CONSIDERING that the participating countries should open their markets in the interest of multilateral development of world trade and that international trade in cotton textiles should be expanded on the same principle and fully liberalized in the ultimate;

RECOGNIZING, however, that international trade in cotton textiles is characterized by the fact that its pattern is easily changeable since a new source of supply is developed rapidly;

NOTING that owing to such characteristics it is likely that a disruptive situation to the market and manufacture of cotton textiles is caused;

CONSIDERING that in order to remedy or prevent such situations, it is necessary to resolve internal difficulties concerning the cotton textile industry by modernization or reconversion, but that at the same time the export of cotton textiles must be developed in a rational and orderly manner;

REALIZING that the achievement of these ends requires international cooperative measures;

CONFIRMING that such special measures should be strictly confined to international trade in cotton textiles; and

RECOGNIZING that upon coming into effect of an arrangement aiming at a long-term solution of various problems in the field of cotton textiles on the basis of the guiding principles enumerated above, no new measures which have restrictive effects on imports of cotton textiles (including the imposition of import levy) shall be required in addition to such measures on quantitative import restrictions or import restraints as permitted in the arrangement;

The participating countries have agreed as follows:

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Article 1

Participating countries, except for those entitled to restrict imports under Article XII or Article XVIII of the GATT, presently maintaining quantitative restrictions on cotton-textile imports shall eliminate as early as possible all restrictions, discriminatory or non-discriminatory, on cotton textile imports from other participating countries. In exceptional circumstances where participating countries are unable to eliminate these restrictions at an early date, they may maintain such restrictions until 30 September, 1967, provided that upon the coming into effect of this arrangement they communicate a note to the Cotton Textiles Committee explaining their exceptional circumstances. The participating countries, however, may not retain such restrictions after 1 October, 1967, in any circumstances. The quantitative restrictions on imports for re-export purposes (including imports for re-export after processing) shall be removed immediately after this arrangement comes into effect.

Article 2

1. Participating countries, even in a case where they are maintaining quantitative restrictions under the preceding Article, shall not introduce new import restrictions or strengthen existing import restrictions.

2. In the event that participating countries apply import restrictions under the provisions of the preceding Article they shall progressively relax such restrictions. In relaxing the restrictions, the participating countries shall take the principle of equity into consideration.

3. On 1 January, 1963, a participating country maintaining quantitative restrictions under the preceding Article shall establish quotas for a participating country or participating countries affected by such restrictions of a size not less than x per cent above the corresponding quotas existing in the calendar year 1962, and shall establish new quotas on 1 January of every subsequent year of a size x per cent above the corresponding quotas in the preceding calendar year. (The establishment of above quotas shall be based upon categories currently used by the participating countries concerned.) The participating countries shall endeavour to remove all the barriers which may hamper the fulfilment of such quotas. If actual imports fall considerably short of quotas for two consecutive years, the quotas shall immediately be abolished.

4. In the event that a basic quota is nil or negligible in the calendar year 1962, the quota to be established on 1 January, 1962, in accordance with the preceding paragraph of this Article shall be fixed at an equitable and appropriate size.

5. Participating countries affected by the quantitative restrictions may request the participating country imposing such restrictions to enter into consultation about its equitable and appropriate size before or after the establishment of any such quota. The participating country when requested to enter into consultations shall agree to initiate such consultation. If no agreement has been reached at the consultation, either participating country may refer the matter to the Cotton Textiles Committee.
6. Participating countries shall notify the Cotton Textiles Committee of the details of any quota established in accordance with the provisions of this arrangement and the half-yearly category-by-category statistics on imports and exports.

Article 3

Participating countries shall take no measures which have restrictive effects upon imports of cotton textiles other than those permitted under this arrangement or under the GATT.

If adverse effects on exports of a category of cotton textiles from a participating country be caused by measures other than those permitted under this arrangement taken by a participating country, the participating country which has taken the measures shall not be entitled to make resort to the provisions of Article 4, nor to maintain import restrictions which may be retained under the provisions of Article 1, with respect to the said category of cotton textiles.

Article 4

1. A participating country, if unrestricted imports of any category of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country concerned to initiate consultation after producing in writing evidence on the existence of such a situation to that participating country. The evidence to be produced by the participating country intending to make request for consultation (hereinafter referred to as the "requesting participating country") shall include the latest data on imports of cotton textiles coming under the category (categories for the purpose of this arrangement are classified as shown in Appendix A) in question from the participating country to which the request for consultation will be addressed (hereinafter referred to as the "participating country concerned") and from third countries, prices prevailing in the requesting participating country and the degree of impact on domestic producers in the requesting participating country of like products.

The participating country concerned when requested to enter into consultation shall comply with it without delay.

2. The requesting participating country shall, at the same time, inform in writing the Cotton Textiles' Committee of the above evidence and the measures which it intends to request the participating country concerned to take.

3. At the consultation held in accordance with paragraph 1 of this Article, the requesting participating country may request the participating country concerned to take measures to restrain its exports of such categories of cotton textiles that are causing or threatening to cause disruption of its domestic market at a specified level not lower than 100 + x per cent of the level prevailing for the twelve-month period immediately preceding the date when the request for consultation was made.
4. Failing agreement within sixty days after the consultation has begun, the requesting participating country may, after so reporting in writing to the Cotton Textiles Committee and the participating country concerned, decline to accept imports of those categories of cotton textiles which are causing or threatening to cause disruption of its domestic market at a level higher than the specified level referred to in the preceding paragraph, while the participating country concerned may refer the matter to the Cotton Textiles Committee.

5. In critical circumstances where delay would cause irreparable damage, the requesting participating country, after so reporting in writing to the Cotton Textiles Committee and the participating country concerned, may provisionally restrict the imports of such categories of cotton textiles that are causing or threatening to cause disruption of its domestic market. The restrictions provided for in this paragraph, however, shall not be applied to such participating countries which are restraining their exports on the basis of a bilateral arrangement with the requesting participating country, and shall not be taken for a period longer than sixty days in any circumstances. The requesting participating country shall initiate consultation with participating countries concerned immediately after imposing the above restrictions.

6. In the event that the requesting participating country has taken restrictive measures in accordance with paragraphs 4 and 5, it shall constantly study the possibility of removing such measures.

7. If the voluntary restraint under paragraph 3 of this Article or the restrictive measures under paragraph 4 of this Article extend over one year, the requesting participating country shall maintain the imports in subsequent years of a category or categories of cotton textiles subject to voluntary restraint or restrictive measures at a level not lower than 100 + x per cent of the agreed level or of the specified level in each preceding year.

8. The participating countries shall see that this procedure is used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade and for the principle of equity, and exclusively for the purpose of avoiding disruption of domestic industry resulting from an abnormal increase of imports.

9. The requesting participating country shall see to it that no participating country concerned should incur a disadvantage in relation to a third country, whether a participant of this arrangement or not, from the voluntary restraint resulting from an agreement under paragraph 3 of this Article or of restrictive measures imposed by a requesting participating country on imports of cotton textiles from a participating country concerned under paragraphs 4 or 5 of this Article. In the event that a participating country concerned does receive a disadvantage, the requesting participating country shall, upon request by the participating country concerned, enter into consultation with the participating country concerned. If the requesting participating country finds that the request of the participating country concerned is reasonable, the former shall
either make a reasonable modification of the voluntary restraint or the restrictive action or take a restrictive action against the third country. In the event that the requesting participating country fails to make a reasonable modification or take a restrictive action referred to above, the participating country concerned may refer the matter to the Cotton Textiles Committee.

10. During the period in which the participating country concerned is undertaking voluntary restraint or when the requesting participating country is applying restrictive measures, the requesting country may not take any restrictive measures, in terms of customs duty or otherwise, with regard to the category of cotton textiles being subjected to voluntary restraint or restrictive action.

11. In the event that the requesting participating country has taken a restrictive action under paragraphs 4 or 5, it shall accord due compensation to the participating country unduly affected by such action. If the requesting participating country fails to accord the above compensation, the participating country affected by the restrictive action may take, within ninety days from the day on which such action is taken, substantially equivalent countermeasures against the trade of the requesting participating country which the CONTRACTING PARTIES do not disapprove during the period in which such restrictive action is in force.

Article 5

A participating country which is holding its exports at a specified level provided for in paragraph 3 of Article 14, or the exports of which are subject to restrictive action under paragraphs 4 or 5 of the same Article, may exceed the specified level for any category subject to voluntary restraint or restrictive action by 10 per cent, provided that its total exports to the requesting participating country of the categories of products subject to voluntary restraint or restrictive action do not exceed the aggregate for all such categories.

Article 6

For the purpose of this arrangement, the term "disruption" refers to 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 B to this arrangement.

Article 7

Participating countries agree to take appropriate actions within the scope of their national laws and regulations to prevent this arrangement from losing its effect by trans-shipment.
If the purposes of this arrangement are being frustrated or are in danger of being frustrated through the encouragement of the government of a participating country of the substitution of directly competitive textiles, the interested participating countries shall enter into consultation.

Article 8

For the purpose of this arrangement, the expression "Cotton Textiles" means all cotton textile products where cotton occupies more than 50 per cent of the weight.

Article 9

Any participating country may, after so notifying the Cotton Textiles Committee in writing, withdraw from this arrangement when it considers that its rights are being nullified or impaired as a result of any action taken under the provisions of this arrangement.

Article 10

Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms, provided that these arrangements include provisions for progressive increase of imports, and do not run counter to the basic objectives of this arrangement.

Article 11

A committee to be called "Cotton Textiles Committee" shall be created under this arrangement. The Committee shall be composed of a representative of each country adhering to this arrangement.

The Committee shall have the following responsibilities:

1. To fulfill the responsibilities provided for in this arrangement.

2. To undertake a study of any aspect of trade in cotton textiles at the request of any participating country.

3. To give an advice or make a recommendation on any matter referred to the Committee by any participating country under the provisions of this arrangement.

Article 12

The Cotton Textiles Committee shall review the operation of this arrangement once a year and report to the CONTRACTING PARTIES.

Article 13

This arrangement shall be open for acceptance, by signature or otherwise, by all contracting parties to the GATT. Accession by countries other than contracting parties to the GATT shall be subject to agreement by the Cotton Textiles Committee.
Article 14

This arrangement shall enter into force on 1 October 1962, provided that it has been signed on behalf of the Governments of the following countries:

United States, United Kingdom, Canada, Germany, Italy, France, Belgium, Netherlands, India, Pakistan, Australia, Japan, Spain, Portugal, Sweden.

Article 15

1. This arrangement shall remain in force for three years.

2. Participating countries agree to meet early in the third year of this arrangement to determine what further arrangements may be desirable in order to achieve the objectives of the present arrangement.