The attached text is a revision, in the light of comments and suggestions made by members of the Working Party during its meeting from 25-29 June, of an earlier text prepared by the secretariat (TEX/W/29).

Members of the Working Party are invited to submit any corrections they might have on the points raised by them as soon as possible and, in any case, not later than 13 July 1973.
Introduction

1. It is recognized that \textit{production of and trade in textiles} is of great importance to the economies of many countries and that trade in these products is of particular importance for the economic and social development of developing countries and for their export earnings. The special importance for many developing countries of trade in cotton textiles, subject to the considerations set out in paragraph 5 below, is further recognized.

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 Annex I). 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, such problems may be particularly serious for countries having already reached a high import level and a correspondingly low level of domestic production. These problems may have detrimental effects on industry and labour in the countries concerned. There is the danger of 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. This unsatisfactory situation is characterized by a proliferation of restrictions and restraint measures. Also in some importing countries, situations have arisen which in the view of these countries, cause or threaten to cause disruption of the market. It is recognized that if this situation is not satisfactorily dealt with, it 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 policies aimed at finding acceptable multilateral solutions to the difficulties that arise.

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/solutions should have due regard to this fact. In the search for a multilateral arrangement/solutions the fullest account has to be taken of the serious economic and social 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/solutions 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, including tariffs, within a programme or a period to be agreed upon, 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 or specific products in both importing and exporting countries.

1 The expressions "exporting country" and "importing country" are employed, respectively, to indicate a country which is a net exporter to or a net importer from another country of a certain textile product; the latter country would, in such specific case, be called "importing country" or "exporting country", respectively. In the case of the European Economic Community, the above-mentioned expressions apply to the Community, on the basis of the sum of the trade of its nine members with a non-member country.
7. bis It is recognized that the solution of problems in textile trade should be designed to facilitate economic expansion and promote the development of developing countries possessing the necessary resources such as raw materials and technical skills by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture. In this connexion, their special interests, particularly in trade in cotton textiles, and handloom products of the cottage industry, and the position of new entrants in the field of exports, warrant special attention in the process of liberalization of world trade in textiles.

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, in particular to the desirability of achieving, as soon as possible and in the perspective of the forthcoming multilateral trade negotiations, a downward harmonization of tariffs in the participating countries. 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 but phased out and new restrictions should not be introduced except where market disruption can be clearly established to the extent that they are permitted under the new multilateral arrangement. Even then they will be subject to constant review.

11. Unilateral or bilateral restrictions on trade in textile products unless explicitly justified under the provisions of GATT should be phased out within a period of two years or justified under the new safeguard procedures and new surveillance mechanism or modified accordingly (cf. Long-Term Arrangement, Article 2:1).

11 bis Where restrictions are agreed to be justified under the new safeguard procedure and the new surveillance mechanism, they should be implemented in a flexible manner and in particular should be so devised that their form does not constitute additional non-tariff barriers to the trade concerned.

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1 By "restrictions", both in this and in the ensuing paragraphs generally, is meant those prohibitions or restrictions other than duties, taxes, or other charges, imposed upon the importation or exportation of textiles, including self restraints, whether made effective through quotas, import licences, export licences or other measures.

2 Reference is made to provisions of the Long-Term Arrangement when these are relevant.
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, man-made fibre and blends thereof/ /including man-made fibres both discontinuous and filament/. The product coverage of textiles and textile products should be left open but should exclude inter alia man-made fibres, both discontinuous and filament/ and containing the following elements:

(a) Restrictions should not be applied except where market disruption or the actual 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 delays in carrying out such consultations, when requested, should be avoided.

(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/should be made.

(f) There should be equitable sharing of imports (burden sharing). Differential growth rates in imports into specific countries with higher rates for those importers and exporters with a low import penetration, and lower rates for those importers and exporters with a high import penetration. 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 and minimum provisions for key aspects should be prescribed.

(h) Sparring and selective recourse to restrictive measures should be had with regard to products and countries and discriminatory measures should be avoided/eliminated.

(i) Minimum base levels not lower than those currently in force and minimum growth factors should be provided according to definite criteria, taking into account the interest of exporting countries. The criteria should be different for cotton textiles as compared with other textiles.

(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 documentation 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] [three years] [x years] with its operation being subject to [periodic] [annual] review by the Textiles Committee.

(l) 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 to secure substantial increase in 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. There should be no restrictions on cotton yarn and that it should be allowed duty-free and quota-free entry. It has also been suggested that cotton textile products/all textiles irrespective of their fibre content should be included in the General Scheme of Preferences without ceilings.

(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 rigidly applied in the establishment of quotas for those countries. However, it would be desirable/essential that the implementation of improved access to import markets for these countries should not be to the detriment of the existing suppliers, and particularly suppliers from the developing countries.

(q) The following suggestions have been made to ensure a reasonable share of export markets for newly-established exporters from developing countries.

(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.

(iii) A reasonable proportion of the market should be set aside for new entrants and they should be exempted from any restraints applied to others.

(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. It is suggested that, once the procedure of certification for imports of handloom products of the cottage industry is in operation, in principle the importing countries should accept the certification of exporting governments as proof of "handloom products" and would not subject them to further verification. However, in cases of doubt, bilateral consultations would be held with the aim of removing all obstacles. As a final resort the matter could be submitted to the surveillance body.

(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. Adjustment assistance should be an essential element in any solutions envisaged. Within the framework of any such solutions it is considered necessary to facilitate adjustments in international trade and production which modern technology, the efficient development of productive resources, the international division of labour, comparative cost advantage and industrial relocation render increasingly necessary. In view of the safeguard procedures that would be provided, developed countries should be prepared to take "positive and far-reaching" adjustment assistance measures with the dual aim of assisting the industry to move progressively into viable lines of production or into other sectors of the economy and of providing increased access to their markets for textiles products, particularly from the less-developed countries.

(t) Imports from a certain country of textile products manufactured in that country from materials produced in the importing country shall not be subject to any limitation or restrictions.

Safeguard procedures

13. It is considered that the application of safeguard procedures may be necessary in the field of trade in textile products, but that such procedures should be essentially be looked upon as a means of affording the necessary time for the appropriate adjustments in the textile industry to be effected. Be considered in response to infringements of the Arrangement and as a means of facilitating therefore the appropriate adjustments in the textile industry.
14. A body would be set up to exercise international surveillance of those safeguard procedures. (See paragraphs 19 to 23.)

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. Such consultations will aim to determine whether there is a situation of market disruption and, if both countries believe such a situation exists, to look for an appropriate action to be taken. In looking for such appropriate action, both countries will keep in view the need to avoid that the interests of the exporting country will not suffer more than the interests of the importing country would suffer if no action were taken. In the case where the exporter is a developing country, the relative importance of the textile industry and exports to its economic and social well-being must be given full consideration.

17. Alternative I

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 and the provisions of the multilateral arrangement. The duration of the restraint measures should be determined with the intention of realizing the objectives set out in paragraph 13.

Alternative II

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 level of restraint shall be fixed in the amount and manner specified in Annex.

18. Alternative I

If, on the other hand, the bilateral consultations fail to achieve a mutually acceptable solution within a period of sixty 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, as per Annex B of the Long-Term Arrangement while at the same time presenting supporting information on such action to the surveillance body. In critical circumstances, where imports during this sixty-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. Such measures should conform to the terms and conditions set forth in the Arrangement for the implementation of restrictions.
Alternative II

If, on the other hand, the bilateral consultations fail to achieve a mutually acceptable solution within a period of sixty days from the date on which the exporting country received the request to enter into bilateral consultations, the matter shall be brought to the body set up for international surveillance. Either party would be free to refer the matter to that body before the expiry of the period of sixty days, if it is considered that there were justifiable grounds for so doing.

International surveillance

19. International surveillance would be carried out by an independent Panel /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 on a rotating basis 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. The surveillance body may be assisted by technical experts in examining the matter.

20. The parties/the importing countries/ 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/to determine/ 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 and recommendations to the Textiles Committee for the information of its members/a report, including any observation or recommendation it thought appropriate to be submitted to the GATT Council for its consideration/.

20bis. The surveillance body should be informed of all existing restraints, measures of like effect or bilateral agreements concerning trade in textile products/within six months of the coming into effect of the arrangement/; those not presented to the body would be deemed in violation of the arrangement.

21. The procedure for dealing with existing quantitative restrictions in paragraph 11 above to include export restraints should be as follows:

(a) The participating countries that maintain unilateral import restrictions should within one year from the date of coming into force of the arrangement: either (i) eliminate; or (ii) submit to the surveillance body for examination, or negotiate bilaterally in accordance with the provisions of the Arrangement.
(b) The participating countries that maintain agreed restrictions on imports or exports should, within one year from the date of coming into force of the arrangement, enter into consultation to render them consonant with the Arrangement. Either party may seek recommendations from the surveillance body with respect to such consultation.

(c) Upon receiving requests in accordance with paragraphs (a) and (b) above, the surveillance body shall make recommendations, taking into consideration the presentations from both parties concerned and taking full account of the criteria used in the safeguard.

21bis. 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.

22. Any participant may notify the surveillance body of any unilateral measures taken by another participant which it considers to be detrimental to its interests. Any participating country may request the surveillance body to review at any time any particular restriction or restraints which it considers is being applied in a manner inconsistent with the arrangement.

22bis. In its consideration, the surveillance body would also take the fullest account of any arrangement and in particular of the criteria for market disruption as redefined, and of such other questions as proposals for growth of imports, digressivity of restrictions and adjustment assistance provided for the domestic textiles industry etc., etc. The surveillance body would be empowered to make recommendations to the parties concerned. It would be desirable for the parties to agree in advance of the examination of the matter by the surveillance body that they would agree to consider as binding any such recommendations.

22ter. If the surveillance body, in considering the differences of view referred to it, found the request for restraint and the measures proposed not unreasonable, the country or countries whose exports would become subject to restraint would agree not to seek compensation or take retaliatory measures for a period of ... years. If, on the other hand, the surveillance body found the request for restraint and the measures proposed unreasonable, either they would be withdrawn or satisfactorily revised, or the exporting country or countries concerned would be free to seek compensation or take retaliatory measures. They would be withdrawn or satisfactorily revised.

1 The acceptance of the text of this paragraph depends on the final text of paragraph 18.
23. The surveillance body should review all existing restrictions both unilateral and bilateral. These reviews would be carried out annually except in the case of restrictions notified in accordance with paragraph 22 which would be carried out with minimum practical delay. The surveillance body would consider the information supplied by the parties concerned, supplemented by any necessary further details and clarification that it may decide to seek, and in the light of the provisions of the new multilateral arrangement, paying particular attention to the needs of the exporting countries. It would report promptly to the Textiles Committee/GATT Council/.

24. Alternative I:

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) a comparison between the exports of the country accused of provoking market disruption and the production of the country claiming market disruption;

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

(c)bis. the balance of payment of the country against which market disruption is invoked;

(c)ter. a comparison between the exports of the country accused of market disruption and the consumption of the country claiming market disruption;

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

(e) the trend of employment in the textile sector of the country claiming to suffer market disruption;

(f) the trend of investment in the textile sector of the country claiming to suffer market disruption;

(g) the profitability of the textile sector of the country claiming to suffer market disruption;

(h) the sales of textile machinery by the country claiming to suffer market disruption to the country it accuses of provoking market disruption. This should cover a period of five to ten years, for instance;
(h)bis. [the problems of debt servicing of the country against which market disruption has been invoked]

(i) [the indexes of productivity in the textile sector of the country claiming to suffer market disruption]

(j) [the importance of the textile sector and export earnings from textiles for furthering the trade of developing exporting countries]

(k) [balance of textile trade of the exporting country with the importing country]

(l) [overall balance of trade of the exporting country with the importing country]

Alternative II:

Parts of the definition in Annex C of the Long-Term arrangement would be retained but new criteria for damage would be introduced:

(a) A sharp and substantial increase or potential increase of imports of particular products from particular sources;

(b) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

(c) there is serious damage or actual threat thereof to domestic producers of products servicing the same market demand.

The criteria for damage could be based on Article 3(b) of the Anti-Dumping Code which reads as follows:

"The valuation of injury - that is the evaluation of the effects of the dumped imports on the industry in question - shall be based on examination of all factors having a bearing on the state of the industry in question, such as: development and prospects with regard to turnover, market share, profits, prices (including the extent to which the delivered, duty-paid price is lower or higher than the comparable price for the like product prevailing in the course of normal commercial transactions in the importing country), export performance, employment, volume of dumped and other imports, utilization of capacity of domestic industry, and productivity; and restrictive trade practices. No one or several of these factors can necessarily give decisive guidance."

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25. There are a number of specific problems identified which, it is suggested, could be resolved through bilateral negotiations, should be embodied, in some cases directly within the multilateral arrangement and, in other cases, indirectly through specific guidelines within the arrangement to govern 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. The possibility of concluding mutually acceptable bilateral agreements not inconsistent with the basic objectives of the Arrangement should be provided for. However, the products covered by these agreements should be limited and excessive proliferation of bilateralism should be avoided.

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