COTTON TEXTILE COMMITTEE

Technical Sub-Committee

The Technical Sub-Committee at its meeting from 11-21 December 1961, prepared on a technical level the text of the draft long-term arrangement which follows hereunder. This document is circulated for the official use of members of the Sub-Committee and should be treated as a strictly restricted document. No government, or government representative present at the meeting of the Technical Sub-Committee, is in any way committed to the text of the draft arrangement or any part thereof.

DRAFT LONG-TERM ARRANGEMENT

RECOGNIZING the need to take co-operative and constructive action with a view to the development of world trade;

RECOGNIZING further that such action should be designed to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture;

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,

DESIRING 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;

DETERMINED, in carrying out these objectives, to have 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;

The PARTICIPATING COUNTRIES have agreed as follows:

Spec(61)407/Rev.1
Article 1

(Alternative A) In order to assist in the solution of the problems referred to in the Preamble to this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international co-operation which should facilitate the adjustment that may be required to the changing pattern of production and trade in cotton textiles, even though they cannot be considered as a substitute for such adjustment. (Alternative B) The participating countries recognize that, in view of the economic and social importance of the cotton textile sector for their economy, special practical measures of international co-operation may be necessary to assist in the solution of the problems referred to in the Preamble to this Arrangement. They recognize, however, that the measures referred to above do not affect their rights and obligations under the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT) and may not lend themselves to a wider application than the one provided for under this Arrangement.

Article 2

1. The participating countries agree, in particular, that the measures referred to in Article 1 above do not affect their 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 from other participating countries 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 soon 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.  

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1 This date is dependent on the duration of the Agreement.
2. The participating countries shall not introduce new import restrictions, or intensify existing import restrictions, on cotton textiles, insofar as this would be inconsistent with their obligations under the GATT.

3. (Alternative A) The countries at present applying quantitative restrictions to products imported from other participating countries undertake to expand import opportunities on their markets for products subject to such restrictions, so as to reach, by the end of the period of validity of the present Arrangement, a level corresponding to the total quotas opened in 1961/1962, as increased by the percentage mentioned in Annex A, it being understood that the basic level will be modified automatically to take account of any measures taken during the period of validity of the present Arrangement for the elimination of quantitative restrictions.

Each importing country shall fix the amount of its annual increase in its bilateral negotiations. It would, however, be desirable that each annual increase should correspond as closely as possible to one fifth of the overall increase.

3. (Alternative B) 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.

4. In the administration of their remaining restrictions on imports of cotton textiles from participating countries, the importing countries concerned shall (Alternative A) take steps to ensure 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 3 above, if, during the licensing period preceding the entry into force of this Arrangement, 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 concerned in consultation with the participating exporting country or countries concerned.
6. An importing participating country which admits cotton textiles originating in other participating countries under the system of temporary importation for re-export after processing shall, as far as possible, eliminate quantitative restrictions on such products.

7. The participating countries shall notify the Cotton Textile Committee, insofar as possible before the beginning of the licensing period, of the details of any quota or import restriction referred to in this Article.

**Article 3**

1. If imports from a participating country or countries into another participating country of certain cotton textile products not subject to import restrictions should cause or threaten to cause disruption in the market of the latter participating country, the importing country may request the participating country or countries whose exports of such products are causing or threatening to cause market disruption to consult with a view to (Alternative A) restricting exports of such products to a specified level not lower than the level indicated in Annex B7 (Alternative B) removing or avoiding such disruption by restraining exports of such cotton textile products at an appropriate level or by other appropriate means. Such a request shall be accompanied by a detailed, factual statement of the reasons and justification for the request; the requesting country shall communicate the same information to the Cotton Textile Committee at the same time.

2. In critical circumstances, where delay would cause damage difficult to repair, the requesting participating country may take the necessary measures to limit the imports referred to in paragraph 1 above from the country or countries concerned during the period of consultation.

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1 In the view of some of those members of the Technical Sub-Committee supporting alternative B in paragraph 1 of this Article paragraph 2 of the Article should be deleted.

**Note:** In a draft of Article 2 presented by the EEC, the substance of which is reproduced in alternative A of paragraph 3, paragraphs 2, 4 and 5 do not appear.
3. Failing agreement within a period of 30/60 days after the request has been received by the participating exporting country or countries, the requesting participating country may, notwithstanding the provisions of paragraph 2 of Article 2 above, decline to accept imports from the participating country or countries referred to in paragraph 1 above of the cotton textile items causing or threatening to cause market disruption, at a higher level than that specified in Annex B.\(^1\) & \(^2\)

4. In order to avoid administrative difficulties in enforcing a given level of restraint on imports of cotton textiles subject to measures taken under this Article, the participating importing country will accept (Alternative A) some flexibility in the administration of these measures by allowing variations which would not normally exceed x per cent\(^\_\) (Alternative B) a reasonable degree of flexibility in the administration of these measures.\(^\_\)

\(^1\)In the view of some of those members of the Technical Sub-Committee supporting alternative B in paragraph 1 of this Article paragraph 2 of the Article should be deleted.

\(^2\)The Technical Sub-Committee agreed that some provisions should be included in the Arrangement to cover the case of a country like Canada on the lines of the footnote on page 17 of L/1535.
5. If a participating country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening to cause market disruption, that country may invoke the procedures authorized in case of market disruption by imports of one category.¹

6. (Alternative A) If exports from two or more participating countries are causing or threatening to cause market disruption, the measures envisaged in this Article will be applied in an equitable manner to these exports of all such countries. (Alternative B) If the measures envisaged in this Article are invoked in respect of exports from two or more participating countries, they should be applied in an equitable manner to the exports of such countries.²

7. If participating countries have recourse to the measures envisaged in this Article, they shall, in introducing such measures, do so in such a way as to avoid undue/unnecessary damage to the production and marketing of the exporting country and shall, in the consultation under paragraph 1, consider the procedure which might be adopted to this effect.

¹If the approach by items is adopted, this paragraph would have to be modified or eliminated.
8. The measures envisaged in this Article shall be subject to review. They shall be relaxed as the situation of market disruption becomes less acute and shall be eliminated when the threat of disruption ceases to exist.

9. The participating countries intend that measures envisaged in this Article shall only be resorted to sparingly, taking full account of the agreed objectives set out in the Preamble to this Arrangement.

Article 4

Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement. The participating countries shall keep the Cotton Textile Committee fully informed of such arrangements, or the parts thereof, which have a bearing on the operation of this Arrangement.

Article 5

The participating countries will take steps to ensure, by the exchange of information and other practical means, the effective operation of this Arrangement.
Article 6

The participating countries further agree on the following measures to avoid the circumvention of this Arrangement by trans-shipment, substitution of directly competitive textiles and action by non-participants:

(a) Trans-shipment

The participating importing and exporting countries agree to collaborate with a view to preventing circumvention of this Arrangement by trans-shipment and to take appropriate administrative action to prevent such circumvention. In cases where a participating country has reason to believe that imports shipped to it from another participating country did not originate in that country, it may request that country to consult with it with a view to assisting in the determination of the real origin of the goods.

(b) Substitution of directly competitive textiles

The participating countries recognize that it is possible to substitute fibres other than cotton in textile products in order to avoid the restrictions or restraints which have been imposed under Article 2 or Article 3. It is the intention of the participating countries to prevent such deliberate substitutions without broadening the scope of this Arrangement beyond cotton textiles. In accordance with these principles, if a participating country has reason to believe that there has been an abnormal increase of imports of textile products in which fibres other than cotton have been substituted, not being cotton textiles as defined in Article 10 of a type or types of product which, if of cotton textiles, would be subject to restriction or restraint under Article 2 or Article 3, the importing participating country may request the exporting country concerned to investigate the
matter and consult with the importing participating country concerned with a view to reaching agreement upon measures designed to prevent circumvention of this Arrangement. Such request shall be accompanied by a detailed, factual statement of the reasons and justification for the request. Failing agreement in the consultation within 90 days of such request, the importing participating country may decline to accept imports of the product concerned as provided in Article 3 and at the same time any of the participating countries concerned may refer the matter to the Cotton Textile Committee which shall make such recommendations to the parties concerned as may be appropriate.

(c) Non-participants

The participating countries will seek to ensure that trade in cotton textiles with countries not participating in this Arrangement shall not frustrate the achievement of the objectives of the Arrangement insofar as they benefit participating countries.

In particular, the participating countries agree that, if it proves necessary to resort to the measures envisaged in Article 3 above, the participating importing country or countries concerned shall take steps to ensure that the participating country’s exports against which such measures are taken shall not be restrained more severely than the exports of any country not participating in this Arrangement which are causing, or threatening to cause, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement.
Article 7

In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the effects of this Arrangement.7

(Alternative A) However, if a participating country should find it necessary to introduce other measures not inconsistent with the GATT or with this Arrangement, another participating country may call for consultation and the participating country undertaking such measures will consider taking appropriate action to mitigate any adverse effects which might result therefrom.7

(Alternative B) Any participating country finding that its exports of cotton textiles have been or threaten to be seriously affected by measures other than those permitted under this Arrangement may refer the matter to the Cotton Textile Committee. The participating country which has taken such measures shall cease to be entitled to make resort to the provisions of Article 3 nor maintain import restrictions under the provisions of Article 2 with respect to the cotton textiles affected if the Cotton Textile Committee so decides and until such time as such decision may be withdrawn by the Committee.7

Article 8

In any year of the Arrangement a participating country shall be regarded as having fulfilled its obligations under Articles 2 and 3 of this Arrangement to provide for increased access of cotton textiles to its domestic market if, in the preceding year, the access achieved by cotton textiles retained in its domestic market exceeds .... per cent of its total domestic market for cotton textiles and if any import restrictions maintained by such country are regarded by the Cotton Textile Committee as not being

1This text is tentative and the Sub-Committee intends to revert to this question in January.
unduly discriminatory. Such a country shall nevertheless pay full regard to the objectives of this Arrangement in the policy adopted towards imports of cotton textiles. This provision shall be reviewed by the Cotton Textile Committee when the other participating countries having resort to Articles 2 or 3 of this Arrangement have accorded like access to imports from other participating countries.
Article 9

The Cotton Textile Committee, as established by the CONTRACTING PARTIES at their nineteenth session, shall be composed of representatives of the countries party to this Arrangement and shall be responsible for the administration of the Arrangement as indicated hereunder:

(a) The Committee shall meet from time to time to carry out the functions provided for it in this Arrangement. It will undertake studies on trade in cotton textiles as the participating countries may decide. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.

(b) Any case of divergence of view between the participating countries as to the interpretation or application of this Arrangement may be referred to the Committee.

(c) The Committee shall review the operation of this Arrangement once a year and report to the CONTRACTING PARTIES.

(d) The Committee shall meet not later than one year before the expiry of this Arrangement in order to consider whether the Arrangement should be extended, modified or discontinued.

Article 10

For purposes of this Arrangement the expression "cotton textiles" includes yarns, piece-goods, made-up articles, garments, and other textile manufactured products, in which cotton represents more than 50 per cent (by weight) of the fibre content (Ref. to SITC ..........), with the exception of hand-loom fabrics of the cottage industry.

Article 11

For the purposes 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 reproduced in Annex C.
Article 12

Acceptance

Article 13

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

Canada, France, Federal Republic of Germany, India, Japan, Pakistan, Spain, United Kingdom, United States of America.

2. If this Arrangement has not entered into force by 1 October 1962 in accordance with the provisions of paragraph 1 above, the countries which have accepted the Arrangement shall meet as soon as practicable after that date to determine whether they desire to bring the Arrangement into force on terms other than those set forth in paragraph 1 above.

Article 14

Any participating country whose interests are being seriously affected by a measure taken by another participating country, whether or not it conflicts with the provisions of this Arrangement, may refer the matter to the Cotton Textile Committee. If the Committee finds that such measure is likely to nullify or seriously impair the benefits which the country concerned expected from this Arrangement, that country may, after so notifying the Committee withdraw from this Arrangement.

Article 15

This Arrangement shall remain in force for three/five year.

The suggestion was made in the Technical Sub-Committee that, in the event of the Arrangement being for a duration of five years, there should be a review before the end of the third year to consider, in the light of the results achieved under the Arrangement in the relaxation of import restrictions, whether the Arrangement should be discontinued.
ANNEX A

As far as the European Economic Community is concerned, this global increase, as well as the annual percentage increases, will apply to the sum of the individual quotas of its member States.7

ANNEX B

(Alternative A) There shall be established for the year beginning 1 October 1962 for each participating country not maintaining import restrictions, a minimum import schedule by exporting country for each of the categories in the Arrangement.

In the case of categories in which domestic consumption increases during calendar year 1961 over 1960, the minimum import schedule for each exporting country shall be equal to the level of imports in the twelve months ending 30 June 1961 plus x per cent of the increase in domestic consumption of each category in calendar year 1961 over calendar year 1960, divided among the participating countries in proportion to imports in the twelve months ending 30 June 1961. In establishing the import schedules for categories in each of the succeeding years of the Arrangement which follow years of increasing consumption, the import schedule of each preceding year shall become the new base year.

In the case of categories in which domestic consumption decreases during calendar year 1961 from 1960, the minimum import schedule for the twelve months beginning 1 October 1962 shall be equal to the level of imports in the twelve months ending 30 June 1961 adjusted by the percentage change in consumption between calendar years 1961 and 1960. In establishing the import schedules for categories in each of the succeeding years of the Arrangement which follow years of decreasing consumption, the import schedule of each preceding year shall be similarly adjusted.
(Alternative B) The level below which imports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level of actual imports of such product during the twelve-month period, the average yearly level of actual imports of such product during the three twelve-month periods preceding the date on which the request for consultation is made, increased by x per cent; in each subsequent year, that level shall not be lower than the level in the preceding year increased by x per cent as long as such products are subject to restraint.

Footnote to Annex B

The participating countries, being aware of the particular position of developing countries of the type referred to in Article XVIII:4(b) and the interpretative note (2) to paragraph 4 of Article XXVIII of the GATT, recognize that the (base year) (minimum import schedule) referred to above will not be appropriate in relation to new or developing industries in those countries.