1. As a result of its discussions the Committee reaffirmed its reference in the short-term arrangement to the desirability of undertaking work looking toward a long-term arrangement and came to the conclusion that it was necessary to undertake a detailed examination of the elements which would be contained in such an arrangement. With a view to facilitating such an examination the Committee reviewed the main points contained in the proposals put forward by the United States (L/1592), Japan (L/1596) and the European Economic Community (Spec(61)321).

2. The Committee then decided to establish a technical sub-committee which would proceed further with the examination of the points considered by the Committee. The technical sub-committee would report to the Committee at its next meeting and would make recommendations concerning the form and substance of a long-term arrangement. The technical sub-committee would proceed on the basis of the proposals referred to above (L/1592, L/1596 and Spec(61)321) and of the discussion in the Committee, on the understanding that, if as a result of its examination, it came to the conclusion that a different form of long-term arrangement was technically preferable, it should report accordingly and submit appropriate recommendations to the Committee.

3. The Committee reached the following conclusions in connexion with the items listed in document Spec(61)323:

   (1) Objectives of the long-term arrangement on cotton textiles

   Following expressions of view on this question by some representatives, the Committee agreed that the objectives of a long-term arrangement are those set out in the arrangements regarding international trade in cotton textiles dated 21 July 1961 (Annex to L/1535).

   (2) Measures for liberalization by countries restricting imports of cotton textiles

   The Committee noted that it was common to the proposals that had been put forward that a liberalization formula should be written into a long-term arrangement. As regards the type of formula which might be adopted, the Committee noted that various methods had been suggested, varying from the concept of an automatic increase in the size of quotas to the concept of a share of imports related to consumption or domestic production in the importing countries. It was recognized that these suggestions would need consideration at the technical level on the basis of an examination of all the relevant facts, including the situation of countries which, while maintaining some import restrictions on cotton textiles, were already affording...
to exporting countries a comparatively high share of the total supply on their markets. With respect to measures of liberalization regarding re-exports, the Committee agreed that this question should also be further considered by the technical committee.

(3) Provisions relating to action to be taken with respect to exports or imports in order to avoid market disruption in the countries which are not maintaining import restrictions and provisions relating to the administration of such measures

It was agreed that the measures envisaged in the three proposals which had been put forward would only be invoked in cases of market disruption. It was suggested that the safeguards in connexion with market disruption should also be available to a country which, while it maintained import restrictions on cotton textiles, nevertheless had achieved a high degree of liberalization and the Committee agreed that the technical sub-committee should consider this matter further. It was also agreed that the question of whether a long-term arrangement should provide for specific categories of cotton textiles and, if so, how many, should be examined by the technical sub-committee; this question was of particular importance. An alternative to the system of categories should, however, not be excluded from consideration. The Committee recognized that it was desirable not only to avoid disruption in the domestic markets of importing countries, but also to avoid disruption in the production and marketing of exporting countries.

The Committee agreed that the provisions in the long-term arrangement under this heading should have regard to the agreed objective of giving increased access to the exports of developing countries. One suggestion was that there should be a formula based on growth of consumption in the importing countries. The view was also expressed, however, that other criteria might provide a more effective means of achieving the agreed objective. Accordingly, it was agreed that alternatives should be considered. It was agreed that various formulae should be examined by the technical sub-committee. In this connexion, it was recognized that the special situation of countries which were already affording to exporting countries a comparatively high share of the total supply on their markets, would need to be taken into account.

(4) Bilateral arrangements

The Committee noted that, as in the short-term arrangement, nothing in the long-term arrangement would prevent the negotiation of bilateral arrangements on other terms not inconsistent with the objectives of the long-term arrangement.
(5) **Provisions to prevent circumvention by:**

(a) non-participating countries  
(b) trans-shipment  
(c) substitution of directly competitive textiles

The Committee agreed that the technical sub-committee should consider these questions and noted that, in the view of some members, the provisions contained in the short-term arrangement might not be suitable, in their present form, for a long-term arrangement.

(6) **Functions of the Cotton Textile Committee**

The Committee noted that all the proposals that had been put forward contained statements relating to the need for the surveillance of the application of the arrangements by the Cotton Textile Committee.

(7) **Duration of the arrangement**

The Committee noted that periods varying from three to five years had been suggested for the duration of a long-term arrangement which would replace the short-term arrangement. It was agreed that this question could only be considered after a detailed examination had been made of the proposed content of such an arrangement.