COTTON TEXTILES COMMITTEE

Text of Long-Term Arrangement Drawn up by the Cotton Textiles Committee, and Record of Understandings Reached by the Committee, during its Meeting from 29 January - 9 February 1962

A. INTRODUCTION

1. The Committee met from 29 January - 9 February 1962 under the chairmanship of Mr. E. Wyndham White, Executive Secretary. The Committee's terms of reference are set out in document L/1703.

2. The following members of the Committee participated in the meeting:

Australia
Austria
Belgium
Canada
Denmark
France
Germany, Federal Republic of
India
Italy
Japan
Netherlands, Kingdom of the
Norway
Pakistan
Portugal
Spain
Sweden
United Kingdom
United States

The Commission of the European Economic Community also participated.

3. The following governments were represented by observers:

Brazil
Czechoslovakia
Finland
Greece
Mexico

Poland
Switzerland
Turkey
United Arab Republic
Yugoslavia

The Organisation for Economic Co-operation and Development was also represented.

4. The Committee had before it the report of the Technical Sub-Committee (L/1707) and of the Statistical Sub-Committee (L/1717) which were set up by the Committee at its last meeting (L/1659). Mr. J. Royer, Chairman of both Sub-Committees, presented the reports.
5. During its meeting, the Committee drew up a long-term arrangement for approval by governments. The text of the Arrangement is attached.¹

B. UNDERSTANDINGS REACHED BY THE COMMITTEE

6. It was agreed that certain understandings reached by the Committee in connexion with the long-term arrangement should be recorded. These follow hereunder:

Article 2

7. By "import restrictions", both in this Article and in the Arrangement generally, is meant those prohibitions or restrictions other than duties, taxes, or other charges, imposed upon the importation of cotton textiles, whether made effective through quotas, import or export licences, or other measures. This language parallels that of Article XI:1 of GATT.²

8. Paragraph 4

This paragraph states inter alia that the participating countries concerned should administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner. The same considerations should apply when importing countries relax their remaining import restrictions.

Article 3

9. Resort to the provisions of this Article should be strictly limited to the cases where market disruption as defined by the CONTRACTING PARTIES exists or is threatened.

¹ The text of the Arrangement is not attached to this draft.

² This definition was suggested by the United States but was not discussed.
Article 6

Sub-paragraph (a)

10. The provisions of this paragraph are not intended to hamper normal improvement trade in cotton textiles such as the trade referred to in Article 2, paragraph 6.

Sub-paragraph (b)

11. The invocation of the safeguard measures under Article 3 in respect of the cotton textile products concerned is a prerequisite to the application of such measures to the substituted fibres.

12. The reference to "as provided for in Article 3" includes the procedure provided under paragraph 3 of Article 3. This means that if, following the consultation, an importing country extends the restraint to include the deliberately substituted product which is circumventing the restraint, the quantity of the substitute product which has been imported since the day the request for consultation under sub-paragraph (b) of Article 6 is received will be counted against the specified level for the corresponding cotton textile product for the twelve-month period concerned.

Article 8

Sub-paragraph (c)

13. The major review to be held during the third year of the long-term arrangement will be sufficiently broad to enable consideration to be given to the results achieved in the relaxation of import restrictions, to which specific reference was made in an earlier draft of this sub-paragraph.

Article 9

14. Imports of hand-loom fabrics of the cottage industry referred to in this Article will be subject to a procedure of certification.

Article 12

15. The Committee noted the statement of the spokesman for the EEC that the Community's acceptance of the Arrangement will be dependent on the number of other countries which accept the Arrangement and the obligations thereunder.
16. The spokesman for the European Economic Community informed the Committee that the percentage to be included in Annex A for the Community as a whole would be calculated on the basis of a figure of 12,000 tons for total imports, during the last year of the Arrangement, of cotton textiles subject to quotas. That would represent an annual increase of approximately 20 per cent over the minimum basic figure provided for 1962 under the short-term arrangement, which was 6,000 tons.

17. The spokesman for the European Economic Community stressed that the figure of 12,000 tons for imports of cotton textiles subject to quotas was the maximum figure which the Community could agree to write into an international arrangement of this type on cotton textiles, although the member States, while being unable to give any commitment in that regard, considered that that figure was likely to be exceeded in the course of bilateral negotiations; in that connexion, the member States reiterated their intention of making every effort to increase trading opportunities for countries in the process of economic development.

18. The spokesman for the European Economic Community also recalled that a large proportion of cotton textile imports into the Community occurred in the liberalized sector and that it was reasonable to assume, based on the experience of recent years, that imports would normally increase in that sector by between 9,000 and 10,000 tons over the estimated 1962 figure of 16,000 tons. The target figure of 25,000 to 26,000 tons for the sector already liberalized, which seemed reasonable, could not, of course, be considered otherwise than as a forecast and could not jeopardize any application of the escape clauses provided in the Arrangement.

19. The Committee took note of the statement by the spokesman for the European Economic Community and, in particular, of the fact that while the figure of 12,000 tons was the maximum which the Community was able to write into the Arrangement, the probability was that in practice that figure would be exceeded.
20. In connexion with the fact that, in Annex A, the percentage figure was for the European Economic Community as a whole, the Committee noted the assurance given by the spokesman for the Community that those participating countries whose exports of cotton textiles to the markets of certain member States were not subject to quantitative restrictions would continue to enjoy such unrestricted access, as provided in the Arrangement.

21. The representative for Austria informed the Committee that his government would, in due course, communicate to the Cotton Textiles Committee, for inclusion in this Annex, the percentage increases in its imports of cotton textiles which would be determined through bilateral negotiations.

Annex B

22. The references to bilateral agreements in this Annex do not mean any agreement on restraint arising out of the invocation of paragraph A of the Short-term Arrangement.

23. Where such comparisons are implied in this Annex, these should be a comparison between one level of actual imports and another level of actual imports and a comparison between one level of actual exports and another level of actual exports.

24. The representative of the United States pointed out that the formula in this Annex might create difficulties for his Government as regards a limited number of items coming from a limited number of exporting countries. The United States had in mind a procedure which, it felt, would be acceptable to the exporting countries concerned and which would solve these difficulties should the need arise during the
period of the long-term arrangement. The United States Government would be communicating shortly on this question with the governments concerned. Should it not prove possible to find a mutually satisfactory procedure, the implementation of the long-term arrangement would present serious problems for the United States.

25. Pending a final decision on the question of the Protocol relating to Canada, the representative of Canada reserved the position of his Government on paragraphs 2 and 3 of this Annex.

Annex C

26. In connexion with sub-paragraph (ii) of this Annex, prices should be compared, in cases of genuine market disruption, not in relation to the price for the domestic product only, but also in relation to the prices at which other exporting countries which are not necessarily those causing market disruption also sell their goods in the importing country.

27. In connexion with sub-paragraph (iii) the "damage" referred to must be damage caused directly by market disruption and not by any change of consumer taste, technological advance, or similar factors.

28. References to a "threat" of market disruption in the Arrangement mean an actual threat and not a potential threat.
Protocols

29. This question was discussed in the light of statements made by certain representatives on the subject of exemption for their countries from the provisions of paragraphs 1 and 3 of Article 2 and paragraphs 2 and 3 of Annex B. Such statements were made by the representatives of Canada, Denmark, Norway, Sweden and the United Kingdom.

30. The Committee agreed that any country exempted in this way would be covered by an individual Protocol, which would be attached to the Arrangement, and that this question should not be covered by a special article in the Arrangement.

31. Although it was agreed that the United Kingdom's case fully met the criteria referred to below, the Committee came to no final conclusion as regards any particular country and finally decided to accept the procedure described hereunder.

32. The Committee agreed that any country which considered that it fulfilled the following criteria, namely:

   (i) that, in the decade preceding the entry into force of the Arrangement, it had experienced a substantial contraction in its cotton textile industry; and
   (ii) that it was importing a substantial volume of cotton textiles, particularly from the less-developed countries and territories and Japan, in relation to its own production of cotton textiles, might attach a reservation to its acceptance of the Arrangement in order to provide, in effect, an escape clause from the provisions of paragraphs 1 and 3 of Article 2 and of paragraphs 2 and 3 of Annex B.

33. A country wishing to make such a reservation should submit its request to that effect to the Executive Secretary of GATT, not later than 1 September 1962; in the request should be set out the country's case for exemption from the provisions of paragraphs 1 and 3 of Article 2 and of paragraphs 2 and 3 of Annex B. The reservation would immediately be circulated to all
contracting parties to GATT and to other governments represented by
observers at the present meeting of the Committee. If by 1 October,
the date on which the Arrangement is to enter into operation, none of
the contracting parties at present members of the Cotton Textiles
Committee which at that time had accepted the Arrangement without
themselves having entered reservations, had raised an objection, the
reservation would be deemed to be valid. Reservations thus accepted
would be attached in the form of Protocols to the Arrangement.

34. In connexion with the question of reservations the Committee
recognized that if Australia, whose situation was different from that
of the countries referred to above, wished to participate in the
long-term arrangement but could only do so if the other participating
countries were prepared to accept certain conditions for such participation,
it would be able to follow the normal reservation procedure.

35. Any country which accepts the long-term arrangement with a
reservation will be able to take part in any meeting called pursuant
to Article 12.