The following addenda and corrigenda are submitted to take account of the discussions which have taken place in the Committee since the draft report (Spec(62)40) was prepared.

1. Article 1
   The sentences following the first sentence of paragraph 8 of the draft report should be deleted and replaced by the following:
   "A number of members of the Committee wished to insert in the text of the Article a specific reference to the adjustments that may be required in importing countries to meet the changing pattern of production and trade in cotton textiles. A compromise text was finally agreed which refers to world trade in cotton textiles. As the Arrangement concerned trade matters only, it was preferable to omit reference to production, which would in any case be superfluous since this item is fully covered by the text of the preamble."

2. Article 2, paragraph 1
   (i) The first two sentences of paragraph 11 should be deleted.
   (ii) The present third sentence should read as follows:
   "It was not possible to reach agreement on the inclusion of a target date for the elimination of import restrictions maintained inconsistently with the provisions of the GATT, and two alternative texts are therefore contained in the paragraph."

3. Article 2, paragraph 3
   At the end of paragraph 14 of the draft report the following should be added:
   "It will be noted from the first alternative text that, in order to compute the level of quotas to be opened by the end of the period of validity of the Arrangement, the percentage increase would be applied to the quotas opened in the base year for products subject to restrictions at the end of the period. It was understood that the annual percentage increase would likewise be based on the items remaining under restrictions for the licensing period concerned."

Spec(62)40/Add.1
4. Article 3, paragraph 2
   An additional sentence should be inserted between the second and third sentences of paragraph 22 of the draft report as follows:
   "In the first line of paragraph 2 the word 'delay' means delay in finding a solution to the problem concerned."

5. Article 3, paragraph 4
   On page 8 of the draft report the following should be inserted under (iv):
   "This provision provides for a limited swing to take account of administrative difficulties which arise in enforcing a given level of restraint on cotton textiles subject to measures taken under Article 3."

6. Article 3, paragraph 5
   On page 8 of the draft report under (v) the following should be inserted:
   "The United States representative proposed that it was necessary for the operation of the procedures under Article 3 and, in particular, for the application of the 'growth' formula to provide for a number of categories, and suggested that the same classification should be used as is contained in Appendix B of the Short-term Arrangement. The United States representative indicated, however, that further consideration could be given to this list if it were considered necessary. In this connexion, the view was expressed in the Sub-Committee that, if the categories approach were adopted, countries using the Brussels Nomenclature should have the opportunity of using a different classification based on that Nomenclature or on the SITC."

   The majority of the members of the Sub-Committee considered that the use of categories was neither desirable nor necessary, and suggested that the operation of the procedures in Article 3 should be more flexible and should be based on the actual items or groups of items causing or threatening to cause market disruption. It was recognized, however, that there might be cases when
it would be difficult to operate on the basis of individual items, either because the measure could not easily be limited to the actual product giving rise to market disruption or because the necessary statistical information would not be available on that basis. To meet this point a proposal was made (Alternative C) which would allow the importing country, subject to certain safeguards, to extend the scope of the measure taken under Article 3 to a group of items, on the understanding that this group should be defined as narrowly as possible. Alternatively, the suggestion was made that, while normally the procedures of Article 3 should relate to the actual product or products causing or threatening to cause market disruption, the importing country, when it would be difficult to operate on the basis of individual items or groups of items because of the lack of necessary statistical information or for other administrative reasons, should be entitled to extend, subject to certain safeguards, the measures to the category or categories to which the product or products belong. This suggestion is contained in Alternative B.

It will be noted that throughout the Arrangement, reference is made to cotton textile "product" or "products". These words were used since it is not yet decided whether the approach should be or should not be by categories.
7. **Article 3, paragraph 6**

Add to the end of paragraph 24 of the draft report the following sentence:

"The Sub-Committee was of the view that importing countries, in considering all the relevant circumstances, should have particular regard to the situation of less-developed countries dependent on the export of certain cotton textile products."

8. **Article 6, sub-paragraph (b)**

A new paragraph should be inserted after paragraph 32 of the draft report reading as follows:

"The Sub-Committee agreed on the basic principles to be applied with a view to avoiding circumvention by substitution of fibres other than cotton. It was, however, not possible to adopt a final text because of divergence of view concerning the cases which would be considered as cases of circumvention. Some members felt that circumvention could only exist when imports of cotton textiles as such had caused or threatened to cause market disruption, whereas other members of the Sub-Committee felt that substitution might take place before market disruption by cotton textiles came to light and they felt that this type of substitution leading to market disruption by textiles not strictly cotton textiles within the meaning of the Arrangement, should also be covered by the Arrangement."

9. **Article 7 (previously Article 8)**

At the end of paragraph 35 of the draft report, the following sentence should be added:

"A suggestion was made in the Sub-Committee that the matter referred to in this Article might more appropriately be dealt with in a Protocol to the Arrangement."

10. **Article 8 (previously Article 7)**

The last two sentences of paragraph 34 should be deleted and replaced by the following:

"It will be noted that the text of Alternative A of this Article provides for a procedure for reference to the Cotton Textile Committee. Some doubts were expressed as to whether this procedure would be entirely satisfactory and it was recognized that the procedures of Article XXIII of the GATT were available to the country concerned if necessary."
11. **Article 9**

A sentence should be added to paragraph 36 of the draft report, reading as follows:

"It was noted in the Sub-Committee that the Commission of the European Economic Community would participate in the work of the Cotton Textile Committee, as it did in other subsidiary bodies of the CONTRACTING PARTIES."

12. **Article 11**

A new heading entitled "Article 11" should be included on page 12 of the draft report, and the following sentence should be included under that heading:

"The Committee did not attempt to define what was meant by 'a threat of market disruption' but was of the opinion that further consideration should be given to this matter."

13. **Article 12**

The Sub-Committee considered that the Arrangement should be open for acceptance to all governments which were either contracting parties to GATT or have acceded provisionally to the General Agreement. It considered, however, that as the participating countries maintaining restrictions on the importation of cotton textiles from other participating countries would have agreed to undertake a definite percentage increase in their quotas during the period of the Arrangement, this obligation should be extended to all countries maintaining restrictions wishing to become party to the Arrangement, subject to the provisions which may be included in Article 8 of the Arrangement (exemption from certain obligations of the Arrangement in favour of countries which cover a large part of their domestic requirements by imports). It would appear necessary, therefore, to provide for a procedure which would satisfy the other participating countries that countries wishing to become party to the Arrangement would accept meaningful obligations in this respect.

Another point which the Sub-Committee considered should be covered in this Article is the question of accession to the Arrangement by non-GATT countries. The Sub-Committee felt that the Arrangement, and in particular
Article 2, contained certain obligations which countries parties to the GATT might have some difficulty in accepting in relation to countries which have not accepted the same basic obligations for the conduct of their commercial policy. For that reason, the Sub-Committee is of the view that the most practical procedure would be one similar to that envisaged in Article XXXIII of the GATT, for accession. As, however, the circumstances will not be exactly the same, the Sub-Committee would suggest that the terms of accession in such cases should be approved by the participating countries themselves, rather than by a qualified majority of the Cotton Textile Committee.

14. **Annex A**

At the end of the draft report there should be an additional heading entitled "Annex A". The following sentence should follow under this heading:

"The intention is that, in Annex A, the individual participating countries concerned should be listed and that the percentage increases referred to relate to those which will be granted by the individual countries in respect of imports from the other participating countries as a whole".

15. **Annex B**

Following the above paragraph relating to Annex A, a paragraph entitled "Annex B" should be inserted and the following sentence should follow:

"The Sub-Committee had before it two approaches to the problem, one based on adjustments in the level at which imports (or exports) of products causing, or threatening to cause, market disruption might be restrained. This approach provides for percentage increases or decreases in such imports, in relation to increases or declines in domestic consumption. The other approach provides for a level of restraint based on actual imports of the products concerned during a preceding period increased by a certain percentage. In the text of Annex B covering this approach (alternative B), two proposals are taken into account, one that the previous twelve months period should be taken as the basis, and the other that the period should be the three-year period preceding the application of the measures concerned. The introduction of the three years average is designed to even out fluctuations which result from the textile cycle."