DRAFT ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Note by Chairman of the Negotiating Group on Textiles

Attached is a third draft of certain articles for an "Arrangement Regarding International Trade in Textiles" which the secretariat has prepared following consideration of suggestions put forward in the Group and informal consultations with delegations.

The purpose of the paper is to provide a basis for continuing the negotiations. The paper has been prepared on the sole responsibility of the Chairman. No delegation is committed to the paper and it should not be regarded as embodying the views of the secretariat.
ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

PREAMBLE

Recognizing the great importance of production and trade in textile products of wool, man-made fibres and cotton for the economies of many countries, and their particular importance for the economic and social development of developing countries and for the expansion and diversification of their export earnings, and conscious also of the special importance of trade in textile products of cotton for many developing countries;

Recognizing further the tendency for an unsatisfactory situation to exist in world trade in textile products and that this situation, if not satisfactorily dealt with, could work to the detriment of countries participating in trade in textile products, whether as importers or exporters, or both, adversely affect prospects for international co-operation in the trade field, and have unfortunate repercussions on trade relations generally;

Noting that this unsatisfactory situation is characterized by the proliferation of restrictive measures, including discriminatory measures, that are inconsistent with the principles of the General Agreement on Tariffs and Trade and also that, in some importing countries, situations have arisen which, in the view of these countries, cause or threaten to cause disruption of their domestic markets.

Desiring to take co-operative and constructive action, within a multilateral framework, so as to deal with the situation in such a way as to promote on a sound basis the development of production and expansion of trade in textile products and progressively to achieve the reduction of trade barriers and the liberalization of world trade in these products;
Recognizing that future harmonious development of trade in textiles particularly having regard to the needs of developing countries, also depends importantly upon matters outside the scope of this Arrangement, and that such factors in this respect include progress leading both to the reduction of tariffs and to the maintenance and improvement of schemes of generalized preferences, in accordance with the Tokyo Declaration;

Recognizing that, in pursuit of such action, the volatile and continually evolving nature of production and trade in textile products should be constantly borne in mind and the fullest account taken of such serious economic and social problems as exist in this field in both importing and exporting countries, and particularly in the developing countries;

Recognizing further that such action should be designed to facilitate economic expansion and to promote the development of developing countries possessing the necessary resources, such as materials and technical skills, by providing larger opportunities for such countries, including countries that are, or that may shortly become, new entrants in the field of textile exports to increase their exchange earnings from the sale in world markets of products which they can efficiently produce;

Determined to have full regard to the principles and objectives of the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT) and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations;
THE PARTICIPATING COUNTRIES have agreed as follows:

Article 1

1. It may be desirable during the next few years for special practical measures of international co-operation to be applied by the participating countries in the field of textiles with the aim of eliminating the difficulties that exist in this field.

2. The basic objectives shall be to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. In the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries' minimum viable production of textiles.

3. A principal aim in the implementation of this Arrangement shall be to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products.

4. Actions taken under this Arrangement shall not interrupt or discourage the autonomous industrial adjustment processes of participating countries. Furthermore, actions taken under this Arrangement should be accompanied by the pursuit of appropriate economic and social policies, in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in
the comparative advantage of participating countries, which policies would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries.

5. The application of safeguard measures under this Arrangement, subject to recognized conditions and criteria and under the surveillance of an international body set up for that purpose, and in conformity with the principles and objectives of this Arrangement, may in exceptional circumstances become necessary in the field of trade in textile products, and should assist any process of adjustment which would be required by the changes in the pattern of world trade in textile products. The participating countries undertake not to apply such measures except in accordance with the provisions of this Arrangement with full regard to the impact of such measures on other countries.

6. The provisions of this Arrangement shall not affect the rights and obligations of the participating countries under the GATT.

Article 2
(Still to be discussed)

Article 3
(Still to be discussed)

Article 4
(Still to be discussed)

Article 5
(Still to be discussed)
Article 6

1. Recognizing the obligations of the participating countries to pay special attention to the needs of the developing countries, it shall be considered appropriate and consistent with equity obligations for those importing countries which apply restrictions under this Arrangement affecting the trade of developing countries to provide more favourable terms with regard to such restrictions, including elements such as base level and growth rates, than for other countries. In the case of developing countries whose exports are already subject to restrictions and if the restrictions are maintained under this Arrangement, provisions should be made for higher quotas and liberal growth rates. It shall, however, be borne in mind that there should be no undue prejudice to the interests of established suppliers or serious distortion in existing patterns of trade.

2. In recognition of the need for special treatment for exports of textile products from developing countries, the criterion of past performance shall not be applied in the establishment of quotas for their exports of products from those textile sectors in respect of which they are new entrants in the markets concerned and a higher growth rate shall be accorded to such exports, having in mind that this special treatment should not cause undue prejudice to the interests of established suppliers or create serious distortions in existing patterns of trade.

3. Restraints on exports from countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided if the exports from such countries represent a small percentage of the total textile imports subject to restraint provisions by the importing country concerned.
4. Where restrictions are applied to trade in cotton textiles in terms of this Arrangement the importance of this trade to the developing countries concerned shall be taken into account in determining the size of quotas and the growth element.

5. The question of handlooms,...etc.(to be transferred to Article 12: contents still to be discussed).

6. Participating countries shall not, as far as possible, maintain restraints on trade in textile products originating in other participating countries which are imported under a system of temporary importation for re-export after processing, subject to a satisfactory system of control and certification.

7. In the establishment or negotiations of restraints, consideration should be given to the possibilities of special treatment for re-imports into a participating country of textile products which that country has exported to another participating country for processing and subsequent re-importation in the light of the nature of such trade and the special problems associated therewith.

**Article 7**

The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement.

**Article 8**

1. The participating countries agree to avoid circumvention of this Arrangement by trans-shipment, re-routing, or action by non-participants. In particular, they agree on the following measures.
2. The participating countries agree to collaborate with a view to taking appropriate administrative action to avoid such circumvention. Should any participating country believe that the Arrangement is being circumvented and that no appropriate administrative measures are being applied to avoid such circumvention, that country should consult with the exporting country of origin and with other countries involved in the circumvention with a view to seeking promptly a mutually satisfactory solution. If such a solution is not reached the matter shall be referred to the Textiles Surveillance Body.

3. The participating countries agree that if resort is had to the measures envisaged in Articles 3 and 4, the participating importing country or countries concerned shall take steps to ensure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of similar goods of any country not party to this Arrangement which are causing, or actually threatening, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement. If such trade is frustrating the operation of this Arrangement, the participating countries shall consider taking such actions as may be consistent with their law to prevent such frustration.

4. The participating countries concerned shall communicate to the Textiles Surveillance Body full details of any measures or arrangements taken under this Article or any disagreement and, when so requested, the Textiles Surveillance Body shall make reports or recommendations as appropriate.
Article 9

1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking additional trade measures which may have the effect of nullifying the objectives of this Arrangement.

2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.

3. If the consultation fails to achieve a mutually satisfactory solution within a period of sixty days the requesting participating country may refer the matter to the Textiles Surveillance Body which shall promptly discuss such matter, the participating country concerned being free to refer the matter to that body before the expiry of the period of sixty days if it considered that there was justifiable grounds for so doing. The Textiles Surveillance Body shall make such recommendations to the participating countries as it considers appropriate.

Article 10

(Still to be discussed)

Article 11

1. There is established a Textiles Committee consisting of representatives of the countries party to this Arrangement. The Committee shall carry out the responsibilities ascribed to it under this Arrangement.

2. The Committee shall meet from time to time and at least once a year to discharge its functions and to deal with those matters specifically referred to it by the Textiles Surveillance Body. It shall prepare such studies as the participating countries may decide. It shall undertake an analysis of the current state of world production and trade in textile products, including any
measures to facilitate adjustment, and its views regarding means of furthering
the expansion and liberalization of trade in textile products. It will collect
the statistical and other information necessary for the discharge of its functions
and will be empowered to request the participating countries to furnish such
information.

3. Any case of divergence of view between the participating countries as to the
interpretation or application of this Arrangement may be referred to the Committee
for its opinion.

4. The Committee shall once a year review the operation of this Arrangement
and report thereon to the GATT Council. To assist in this review, the Committee
shall have before it a report from the Textiles Surveillance Body, a copy of
which will also be transmitted to the Council. The review during the X year shall
be a major review of this Arrangement in the light of its operation in the
preceding year(s).

5. The Committee shall meet not later than one year before the expiry of this
Arrangement in order to consider whether the Arrangement should be extended,
modified or discontinued.

Article 12
(Still to be discussed)

Article 13

1. This Arrangement is open for acceptance, by signature or otherwise by govern-ments contracting parties to the GATT or having provisionally acceded to the GATT.
2. Any government which is not a contracting party to the GATT, or has not
acceded provisionally to the GATT, may accede to this Arrangement on terms to
be agreed between that government and the participating countries. These terms
would include a provision that any government which is not a contracting party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensify existing import restrictions, on textile products, in so far as such action would, if that government had been a contracting party to the GATT, be inconsistent with its obligations thereunder.

Article 14

1. This Arrangement shall enter into force on date X subject to the provisions of paragraph 2 below.

2. The countries which have accepted this Arrangement shall, upon request of one or more of them, meet within one week prior to date X and, at that meeting, if a majority of these countries so decide, the provisions of paragraph 1 above may be modified.

Article 15

Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General of GATT.

Article 16

This Arrangement shall remain in force for X years.

Article 17

The Annexes to this Arrangement constitute an integral part of this Arrangement.

ANNEX A

(Still to be discussed)

ANNEX B

(Still to be discussed)