Introduction and objectives

1. It is recognized that trade in textiles is of great importance to the economies of many countries and that trade in these products, especially at the present time cotton products, is of particular importance for the economic and social development of developing countries and for their export earnings.

2. It is also recognized that a very unsatisfactory situation continues to exist in world trade in textile products and that this situation can have unfortunate repercussions on trade relations and adversely affect prospects for international co-operation in the trade field generally.

3. A number of problems have been identified during the work of the Textiles Working Party (see TEX w). These include, on the one hand, importing countries' problems caused by sudden and excessive growth of imports causing or threatening disruption to domestic markets, with detrimental effects on industry and labour in those countries, and on the other, proliferation of restrictions and restraint measures which do not take account of the producing and exporting interests of the exporting countries, particularly the less-developed countries. It is recognized that if these situations are not satisfactorily dealt with, they may crystallize or deteriorate even further, to the detriment of the trade and the interests of both importing and exporting countries.

4. There is need, therefore, for co-operative and constructive action in the field of trade and production policies aimed at finding acceptable multilateral solutions to the difficulties that arise.

Textiles herein refers to textiles and textile products of cotton, wool and man-made fibres and blends thereof.
5. It should be borne in mind that production and world trade in textile products are of a volatile and continually evolving nature and that any multilateral arrangement could have due regard to this fact. In the search for a multilateral arrangement, the fullest account has to be taken of the serious economic, social and political problems that exist in the field of textile products in both importing and exporting countries, and especially in the developing countries.

6. Any multilateral arrangement found should be limited to textile products and not be regarded as a precedent which could subsequently be applied to other products.

Objectives

7. The basic objective should be to achieve extensive and progressive liberalization of international trade in textile products while, at the same time, ensuring the orderly development and more equitable sharing of this trade and the avoidance of disruptive effects in individual markets and on individual lines of productions in both importing and exporting countries.

8. In carrying out this objective, full regard should be paid to the principles and objectives of the General Agreement and of the forthcoming multilateral trade negotiations. Textile tariffs are a proper subject for consideration in the multilateral trade negotiations and should be considered in light of the multilateral textile solution.

9. A continuing objective of all countries should be to seek to eliminate the causes of the chronic problems in trade in textile products.

10. Existing restrictions on textiles should not be intensified and new restrictions should not be introduced except to the extent that they are permitted under the new multilateral arrangement.

11. Restrictions still maintained inconsistently with the provisions of GATT on imports of textile products should be phased out or justified under the new arrangement or modified accordingly (cf. LTA Article 2:1).
Framework and principles

12. It is suggested that the necessary framework for the solution of problems in textile trade would be a multilateral arrangement applicable to trade in all textiles and textile products of cotton, wool and/or man-made fibre and blends thereof, and containing the following elements:

(a) Restraints should not be applied except where market disruption or the threat thereof is clearly established in conformity with clearly articulated objective criteria.

(b) Bilateral consultations should be held prior to the imposition of restrictions and avoidance of delays in replying to requests for such consultations.

(c) Undue concentration of exports on certain markets or on specific lines of production should be avoided.

(d) Artificial pricing policies should be avoided.

(e) Where overshipments have not been prevented, compensatory downward adjustments may be made.

(f) Equitable sharing of imports (burden sharing). Differential growth rates in imports into specific countries with higher rates for those importers with a low import performance, and lower rates for those importers with a high import performance. Negative growth rates in cases of market decline should also be envisaged.

(g) Flexible administration of restraint measures should be applied as a general practice.

(h) Discriminatory measures should be avoided.

(i) Minimum base levels and growth factors should be provided.

(j) The control of circumvention of the code by (i) trans-shipment (cf. Article 6(a) of the Long-Term Arrangement); (ii) re-routing by inclusion of certification procedures on restrained exports; and (iii) action with respect to trade of non-participants (cf. Article 6(c) of Long-Term Arrangement).

(k) The arrangement shall remain in force for a period of five years with its operation being subject to periodic review by the Textiles Committee.
(1) It should be recognized that, in the process of liberalization of world trade in textile products, the need for developing countries to further economic expansion through development of their textile industries, and their exchange earnings from export of textile products, should receive special attention and support. Such special attention, however, has to take account of any consequential, legitimate problems of industrial, economic and social readjustment in industrialized countries.

(m) The special interests of developing countries should be fully considered in the workings of the multilateral surveillance procedures.

(n) Recognizing the present position of the majority of developing countries as basically producers and exporters of cotton textiles and clothing, special attention should be given to trade in this sector within the general framework of an overall arrangement. Improved access for exports of the cotton textiles of such countries should be secured through the avoidance of unilateral restraints except when these are essential in the case of market disruption. Where such restraints are applied, liberal provision should be made for the size of quotas and for the growth elements.

(o) It is recognized that there is need for special treatment for those developing countries which are new entrants in the field of textile exports.

(p) In recognition of their special position, the yardstick of past performance should not be applied in the establishment of quotas for those countries. However, it would be desirable that the implementation of improved access to import markets for these countries should not be to the detriment of the existing less-developed suppliers.

(q) The following suggestions have been made to ensure a reasonable share of export markets for new established, less-developed exporters:

(i) The larger suppliers might be given a rather lower percentage growth rate though higher in absolute terms whilst small suppliers would receive a higher percentage growth rate although this would supposedly be lower in absolute terms.
(ii) Establishment of a formula whereby, if an existing quota level is not fully utilized, a part of the unused quota might be transferred to those who are fully utilizing their quota and a part might be given to smaller suppliers.

(r) In view of the fact that handloom products have a crucial importance in the social and economic well-being of certain developing countries and that in some cases they do not directly compete with the established lines of production in the major importing countries, such products should be liberalized, subject to a satisfactory system of certification and control.

(s) Consistent with their domestic laws and policies, countries should be encouraged to help their industries and workers adjust to developing trends in textile trade.

Safeguard procedures

13. It is considered that the application of safeguard procedures may sometimes be necessary in the field of trade in textile products, but that such procedures should essentially be looked upon as a means of affording the necessary time for the appropriate adjustments in the textiles industry to be effected.

14. A body would be set up to exercise, as necessary, international surveillance of those safeguard procedures. (See paragraphs 20 to 24.)

15. When a difficulty arises between countries in the field of textile products, an attempt should be made, as is normal, to resolve the difficulty through bilateral consultations.

16. If a country believes that, in terms of definition of market disruption in the arrangement, its market is being disrupted, or is threatened with disruption, by imports of a certain textile product or products, it should seek consultations with the exporting country concerned with a view to the appropriate action being taken to resolve the difficulty that has arisen.

17. If an agreement is reached in the bilateral consultation that appropriate action would be the restraint of exports of the product or products concerned by the exporting country, the terms of the restraint shall be fixed in accordance with the agreement of the parties thereto.
18. If, on the other hand, the bilateral consultations fail to achieve a mutually acceptable solution within a period of 60 days from the date on which the exporting country received the request to enter into bilateral consultations, the importing country may take the restraint action in accordance with the provisions of the arrangement, while at the same time presenting supporting information on such action to the surveillance body. In critical circumstances, where imports during this 60-day period would cause damage difficult to repair, the importing country may take the appropriate temporary measure and the matter shall, at the same time, be brought to the body set up for international surveillance.

International surveillance

19. International surveillance would be carried out by a broadly representative Sub-Committee of the Textiles Committee set up for that purpose. Its composition would be limited in number. The membership of the surveillance body would be in part dependent upon the identity of the countries in dispute before it, and should be so constituted as to be able to give full consideration to the matters before it.

20. The parties concerned would promptly provide the surveillance body with full information on all requests for restraint and on any arrangement resulting from these requests, and any unilateral restraints. This information should give full details, including data supporting a determination that the situation meets the criteria for market disruption and that full regard has been given to the principles and procedures of the textiles arrangement. The parties involved should be prepared to answer any further questions. Following a thorough and prompt consideration, the surveillance body would prepare a factual report to the Textiles Committee for the information of its members.

21. The surveillance body should be informed of all existing restraint measures or bilateral agreements concerning trade in textile products; those not presented to the body would be deemed in violation of the arrangement.

22. The consideration of any differences of view referred to it in terms of paragraph 18 above would be carried out by the surveillance body on the basis of the information supplied by the parties concerned, supplemented by any necessary further details and clarification that it may decide to seek from them.
23. The surveillance body should review annually, in the light of the provisions of the new multilateral arrangement, all existing restrictions both unilateral and bilateral. It will pay particular attention to the needs of the exporting countries. It will also review at any time any particular restriction or restrictions at the request of either of the parties concerned which feels that a restriction or restraint is being applied in a manner inconsistent with the arrangement.

**Market disruption**

24. The following new elements would be added to those contained in the decision of the CONTRACTING PARTIES of 19 November 1960:

(a) a comparison between the imports and production of the country claiming to suffer market disruption;

(b) the balance of trade in textiles of the country claiming to suffer market disruption;

(c) the trend of production in the textile sector of the country invoking market disruption;

(d) the trend of employment in the textile sector of the country claiming to suffer market disruption.

25. There are a number of specific problems identified which, it is suggested, could be resolved through bilateral negotiations. Such problems could include, among others, inter-fibre flexibility, categories, classification, coverage of products subject to possible restraints, reference periods, growth rates, quotas, administration of agreements and amendment of existing bilateral agreements to be consistent with any new multilateral solutions.

26. The parties recognize that the measures referred to above will not affect their rights and obligations under the GATT.