

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/43

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## REPORT OF THE COTTON TEXTILES COMMITTEE

### PART II

#### Record of Specific Points Raised and Discussed during the Second Annual Review of the Long-Term Arrangement

/This part will be preceded, in the final report,  
by a summary of the discussions which took place in the Committee/

1. The Committee reaffirmed that the basic objective of the participating governments was to achieve the liberalization of trade through the General Agreement and that the Long-Term Arrangement was to be regarded as an exceptional arrangement designed to deal with trade problems which, if dealt with unilaterally, might lead to a greater restraint of trade than would be the case through co-operative action under the Long-Term Arrangement. In this connexion, the Committee stressed the objective of achieving an orderly expansion in international trade in cotton textiles with particular reference to the needs of the less-developed countries.
2. In the course of the Committee's discussions, a number of specific points were raised and discussed. These are set out hereunder.
3. The point was made by some exporting countries that under some bilateral arrangements the aggregate level of restraint had been divided into such a large number of categories that the exporters were left with little room for diversifying their exports; many countries were not able to plan their exports for every item several years ahead. An importing country pointed out that this was fully consistent with the objectives of the Long-Term Arrangement to avoid concentration of trade on particular items. It was agreed that this was a problem which could be discussed in the course of bilateral consultations.
4. The problem of flexibility among categories was also discussed. It was suggested that, where bilateral agreements were concluded in accordance with Article 4 of the Long-Term Arrangement on an overall basis covering a large number of cotton textile

products, the exporting country should be permitted a greater flexibility<sup>1</sup> for any of the products which were not a cause of disruption in the market of the importing country; those products causing disruption might be exceeded by 5 per cent provided that the aggregate restraint level for all products was not exceeded. Similarly, it was suggested that flexibility would be appropriate when a considerable number of products were covered by restraint levels operating under Article 3.

5. Attention was again drawn in the Committee to the question of shipments in excess of restraint levels, and it was noted that for most countries this particular problem had become a lesser cause for concern than at the time of the first review of the operation of the Arrangement last year.

6. Reference was made to the problem of the circumvention and negation of export restrictions by trans-shipments and third-country transactions and, in this connexion, the Committee drew attention to the importance of co-operation between importing and exporting countries.

7. The attention of the Committee was also drawn to the problems which arose for importing countries when there was a delay in receiving replies from exporting countries to which requests for restraints had been made.

8. The participating countries reaffirmed the importance they attached to the implementation of the equity provisions of Article 6(c) of the Arrangement.

9. The parties to the Long-Term Arrangement reiterated their intention to invoke Article 3 only sparingly. It was widely felt that there should be less need for further recourse to the provisions of Article 3 during the remainder of the life of the Arrangement, in cases where exporting countries kept an effective watch on exports with a view to avoiding sudden and sharp increases. Nothing in the foregoing should be deemed to impair the rights and obligations of the participating countries.

10. The view was expressed that, as regards the fixing of restraint levels, the time basis provided for in Annex B (the first twelve months of the last fifteen months) was not adequate. In this connexion, the Committee recalled what was contained in the conclusions which came out of the first review last year, namely, that "... As regards the fixing of restraint levels as provided for in Annex B it was considered that the past performance of imports from the particular exporting country concerned over a period of years and other relevant factors should be taken into account".

11. A proposal was made by a developing exporting country that the percentage increase of 5 per cent provided for in Annex B should be made higher in order to enable developing countries to benefit from the objective of the Arrangement. The Committee agreed that a record of this proposal should be included in the report on the Committee's present meeting and that the question would be reverted to at the major review of the operation of the Arrangement to be held in 1965.

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<sup>1</sup>As will be seen from Part I of this report, it was suggested in the course of the discussion that a figure of 30 per cent would be appropriate to reflect the degree of flexibility which was envisaged here.

12. Attention was drawn to the difficulties which some participating countries stated arose from the criteria of market disruption in Annex C. These countries felt that these criteria should be examined and agreement reached on broad guide-lines to avoid these difficulties. The Committee agreed that the correct procedure would be for the Committee to discuss the matter under Article 8(b) of the Arrangement upon the basis of proposals put forward for that purpose.

13. In the course of the discussion the view was expressed that account should also be taken of the disruptive effects which the introduction of restraint levels might cause in the exporting countries. In its discussion of this point the Committee noted that the Preamble to the Arrangement referred to avoiding "disruptive effects in individual markets and on individual lines of production in both importing and exporting countries".

14. The representatives of importing countries said that their governments would consider the proposal which had been put forward in the Committee that textile products manufactured out of handloom fabrics should be treated on a par with handloom fabrics.

15. Some questions were specifically addressed to the European Economic Community. In the first place it was asked whether, and to what extent, the expectation had been fulfilled that the member States of the Community would exceed pro rata the target figure of 12,000 tons referred to in paragraph 17 of the Record of Understandings reached by the Committee at its meeting of 29 January to 9 February 1962. In reply the spokesman for the Community stressed the great increase which had taken place in imports of cotton textiles into the Community. He referred in this connexion to the secretariat paper COT/W/28 and stated that the quotas opened for 1964 represented, in relation to the reference figure, an increase greater than that expected, and that the Community had not made use of the possibilities afforded by Article 2, paragraph 3, permitting it to decrease the basic quota pro rata to new measures of liberalization. Certain questions were also asked with respect to the quota arrangements in the Community, in particular the problem of how to separate quotas for cotton textiles from other textiles. It was pointed out by the spokesman for the Community that this problem only arose in the case of Japan and Benelux and this could suitably be discussed in the course of bilateral negotiations. Finally, the representative of India asked whether the member States of the European Economic Community would agree to the quota system being operated at the exporting end in order to make it easier to fulfil quotas. In reply, the spokesman for the Community pointed out that so far as India was concerned this was a question which arose with respect to only two of the member States of the Community and expressed the hope that a solution to this problem could be found in the discussions already in progress; if other developing countries so requested, similar facilities could be discussed in the same way.

16. It was agreed that the major review at the end of the third year of the life of the Arrangement should be carefully prepared. It was decided that the work to be undertaken by the secretariat should include:

- (i) a detailed analysis of the operation of the Arrangement in the first three years of its existence;
- (ii) a description of developments in production of, and trade in, cotton textiles during those three years;
- (iii) further work on reviewing structural changes in productive capacity, production, etc., in the light of the comments made during the discussion in the Committee.

17. The Committee agreed that information should be collected under Article 8(a) on restrictions maintained on trade in cotton textiles outside the provisions of the Arrangement.