and the OEEC was represented by members of the secretariat.

It was decided at the outset to invite the following countries to be represented as observers:

- Brazil
- Czechoslovakia
- Denmark
- Finland
- Greece
- Mexico
- Norway
- Switzerland
- Turkey
- United Arab Republic

The Committee elected as its Chairman Mr. Eric Wyndham White, Executive Secretary, General Agreement on Tariffs and Trade.