COTTON TEXTILES COMMITTEE

Conclusions

The Committee took full account of the discussion which had taken place in the Committee, during the course of which a number of points were raised which made it clear that many less-developed countries had very serious misgivings about the manner in which the Long-Term Arrangement was being administered. The Committee has tried to formulate conclusions on these points with the aim of facilitating the administration of the Arrangement in a manner satisfactory to the exporting as well as the importing countries, having particular regard to the objectives set out in the Preamble to the Arrangement and to the desire of promoting an expansion in the export earnings of less-developed countries.

Market Disruption

Consultations

1. It was agreed that, as an extension of the co-operation between parties to the Arrangement, it would be advantageous if there were regular periodic exchanges of view on a bilateral basis between individual importing and individual exporting countries about developments in their trade in cotton textiles, it being understood that, if at the time of any such exchange of view, the importing country felt that a situation might be developing in its market which could lead to the formulation of a request for restraint, it would raise this matter and offer every opportunity to the exporting country for a full discussion of all aspects of the matter.

Domestic Production

ii. It was agreed that the question of the relation between the volume of imports and the volume of domestic production of cotton textiles in the importing country was clearly relevant to establishing whether or not there was a situation of market disruption and that this is implicit in the definition of market disruption as it appears in Annex C of the Arrangement. Accordingly, in any consultation bearing upon the question of market disruption, it would be important for the maximum data on domestic production to be made available by the importing country.
iii. The Committee recognized the very serious concern felt by exporting countries that, in those cases where restraints were already in operation, importing countries might not have taken all the relevant elements into account before making their requests for restraint on the grounds that a situation of market disruption existed. It was agreed that the importing countries concerned would review all such cases, taking into account in particular the element referred to in (ii) above. If an importing country came to the conclusion that, in fact, it had not adequately taken account of this element it would consult with the exporting country or countries concerned. For their part, the exporting countries would also look at those cases which affect them. If they had reason to doubt the justification for any particular case they would discuss the matter bilaterally with the importing country concerned and, if agreement were not reached in the course of such discussion, recourse to the Cotton Textiles Committee in terms of Article 7 of the Arrangement, and ultimately to the CONTRACTING PARTIES under the procedures of Article XXIII of the GATT, would be open to them.

Prices

iv. The Committee recognized that the question of price was a key element in establishing whether, or not, market disruption exists. The price criterion contained in the definition of market disruption in Annex C of the Arrangement is intended to cover the situation where, because their prices are quite clearly out of line with the normal prices prevailing on the market, particular imports are causing, or threatening to cause, market disruption in the importing country. The price differential must, however, in terms of the definition in Annex C, be substantial.
Every attempt to give more precision to the word "substantial" should be made in the course of the periodic exchanges of view between importing and exporting countries when the discussion is likely to be focussed on particular products and particular markets. Further, the Committee agreed that when the price factor was being considered in connexion with market disruption, quality differential is a factor which must also be taken into account.

Quotas

In view of the difficulties which arise for certain exporting countries because of the small size of the quotas granted to them by certain Member States of the EEC, the Committee requested the European Economic Community thoroughly to examine this question as a matter of urgency and thereafter to have bilateral discussions with the exporting countries concerned with the aim of maximizing the market opportunities of these countries.

Base Period

As regards the period to be taken in connexion with the fixing of restraint levels, it was agreed that the past performance of imports from the particular exporting country concerned over a period of years and the future potentialities of that country as an exporter should be taken into account.

Categories

The Committee invited member governments, in the light of the experience that they themselves had had so far, and of any representation they might have received from other governments party to the Arrangement, to re-examine the question of categories. This question would be included on the Committee's agenda for discussion at an appropriate future date.

Certifications

It was agreed that, once the procedure of certification for imports of hand-loom fabrics of the cottage industry was in operation, the importing countries should accept certificates without requiring further verification.