

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Draft Report on the Meeting of the Committee Held at the Palais des Nations on 22 October 1968

Chairman: Mr. O. LONG

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New participants in the Arrangement

1. The Chairman welcomed the representative of Poland which had become a member of the Cotton Textiles Committee since its last meeting.¹ He said that Portugal had also accepted the Arrangement, and the Protocol extending it, on behalf of its Customs Territory of Macao², and the Kingdom of the Netherlands had extended the application of the Arrangement and the Protocol to the Netherlands Antilles.³

I. The sixth annual review of the operation of the Arrangement

2. The Committee had before it document COT/W/101⁴ which summarized notifications of actions so far received by the secretariat under the various Articles of the Arrangement during the sixth year of its operation, as well as other arrangements relating to trade in cotton textiles. The notifications received from the United Kingdom on current import arrangements for cotton textiles from restricted sources was before the Committee in document COT/118. Also before the Committee

¹See document COT/83.

²See document COT/82.

³See document COT/85.

⁴A summary of the notifications received after the distribution of document COT/W/101 will be incorporated in the relevant parts of this document which will be attached as an annex to the final version of this report.

was document COT/W/100 and Add.1 describing developments in production of, and trade in, cotton textiles during 1966 and 1967, and following up the analysis contained in Chapter II of A Study on Cotton Textiles prepared for the major review which took place in December 1965.

3. The Chairman recalled that it was agreed last year that, in view of the very extensive discussions and examination of the Arrangement which took place in 1966 and 1967, the next annual review of its operation should take place in the latter part of 1968, but before the twenty-fifth session.¹ As the Committee carried out the sixth annual review, in accordance with the requirements of Article 8(c) of the Arrangement, it should obviously have in mind the discussions which led to the extension of the Arrangement.

4. The representative of Poland said that the textile industry in his country was important to the national economy. The production of cotton textiles represented a considerable part of this industry. Despite increasing domestic consumption, Poland had always been a net exporter of cotton textile products. His country, having due regard to the main objective of the Arrangement which was to provide larger opportunities for the developing countries to increase their exports of cotton textiles, had started, since 1967, to import manufactures and semi-manufactures from these countries. Imports in 1968 showed a considerable increase as compared with 1967, particularly from the United Arab Republic and Pakistan. He underlined the importance his country, as an exporter of cotton textiles, attached to the bilateral agreement concluded with the United States and said that this agreement was based on mutual understandings in accordance with the principles and the spirit of the Cotton Textiles Arrangement.

5. The representative of Japan in his statement, which is reproduced in full in document COT/W/109, said that the Arrangement was conceived as a temporary measure designed to facilitate trade expansion in a reasonable and orderly manner. It should, therefore, be abolished as soon as possible with the elimination of remaining restrictions on imports of cotton textiles. Having a firm belief in this provisional character of the Arrangement, Japan agreed to its extension especially on condition that its administration would be improved. He regretted,

¹See document L/2853 and SR.24/11 page 136.

however, that efforts towards accelerating liberalization of trade in cotton textiles in many countries had not brought sufficient results. It was true that a few measures for easing trade barriers had been taken in some importing countries, but these were related to a limited range of products, of little interest to his country. No striking achievements had been made since the extension of the Arrangement in the relaxation and dismantlement of the remaining restrictions.

6. He said that there was an increasing trend towards extending the same type of arrangement to the field of other fibres. His Government was keeping watch on such a protectionist trend with serious concern and deep apprehension as, in its view, such an approach would run counter to Article 1 of the Arrangement and all importing and exporting countries should be opposed unequivocally to it.

7. Commenting on the operation of the Arrangement, he said that the measures taken by the European Economic Community and other countries applying Article 2 for import liberalization during the past six years had been slow and inadequate. These countries maintained quantitative restrictions on items, import of which was negligible. He questioned the necessity of such restrictions and requested these countries to liberalize imports as early as possible. He pointed out that the quotas actually offered by the EEC were far below the figure written into Annex A of the Protocol extending the Arrangement and requested clarification on this point. Quotas were unused due to a number of difficulties encountered. Quotas were divided into small units and licences were given to importers who were not much interested in importation. Some countries arbitrarily established sub-quotas for specific items and restricted import licences. In their view, flexibility of around 10 per cent in shift, carry-over and carry-in should be allowed for the effective management of quotas. The management of quotas would be better handed over to exporting countries, and his Government was prepared to enter into arrangements with importing countries on this problem. It was mainly because of their deep dissatisfaction with the situation that they proposed to the Commission of European Communities the commencement of negotiations, based on Article 4 of the Arrangement.

8. He reiterated his appeal to the Governments concerned to make efforts to abolish the Nordwick Agreement which still constituted a serious obstacle to their exports of cotton textiles to Europe. He was interested, in particular, to know whether intra-EEC trade of goods covered by the Nordwick Agreement was now free, and also whether re-exports of those goods were now freely conducted.

9. As for Article 3 countries, he said that although Australia did not impose restrictions based on the Arrangement in form, it had raised customs duties of, and maintained quantitative restrictions on items covered by the Arrangement. In his view this was a de facto nullification of the purpose of the Arrangement.

10. Referring to Article 4 agreements, he said that there were some improvements in the new agreement with the United States, including the new provisions for carry-over and shift. The operation of the agreement was, however, circumscribed by the fact that the quotas for each group are divided into many specific limits and ceilings. As a result of annual negotiations with Canada in recent years, restrictions on several items had been removed. The number of items under restriction was relatively limited as compared with other major importing countries, but the rate of increase in the quotas was very small. He therefore requested that quotas for all items be increased regularly.

11. In conclusion, he said that the implementation of the Arrangement by the United Kingdom, especially with respect to relaxation of restrictions and the rate of increase of quotas, had not been satisfactory. Many of the restricted items were those for which Japan's exports had been negligible and it was contrary to the spirit of the Arrangement for the United Kingdom to continue restrictions on such items.

12. The spokesman for the European Economic Community and its member States, commenting on the remarks made by the Japanese representative, confirmed that the Community had carried out the commitments entered into upon the extension of the Arrangement. Until such time as the Community could take a stand with respect to Japan's request for the opening of negotiations under Article 4, he expressed his willingness to furnish any information concerning the methods used in calculating the quotas allocated under Article 2.

13. The representative of Australia, commenting on the point raised by the representative of Japan on tariff and other action that Australia had taken, said that these actions were in accordance with the provisions of the General Agreement. In fact it had been pointed out in the Cotton Textiles Committee that the tariff was the recognized vehicle for protection.

14. The representative of the United Arab Republic stressed the importance his delegation attached to the principle of liberalization of international trade in cotton textiles. His country subscribed to the extension of the Arrangement on the understanding that it was a provisional instrument intended to deal with the special problem of cotton textiles and it should not, therefore, be extended to other sectors of the textile industry. In the course of the discussion leading to the extension of the Arrangement, his country had negotiated different arrangements with certain importing countries providing principally for expanded access for cotton textile imports. In this respect, a bilateral agreement had been concluded with the United States amending the existing bilateral and providing more favourable terms of access for the United Arab Republic to this market. However, this agreement had not yet been put into effect and they were awaiting its implementation as soon as possible with a view to fulfilling the contracts concluded with American importers on the basis of this new agreement. He underlined the importance his country attached to exports of cotton textiles as a means of increasing its foreign exchange earnings.

15. It was expected that importing countries would implement the Arrangement in a more liberal manner and would offer more favourable conditions for access in accordance with the extended Arrangement. However, after the extension of the Arrangement, restrictions were imposed on exports of cotton textiles from the United Arab Republic. He, therefore, expressed the hope that importing countries would resort only to the restrictive Articles of the Arrangement in cases where this was justifiable.

16. The representative of the United States in his statement, which is reproduced in full in COT/W/104, said that his Government believed that the record over the first six years of the Arrangement indicated progress in the collective effort of both importing and exporting countries to solve problems of common concern in regard to cotton textiles. It had magnified world trade opportunities and had helped to curb disruption in the markets of participating countries, thus minimizing the need for resort to restrictive unilateral action.

17. Total imports of cotton textiles into the United States during the sixth Arrangement year amounted to 1.6 billion square yards. This represented an increase of nearly 45 per cent over the Short-Term arrangement year. These levels continued to stamp the United States as the world's largest market for cotton textiles; it imported cotton textiles from more than ninety countries. Imports from the developing countries to the United States in the sixth Arrangement year, totalling 1,044 million square yards, accounted for 66 per cent of total imports, an increase of 65 per cent over the Short-Term Arrangement year, and 22 per cent over the average for the first five Long-Term Arrangement years. These quantitative increases reflected graphically the United States contribution to increasing trade from developing markets in accordance with the objectives of the Arrangement.

18. In value terms, imports from all sources in the sixth Arrangement year, at \$454 million, increased by 53 per cent over the Short-Term Arrangement year and 24 per cent above the average of the first five Long-Term Arrangement years, due mainly to a substantial increase in imports of apparel. Imports from the developing countries during the sixth year at \$236 million were 73 per cent more than in the Short-Term Arrangement year and represented an increase of 25 per cent over the five-year Long-Term Arrangement average; this was higher than the value of imports from all countries only nine years ago. Imports from Japan and the other industrialized countries increased more slowly than those from developing countries. Increased imports, combined with increasing diversity and sophistication in producing for export greater quantities of those textiles falling within categories with higher unit values such as apparel, carried with it increased foreign exchange earnings for the developing countries.

19. Referring to the bilateral agreements concluded with eighteen nations, he said that the total ceilings between the beginning of the fifth and the beginning of the seventh Arrangement years increased from 1,129 million square yards to 1,417 million square yards, an increase of 26 per cent. This increment was a reflection of the liberalization effected by the United States in connexion with the extension of the Arrangement during the Kennedy Round.

20. Reviewing trends in the domestic cotton textile industry, he said that domestic consumption of cotton textile products declined during the sixth Arrangement year. This was accompanied by and might be related to an increase in production of man-made fibre textiles and blends and a sharp increase in imports of these products. The ratio of imports of cotton textiles to domestic consumption increased during the sixth Arrangement year. Production of cotton grey goods and the number of loom hours worked declined. At the same time, weaving mill inventories increased and the resultant ratio of inventories to unfilled orders increased. Employment in the textile and apparel industry, where many producers were in areas of high and chronic unemployment, was particularly vulnerable to these shifts in activity.

21. After referring to the problems related to rising imports of wool, man-made fibre textiles and blends with cotton, most of which were competitive with cotton textiles and were generally outside the purview of the Arrangement, he pointed out certain shortcomings in the implementation of the Arrangement by the participating countries. Overshipments continued to plague the United States Government in administering levels of restraints, there had been some cases where overshipments had not been inadvertent. Misunderstandings often arose with regard to classification. Effective effort should also be made to avoid undue concentration of exports within short time periods. Problems of import spacing had in fact plagued the domestic market during the fifth and sixth Long-Term Arrangement years, even in instances where the level of trade was within the ceilings established in the arrangements. The depressing effect was not only felt by the importing country, but could also have detrimental effects on the market for products of other exporting countries.

22. Certain countries continued to employ restrictive trade practices ranging from embargoes to licensing systems which impeded international trade in cotton textiles, and the United States' efforts to increase its exports. To avoid diversion of trade it was essential that any restraint on imports of cotton textiles from either participating countries or non-participants be justified under the Arrangement.

23. In conclusion, he said that the United States Government invoked the provisions of Article 3 on exports in certain categories from seven non-participants only after analysis of its domestic market and after studies had demonstrated the need for the imposition of restraints. Failure to impose necessary restraints would threaten the equity position of participants. A total of five restraints were terminated during the fifth and sixth Arrangement years.

24. The spokesman for the European Economic Community and its member States in his statement, which is reproduced in full in document COT/W/105, outlining developments in the Community's cotton sector, said that between 1962 and 1966 internal consumption showed a moderate increase; production and exports declined and imports were more than doubled. In the second half of 1964 and the first half of 1965 the situation deteriorated seriously because of a sharp contraction in demand in several member States. Despite some recovery in the second half of the year and also in 1966, the evolution of consumption, trade and production during the sixth year of the Arrangement was strongly affected by this new falling-off in demand in 1967.

25. Consumption of cotton textiles in the Community, after a marked reduction in 1965, showed an increase in 1966. However, because of the low level of economic activity, consumption again declined in 1967. Since 1962 global imports of cotton textiles into the Community had been increasing continuously. Although imports in 1967 declined, they still remained at a high level in relation to consumption. This import decline mainly affected deliveries of woven cotton fabrics from Yugoslavia and household goods and made-up articles from Hong Kong. Exports from the Community over the same period, particularly of garments and cotton fabrics other than grey, had been adversely affected by keener competition in third markets, principally from Japan and developing countries. This trend continued in 1967, thereby bringing about a further deterioration in the balance of trade in cotton textiles. Production was affected by continuing high imports and declining exports in 1967. The recovery that had taken place in 1966 did not continue in 1967. The number of machines and persons employed had been declining considerably since 1962.

26. Reviewing trends in 1968, he said that since 1965 the Community's cotton textile industry had not yet rallied to a satisfactory rate of activity. The general trends in the Community's cotton situation since 1962 seemed likely to continue. So far as imports were concerned, however, there seemed to be a slight pause in the upward movement.

27. Referring to the implementation of the Arrangement, the spokesman for the Community said that despite the difficulties encountered by the Community's cotton textiles industry during 1967, increases in the quotas had been granted at a rate corresponding to the initial commitments entered into by the Community under Article 2 with respect to the four countries originally concerned. Furthermore, additional quotas had been opened by Germany and France to three other exporting countries.

28. In connexion with restrictions under Article 3, he said the provisions of this Article were invoked on three occasions in 1967 and 1968: the Benelux countries limited their imports of certain articles from Hong Kong. However, an agreement under Article 4 was negotiated and was being provisionally applied, pending its signature. After consultations between Italy and the

Republic of China, it was agreed that for 1968 the Republic of China would limit its exports to Italy. Following consultations between Italy and the United Arab Republic, imports had been limited to a level agreed upon between the two parties. In addition, the agreement on export restraint between Germany and Hong Kong, which was valid until 31 December 1969, continued in operation.

29. During the negotiations for the renewal of the Arrangement the Community had offered to conclude bilateral agreements with certain exporting countries, under Article 4. Following negotiations between India and subsequently Pakistan on the one hand, and the member States on the other hand, bilateral agreements were concluded with these two countries.

30. In conclusion, he said that despite the great difficulties encountered by the Community's cotton industries and the decline in consumption, the Community had applied the Arrangement in a liberal manner.

31. The representative of Mexico, referring to the bilateral agreement concluded with the United States, said that exports to this market were subject to a global quota of 75 million square yards for the twelve-month period beginning 1 May 1967. The level for the second year was slightly higher at about 78 million square yards. In succeeding years the levels were to be increased by 5 per cent over the level for the preceding year. This agreement was to continue in force through 30 April 1971. With respect to the United Kingdom, the country quota allocated to Mexico for exports to this market had increased to 4,9,000 square yards. In 1968, the Canadian Government had requested his Government to restrain Mexican imports in accordance with Article 3 to a level which was fixed in conformity with Annex B of the Arrangement. Following this request, there had been talks between representatives of both Governments with a view to reaching a satisfactory agreement on the need for the restraint requested by the Canadian Government. At the end of these talks, his Government had rejected the Canadian request as, in its view, the arguments put forward were not well founded. The decision of the Canadian Government had not yet been notified officially to his Government.

32. The representative of Colombia said that his country participated in the Arrangement and subscribed to its extension on the understanding that it was a provisional instrument to regulate trade in this very important sector. In the course of the discussion leading to the extension, his delegation said that the Arrangement ought to be changed in order to meet the concrete needs of different countries, especially those which were in the initial stages of development. His country attached great importance to the Arrangement, since the textile industry in Colombia was one of the major industries. The high productivity of this industry in Colombia made it possible for it to be one of the industrial sectors best suited for export. Moreover, the industry had a capacity to increase its exports to traditional markets. At present the main markets for their exports were Canada and the United States, the only two

countries with which Colombia had bilateral agreements. Nevertheless, these exports had encountered some difficulties in the last few years because of the quota systems. Exports to the United States, though increased, fell short of the capacity of the industry to supply this market. In so far as Canada was concerned, his country was prepared to discuss an extension and widening of the scope of the bilateral agreement which would expire at the end of 1968. He said that the quota fixed by the United Kingdom for his country reduced its exports to this market and expressed the hope that this quota would be increased. His Government was prepared when opportune, to discuss this matter with the United Kingdom.

33. The representative of India, in his statement which is reproduced in full in document COT/W/107, said that the political and social pressures and compulsions under which the Short- and Long-Term Arrangements were proposed, were recognized and accepted by India as a temporary expedient. His country however, expressed apprehension that the preambular provisions regarding increasing imports from developing countries might unhappily remain a distant vision on the horizon while the restrictive provisions of the Arrangement would be readily used. This proved true in the first half of the life of the Arrangement which had now been extended. Several countries found it difficult to give India and other developing countries important large basic quotas and to allow for reasonable annual growth in their imports from these developing countries. Recently the Arrangement had worked very much better and there had been very much more evidence of the preambular provisions being recognized tangibly and practically and being implemented.

34. Outstanding negotiations between India and several countries especially the Community countries had been satisfactorily concluded. These arrangements had been working well; when one important country recently had to apply import restrictions, these restrictions were not extended to the arrangements under Article 4. In the United Kingdom, textile production had been contracted under Government arrangements spread over several years. This had resulted in sizeable justice being done to developing countries and particularly to those which were traditional suppliers to this market. Recently there had been certain difficulties but these were the subject of mutual consultation between the two Governments. The United States had been faithfully and morally implementing the Arrangement.

35. He referred to certain difficulties which his country was still experiencing. Exports from India to certain developed countries had divided and sub-divided into a very large number of minor categories. This made it difficult to supply these markets and to fill total quotas. There were also administrative difficulties such as licensing, delays, holding up stocks etc., but these could be settled by mutual consultation with the Governments concerned.

36. Commenting on the point made by the representative of the United States that categorization helped the developing countries by diversifying their products of cotton textiles to increase the unit value of their exports, he said this could have a certain validity. However, some developing countries were also modernizing their cotton textile industries and these operations were possible only when long runs of standard products and processes were adopted. Thus diversification and categorization militated exactly against this modernization. In India, there was another and a totally different structure of the cotton textile industry in which the hand-loom and non-mechanized implements were used. In fact, it was the hand-loom industry which was the bigger provider of employment for labour and this factor was of the greatest importance to India. Therefore, categorization and diversification greatly hindered India's total exports of mill-made textiles. The result of this would be that the quotas were not fulfilled and therefore demands for these were extravagant.

37. He reiterated that his country considered it totally unjustified that there should be both quantitative restrictions and high tariffs. If quantitative restrictions were accepted by mutual agreements under the Cotton Textile Arrangement, then surely there was an overwhelming case for a very substantial reduction in the import duty applicable to imports of textile products from developing countries. Thus, while this question of preferential treatment for imports of the products of developing countries was being considered, cotton textiles should not be included in the exceptions lists, and in fact, should be included in the application of general non-discriminatory preferences for the products coming from developing countries. He therefore urged that this matter should be very urgently and favourably considered. A further reason was high prices of cotton which India, being greatly short of cotton last year, had to import. Productivity in the developing countries was low and wages related to productivity were very high. If the prices ruling in the markets of developed countries were high, it was not conceivable that the developing countries would sacrifice their foreign exchange earnings by dumping their textiles at low prices. This would show that there was no legitimate fear or need for the developed countries to apply very high tariffs to cotton textile imports from developing countries.

38. In conclusion, he referred to Article 1 of the Arrangement and said that his delegation and other exporting countries would hope very much that this kind of restrictive arrangement was not extended further to other products and other fields, and particularly to products coming from developing countries.

39. Later in the discussion the representative of India, with a view to removing certain misconceptions said that his country had not been expanding its production; this was limited in the organized cotton textile industry to 5 billion metres. The control on the limitation of this production was extremely successful due to the fact that imported cotton, as well as the indigenous cotton, were pooled, and allocated to mills. India had a very large sector of the hand-loom industry which it fostered and allowed to grow in order

that it might produce specialized fabrics and export these to the benefit of foreign exchange earnings. The rate of growth of population in India was about 2.3 per cent on a base of 520 million. As standards of living were rising, per capita consumption was and ought to be going up. Consequently there was no serious threat to the United Kingdom or to any other importer, that India would be unjustifiably and massively investing in highly capital-intensive machinery and equipment in the textile industry, this, however, was not the case in his country. His country, in order to supply the full quantity of cloth of a quality which was acceptable, had to go in for automatic looms of a certain sophistication for producing a standard quality product which was in demand in the import markets. India had been clothing the world for a mere matter of 3,000 years, and it was perhaps not an illegitimate ambition that it should at least continue to have a share in this business of clothing the world.

40. At a later stage, the representative of India in seeking clarification from the representative of Canada about exporting countries being reluctant to enter into consultation, said that if these were Article 3 negotiations, exporting countries being very much in the hands of the importing countries would never be guilty of any delay or reluctance in the matter of negotiations. But when a country had already exported a great deal and therefore delayed negotiations on a tactical basis this was a different case. He further pointed out certain difficulties encountered when the quotas were administered by the importing countries and stated that it was important that the administration of the quota should be in the hands of the exporting countries once the total volume of exports was agreed upon. The exporting countries would benefit from being able to fill the quota and would undertake the responsibility of ensuring that no more than the stipulated quota entered the importing country.

41. The representative of the United Kingdom said that in 1967 production fell by about 20 per cent to a figure which was no less than 28 per cent below the 1962-65 average. In spite of this the United Kingdom had increased the quotas by 1 per cent, which was the figure which had been agreed in this Committee in the long negotiations on the comprehensive restriction scheme. They had conceded this increase in the belief that consumption would increase by 0.75 per cent per annum, as it had done between 1955 and 1965. In fact consumption in the United Kingdom fell by 20 per cent in 1967 and had since not recovered. The share of the market taken by imports had increased very sharply as a result, reaching a figure of 53.5 per cent in the first quarter of 1968 and 58 per cent in the second quarter. A very high proportion came from the low-cost countries. In 1967, for example, no less than 32.5 per cent of domestic consumption of cotton fabrics came from these countries. The corresponding figures for the United States and the EEC were respectively 5.1 and 3.3 per cent. This meant that the United Kingdom was importing ten times more in terms of domestic consumption than the EEC countries, a difference which had resulted in very considerable pressure being put on the United Kingdom Government to reduce imports. In 1967 no less than ninety-four mills had closed down and in the circumstances they were looking

to other countries to do all that they possibly could to increase imports from the developing countries to reduce the pressure on the British Government to take further restrictive measures, otherwise it would be extremely difficult for it to continue to hold the line.

42. Commenting on the point made by a number of representatives that the United Kingdom quotas should be increased, he said that it would be quite impossible for the United Kingdom to favour one country without favouring all and that given the very high proportion of United Kingdom imports to total consumption it was quite clearly unrealistic for the British Government to make further concessions, over and above the 1 per cent growth.

43. He pointed out that the problem facing the British industry, and indeed the industries of most of the developed countries, was the expansion of different forms of fabric production, e.g. knitting, stitch-bonding etc. There was also the employment problem caused by the fact that productivity was increasing much faster than consumption, and the effect that this was having on economic development in the geographical areas in which the cotton industry had hitherto played a predominant rôle. Unemployment was certainly not a problem which could be attributed entirely to imports and that should be taken into account in considering to what extent internal restrictions on imports were justified.

44. He said that the representative of India had raised the problem of long runs and had argued that greater access should be provided by the developed countries to their markets for standardized products so that the developing countries could find an outlet for this type of cloth produced on new high-speed machinery. Commenting on this, he said that this same argument was used by the industry in the developed countries, and, speaking personally, he would doubt whether it was in fact wise for developing countries to invest in extremely expensive machinery to use with relatively cheap labour. Indeed, the whole question of investment in production of cotton textiles needed reconsideration in the light of the technological changes which had been taking place in recent years. The capital intensity of the cotton textile industry was now such that the developing countries might be better employed using their meagre investment resources to develop more labour-intensive industries.

45. In conclusion, he said that several references had been made to fibres other than cotton. One delegation described wool and man-made fibre textiles as being competitive with cotton textiles. This was true to some extent, but it should be recalled that the Arrangement was based on certain considerations which made cotton a special case: the developing countries were particularly well placed to expand production of cotton textiles because they had their own raw material, because they needed cotton to clothe their own people and because technological development in the spinning and weaving industries had remained basically the same for about

fifty years. This gave them, with their cheap labour, such a large margin of advantage in world trade that GATT had decided that the transitional measures set out in the Cotton Textiles Arrangement were justified. This should be borne in mind in the coming year.

46. The representative of the United Kingdom for Hong Kong said that he would like to make a few comments on the material in COT/W/101, especially in relation to the arrangements affecting Hong Kong. The information there set down was broadly correct but there were some arrangements which were not included in the document, mainly because they had not yet been notified to the Committee.

47. In the case of Canada there had been further talks between the Canadian and Hong Kong Governments in July of this year, the results of which had been circulated to the Committee in COT/109. The agreement concluded referred to the seventh year of the Arrangement and had therefore not been included in COT/W/101.

48. Secondly, a bilateral agreement under Article 4 had been concluded between the Federal Republic of Germany and Hong Kong at the end of 1966. A reference had been made to this by the spokesman for the EEC. The agreement concluded was for three years and it covered seven types of cotton textiles, namely grey fabrics, outerwear, overalls and slacks, shirts, nightwear (including infants nightwear), handkerchiefs and towels. The restraint level for all these items in the calendar year 1968 came to just over 68 million square yards. Another bilateral agreement under Article 4 had also been reached in the summer of this year between Hong Kong and the Benelux countries. As the EEC spokesman had said this was still on a provisional basis pending signature. It provided for the restraint by Hong Kong of a number of categories of cotton textiles over an eighteen-month period beginning in July 1968 and the total ceiling would come to somewhat over 3,000 metric tons.

49. Another Article 4 agreement, concluded in September 1968, was between Norway and Hong Kong. This covered several other items of cotton textiles in addition to the nightwear category which was already under restraint and was mentioned in COT/W/101. Finally, an arrangement had also been reached with Sweden during the summer under Article 3. The details of this had been circulated in COT/100 and they were also contained in Table I of COT/W/101.

50. The representative of Hong Kong said that he would also like to comment on two matters which had been raised earlier. The first was the tariff versus quantitative restrictions issue referred to by the representative of India. He did not agree with the thesis that, because of the existence of the Cotton Textiles Arrangement, high tariffs should be reduced, if possible on a preferential basis to developing countries. The natural method of protection for any product was the tariff and if tariffs were reduced on items which were subject to quantitative restraint, it became that much more difficult to get the quantitative restrictions removed.

51. Secondly, on the question of technological advance and capital-intensive industries, he agreed that this could have some effect in reducing the comparative advantage of developing countries in yarn and fabric production. This had been the experience of Hong Kong in recent years. But the garment making industries were more labour intensive and for this reason developing countries should retain their competitive advantage in this field. That was, of course, providing the countries concerned kept up with the fashion and related their production to market demand. Indeed, in some cases the pattern of the future could well be for cloth to be exported from the developed countries for making up into garments in developing countries and subsequent re-export to developed countries.

52. The representative of Sweden said that the value of total imports into Sweden of cotton textiles had risen from \$93 million in 1966 to about \$113 million in 1967. Imports from participating countries at \$96 million in 1967, were 85 per cent of total imports of cotton textiles. Also, the share of imports from participants in relation to estimated consumption in 1967 was 68 per cent. The increase in 1967 was mainly attributed to Group 2 countries whose exports to Sweden since 1961 had increased by as much as 190 per cent. Since the last annual review, Swedish production of cotton yarn and fabrics had continued to decline as in previous years whereas imports had continued to rise.

53. He reiterated what had been continuously stressed by his Government that countries with more open markets encountered considerable difficulties in maintaining their liberal import policy under conditions where import restrictions continued to be widespread and consequently a diversion of trade flows to the more open markets was inevitable. His Government, as a result of this diversion, was forced recently to negotiate an arrangement with Hong Kong restraining imports of certain cotton items. He, therefore, expressed the hope that participating countries would keep this problem in mind when reviewing their restrictions.

54. The representative of Canada said that he would like to make a few comments on the statistics in document COT/W/100/Add.1. Table VI of this document indicated that Group 2 countries were shown to have quite substantial proportions of the Canadian imports in 1967 running from 22 per cent in the case of fabric and as high as 57 per cent in the case of yarn. Similarly, in Table III there was an indication of the proportion which imports from participating countries had of the Canadian market for cotton goods; the estimate for 1967 was 40 per cent. A breakdown between Group 2 and other countries for 1967 was not available but they had since been able to develop some figures which indicated that, in fact, the share of Group 2 countries in Canadian imports had continued to grow. The share of these countries in the overall market for cotton textiles had equally been growing throughout the course of the Arrangement.

55. He pointed out that in some cases - and this was particularly true in the case of Canada - the number of agreements that were entered into was really more a function of the number of countries exporting to Canada rather than any change in their policy. The increase in the number of countries exporting to Canada had taken place due, among other reasons, to lack of alternative outlets for their

exports. The Canadian policy remained unchanged throughout the validity of the Arrangement; the administration of all the agreements reached was left to the exporting countries because his Government felt that this was the most flexible way of dealing with a question of this kind. However, this was only workable to the extent that countries were prepared to take action when presented with evidence of disruption of markets. There had been reluctance on the part of certain countries in reaching timely agreements on export restraint over the past year and this was a matter of concern to his Government.

56. The representative of Canada in clarification of this point as requested by the representative of India, said that in certain requests which had been made by his Government under the Arrangement, there had been unjustified delay before agreement could be reached on the sort of restraints to be applied despite what appeared to be a clear case of market disruption. As to the administration of the quota, he fully agreed with the representative of India and said that this had been the rationale for which Canada had proceeded in matters under the Arrangement.

57. The representative of Finland said that all the remaining quantitative restrictions maintained by his country in the industrial sector were abolished on 1 January 1968. Imports of cotton textiles within multilateral trade were thus entirely free from restrictions. Furthermore, in connexion with the new Tariff Act of 1 July 1968 Finland put most of the offers on cotton textiles agreed upon in the Kennedy Round into effect in one single stage. In addition to this, Finland made further reductions in the duties on cotton textiles in some cases, e.g., certain cotton fabrics, these were up to 30 per cent below the cuts made in the Kennedy Round. These latter unilateral duty reductions should be of considerable interest to the developing countries.

58. The representative of the Republic of Korea said that the annual increases in the quotas were not satisfactory to his country which was expanding the volume of exports of cotton textile products. Restraint on exports hindered this expansion. He therefore requested that existing barriers on cotton textiles should be eliminated gradually and that no new restrictive measures should be introduced by the importing countries.

59. Referring to the difficulties encountered by his country, he said that as a result of restraints on the basis of item by item, some of the quotas were not being used due to the fact that certain items could not be produced efficiently. To remedy this situation, carry-over and swings between items should be more generously allowed for to enable his country to utilize fully the allocated quotas. There were also problems of classification, over-shipments and embargo. These should be settled on the basis of closer co-operation between the governments concerned. The quotas fixed by some EEC and Nordic countries were negligible, and the administration of these quotas by the importing countries caused many difficulties to his country. He urged that these quotas should be administered by his country.

60. The representative of Australia, referring to the statistics in document COT/W/100/Add.1, said that Australia was well up on the list, if not on the top of the list of countries when the proportion of imports to consumption was to be considered. He also referred to document COT/W/101 and said that, as the document showed his Government requested consultation under Article 3 with two countries and following this, it was agreed not to pursue the matter any further. He mentioned this to raise a point of procedure as regards notification requirements. In his view, the importing countries should notify the request for consultation to the members of the Committee because it was a matter of interest to all of them. It seemed, however, that this practice had not always been followed and that importing countries notified only the agreement reached at the end of the consultation. If this was then the practice, his Government would of course not have notified these two instances and Australia would not have appeared in the document at all. He therefore sought clarification from the Chairman about the notification procedures.

61. The Chairman, in reply to the question put by the representative of Australia as regards the notification procedures, said that during the first meeting of the Committee, it was recognized that the Committee should be informed as soon as possible both of requests for restraints and all details of the arrangements resulting from these requests. It was then felt that the notification requirements might appropriately be met in two stages. First, at the time a request is made and secondly at the conclusion of the consultation. This was along the lines of paragraph 1 of Article 3.

62. The representative of the Republic of China, said that the importing countries should adhere to the equity provisions of the Arrangement and should apply a standard classification for imported goods. Trans-shipment should not be counted against the quotas allocated for exporting countries.

63. The representative of Pakistan in his statement which is reproduced in full in document COT/W/106, recalled that the understanding, from the very inception of the conclusion of the Arrangement in 1962, had been that the restrictive régime permitted by the Arrangement was of a transitional and temporary nature. He said that his country did not find itself in the happy position of one developing country which imported part of its requirement of raw cotton and was considering curtailment of the level of production of its industry in certain fields. Most of the cotton-producing developing countries were in the same position as Pakistan. His country produced raw cotton in surplus, and therefore, the growth of the cotton textiles industry and of foreign exchange earnings from the export of cotton textile made-up goods were of vital importance.

64. He pointed out that, at the moment the trade policies of the developed countries restricted the trade opportunities for Pakistan in spite of the fact that it had a heavy adverse balance of trade and payment with some of these countries. The situation, therefore, called for more rapid relaxation of these restrictions each year than hitherto with a view to their elimination as soon as possible, as set out in paragraph 1 of Article 2 of the Arrangement. Orderly increases in exports were sometimes termed as "disruption of market", on this ground restrictive decisions under Article 3 of the Arrangement were resorted to

without making any other rational efforts to correct the situation. The Arrangement should not be considered as a permanent solution otherwise it would weaken the hands of governments of the importing countries in relation to domestic pressures, even of those governments which otherwise would have followed liberal trade policies.

65. Referring to the bilateral agreements concluded with the United States and a number of countries in the European Economic Community, he said that negotiations were held in an atmosphere of goodwill, co-operation and understanding. Some increases in the quotas had been agreed to. However, the quotas fixed are small and ridden with many conditions about categorization and other difficulties including complex import licensing procedures. As a result, exports of cotton textiles from Pakistan continued to be restricted and remained small compared to the size of industry and the country's capacity to export on a competitive basis.

66. In spite of the fact that export quotas from Pakistan to the United States were to increase progressively under the bilateral arrangement, Pakistan's exports to the United States registered a decline in 1967-68 although there was an increase in exports from Pakistan to other markets. Pakistan thus presented no threat of disruption.

67. His delegation fully agreed that the policies of the United Kingdom in allowing access to cotton textiles had been more liberal compared to certain other countries. However, in the United Kingdom market the combined quota for two countries was approximately three fourths of the total import quota allowed to the developing countries. The remaining one fourth had been allocated to Pakistan along with about thirty-two other countries. He said that Pakistan was in a position to sell much more to the United Kingdom if there were a global quota in which all developing countries could compete freely on merit and expressed the hope that bilateral consultations between both countries would result in some improvement of this position.

68. Under the bilateral agreement with the Federal Republic of Germany, Pakistan was allowed a modest quota and was given to understand that if it utilized the quota in any particular year this quota would be increased. As the quota was utilized in the first eight months of the year, Pakistan requested an increase in the quota and hoped to have a favourable response for the Federal Republic of Germany. Pakistan had also some difficulty in the utilization of the quota agreed to in the bilateral agreement with France. The provision in the bilateral agreement about administering the quota on a fifty-fifty basis by the French and Pakistan authorities had been presenting some problems.

69. In conclusion, he stressed that these restrictions had seriously been hampering the opportunities available to his country to earn foreign exchange which it needed desperately for the economic development.

70. The representative of India, said that it had been made to appear in the last intervention that India was a considerable importer of cotton and that, therefore, India's problems were different from those of developing countries which produced cotton and therefore wished to export cotton textiles. This was

very far from the truth. Historical factors led to a certain division of the country in which, in 1947, raw materials such as cotton and jute were produced in one part of the sub-continent which became a new political entity, and the industry was located in the other part. In 1951, India was producing only 2.7 million bales of cotton, whilst its requirements were at least 4.2 million bales. India did as well as it could and imported cotton from the newer part and from other parts of the world and somehow kept its cotton industry going.

71. By September 1952, India was able to remove controls on cotton textiles very substantially, and adequate arrangements for obtaining sufficient cotton had been made. Now, India was producing 6.5 million bales of cotton; this increased production represented a tremendous effort. The mill industry which had been frozen at nearly 5 billion metres of production and the power-loom and hand-loom industries which were allowed to expand in order to provide more employment had been using some imported cotton along with domestically-produced cotton. This was in conformity with the general philosophy of international trade. In the situation in which India was producing about 3 million bales of cotton, it imported somewhere about 400,000 bales in 1951. Its imports remained of that order, although because of the increase in population, and the increase in output of the hand-loom and power-loom industry its requirements of cotton had become very much greater - the bulk of the requirements being met by their considerably larger current production - viz. 6.5 million bales.

72. With a population of 520 million, of whom 95 per cent lived, at best, at the level of subsistence, India had limited resources and there were severe limitations to the form, the content and the quantum of the incentives it could give to the industry for exporting cotton textiles and many other products.

73. When the limitation on cotton imports commenced in the United Kingdom in 1950, India agreed that countries which had, at that moment, a very small base of exports should be given a sizeable margin and that any quotas fixed for them should not be based on their current performance but on their potential. His Government, particularly in regard to the other half of the sub-continent, would do everything possible to see that they prospered and this was already top priority in what it attached importance to, that is the development, the prosperity of the rest of the developing world.

74. He further stressed that India was not a cotton-importing country in the sense in which it had been mentioned, i.e. its problems were different from those of other developing cotton-growing countries. India was a developing country, it grew cotton, it had made cotton textiles for 3,000 years and it should continue to do so without disrupting any markets.

75. In conclusion, the representative of India said, from several interventions he was left with the conviction that there was much good will, however, there were also difficulties and it was only by mutual understanding, co-operation and compromise that progress could be made.

76. The representative of the Federal Republic of Germany, commenting on the point raised by the representative of Pakistan that if his country utilized the quota in any particular year it would be increased, said that this was not provided for in the bilateral agreement with Pakistan. His Government could not agree to any increase in the quota without consultation with other member States. It should be noted, however, that in accordance with this agreement Pakistan should spread the quota over the whole year. He, however, was not aware of any request made by Pakistan to increase the quota. The only request which had been made was in connexion with a shift for certain categories within the quota and this was agreed to.

77. The representative of the United Kingdom, commenting on the point made by the representative of Pakistan that his country should have a larger share of the United Kingdom market, said that Pakistani exports to the United Kingdom were subsidized by between 40 and 50 per cent. Their exports could not compete over a wide area if these were not subsidized. Many of the coarse type of grey goods were no longer produced in the United Kingdom; they were supplied entirely by Pakistan and India. Indian exports were not subsidized to anything like the same extent. Nevertheless, its exports of fine cotton goods in which the United Kingdom still had a producing interest were subsidized, but not by a very large amount.

78. He also referred to the subject of foreign exchange earnings and said that the preamble to the Arrangement recognized that the developed countries should provide larger opportunities for the developing countries to increase their exchange earnings. His country found itself in a situation where it had no tariff against these major supplying countries and yet exports to the United Kingdom market were largely subsidized.

79. The representative of Pakistan, commenting on the remarks made by the representative of India, said that certain observations made in this statement had been construed in a manner which was far from what he had wanted to convey. He wanted to keep his statement within the limits of the actual problems which his country encountered during the life of the Cotton Textile Arrangement. He said that the Indian delegate had definitely raised the point of imports of cotton into his country and said that they were perhaps, to a certain extent, thinking of curtailing the level of production. What he wanted to emphasize was that he did not agree with the representative of India on the position where satisfaction had been expressed by him over the present situation or the implementation of the Arrangement. Beyond that there was nothing in his mind. The only point he made was that India had a system in force which it preferred to a kind of global system within the limited quotas allowed to developing countries by the United Kingdom. This question had been under consideration between the Governments of the United Kingdom and Pakistan for some time and progress had been achieved. It was unfortunate that there was misunderstanding of what he had meant. His endeavour was to make specific and actual contributions, pointing out certain difficulties that his country had been facing in the working of the Arrangement. His country attached great importance to the provisions of the Arrangement relating to its temporary nature. He said this on behalf of all the developing countries, not only on behalf of Pakistan.

80. Referring to the point made by the representative of the United Kingdom regarding the question of incentives, he said that in his view reference to incentives was irrelevant in this context. The case should be established whether the export was made at a dumping price or at the reasonable international price. The industry in Pakistan had some temporary handicaps. Power was very expensive for the industry; it had to import certain raw materials from other countries for finishing grey goods at a high cost. He added that the cotton textile industry for the purpose of import was also on the bonus list. The deficit in foreign exchange was more accentuated by imports at very disadvantageous prices. However, this question of incentives was discussed in different forums, i.e. the International Monetary Fund, the World Bank and the GATT and his Government had to explain what it was doing and had to justify these measures. It was a question of analyzing the various elements in the cost of production, examining and finding out whether what had been done was in order or not. For that reason an action which was not justified under the provisions of the GATT and which was of a temporary nature should not be justified just because someone was subsidizing. First, the level had to be determined and some examination of that should be made. He further said that his remarks would be considered in the context where they had been made and it was a very constructive context.

II. Measures taken or contemplated by the importing countries participants in the Arrangement to facilitate adjustments in their cotton textile industries

81. The Chairman recalled that, in their conclusions adopted on 24 November 1967, the CONTRACTING PARTIES invited the importing countries, participants in the Arrangement, to report to the Committee in advance of this meeting the steps taken by them to facilitate adjustments in their domestic industry during the period of special protection provided by the Cotton Textiles Arrangement. In compliance with these conclusions, importing countries were requested in GATT/AIR/640 to notify such steps to the secretariat for the information of the Committee. It was felt by the secretariat that the best way to report to the Committee the notifications received from the countries concerned was to reproduce them in full in documents COT/105 and Adds. 1 and 2. The Chairman invited the Committee to examine the measures of adjustments which had taken place in the textile industries of the developed countries.

82. The representative of Poland said that his country envisaged, within the framework of the national plan, adjustments in the structure of the textile industry with a view to promoting imports from developing countries. As in the case of other countries these structural changes faced many problems of a technical and social nature and, therefore, their implementation could not be effected within a short period. His country had granted technical aid to this sector of industrial activity. Since 1967 Poland had organized training programmes in the field of technological organization and administration and technical equipment. Representatives from twelve developing countries benefitted from this programme.

83. The representative of Japan said that the Arrangement was extended to allow for a further breathing space for structural adjustments in the cotton textile industry of the importing countries. In this connexion it should be mentioned that the Japanese cotton textile industry, with the co-operation of the Government, had been devoting itself to modernizing production facilities and equipment.

84. Referring to the recent reports on adjustment measures submitted to the secretariat by the importing countries, he stated that no remarkable advances had been achieved in the direction of solving problems of the cotton textile industries through adjustment measures instead of trade restriction.

85. The representative of India, said that the structural adjustments seemed to be happening very gradually. However, the information notified in COT/105 and Addenda would need careful examination, because those structural adjustments might be illusory. The contraction in production, which was apparent in some developed countries, might have been taken over by substitutes which were gravely threatening the exports of developing countries. For the first time, certain adjustment assistance measures had been notified to participating countries. Between now and the next meeting of the Committee it might be worthwhile to think whether it would not be desirable to study these adjustment measures through, perhaps a study group, or some such device, so that this analysis might be available for the next review. This suggestion would be confined not only to cotton textiles, but also to other adjustment assistance measures evolving a re-structuring of the industries of the world in order to fulfil and achieve the objectives of both the General Agreement and the Cotton Textiles Arrangement.

86. The representative of Sweden, said that developments in the domestic textile industry continued to be characterized by adjustments, mergers, fusions and close-downs. The severe competition from abroad resulting from Sweden's liberal trade policy had forced the industry to embark on such a continuous process of structural adjustments.

87. The representative of Austria said that the changes which had occurred in the pattern of world trade in cotton textiles had brought about certain structural adjustments in the Austrian cotton industry. As compared with the twelve-month period preceding the coming into force of the Short-Term Arrangement, the number of cotton spindles dropped by about 20 per cent, cotton looms by 36 per cent, and employees by about 24 per cent. Between October 1960 and September 1967 consumption of raw cotton fell by 24 per cent, production of cotton yarn by 25 per cent, whereas imports rose by 115 per cent. This decrease in capacities and in the number of employees was almost entirely due to the closing down of spinning and weaving mills. The decline in production was not limited to processed cotton, but applied also to all processed textile fibres. Since this contraction had not yet come to an end, additional cotton spinning and weaving mills would have to shut down. As the production of those mills consisted mainly of fabrics of the kind produced in developing countries, this would improve sales opportunities for identical cotton textiles from those countries.

88. The structural adjustments which had occurred in this industry were the result of measures taken by the industry itself. There were no legislative or governmental regulations specifically in respect of the Austrian cotton industry. However, some measures had been adopted by the Austrian Government to facilitate investments and structural adjustments in all Austrian industry, e.g. by allowing a faster write-off in the first year of investments. Reserves might be formed for future investments up to 20 per cent of profits made, whereas on profits subject to corporation taxes half the normal rate of assessment was applied. All these measures were effective only to the extent profits were realized. Inasmuch as most of the Austrian cotton industry had operated at the break-even point or even less for many years, the governmental regulations mentioned above had not produced the desired effect, and a large number of spindles and looms had to be scrapped. Through this reduction of capacity the Austrian cotton industry had contributed substantially to a solution of the international problem existing in the cotton textiles field.

89. The representative of Pakistan, referring to documents COT/105 and Addenda 1 and 2, said that these documents presented a useful report on the subject of adjustments in the cotton textiles industry of developed countries during the period of special protection provided by the Arrangement. The report to a certain extent made sketchy reading but it revealed that while certain countries had made a little progress no tangible action had been taken by others. His delegation therefore considered that it was necessary to make a study of this aspect of the matter to achieve one of the most important objectives of the Arrangement, namely the relaxation of the present régime of restrictions to allow increased access to imports of cotton textiles from developing countries. Appropriate action for relaxing these restrictions should be taken before the expiry of the present Arrangement.

90. The representative of the United States said that his delegation agreed to the suggestion made by the representatives of India and Pakistan that it would be useful to prepare a study on adjustment measures before the next meeting of the Committee. He did not believe it necessary, however, that a working group be set up for this purpose. He thought that the members of the Committee should transmit to the secretariat further and up-to-date information on what they had been doing in this area, thereby amplifying the sort of submissions they had made this year. This would provide an adequate basis for the secretariat to prepare a meaningful study. He hoped that the secretariat study could be circulated well in advance of the next meeting with a view to enabling careful examination in different capitals. Further comments or suggestions put forward should be taken into account by the secretariat before finalizing the study.

91. The representative of the United Kingdom, referring to the proposal made for a study group on adjustment measures, said that his country had for the past two years been studying the future of the British cotton textile industry and that this report would soon be made. One consideration was whether the exporting countries, having such a large stake in the United Kingdom market, were prepared to leave go, however efficient the industry became. He further said that if there was to be a study group, the question of fair competition should equally be looked at.

92. Later in the discussion, the representative of the United Kingdom said that if the purpose of the study was to enable the Committee to draw conclusions as to what the balance of advantage was in producing cotton textiles in developed and developing countries and what sort of measures should be taken from an international trade point of view, this was no easy task. This needed to be carefully thought about and if it was felt that it should be pursued, the Committee should examine the terms of reference. On the other hand, if it was felt that the information already circulated should be brought up to date and further completed he thought that all members of the Committee would agree to that.

93. The representative of India said that it was well known that the United Kingdom had gone about the re-planning of its cotton textile industry in a very systematic and planned way. It was also noticeable from the figures in the secretariat papers on adjustments that several other countries had reduced their production of pure cotton textiles. However, although there had been talks for a long time about the re-structuring of the textile industry with a little more shift towards, and in favour of, the developing producers of cotton and of countries which had the traditional skills and the natural endowments to be producers of cotton textiles, no systematic stock of the situation had been taken. He did not suggest that a study group should be immediately appointed. He only suggested that between now and perhaps the next meeting of the Committee further thought might be given to tabulating and putting into a report what different countries were doing in order to deal with these problems. It would be useful to know whether there was a real trend towards a re-structuring of industries, or whether this was only a diversion of the same kind of capacity from cotton to a mixture of cotton and synthetics. It was, he said, from this point of view that the situation might be examined so that the Committee could get some idea as to what it wanted to do about it and how it might proceed.

94. The representative of Canada said that the problem of adjustment of the industries in importing countries was a vital element in the review that might be carried out in accordance with the terms of reference of the Committee next year. He supported the suggestion made by the representative of India that it was important to know whether the adjustment, which on paper seemed to have taken place, was not a shifting sideways rather than a shifting out of a particular line of production. He pointed out that there had been a considerable impact both in terms of production and marketing of fabrics and products which instead of being 51 per cent cotton were 49 per cent cotton and which in use were sufficiently the same as cotton. Any study of adjustments should therefore take into account the impact of these problems.

95. The Chairman, at the conclusion of the discussion, said that the points made and the views expressed in the course of the general discussion on the administration and implementation of the Arrangement during its sixth year would be fully recorded in the Committee's report to the CONTRACTING PARTIES at their twenty-fifth session. In connexion with the discussion of the material on adjustment measures notified by the importing countries, it was felt by some delegates that this material should be further supplemented to enable more comprehensive discussion at the next review which would be an important one.

96. The Chairman therefore suggested that in preparation for the next review the secretariat should be entrusted with the task of collecting the relevant information in consultation with delegations and, if need be, with experts to help and advise the secretariat in preparing the necessary study. The study should be made available in July 1969, if possible, so that participating countries would be in a position to examine it well in advance of the next meeting of the Committee. The secretariat, as was the case in previous years, would prepare papers summarizing notifications received on actions taken under the various Articles of the Arrangement and describing developments in production of, and trade in, cotton textiles.

97. As for the time of the next meeting, the Chairman said that Article 8(d) of the Arrangement made it mandatory for the Committee to meet not later than one year before the expiry of the Arrangement in order to consider whether the Arrangement should be extended, modified or discontinued. The Committee, therefore, should meet some time before 30 September 1969 to conduct the next review and also start its deliberations with regard to the future of the Arrangement.

This was agreed.