PRINCIPAL FACTORS TO BE STUDIED WITH A VIEW TO A LONG-TERM SOLUTION
TO THE PROBLEM OF COTTON TEXTILES

Proposals submitted by the European Economic Community

I. Objective

A long-term arrangement should ensure the orderly expansion of international trade in cotton textiles in a manner that, while increasing the foreign exchange receipts of countries in the process of development, would avoid disruption of markets or undue concentration of exports on certain destinations and/or on certain lines of production. In essence, the objective will be to provide a mechanism for orderly growth of world trade in cotton textiles.

Such a mechanism should in particular permit the distribution of cotton textile trade over a large number of importing countries and over a large number of categories of textiles so as to preclude concentration of imports in certain markets or on certain categories of cotton textiles, for this is a factor of market disruption. 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 which, while enabling countries in the process of development to increase their foreign exchange receipts and avoiding any encouragement of investment which might be unhealthy from the economic and social point of view, would make possible international trade in cotton textiles on the freest basis possible within the framework of a multilateral agreement.

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 full access to their markets as soon as possible, subject to the protection against disruption provided for in the arrangement.

2. Countries now exercising quantitative import restrictions against the products of other participating countries would relax such restrictions with a view to their complete elimination as soon as possible, as indicated above. They would progressively broaden access to their markets for cotton textile imports according to an agreed schedule. Such a schedule might fix the annual minimum relaxation of quantitative restrictions. It might be reviewed annually 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 validity of any arrangement which might be drawn up, except as authorized by the General Agreement 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 the composition of exports which would cause market disruption.

2. If requested by another participating country which felt that 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 the category concerned to the level established for the year. Such annual levels would be fixed for the duration of the arrangement, but 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 had 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 said levels for a limited period of time. The levels so fixed would be increased by percentage increments each year.

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 importing country, the latter might decline to accept imports at a level higher than that specified for the period. In such critical circumstances, each country concerned might take interim protective measures to protect its own position. This procedure would be used prudently and only when necessary to avoid market disruption. The importing 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, within the framework of the facilities to be provided under the arrangement, and to bring them under the arrangement as participating countries.
IV. Enforcement provisions

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

   (a) non-participating countries;
   (b) transshipment;
   (c) substitution of directly competitive textiles.

2. No provision of the agreement should preclude the negotiation of mutually acceptable bilateral agreements containing other stipulations.

3. Surveillance of world trade in cotton textiles would be a continuing function of the Cotton Textile Committee.
DRAFT TERMS OF REFERENCE
FOR THE SUB-COMMITTEE

In order to enable the Provisional Cotton Textile Committee to draw up a long-term arrangement on international trade in cotton textiles the sub-committee would have the following tasks:

A. To study, on the basis of the replies received to the questionnaire on cotton products prepared by the GATT secretariat:

1. the structure of production and consumption of cotton textiles;

2. the causes of market disruption in importing countries resulting from sales by exporting countries;

3. artificial export incentive measures which may exist;

4. conditions for the relaxation of quantitative import restrictions;

5. conditions for the application of measures designed to avoid disruption of markets not subject to quantitative import restrictions.

B. To prepare, with a view to a long-term solution of the problem of international trade in cotton textiles, a draft multilateral agreement which would permit the negotiation of mutually acceptable bilateral agreements.

C. To report to the Provisional Cotton Textile Committee not later than 31 January 1962.