GENERAL AGREEMENT ON TARIFFS AND TRADE

COTTON TEXTILES COMMITTEE

Amendment proposed by Japan to Alternative B of Annex B of the draft long-term arrangement

As indicated by the Japanese delegate in his general statement, the Japanese delegation considers that Alternative B of Annex B as such provides for adequate safeguards for importing countries. Nevertheless, with due regard to the views expressed by various representatives during the meetings of the Technical Sub-Committee, and in an effort to bring the Committee meetings to a successful end, the Japanese delegation will now propose the following amendment to Alternative B of Annex B.

The level below which imports (or exports) or 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 products during the twelve-month period preceding the month on which the request for consultation is made. Should the restraining measures remain in force for another twelve-month period, the level for that period shall not be lower than the level specified for the preceding twelve-month period, increased by Y (5) per cent. In exceptional cases, where it is extremely difficult to apply the level referred to above, a lower percentage may be determined through consultation in the light of market conditions in the importing participating country and other relevant factors. Should the restraining measures remain in force for further periods, the level for each subsequent twelve-month period shall not be lower than the level specified for the preceding twelve-month period, increased by Y (5) per cent.

*Where a bilateral agreement on the yearly level of restraint exists between the participating countries governing whole or a part of the twelve-month period preceding the month in which the request for consultation is made 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 restraint referred to above in lieu of the level of actual imports during the twelve-month period.

Spec(62)60
EXPLANATORY NOTE

1. As you are aware now, we have withdrawn the provisions for X per cent increases. As a result, 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 during the initial twelve-month period will be the level of actual imports of such products during the twelve-month period immediately preceding the month in which the request for consultation is made. In a case where a bilateral agreement on other terms exists, the quotas provided under the agreement should be the minimum level. This is simply because the quotas set out in the agreement are determined on the assumption that even if they are filled up no market disruption or threat thereof would be involved.

2. The Japanese delegation wishes to invite the attention of delegates here present that paragraph 8 of Article 3 provides that "a participating country having recourse to the provisions of this Article shall keep under review the measures taken under this Article. It shall relax the measures as the situation or threat, of market disruption becomes less acute, and shall eliminate them when the situation, or threat, of disruption ceases to exist". In drawing up the provisions, members of the Technical Sub-Committee presupposed that the situation or threat of market disruption would not linger on for longer than a year; Indeed, the Japanese delegation shares the view of most of the members of the Sub-Committee that the situation or threat of market disruption may normally be removed within a year.

Taking into consideration the view of certain delegations, however, the market disruption or the threat thereof may have to last more than a year, the Japanese draft proposal made provisions for such unlikely cases.

Our amendment provides that should the restraining measures remain in force for another twelve-month period, the level for that twelve-month period shall not be lower than the level specified for the preceding twelve-month period, increased by Y (5) per cent. However, it goes on to say that in exceptional cases, where it is not appropriate to apply the level referred to above, a lower level may be determined through consultation in the light of market conditions in the importing participating country and other relevant factors.

Depending on the outcome of the consultation, the increase in the second year may be lower than Y (5) per cent and in certain cases even nil. This means that where market disruption or threat thereof continues to exist, the level of annual imports in effect may remain at the same level for three successive years.
In the subsequent years the increase of Y (5) per cent should be assured. It appears to the Japanese delegation that where restraining measures have been taken for two years, industries concerned have been afforded ample time for adjustment. Consequently, the automatic increase of Y (5) per cent in the third year and subsequent years should be assured to the exporting countries affected. It means that an exporting country may have to wait as long as three years before annual increase may be effected.

In the view of the Japanese delegation, the demand for 5 per cent annual increase is a modest one. Actually, the increase in imports by 5 per cent in most countries constitutes only a fragment of domestic consumption. Even in a case where for example the imports amount to 40 per cent of domestic consumption - a case where a special treatment is requested - the 5 per cent increase would account for only 2 per cent of total domestic consumption. Consequently, the assurance of 5 per cent increase in the third year would mean an increase of no more than 0.6 per cent of domestic consumption every year even in this case. In the case of products whose imports account for less than 10 per cent of domestic consumption as is often the case, a negligible increase of only 0.16 per cent of domestic consumption is meant to be guaranteed.

3. If the principle that the resort to safeguard measures should be made sparingly and strictly limited to the cases where market disruption exists or is threatened should be sustained, it is not in keeping with the principle to predetermine the level of restraint by fixing a base period covering all cotton textile products whether it is a calendar year or a fiscal year. In the view of the Japanese delegation, the base-year approach is only necessary when the restraint is conceived on an overall basis.

The Japanese delegation is convinced, therefore, that it is more appropriate to count backward case-by-case from the month in which a request for consultation is made.