RECOGNIZING the need to take co-operative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and, in particular, to promote the development of less-developed countries possessing the necessary raw materials and technical skills by providing larger opportunities for selling in world markets products which they can efficiently process from such materials and by providing increasing access for their exports of manufactured products;

NOTING, 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 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 in both importing and exporting countries. In carrying out these objectives, the PARTICIPATING COUNTRIES will have particular regard to the Declaration on Promotion of the Trade of Less-developed Countries adopted by Ministers at their meeting during the nineteenth session of the CONTRACTING PARTIES in November 1961.
Article 1

The participating countries recognize that this Arrangement does not affect their rights and obligations under the GATT, including the obligation to remove import restrictions which are not consistent with the provisions of the GATT. Accordingly, those participating countries still maintaining restrictions on imports of cotton textiles agree to relax those restrictions progressively each year, with a view to the elimination of all import restrictions on cotton textiles inconsistent with the GATT as quickly as possible and, in any case, not later than 30 September 1967. In cases where the Cotton Textile Committee recognizes that there are exceptional circumstances which prevent the elimination of any particular restriction, the participating countries will agree to the postponement of the termination of such restriction by the participating country concerned.

Article 2

1. The participating countries shall not introduce new import restrictions, or intensify existing import restrictions, on cotton textiles, except as permitted under the General Agreement.

2. In cases where quotas have not been eliminated by the end of this Arrangement, imports of cotton textiles will be increased by an amount which shall not be less than x per cent higher than the quota existing in the year 1962. Each year during the period of the Arrangement, the target percentage increase in such quotas will be as shown in the schedule contained in Annex - of this Arrangement. The actual quotas for each year will be communicated to the Cotton Textile Committee by the participating importing country concerned, in advance of the beginning of the licensing period, after consultation with the participating exporting countries concerned.

3. Participating countries still maintaining import restrictions on cotton textiles shall enter into bilateral negotiations with the exporting participating countries concerned periodically, or at any time at the request of such exporting countries, with a view to achieving specific progress toward the agreed objective of relaxing and ultimately eliminating such restrictions.

3. In the administration of the remaining import restrictions on cotton textiles the participating importing countries concerned shall see to it that access to their markets is on an equitable basis and that due regard is had to the special needs of the less-developed countries.

5. Notwithstanding the provisions of paragraph 2 above if, during the calendar year 1962, a specific basic quota is nil or negligible, the quota for the succeeding year will be established at a reasonable level by the participating importing country in consultation with the participating exporting country concerned.
5. If no agreement is reached in the consultations referred to in paragraphs 2 and 4 above, any participating country concerned may refer the matter to the Cotton Textile Committee.

6. In cases where a participating importing country temporarily admits cotton textiles for re-export purposes after processing, such country shall not impose quantitative limitations on the amount of cotton textiles so admitted.

7. Participating countries shall notify the Cotton Textile Committee of the details of any quota established in accordance with the provisions of this Arrangement.