ARRANGEMENTS REGARDING INTERNATIONAL TRADE
IN COTTON TEXTILES

Record of Meeting Held 17-21 July 1961

I. INTRODUCTION

1. The meeting, which was held in Geneva from 17-21 July 1961, was convened by the GATT Council of Representatives on 16 June 1961 (C/M/7), following a request by the Government of the United States that a meeting of high-level officials of countries substantially interested in the importation and exportation of cotton textile products should take place in the latter part of July "with a view to reaching agreement on arrangements for the orderly development of the trade in such products, so as progressively to increase the export possibilities of less-developed countries and territories and of Japan, while at the same time avoiding disruptive conditions in import markets".

2. The following governments participated in the meeting:

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The Commission of the European Economic Community also participated.
Mr. Wyndham White, Executive Secretary, was elected Chairman of the meeting.

3. The Chairman welcomed the participation and collaboration of representatives of the OEEC in the meeting.

4. The following countries were represented by observers:

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II. GENERAL EXCHANGE OF VIEWS

5. On 17 and 18 July, general statements were made by representatives against the background of tentative proposals put forward by the United States and distributed in document Spec(61)229. Representatives welcomed the fact that the meeting was taking place under the aegis of GATT.

6. The representative of the United States, in presenting his delegation's proposals, in document Spec(61)229, said that the meeting of the GATT Council on 16 June, the meeting in Washington from 21-23 June of officials of certain countries with a major interest in the importation and exportation of cotton textile products and subsequent bilateral discussions had laid a valuable foundation for the present meeting. He stressed the need for quick action to deal with the present difficulties in trade in cotton textiles and the possibility that, in the absence of such action, importing countries, in order to prevent unduly adverse impact upon domestic industries resulting from increasing cotton textile imports, might find themselves obliged to take unilateral action. He went on to say that, because of the very special characteristics of the industry, the situation in the cotton textiles market constituted a problem which could be considered separately and which offered the possibility of special treatment. From the United States point of view there was no question of any ad hoc solution relating to cotton textiles which might be found during the present meeting establishing a precedent which could subsequently be applied to other products.

7. In commenting on the proposals put forward by his delegation, the representative of the United States explained, inter alia, that the guiding principles in Section II of the proposals were in line with the basic objectives adopted at the Washington meeting from 21-23 June; these were as follows:

"1. To meet the immediate problem through international action designed, at the same time,

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

   (b) to maintain orderly access to markets where restrictions are not at present maintained, and

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

2. To lay down general guiding principles to be followed and to establish international machinery for keeping the situation under review and for moving through co-operative action towards the achievement of the above purposes."

Those principles, in the view of the United States delegation, should guide the work of the present meeting. The end result to be aimed at was to bring about growing market opportunities for less-developed countries.
8. The representative of the United States stressed the urgency, from the United States' point of view, of finding some provisional arrangement to cover the year 1962. The very considerable increase in imports of cotton textiles into the United States in 1960, which reflected a growing trend over many years, raised both economic and political problems for the United States. There were strong domestic political pressures urging the United States Government to take unilateral action and establish import quotas. As action of this type would be contrary to the generally liberal trade policies of the United States in recent years, his government had advanced its proposals for a multilaterally acceptable solution. What was needed was a solution to the short-term problem, covering the year 1962 which would give time to develop a long-term arrangement.

9. The representative of the United Kingdom, having referred to the presence of a representative of Hong Kong in his delegation, said that, in the view of the United Kingdom, the problem under consideration was not one which could be solved through prearranged formulae; such a procedure would inevitably tend towards the regulation of international trade in textiles as a whole. This did not mean, however, that action was not urgently required. There was considerable domestic pressure on importing countries to take unilateral action. The situation was well set out in paragraph C of Section I of the United States proposals. In the view of the United Kingdom importing countries should, as a result of any arrangement agreed upon, have reasonable confidence that, if the scale of imports became excessively high, they would have the opportunity of discussing suitable measures with exporting countries. On the other hand, exporting countries must have genuine prospects for increased exports in the long-term once the immediate difficulties had been overcome. There should be no attempt to elaborate a generalized plan. The United Kingdom's broad view was that the maximum effort should be made to liberalize trade in accordance with GATT obligations and that, should problems arise, these should be dealt with through bilateral negotiation.

10. The representative of the Federal Republic of Germany, speaking on behalf of the member States of the EEC, having stressed the measures which the member States had already taken to assist the economically less-developed countries, said it was the intention of the member States and of the Commission of the EEC to make the fullest possible contribution towards the success of the meeting. The member States fully recognized the need for the industrialized countries to assist the economically less-developed countries by an orderly increase in these countries' exports. Commenting generally, however, the representative of the Federal Republic of Germany asked whether it was opportune to base the work of the meeting on a formula which could be interpreted as encouraging less-developed countries to concentrate on the textile industry sector as one of their principal sources of foreign exchange. The emphasis, in fact, should more properly be on diversification of production and harmonization of economic activity. Further, it was to be questioned whether the term "world market" could logically be applied to international trade in cotton textiles. Also to be taken into account was the fact that most industrialized countries were traditionally exporters as well as importers of cotton textiles. The member States were ready to examine a possible solution to the short-term problem, although it was their view that a real solution could only be found
in rules relating to the normalization of competition. Whatever arrangements
were made should be adaptable to the normal machinery and procedures available
within GATT.

11. The representative of Austria stressed the importance of the textile
industry to the Austrian economy; it gave employment to 20 per cent of the
total labour population in the manufacturing industries. The welfare of the
Austrian economy as a whole was inseparable from that of the domestic
textile industry. Having referred to developments in the industry since the
war, the representative of Austria stressed the considerable effect that
increasing textile imports were having on the industry; between 1952 and
1960 total imports rose by 334 per cent. In 1960 the balance of trade in
textile manufactures showed a large deficit for the first time, imports having
increased by 30 per cent over the 1959 level while exports had only risen by
14 per cent. In previous years there had always been a surplus. The
European Economic Community was the most important exporter of textiles to
Austria, followed by the European Free Trade Association. Although the
percentage of Austrian imports of textiles from low-cost countries was rather
small compared with imports from all sources, their value was relatively high
if imports per capita of the population were taken into consideration. The
representative of Austria pointed out that, with the very large increase in
imports from OEC countries, especially from member States of the European
Economic Community, any additional imports of low-price textiles would be
likely to damage Austria's domestic textile industry. Experience had shown
moreover that these imports, whatever their volume, exerted a considerable
downward pull on prices of the domestic industry and tended to have disruptive
effects on that industry. The annual increase in consumption of textile
manufactures was small in Austria and any additional imports of textiles
exceeding the small annual increase in domestic consumption would either
result in a decrease of imports from OEC countries or in a curtailment of
domestic production. Despite the difficulties, however, Austria was willing
to help solve the problems involved in a spirit of co-operation and to
participate in a multilateral arrangement, provided that certain conditions
could be met. First, in order to achieve an equitable distribution of
additional imports, the quantity of present imports of cotton textiles by
each consuming country in relation to total domestic consumption should be
examined. Secondly, imports of cotton textiles from low-cost countries
should be offered at normal competitive prices. Austria was willing to make
bilateral arrangements with low-cost countries regarding the establishment
of Austrian import quotes for cotton yarn and cotton fabrics. If the low-
cost countries were in a position to offer their exports at normal prices,
Austria could abstain from the application of price correctives.

12. The representative of Sweden said he had difficulty in seeing how the
problems involved could be solved through bilateral negotiations. What was
needed was a dynamic approach. If a way could be found to open up markets,
the cost problem would not seem so important. His delegation would have
preferred the problems to have been dealt with at an earlier date and, in
this connexion, he referred to the Scandinavian draft plan submitted to the
Committee on Market Disruption in November 1960.
13. The representative of Canada said it was Canada's experience that the bilateral approach had proved inadequate and the problems that had emerged had increasingly pointed to the need for co-operative action. Canada did not apply any restrictions to trade in textiles. Four or five years ago, however, it became apparent that the rapid inroads into the Canadian market required some defensive action, which would permit the expansion of trade without there being disruptive effects. Efforts to achieve this had been made through consultation with the exporting countries and for a few years this approach had enabled the most troublesome aspects of the problem to be dealt with. However, further difficulties were soon encountered. In one case, that of Japan, it became apparent that there was a situation where Japan was being called upon to exercise restraint while other countries were not doing so. A second factor was that the rather rigid restrictions maintained by many industrialized countries, which should have been able to carry a heavier burden, meant that the pressure on the Canadian market was intensified. The problem came to a head in the course of 1960 and 1961, when it became apparent that defensive measures would have to be introduced. Canada again proceeded by way of consultations, particularly with Hong Kong. Hong Kong, however, felt unable to respond to the Canadian requests for a variety of reasons, one of them being that, in the absence of an international arrangement, action of the Hong Kong Government alone would amount to discrimination. It was, therefore, clear that a comprehensive arrangement should be sought.

14. The representative of Canada went on to say that it was doubtful whether it would be possible to confine the sort of approach envisaged in the United States proposals to textiles; there were other industries with the same characteristics where problems of a similar nature had arisen. As regards the principal problems before the meeting, Canada considered it essential that solutions of a restrictive character should be avoided. The outcome of the meeting would be judged by whether it could be demonstrated that low-cost producers had greater rather than less opportunities for increased trade. To achieve this and at the same time to avoid disruptive inroads into the markets would require a larger degree of co-operation from the industrialized countries than had been evident hitherto. Available data showed clearly that there was more scope for trade than had in fact taken place. There should be a clear understanding that this aspect of the problem needed close attention.

15. In conclusion the representative of Canada said it should be possible to devise a set of principles which countries participating in the meeting would be able to adopt and which would provide a framework within which individual countries would be able to work out solutions to the problems concerned. The broad principles which were drawn up at the Washington meeting, to which the representative of the United States had referred, were endorsed by Canada.

16. The representative of Japan explained that, in order to assist the United States in dealing with its difficulties, Japan had been applying voluntary restraint on exports of cotton textile products to the United States for the past four and a half years. Furthermore, Japan was prepared to co-operate with any other countries, which were maintaining liberal import policies, in securing orderly marketing. As regards the present meeting, discussion should be confined to the question of trade in cotton textiles; any solutions found should not be made applicable to trade in
other products. Commenting on the bilateral, as compared with the multilateral approach, the representative of Japan said it had been Japan's experience that, although the bilateral approach was very important, it was difficult to find solutions without there being something on a multilateral basis. As regards so-called voluntary restraint on exports, Japan had found that while the exports of other countries not exercising export restraint had increased, its own share in the major markets had shown a tendency to decrease.

17. The representative of India said that India looked at this problem in the light of the need for an expansion of international trade and, in particular, in the light of the need to help the less-developed countries direct their investment and export earning endeavors into channels appropriate to their resources. It was of particular importance to the CONTRACTING PARTIES that the EEC, which constituted a very strong economic group, also subscribed to those aims. It was the Indian delegation's hope that the present meeting represented a departure from the former practice of unilateral discriminatory or non-discriminatory action by aggrieved contracting parties. Continuing, the representative of India said it was his delegation's firm view that, basically, cotton textiles were not different from other commodities entering into international trade and that they did not call for any special treatment. The principles of expanding competitive trade on which GATT was built should apply no less to cotton textiles than to any other commodity or product. His delegation did recognize, of course, that certain countries could have an immediate short-term problem of adjustment.

18. Having outlined the situation in the various sectors of the Indian textile industry, the representative of India stressed the importance of cotton textile exports in connexion with India's need for foreign exchange. He pointed out that such exports to countries like the United Kingdom and the United States consisted mainly of grey cloth, which was processed in those countries and in the processed form either used internally or re-exported. Moreover, the major part of the exports consisted of cloth from yarn counts below twenty-six. The varieties of cloth were, generally, non-competing from the point of view of the industrialized cotton textile producing countries. Commenting on costs, the representative of India said that Indian unit labour costs in the cotton textile industry were, in many cases, quite as high as those in the United Kingdom and even those in the United States. Against the background of 90 per cent consumption of cloth in the Indian market and of exports which were largely non-competing and which produced employment in the importing countries, it would not be fair to say that Indian exports created market disruption in the markets of any of the industrialized cotton textile producing countries. In the context of the longer-term problem, there had to be a rational approach to the problem and the industrialized countries should make a smooth transition to levels of production and export which accorded better, in particular, with the need of the less-developed countries to earn foreign exchange through directing investment into channels appropriate to their resources and in which they would be economically efficient producers.

19. While the Indian delegation considered that, on the whole, the United States approach was a constructive one, it was essential that no agreement reached during the meeting should be able to supersede the principles of GATT. India would be willing to consider a temporary arrangement as a first
stop towards the rapid attainment of a situation which conformed with the
general principles of GATT. In particular, India would expect to see impedi-
ments to its exports of cotton textiles removed rapidly insofar as such
impediments were not permissible under the GATT. In general, the Indian
delagation would recommend that any arrangement reached should follow the
pattern of the voluntary agreement between the United Kingdom and India,
Pakistan and Hong Kong textile industries which inter alia, took note of the
needs of the less-developed countries and also of the inevitability of the
industrialized countries adjusting their operations in the simpler
manufactures.

20. In conclusion, the representative of India emphasized that, in no
circumstances, could India accept the present meeting as a precedent for
other such arrangements with regard to other commodities; it should be
considered essentially as an ad hoc meeting.

21. The representative of Australia explained why his Government attached
considerable importance to the present meeting. First, Australia had an
important textile industry and virtually an open market for imports.
Secondly, one of the most important tasks which GATT faced at the present
time was to find ways and means of increasing trade opportunities for the
less-developed countries. Thirdly, Australia regarded the deliberations
that would take place in the meeting as a further, significant test of the
effectiveness of GATT in solving, in the context of trade expansion, what
was a pressing problem for many countries, exporters as well as importers.
Having described the situation in the Australian textile industry and the
position as regards Australia's imports of cotton textiles, the representative
of Australia said that the existing import pattern had not emerged without
pressures on domestic industry or without the need for readjustment within
the industry. It did indicate, however, that Australia had provided, and
continued to provide, increased opportunities for cotton textile exporters.
Australia shared the views expressed by other representatives that the
pressures experienced would not be so uneven if all countries, in particular
highly-industrialized countries, were prepared to offer the same degree of
access to their markets instead of imposing restrictions which channelled
exports into the few open markets. The Australian delegation saw merit in
trying to provide a multilateral framework for the solution of problems in
the cotton textiles field as a supplement to bilateral solutions. There
might be situations which could best be handled within such a multilateral
framework. However, based on its own experience, Australia was convinced that
other situations lent themselves more appropriately to a bilateral solution.
As regards the short-term problem, Australia was prepared to work towards
some holding arrangement for 1962; it assumed, however, that the United
States proposal was designed to supplement procedures already available
in GATT rather than to replace them. Basically what was needed was an
arrangement which opened up markets severely restricted or closed as a means
both of enlarging market opportunities for textile exports and of avoiding
undue concentration on the few existing open markets. The United States
proposal was directed towards this end and Australia fully supported the
United States endeavours in this regard. However, any arrangement must enable
countries with open markets to deal quickly and effectively with an emergency
situation. To the extent that the need for emergency action could be avoided
through an orderly marketing approach by exporters, the greater would be the
contribution of such an arrangement to the expansion of trade in cotton
textiles.
22. The representative of Pakistan said that any arrangement decided upon should be conceived as leading to the liberalization of world trade in textiles. His delegation was concerned in case any arrangement for dealing with a temporary problem in the cotton textiles field might constitute a precedent for similar action on other commodities; it was essential that this should not happen. Pakistan had consistently pressed the industrialized countries to make adjustments in their industry so as to be able to import more simple manufactures from the less-developed countries. It was Pakistan's view that, if some temporary action had to be taken, most attention should be paid to possible solutions on a bilateral basis. Further, as Pakistan was a comparative newcomer in the field of cotton textiles, it would be inequitable to think in terms of past performance when fixing any import level.

23. The representative of Portugal said that, while his delegation had serious concerns, Portugal was prepared to co-operate so as to avoid the need for the United States to take unilateral action. Any solution arrived at must not constitute a precedent, however. It should always be kept in mind that one of the greatest problems of the present time was to accelerate the economic development of the less-developed countries.

24. The representative of Spain said his delegation found the United States proposals acceptable as a starting point. The proposed Textiles Committee, if established, should, inter alia, study the basic structural problem of world consumption and production.

25. The representative of Hong Kong said his Government was ready to co-operate in any solution which satisfied certain conditions. First, it was essential that, before any action could be taken under any arrangement which might be drawn up by the present meeting, there should be real evidence of damage caused by imports. He pointed out that Hong Kong was not responsible for the difficulties in the United States market. In the last six or nine months Hong Kong's exports of cotton textiles to the United States had fallen rapidly. It was in fact difficult to see that the United States had a real problem in this field from the economic point of view. The second consideration was that any arrangement must be flexible and expansionary. The long-term United States proposals seemed to relate only to growth of consumption in the importing countries. Thirdly, exporting countries asked to restrain their exports must have some protection against the possibility of a deflection of trade to third countries which were not themselves exercising restraint. Another point to bear in mind was that the so-called normalization of competition could have the result of depriving certain countries of their one competitive advantage. As regards the respective merits of the multilateral concept as compared with the bilateral concept, the representative of Hong Kong, expressed the view that there were certain disadvantages in multilateral arrangements alone while the same was true of a bilateral system which was completely unregulated. Hong Kong, therefore, would support an arrangement where bilateral agreements could be entered into under some general framework of principles conforming as closely as possible to the principles of GATT.
26. At the conclusion of the general exchange of views, the representative of the United States, in the light of the statements that had been made, elaborated on the observations he had put forward in his earlier statement. He said that his contention that the textile industry was sui generis would soon to have been confirmed by many of the comments that had been made. The cotton textile industry was the one most easily adopted by countries in the initial stages of industrialization. The high level of employment in the industry, as compared with the total labour force in manufacturing industry generally, was another important factor. There was a continuing development and spread of the cotton textile industry in the economically less-developed countries. These and other factors gave the cotton textile industry a very special character which created in world markets a very special problem. If some formula were devised to deal with this special problem there was no intention that this should subsequently be applied to other products. From the statements made, the most promising approach would appear to be the bilateral approach within a multilateral framework. This formula, which was also reflected in the United States proposals, would give the maximum flexibility with the minimum regulation of trade. One of the advantages of the formula was that it would permit bilateral solutions while minimizing the risk of the pre-emption of the market by third countries.

27. Continuing, the representative of the United States said there were three elements in the United States proposals; first, a temporary arrangement which would give time to work toward a long-term arrangement while enabling the avoidance of restrictive commercial policies; secondly, the establishment of mechanism for seeking a long-term solution; and, thirdly, the relaxation of quantitative restrictions by certain of the industrialized countries. His delegation hoped that the present meeting would concentrate on these three elements. As regards the third of these elements, it was very much to be hoped that the countries concerned would make more than a token movement forward. Commenting on the long-term problem the United States representative said that the United States would not approach the problem with firm preconceptions. The problems involved were different in degree if not in kind from those which had existed in the past and a pragmatic approach was desirable. There was an accelerating developmental process going on in the world. So far as international markets were concerned, for example, the countries producing cotton textiles for export at present were likely progressively to shift into some more capital intensive type of production, leaving the more labour intensive type of production, as represented by the cotton textile industry, to countries which were less far advanced in the process of economic development.

III. CONSIDERATION OF REVISED PROPOSALS

28. Following the general exchange of views referred to in Section II above and subsequent informal discussions among delegations, the meeting examined revised proposals on 21 July. The reference hereunder to paragraphs of the arrangements regarding international trade in cotton textiles relates to the final text of the arrangements, a copy of which is attached.

1A copy of the final arrangements is not attached to this draft.
29. During the paragraph-by-paragraph discussion of the revised proposals submitted to the meeting, the following important points were made:-

**Short-term arrangement**

**Preamble**

30. It was agreed that the reference to "restriction" in sub-paragraph (i) referred to restrictions that were unilaterally imposed. It was also agreed that any quantitative import restrictions permitted under the GATT could not be challenged under the arrangements.

**Paragraph A**

31. In reply to a question asked by the representative of Portugal concerning the implications of the thirty-days period referred to in this paragraph, the Chairman drew attention to the secretariat publication *Standard Practices for Import and Export Restrictions and Exchange Controls*. The representative of Portugal also enquired, in connexion with this paragraph, about the case of a new product, exports of which would not have appeared in records for previous years, which meant that there would be no basis for calculating the quantity to be controlled under export restraint. It was agreed that this sort of problem could well be discussed by the Provisional Cotton Textile Committee.

32. As regards the last sentence of the paragraph, it was held that the words "critical situations" should be interpreted in the light of the provisions of Article XIX of the GATT. The representative of India stressed that the principle of the non-discriminatory application of Article XIX should also be applied in such "critical situations". The representative of Hong Kong was unable to agree to the retention of this sentence and reserved the position of his Government. He considered that, if the intention was to confer on importing countries rights going beyond the scope of Article XIX, such a provision was excessive. Against the background of the forfeiture of rights that exporting countries were being asked to accept, such an extension of the powers of the importing countries was unjustified. The representative of the Federal Republic of Germany, speaking on behalf of the member States of the EEC, said that the member States attached importance to the retention of this sentence. The representative of Japan also reserved the position of his Government with respect to this sentence.

33. The representative of Japan further reserved the position of his Government on paragraph A with respect to the application of Appendix B, which listed categories of cotton textiles. The representative of Hong Kong subsequently reserved the position of his Government on Paragraph A as a whole.

**Paragraph B**

34. The representative of the United States pointed out that efforts had been made on the part of his delegation to reduce the total number of categories and, in listing various categories to cope with the technical problem resulting from the different systems of classification.

1 Document Spec(61)239.
adopted by various countries. The representative of Hong Kong reserved the position of his Government on this paragraph as a whole, while the representative of Japan reserved the position of his Government with respect to the 5 per cent swing provisions.

35. The representative of Canada, having stressed the need to clarify the 5 per cent swing provisions in this paragraph, stated that Canada could not accept any arrangement which might over-ride existing bilateral arrangements entered into by his Government; the provisions of this paragraph might cut across the particular arrangements which his Government had concluded on a bilateral basis. He explained that, if any category of products was defined very broadly, there might be danger of an undue concentration of imports of any particular item within any such category. He proposed, therefore, that the producing countries should be allowed under this paragraph to exceed the specified level for any category by 5 per cent only with the approval of the requesting country. He explained that his delegation might have to submit a reservation to the Executive Secretary at a later stage.

36. The representative of the United States expressed the view that the scope of the categories contained in Appendix B was sufficiently narrow and that the proposed maximum allowance of 5 per cent could be regarded as sufficient. He stressed that it had been agreed that nothing in the arrangement would prevent the negotiation of mutually acceptable bilateral arrangements on other terms or existing bilateral arrangements concluded by any participating countries.

Paragraph E

37. It was agreed that, as in the case of sub-paragraph (i) of the Preamble to the short-term arrangement, "quantitative restrictions" meant quantitative restrictions unilaterally imposed.

38. In connexion with the commitment envisaged in this paragraph, the representative of the United Kingdom explained that it would be appreciated that the United Kingdom was already making a very substantial contribution towards accepting cotton textiles from the six exporting countries which had been mentioned in the statistics (Spec(61)226), namely Hong Kong, Japan, India, Pakistan, Spain and Portugal. Imports of cotton textiles from India, Hong-Kong and Pakistan alone in 1960 were valued at about £38 million sterling. Retained imports of cotton fabrics alone into the United Kingdom from the six countries in 1960 were equivalent to some 40 per cent of the United Kingdom's own production and about 25 per cent of its total domestic market, including imports. These were very high figures which it was doubtful could be matched by any other country represented at the present meeting. Against this background there were obvious limitations to what more the United Kingdom could do in 1962. Moreover, the United Kingdom was currently engaged in negotiations with Japan on the whole range of trade subject to restrictions, and until these negotiations were concluded, it was not possible to say in advance how individual categories of goods would be affected.
39. The representative of Sweden said that Sweden was in full sympathy with the sentiments expressed by representatives of the less-developed countries. Sweden's liberal import policies had, however, resulted in a significant contraction of the Swedish textile industry and in the number of workers employed in the industry. In these circumstances, it would not be reasonable to expect Sweden to undertake further liberalization at this stage.

40. The representative of Austria said that, despite the difficulties facing the domestic industry in Austria, increased imports of cotton textiles would be admitted. His Government would be willing to import cotton fabrics from so-called low-cost countries in 1962 and would be willing to enter into bilateral negotiations with some less-developed countries with a view to increasing access to the Austrian market.

41. The representative of Japan indicated that his Government would introduce substantial liberalization measures in this field in the near future. He stressed in this connexion that it was extremely difficult for a country like Japan to accept, in addition to export restraint, the continued application of quantitative restrictions by many countries against imports from Japan.

42. The representative of Australia, having referred to his earlier statement, said that in the year 1960/61, the first full year without import restrictions, Australian imports had been exceptionally high. The proposed arrangements, which had been tailored to suit the general situation in a number of countries, obviously could not be applied in total to the special position of Australia. It might not, for example, be reasonable for Australia to be committed to expand imports of textiles in 1962. Nor, possibly, would it be reasonable to apply 1960/61 as the base period in dealing with a disruptive situation in Australia. It was the Australian delegation's understanding that the proposed arrangements in no way affected existing rights under GATT as, for example, the application of Article XIX and restrictions for balance-of-payments reasons under Article XII. The representative of Australia said he was not in a position to give his Government's attitude to the proposals generally. He hoped, however, that his Government might find it possible to subscribe to the arrangements, subject to any understandings on the points of particular concern to Australia to which he had already referred.

43. The representative of the Federal Republic of Germany, speaking on behalf of the EEC, having referred to the liberalization measures already taken by the member States, said that, without prejudice to negotiations between member States on the question of possible increases in quotas, he could inform the meeting that, for the year 1962, there would be an increase of some 60 per cent in import quotas covering all the member States as compared with 1961. The bulk of this increase would result from an effort which the French Government had already decided to make.
Paragraph G

44. The representative of Hong Kong pointed out that, in view of the rights which exporting countries like Hong Kong were being asked to waive, it was reasonable for them to expect to be given some protection, in particular in the case where, when they were exercising export restraint, a third country was thereby offered an unfair advantage to increase similar exports to the country requesting restraint. As the proposed Paragraph H, which would have met this situation to some extent, was not generally acceptable, he would have to reserve the position of his Government on Paragraph G as a whole. The representative of the United States explained that the last sentence of Paragraph G was intended to relate to the sort of situation the representative of Hong Kong had in mind. If any participating country exercising export restraint felt that the level of restraint was inequitable, it would be able to request joint consultations under the provisions of GATT.

Appendix B

45. At the request of the representative of Canada, three additional items were added to the list of categories, namely, bedspreads, braided and woven elasties and fishing nets. The representative of the United States pointed out that the categories of products agreed upon might be made subject to technical adjustments. It was agreed that nothing in Appendix B affected hand-loom cotton textiles.

46. The representative of Hong Kong reserved the position of his Government with respect to Appendix B.

Further meeting on short-term arrangement

47. It was agreed that the Executive Secretary would, at the request of any participating country, convene at ten days' notice a meeting of participating countries to discuss technical details relating to the implementation of the short-term arrangement. Such a meeting, if requested, might take place in September.

Long-term arrangement

48. It was agreed that there would be a meeting of the Provisional Cotton Textile Committee on 9 October.

49. In connexion with the arrangements generally, it was agreed that there was no intention that these should create a precedent which might be applied to other products in the future.

IV. ACCEPTANCE OF THE ARRANGEMENTS

50. The text of the arrangements, including certain amendments put forward during the meeting, was agreed for submission for approval by governments. The final text of the arrangements is attached. Reservations entered by individual representatives were noted by the meeting.
51. It was agreed that a master copy of the final text would be held in the Executive Secretary's office and that governments participating in the meeting would be invited to initial this copy. This would only authenticate the text and would in no way commit governments to acceptance of the arrangements.

52. It was agreed that governments which decided to accept the arrangements should address a communication to this effect to the Executive Secretary.

53. It was noted that there was no obstacle to the participation in the arrangements of governments which were not contracting parties to GATT, provided that all participating governments agreed to such participation.

54. In connexion with observations made by some representatives, the Chairman pointed out that nothing in the proposed arrangements derogated from the rights of contracting parties under GATT. On the other hand, it was clearly within the rights of individual contracting parties to make a mutually acceptable arrangement involving some restraint on the extent to which GATT obligations were applied. This, of course, in no way changed basic rights and obligations under GATT.