

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARRANGEMENTS REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Record of Meeting Held at the Palais des Nations, Geneva,
on 17-21 July 1961

A. INTRODUCTION

1. The meeting, which was held in Geneva from 17-21 July 1961, was convened by the GATT Council of Representatives on 16 June 1961 (document C/M/7), following a request by the Government of the United States that a meeting of high-level officials of countries substantially interested in the importation and exportation of cotton textile products should take place in the latter part of July "with a view to reaching agreement on arrangements for the orderly development of the trade in such products, so as progressively to increase the export possibilities of less-developed countries and territories and of Japan, while at the same time avoiding disruptive conditions in import markets".

2. The following governments participated in the meeting:

Australia	Federal Republic of Germany	Pakistan
Austria	India	Portugal
Belgium	Italy	Spain
Canada	Japan	Sweden
France	Kingdom of the Netherlands	United Kingdom
		United States

The Commission of the European Economic Community also participated.
Mr. E. Wyndham White, Executive Secretary, was elected Chairman of the meeting.

3. The Chairman welcomed the participation and collaboration of representatives of the Organisation for European Economic Co-operation.

4. The following countries were represented by observers:

Brazil	Mexico
Czechoslovakia	Norway
Denmark	Switzerland
Finland	Turkey
Greece	United Arab Republic

B. GENERAL EXCHANGE OF VIEWS

5. On 17 and 18 July, general statements were made by representatives against the background of tentative proposals put forward by the United States and distributed in document Spec(61)229. Representatives welcomed the fact that the meeting was taking place under the aegis of GATT.

6. The representative of the United States, in presenting his delegation's proposals in document Spec(61)229, said that the meeting of the GATT Council on 16 June, the meeting in Washington from 21-23 June of officials of certain countries with a major interest in the importation and exportation of cotton textile products, and subsequent bilateral discussions had laid a valuable foundation for the present meeting. He stressed the need for quick action to deal with the present difficulties in trade in cotton textiles and the possibility that, in the absence of such action, importing countries, in order to prevent unduly adverse impact upon domestic industries resulting from increasing cotton textile imports, might find themselves obliged to take unilateral action. He went on to say that, because of the very special characteristics of the industry, the situation in the cotton textiles market constituted a problem which could be considered separately and which offered the possibility of special treatment. From the United States point of view there was no question of any ad hoc solution relating to cotton textiles which might be found during the present meeting establishing a precedent which could subsequently be applied to other products.

7. In commenting on the proposals put forward by his delegation, the representative of the United States explained, inter alia, that the guiding principles in Section II of the proposals were in line with the basic objectives adopted at the Washington meeting from 21-23 June; these were as follows:

"1. To meet the immediate problem through international action designed, at the same time,

- (a) to increase significantly access to markets which are at present subject to import restrictions;
- (b) to maintain orderly access to markets where restrictions are not at present maintained, and
- (c) to secure from exporting countries a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

"2. To lay down general guiding principles to be followed and to establish international machinery for keeping the situation under review and for moving through co-operative action towards the achievement of the above purposes."

These principles, in the view of the United States delegation, should guide the work of the present meeting. The end result to be aimed at was to bring about growing market opportunities for less-developed countries.

8. The representative of the United States stressed the urgency, from the United States' point of view, of finding some provisional arrangement to cover the year 1962. The very considerable increase in imports of cotton textiles into the United States in 1960, which reflected a growing trend over many years, raised both economic and political problems for the United States. There were strong domestic political pressures urging the United States Government to take unilateral action and establish import quotas. As action of this type would be contrary to the generally liberal trade policies of the United States in recent years, his Government has advanced its proposals for a multilaterally acceptable solution. What was needed was a solution to the short-term problem, covering the year 1962, which would give time to develop a long-term arrangement.

9. The representative of the United Kingdom, having referred to the presence of a representative of Hong Kong in his delegation, said that, in the view of the United Kingdom, the problem under consideration was not one which could be solved through pre-arranged formulae; such a procedure would inevitably tend towards the regulation of international trade in textiles as a whole. This did not mean, however, that action was not urgently required. There was considerable domestic pressure on importing countries to take unilateral action. The situation was well set out in paragraph C of Section I of the United States proposals. In the view of the United Kingdom, importing countries should, as a result of any arrangement agreed upon, have reasonable confidence that, if the scale of imports became excessively high, they would have the opportunity of discussing suitable measures with exporting countries. On the other hand, exporting countries must have genuine prospects for increased exports in the long-term once the immediate difficulties had been overcome. There should be no attempt to elaborate a generalized plan. The United Kingdom's broad view was that the maximum effort should be made to liberalize trade in accordance with GATT obligations and that, should problems arise, these should be dealt with through bilateral negotiation.

10. The representative of the Federal Republic of Germany, speaking on behalf of the member States of the EEC, having stressed the measures which the member States had already taken to assist the economically less-developed countries, said it was the intention of the member States and of the Commission of the EEC to make the fullest possible contribution towards the success of the meeting. The member States fully recognized the need for the industrialized countries to assist the economically less-developed countries by an orderly increase in these countries' exports. Commenting generally, however, the representative of the Federal Republic of Germany asked whether it was opportune to base the work of the meeting on a formula which could be interpreted as encouraging less-developed countries to concentrate on the textile industry sector as one of their principal sources of foreign exchange. The emphasis, in fact, should more properly be on diversification of production and harmonization of economic activity. It might be asked whether the causes of the present situation had been sufficiently studied. Present difficulties might for example be related to the industrial structure in certain countries or to the conditions on which the raw material is made available to the producers. Further, it was to be questioned whether the term "world market" could logically be applied to international trade in cotton textiles. Also to be taken into account was the fact that most industrialized countries were traditionally exporters as well as

importers of cotton textiles. The member States were ready to examine a possible solution to the short-term problem, although it was their view that a real solution could only be found in rules relating to the normalization of competition. Whatever arrangements were made should be adaptable to the normal machinery and procedures available within GATT.

11. The representative of Austria stressed the importance of the textile industry to the Austrian economy; it gave employment to 20 per cent of the total labour population in the manufacturing industries. The welfare of the Austrian economy as a whole was inseparable from that of the domestic textile industry. Having referred to developments in the industry since the war, the representative of Austria stressed the considerable effect that increasing textile imports were having on the industry; between 1952 and 1960 total imports rose by 334 per cent. In 1960 the balance of trade in textile manufactures showed a large deficit for the first time, imports having increased by 30 per cent over the 1959 level while exports had only risen by 14 per cent. In previous years there had always been a surplus. The European Economic Community was the most important exporter of textiles to Austria, followed by the European Free Trade Association. Although the percentage of Austrian imports of textiles from low-cost countries was rather small compared with imports from all sources, their value was relatively high if imports per capita of the population were taken into consideration. The representative of Austria pointed out that, with the very large increase in imports from OEEC countries, especially from member States of the European Economic Community, any additional imports of low-price textiles would be likely to damage Austria's domestic textile industry. Experience had shown moreover that these imports, whatever their volume, exerted a considerable downward pull on prices of the domestic industry and tended to have disruptive effects on that industry. The annual increase in consumption of textile manufactures was small in Austria and any additional imports of textiles exceeding the small annual increase in domestic consumption would either result in a decrease of imports from OEEC countries or in a curtailment of domestic production. Despite the difficulties, however, Austria was willing to help solve the problems involved in a spirit of co-operation and to participate in a multilateral arrangement, provided that certain conditions could be met. First, in order to achieve an equitable distribution of additional imports, the quantity of present imports of cotton textiles by each consuming country in relation to total domestic consumption should be examined. Secondly, imports of cotton textiles from low-cost countries should be offered at normal competitive prices. Austria was willing to make bilateral arrangements with low-cost countries regarding the establishment of Austrian import quotas for cotton yarn and cotton fabrics. If the low-cost countries were in a position to offer their exports at normal prices, Austria could abstain from the application of price correctives. With regard to the establishment of import quotas for apparel and made-up goods of cotton from low-cost countries Austria would only be in a position to fix quotas insofar as none of the other countries will thereby be discriminated against.

12. The representative of Sweden said he had difficulty in seeing how the problems involved could be solved through bilateral negotiations. What was needed was an international approach. If a way could be found to open up markets, the cost problem would not seem so important as it appeared in a purely static analysis. His delegation would have preferred the problems to have been

dealt with at an earlier date and, in this connexion, he referred to the Scandinavian draft plan submitted to the Committee on Market Disruption in November 1960.

13. The representative of Canada said it was Canada's experience that the bilateral approach had proved inadequate and the problems that had emerged had increasingly pointed to the need for co-operative action. Canada did not apply any restrictions to trade in textiles. Four or five years ago, however, it became apparent that the rapid inroads into the Canadian market required some defensive action, which would permit the expansion of trade without there being disruptive effects. Efforts to achieve this had been made through consultation with the exporting countries and for a few years this approach had enabled the most troublesome aspects of the problem to be dealt with. However, further difficulties were soon encountered. In one case, that of Japan, it became apparent that there was a situation where Japan was being called upon to exercise restraint while other countries were not doing so. A second factor was that the rather rigid restrictions maintained by many industrialized countries, which should have been able to carry a heavier burden, meant that the pressure on the Canadian market was intensified. The problem came to a head in the course of 1960 and 1961. Canada again proceeded by way of consultations, particularly with Hong Kong. Hong Kong, however, felt unable to respond to the Canadian requests for a variety of reasons, one of them being that, in the absence of an international arrangement, action by the Hong Kong Government alone would amount to discrimination against Hong Kong trade. It was, therefore, clear that a comprehensive arrangement should be sought.

14. The representative of Canada went on to say that it was doubtful whether it would be possible to confine the sort of approach envisaged in the United States proposals to textiles; there were other industries with the same characteristics where problems of a similar nature had arisen. As regards the principal problems before the meeting, Canada considered it essential that solutions of a restrictive character should be avoided. The outcome of the meeting would be judged by whether it could be demonstrated that low-cost producers had greater rather than less opportunities for increased trade. To achieve this and at the same time to avoid disruptive inroads into markets would require a larger degree of co-operation from certain industrialized countries than had been evident hitherto. Available data showed clearly that there was more scope for trade than had in fact taken place. Canada engaged in trade in textiles very extensively. In the past eleven years a large measure of competition from imports had been tolerated. The share of the cotton textile market held by Canadian producers had fallen from about two-thirds to less than one half of the market; the United States is a large supplier as well as the low-cost countries. There should be a clear understanding that the problem of relaxing restrictions on the access to the markets of certain other industrialized countries needed close attention.

15. In conclusion, the representative of Canada said it should be possible to devise a set of principles which countries participating in the meeting would be able to adopt and which would provide a framework within which individual countries would be able to work out solutions to the problems concerned. The broad principles which were drawn up at the Washington meeting, by the representative of the United States had referred, were endorsed by Canada.

16. The representative of Japan explained that, in order to assist the United States in dealing with its difficulties, Japan had been applying voluntary restraint on exports of cotton textile products to the United States for the past four and a half years. Furthermore, Japan was prepared to co-operate with any other countries, which were maintaining liberal import policies, in securing orderly marketing. As regards the present meeting, discussion should be confined to the question of trade in cotton textiles; any solutions found should not be made applicable to trade in other products. Commenting on the bilateral, as compared with the multilateral approach, the representative of Japan said it had been Japan's experience that, although the bilateral approach was very important, it was difficult to find solutions without there being something on a multi-lateral basis. As regards so-called voluntary restraint on exports, Japan had found that, while the exports of other countries not exercising export restraint had increased, its own share in the major markets had shown a tendency to decrease.

17. The representative of India said that India looked at this problem in the light of the need for an expansion of international trade and, in particular, in the light of the need to help the less-developed countries direct their investment and export earning endeavours into channels appropriate to their resources. It was of particular importance to the CONTRACTING PARTIES that the EEC, which constituted a very strong economic group, also subscribed to these aims. It was the Indian delegation's hope that the present meeting represented a departure from the former practice of unilateral discriminatory or non-discriminatory action by aggrieved contracting parties. Continuing, the representative of India said it was his delegation's firm view that, basically, cotton textiles were not different from other commodities entering into international trade and that they did not call for any special treatment. The principles of expanding competitive trade on which GATT was built should apply no less to cotton textiles than to any other commodity or product. His delegation did recognize, of course, that certain countries could have an immediate short-term problem of adjustment.

18. Having outlined the situation in the various sectors of the Indian textile industry, the representative of India stressed the importance of cotton textile exports in connexion with India's need for foreign exchange. He pointed out that such exports to countries like the United Kingdom and the United States consisted mainly of grey cloth, which was processed in those countries and in the processed form either used internally or re-exported. Moreover, the major part of the exports consisted of cloth from yarn counts below twenty-six. The varieties of cloth were, generally, non-competing from the point of view of the industrialized cotton textile producing countries. Commenting on costs, the representative of India said that Indian unit labour costs in the cotton textile industry were, in many cases, quite as high as those in the United Kingdom and even those in the United States. Against the background of 90 per cent consumption of cloth in the Indian market and of exports which were largely non-competing and which produced employment in the importing countries, it would not be fair to say that Indian exports created market disruption in the markets of any of the industrialized cotton textile producing countries. The representative of India referred to the use on the continent of Europe of quota restrictions to protect domestic markets from foreign competition and pointed out

that most of the countries applying such restrictions were continuing to expand their own production and exports of cotton textiles. In the context of the longer-term problem, there had to be a rational approach to the problem and the industrialized countries should make a smooth transition to levels of production and export which accorded better, in particular, with the need of the less-developed countries to earn foreign exchange through directing investment into channels appropriate to their resources and in which they would be economically efficient producers.

19. While the Indian delegation considered that, on the whole, the United States approach was a constructive one, it was essential that no agreement reached during the meeting should be able to supersede the principles of GATT. India would be willing to consider a temporary arrangement as a first step towards the rapid attainment of a situation which conformed with the general principles of GATT. In particular, India would expect to see impediments to its exports of cotton textiles removed rapidly insofar as such impediments were not permissible under GATT. In general, the Indian delegation would recommend that any arrangement reached should follow the pattern of the voluntary agreement between the United Kingdom and Indian, Pakistan and Hong Kong textile industries which, inter alia, took note of the needs of the less-developed countries and also of the inevitability of the industrialized countries adjusting their operations in the simpler manufactures.

20. In conclusion, the representative of India emphasized that, in no circumstances, could India accept the present meeting as a precedent for other such arrangements with regard to other commodities; it should be considered essentially as an ad hoc meeting.

21. The representative of Australia explained why his Government attached considerable importance to the present meeting. First, Australia had an important textile industry and virtually an open market for imports. Secondly, one of the most important tasks which GATT faced at the present time was to find ways and means of increasing trade opportunities for the less-developed countries. Thirdly, Australia regarded the deliberations that would take place in the meeting as a further, significant test of the effectiveness of GATT in solving, in the context of trade expansion, what was a pressing problem for many countries, exporters as well as importers. Having described the situation in the Australian textile industry and the position as regards Australia's imports of cotton textiles, the representative of Australia said that the existing import pattern had not emerged without pressures on domestic industry or without the need for readjustment within the industry. It did indicate, however, that Australia had provided, and continued to provide, increased opportunities for cotton textile exporters. Australia shared the views expressed by other representatives that the pressures experienced would not be so uneven if all countries, in particular highly-industrialized countries, were prepared to offer the same degree of access to their markets instead of imposing restrictions which channelled exports into the few open markets. The Australian delegation saw merit in trying to provide a multilateral framework for the solution of problems in the cotton textiles field as a supplement to bilateral solutions. There might be situations which could best be handled within such a multilateral framework.

However, based on its own experience, Australia was convinced that other situations lent themselves more appropriately to a bilateral solution. As regards the short-term problem, Australia was prepared to work towards some holding arrangement for 1962; it assumed, however, that the United States proposal was designed to supplement procedures already available in GATT rather than to replace them. Basically what was needed was an arrangement which opened up markets severely restricted or closed as a means both of enlarging market opportunities for textile exports and of avoiding undue concentration on the few existing open markets. The United States proposal was directed towards this end and Australia fully supported the United States endeavours in this regard. However, any arrangement must enable countries with open markets to deal quickly and effectively with an emergency situation. To the extent that the need for emergency action could be avoided through an orderly marketing approach by exporters, the greater would be the contribution of such an arrangement to the expansion of trade in cotton textiles.

22. The representative of Pakistan said that any arrangement decided upon should be conceived as leading to the liberalization of world trade in textiles. His delegation was concerned in case any arrangement for dealing with a temporary problem in the cotton textiles field might constitute a precedent for similar action on other commodities; it was essential that this should not happen. Pakistan had consistently pressed the industrialized countries to make adjustments in their industry so as to be able to import more simple manufactures from the less-developed countries. It was Pakistan's view that, if some temporary action had to be taken, most attention should be paid to possible solutions on a bilateral basis. Further, as Pakistan was a comparative newcomer in the field of cotton textiles, it would be inequitable to think in terms of past performance when fixing any import level.

23. The representative of Portugal drew attention to the serious concern felt by his Government with regard to certain aspects of the United States proposals, which were in its opinion contrary to the principles of trade liberalization and international division of labour, as accepted at the end of the Second World War. He stressed that, in under-developed countries with scanty resources, labour costs are sometimes the only means of compensating for the lack of modern equipment and natural resources and that the disposal of surplus stocks at artificially fixed prices and modern production techniques have no less an impact on international economic relations than wage levels. His Government was nevertheless prepared to co-operate so as to avoid the need for the United States to take unilateral action. Any solution arrived at should not, however, constitute a precedent, nor exceed the limits of what was strictly necessary to remedy any damage suffered by the industry of the United States by the importation into that country of cotton textiles which represented only about 5 per cent of its total consumption. The representative of Portugal concluded his remarks by reminding the meeting that one of the greatest problems of the present time was to accelerate the economic development of the less-developed countries and that a better solution would be found through the promotion of trade than by other means.

24. The representative of Spain said his delegation found the United States proposals acceptable as a starting point. The proposed Textiles Committee, if established, should, inter alia, study the basic structural problem of world consumption and production.

25. The representative of Hong Kong said his Government was ready to co-operate in any solution which satisfied certain conditions. First, it was essential that, before any action could be taken under any arrangement which might be drawn up by the present meeting, there should be real evidence of damage caused by imports. He pointed out that Hong Kong was not responsible for the difficulties in the United States market. In the last six or nine months Hong Kong's exports of cotton textiles to the United States had fallen rapidly. It was in fact difficult to see that the United States had a real problem in this field from the economic point of view. The second consideration was that any arrangement must be flexible and expansionary. The long-term United States proposals seemed to relate only to growth of consumption in the importing countries. Thirdly, exporting countries asked to restrain their exports must have some protection against the possibility of a deflection of trade to third countries which were not themselves exercising restraint. Another point to bear in mind was that the so-called normalization of competition could have the result of depriving certain countries of their one competitive advantage. As regards the respective merits of the multilateral concept as compared with the bilateral concept, the representative of Hong Kong expressed the view that there were certain disadvantages in multilateral arrangements alone, while the same was true of a bilateral system which was completely unregulated. Hong Kong, therefore, would support an arrangement where bilateral agreements could be entered into under some general framework of principles conforming as closely as possible to the principles of GATT.

26. At the conclusion of the general exchange of views, the representative of the United States, in the light of the statements that had been made, elaborated on the observations he had put forward in his earlier statement. He said that his contention that the textile industry was sui generis would seem to have been confirmed by many of the comments that had been made. The cotton textile industry was the one most easily adopted by countries in the initial stages of industrialization. The high level of employment in the industry, as compared with the total labour force in manufacturing industry generally, was another important factor. There was a continuing development and spread of the cotton textile industry in the economically less-developed countries. These and other factors gave the cotton textile industry a very special character which created in world markets a very special problem. If some formula were devised to deal with this special problem there was no intention that this should subsequently be applied to other products. From the statements made, the most promising approach would appear to be the bilateral approach within a multilateral framework. This formula, which was also reflected in the United States proposals, would give the maximum flexibility with the minimum regulation of trade. One of the advantages of the formula was that it would permit bilateral solutions while minimizing the risk of the pre-emption of the market by third countries.

27. Continuing, the representative of the United States said there were three elements in the United States proposals; first, a temporary arrangement which would give time to work toward a long-term arrangement while enabling the avoidance of restrictive commercial policies; secondly, the establishment of mechanism for seeking a long-term solution; and, thirdly, the relaxation of quantitative restrictions by certain of the industrialized countries. His

delegation hoped that the present meeting would concentrate on these three elements. As regards the third of these elements, it was very much to be hoped that the countries concerned would make more than a token movement forward. Commenting on the long-term problem, the United States representative said that the United States would not approach the problem with firm preconceptions. The problems involved were different in degree if not in kind from those which had existed in the past and a pragmatic approach was desirable. There was an accelerating developmental process going on in the world. So far as international markets were concerned, for example, the countries producing cotton textiles for export at present were likely progressively to shift into some more capital-intensive type of production, leaving the more labour-intensive type of production, as represented by the cotton textile industry, to countries which were less far advanced in the process of economic development.

C. CONSIDERATION OF REVISED PROPOSALS

28. Following the general exchange of views referred to in Section B above and subsequent informal discussions among delegations, the meeting examined revised proposals on 21 July. The references hereunder to paragraphs of the Arrangements Regarding International Trade in Cotton Textiles relates to the final text of the Arrangements, a copy of which is annexed.

29. During the paragraph-by-paragraph discussion of the revised proposals¹ submitted to the meeting, the following important points were made:

SHORT-TERM ARRANGEMENT

Preamble (see Annex, page 16)

30. It was agreed that the reference to "restriction" in sub-paragraph (i) referred to restrictions that were unilaterally imposed. It was also agreed that any quantitative import restrictions permitted under GATT could not be challenged under the arrangements.

31. The insertion of the words "where necessary" in the first line of sub-paragraph (iii) was suggested by the representative of India, who pointed out that there should be no question of a country being asked to apply restraint if its exports were not in fact producing or threatening to produce disruptive effects in the import market.

Paragraph A (see Annex, pages 16-17)

32. The representative of Portugal enquired about the implications of the thirty-day period referred to in this paragraph; the Chairman explained that the procedure to be followed was described in the secretariat publication Standard Practices for Import and Export Restrictions and Exchange Controls. The representative of Portugal also enquired, in connexion with this paragraph, about the case of a new product, exports of which would not have appeared in records for previous years, which meant that there would be no basis for calculating the quantity to be controlled under export restraint. It was agreed that

that this sort of problem could well be discussed by the Provisional Cotton Textile Committee.

33. As regards the second sentence of the paragraph, it was held that the words "critical circumstances" should be interpreted in the light of provisions of Article XIX of the GATT. The representative of India stressed that the principle of the non-discriminatory application of Article XIX should also be applied in such "critical circumstances". The representative of Hong Kong was unable to agree to the retention of this sentence and reserved the position of his Government. He considered that, if the intention was to confer on importing countries rights going beyond the scope of Article XIX, such a provision was excessive. Against the background of the forfeiture of rights that exporting countries were being asked to accept, such an extension of the powers of the importing countries was unjustified. The representative of the Federal Republic of Germany, speaking on behalf of the member States of the EEC, said that the member States attached importance to the retention of this sentence. The representative of Japan also reserved the position of his Government with respect to this sentence.

34. The representative of Japan further reserved the position of his Government on paragraph A with respect to the application of Appendix B¹, which listed categories of cotton textiles. The representative of Hong Kong subsequently reserved the position of his Government on the same point.

Paragraph B (see Annex page 17)

35. The representative of the United States pointed out that efforts had been made on the part of his delegation to reduce the total number of categories and, in listing various categories, to cope with the technical problem resulting from the different systems of classification adopted by various countries. The representative of Japan reserved the position of his Government with respect to the 5 per cent swing provisions. The representative of Hong Kong also reserved the position of his Government on the same point.

36. The representative of Canada pointed out that the 5 per cent swing provisions in this paragraph might cut across particular arrangements which his Government had concluded on a bilateral basis with Japan. He explained that his delegation would have to reserve its position on the swing provisions until some satisfactory understanding could be arrived at between Canada and Japan regarding the relationship of the swing provisions to the bilateral arrangements between the two countries.

37. The representative of the United States expressed the view that the scope of the categories contained in Appendix B¹ was sufficiently narrow and that the proposed maximum allowance of 5 per cent could be regarded as sufficient. He stressed that it had been agreed that nothing in the Arrangement would prevent the negotiation of mutually acceptable bilateral arrangements on other terms or existing bilateral arrangements concluded by any participating countries.

¹See Annex page 20

Paragraph E (see annex page 16)

38. It was agreed that, as in the case of sub-paragraph (i) of the preamble to the Short-Term Arrangement, "quantitative restrictions" meant quantitative restrictions unilaterally imposed.

39. In connexion with the commitment envisaged in this paragraph, the representative of the United Kingdom explained that it would be appreciated that the United Kingdom was already making a very substantial contribution towards accepting cotton textiles from the six exporting countries which had been mentioned in the statistics¹, namely Hong Kong, Japan, India, Pakistan, Spain and Portugal. Imports of cotton textiles from India, Hong Kong and Pakistan alone in 1960 were valued at about £38 million sterling. Retained imports of cotton fabrics alone into the United Kingdom from the six countries in 1960 were equivalent to some 40 per cent of the United Kingdom's own production and about 25 per cent of its total domestic market, including imports. These were very high figures which it was doubtful could be matched by any other country represented at the present meeting. Against this background there were obvious limitations to what more the United Kingdom could do in 1962. Moreover, the United Kingdom was currently engaged in negotiations with Japan on the whole range of trade subject to restrictions, and until these negotiations were concluded, it was not possible to say in advance how individual categories of goods would be affected.

40. The representative of Sweden said that Sweden was in full sympathy with the sentiments expressed by representatives of the less-developed countries. Sweden's liberal import policies had resulted in a significant contraction of the Swedish textile industry and in the number of workers employed in the industry. In these circumstances, it would not be reasonable to expect Sweden to undertake further liberalization at this stage. He hoped, however, that other countries would now liberalize their imports and accept competition even if it implied reducing capacity and employment in their textile industry.

41. The representative of Austria said that the revised United States proposal would be submitted to the competent Austrian authorities for consideration; an ultimate decision was incumbent on the Austrian Government. He pointed out that Austria was in a difficult position in view of the high level of imports already existing. In 1960 imports of cotton fabrics amounted to 40 per cent of domestic production. This fact must be taken into account, as far as the so-called significant increase mentioned in paragraph E is concerned, and there must be limitations to the volume of additional imports. Despite the difficulties facing the domestic industry in Austria, however, increased imports of cotton textiles would be admitted within the frame of the multilateral agreement. In that case his Government would be willing to import cotton fabrics from so-called low-cost countries in 1962 and would be willing to enter into bilateral negotiations with some less-developed countries with a view to increasing access to the Austrian market.

¹Document Spoc(61)226

42. The representative of India emphasized that the position in regard to facilities for imports of Indian cotton textiles into Austria was extremely unsatisfactory and indicated that, unless substantial relief was available soon, India would find itself compelled to take recourse to the remedies available under the General Agreement.

43. The representative of Japan indicated that his Government would introduce substantial liberalization measures in this field in the near future. He stressed in this connexion that it was extremely difficult for a country like Japan to accept, in addition to export restraint, the continued application of quantitative restrictions by many countries against imports from Japan.

44. The representative of Australia, having referred to his earlier statement, said that in the year 1960/61, the first full year without import restrictions, Australian imports had been exceptionally high. The proposed arrangements, which had been tailored to suit the general situation in a number of countries, obviously could not be applied in total to the special position of Australia. It might not, for example, be reasonable for Australia to be committed to expand imports of textiles in 1962. Nor was he satisfied that it would be reasonable to apply 1960/61 as the base period in dealing with a disruptive situation in Australia. It was the Australian delegation's understanding that the proposed arrangements in no way affected existing rights under GATT as, for example, the application of Article XIX and restrictions for balance-of-payments reasons under Article XII. The representative of Australia said he was not in a position to give his Government's attitude to the proposals generally. He hoped, however, that his Government might find it possible to subscribe to the arrangements, subject to any understandings on the points of particular concern to Australia to which he had already referred.

45. The representative of the Federal Republic of Germany, speaking on behalf of the member States of the EEC, having referred to the liberalization measures already taken by the member States, said that, without prejudice to negotiations between member States on the question of possible increases in quotas, he could inform the meeting that, for the year 1962, there would be an increase of some 60 per cent in import quotas covering all the member States as compared with 1961. The bulk of this increase would result from an effort which the French Government had already decided to make. The Swedish representative asked for some kind of estimate expressed in weight or value as to the 60 per cent increase. The representative of the Federal Republic of Germany, speaking on behalf of the European Economic Community, replied that the increase of about 60 per cent would result from the total increases of the import quotas which the various member States would grant for 1962.

Paragraph G (see Annex page 16)

45. The representative of Hong Kong pointed out that, in view of the rights which exporting countries like Hong Kong were being asked to waive, it was reasonable for them to expect to be given some protection, in particular in the case where, when they were exercising export restraint, a third country was thereby offered an unfair advantage to increase similar exports to the country

requesting restraint. As the proposed paragraph H which would have met this situation to some extent was not acceptable, he would have to reserve the position of his Government on the draft agreement as a whole in the light of this omission. The representative of the United States explained that the last sentence of paragraph G was intended to relate to the sort of situation the representative of Hong Kong had in mind. If any participating country exercising export restraint felt that the level of restraint was inequitable, it would be able to request joint consultations under the provisions of GATT.

Appendix B¹ (see Annex page 20)

47. At the request of the representative of Canada, four additional items were added to the list of categories, namely, bedspreads, braided elastics, woven elastics and fishing nets. The representative of the United States pointed out that the categories of products agreed upon might be made subject to technical adjustments.

48. The representative of India pointed out that handloom cotton textiles were in a category by themselves, as they were a product of manual skills only and did not compete with cotton textiles made on machines. It was agreed that nothing in this Arrangement would affect handloom cotton textiles.

Further meeting on Short-Term Arrangement

49. It was agreed that the Executive Secretary would, at the request of any participating country, convene at ten days notice a meeting of participating countries to discuss technical details relating to the implementation of the Short-Term Arrangement. Such a meeting, if requested, might take place in September.

LONG-TERM ARRANGEMENT (see Annex page 18)

50. It was agreed that there would be a meeting of the Provisional Cotton Textile Committee on 9 October.

51. In connexion with the Arrangements generally, it was agreed that there was no intention that these should create a precedent which might be applied to other products in the future.

D. ACCEPTANCE OF THE ARRANGEMENTS

52. The text of the Arrangements, including certain amendments put forward during the meeting, was agreed for submission for approval by governments. The final text of the Arrangements is attached.² Reservations entered by individual representatives, as recorded above, were noted by the meeting.

¹See paragraph 34, reservations made by the representatives of Japan and Hong Kong.

²See Annex page 16

53. It was agreed that a master copy of the final text would be held in the Executive Secretary's office and that governments participating in the meeting would be invited to initial this copy. This would only authenticate the text and would in no way commit governments to acceptance of the arrangements.

54. It was agreed that governments which decided to accept the arrangements should address a communication to this effect to the Executive Secretary.

55. It was noted that there was no obstacle to the participation in the arrangements of governments which were not contracting parties to GATT, provided that all participating governments agreed to such participation.

56. In connexion with observations made by some representatives, the Chairman pointed out that nothing in the proposed Arrangements derogated from the rights of contracting parties under GATT. On the other hand, it was clearly within the rights of individual contracting parties to make a mutually acceptable arrangement involving some restraint on the extent to which GATT obligations were applied. This, of course, in no way changed basic rights and obligations under GATT.

ANNEX

ARRANGEMENTS REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

21 July 1961

THE PARTICIPATING COUNTRIES recognize the need to take co-operative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less-developed countries by providing increasing access for their exports of manufactured products.

They take note, however, that in some countries situations have arisen which, in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles. In using the expression "disruption" the countries concerned have in mind situations of the kind described in the Decision of the CONTRACTING PARTIES of 19 November 1960 the relevant extract from which is annexed as appendix A to this Agreement.

The participating countries desire to deal with these problems in such a way as to provide growing opportunities for exports of these products provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production.

I. Short-term Arrangement

Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles through international action designed, at the same time:

- (i) to significantly increase access to markets where imports are at present subject to restriction;
- (ii) to maintain orderly access to markets where restrictions are not at present maintained; and
- (iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

Accordingly the participating countries agree to adopt the following short-term arrangement for the twelve-month period beginning 1 October 1961.

A. A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category (see Appendix B) of cotton textiles causing or threatening to cause such disruption, and failing agreement within

thirty days, the requesting country may decline to accept imports at a level higher than the specified level.¹ In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms.

It is intended by the participating countries that this procedure will be used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports.

B. A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 per cent provided that its total exports to the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories.

C. If a requesting country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening disruption, the requesting country may, under the procedure set forth in paragraph A above, request the producing country to restrain its total exports of the said item during the 12 months beginning 1 October 1961 to a prescribed level not lower than that which prevailed during the year ending 30 June 1961.

D. Participants agree to take action to prevent circumvention or frustration of this short-term arrangement by non-participants, or by trans-shipment, or by substitution of directly competitive textiles. In particular, if the purposes of this arrangement are being frustrated or are in danger of being frustrated through the substitution of directly competitive textiles, the provisions of paragraph A above shall apply to such goods, to the extent necessary to prevent such frustration.

¹In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in Section 40 A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to ensure that imports would not fall below the minimum level as defined in this paragraph.

E. Participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from 1 January 1962, significantly increase access to their markets by countries the imports from which are now restricted. A specific statement of the new access will be forthcoming.

F. This short-term arrangements shall be valid for a period of 12 months, beginning on 1 October 1961; however, the provisions of section E above shall enter into force not later than 1 January 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement shall meet as necessary to consider any problems arising out of the application of this Agreement. Such consultations could, in particular, take place in the event that a country, the exports of which are under restraint as a result of action taken under paragraph A above, considers that experience shows that the level of restraint is inequitable.

II. Long-term Arrangement

A. Participating countries agree to create a Provisional Cotton Textile Committee and to request the CONTRACTING PARTIES to confirm the establishment of the Committee at the nineteenth session.

The Committee shall:

1. undertake work looking toward a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principles set out in the Preamble to this Agreement.
2. Collect all useful data for this purpose.
3. At an early date, not later than 30 April 1962, make recommendations for such long-term solution.

B. The discussions and consultations to be undertaken by the Committee on the long-term problem shall be of the kind provided for by the Market Disruption Committee at the seventeenth session of the CONTRACTING PARTIES. The Committee shall, as appropriate, from time to time report to this Committee and to Committee III of the Expansion of Trade Programme on progress made and on its findings.

C. The Provisional Cotton Textile Committee referred to in this article shall meet on 9 October 1961 to initiate consideration of this long-term problem.

APPENDIX A

Extract from the CONTRACTING PARTIES'
Decision of 19 November 1960

"These situations [market disruption] generally contain the following elements in combination:

- (i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;
- (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- (iii) there is serious damage to domestic producers or threat thereof;
- (iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."

APPENDIX B

Cotton Textile Categories

<u>List of Categories</u>	<u>Unit</u>
1. Cotton yarn, carded, singles, not ornamented, etc.	lb.
2. Cotton yarn, plied, carded, not ornamented, etc.	"
3. Cotton yarn, singles, combed, not ornamented, etc.	"
4. Cotton yarn, plied, combed, not ornamented, etc.	"
5. Gingham, carded yarn	Sq. yds.
6. Gingham, combed yarn	" "
7. Velveteens	" "
8. Corduroy	" "
9. Sheeting, carded yarn	" "
10. Sheeting, combed yarn	" "
11. Lawns, carded yarn	" "
12. Lawns, combed yarn	" "
13. Voiles, carded yarn	" "
14. Voiles, combed yarn	" "
15. Poplin and broadcloth, carded yarn	" "
16. Poplin and broadcloth, combed yarn	" "
17. Typewriter ribbon cloth	" "
18. Print cloth type shirting, 80 x 80 type, carded yarn	" "
19. Print cloth type shirting, other than 80 x 80 type, carded yarn	" "
20. Shirting, carded yarn	" "
21. Shirting, combed yarn	" "
22. Twill and sateen, carded yarn	" "
23. Twill and sateen, combed yarn	" "
24. Yarn-dyed fabrics, except gingham, carded yarn	" "
25. Yarn-dyed fabrics, except gingham, combed yarn	" "
26. Fabrics, n.e.s., carded yarn	" "
27. Fabrics, n.c.s., combed yarn	" "
28. Pillowcases, plain, carded yarn	Numbers
29. Pillowcases, plain, combed yarn	"
30. Dish towels	"
31. Towels, other than dish towels	"
32. Handkerchiefs	Dozen
33. Table damasks and manufactures of	lb.
34. Sheets, carded yarn	Numbers
35. Sheets, combed yarn	"
36. Bedspreads	"
37. Braided and woven elastics	lb.
38. Fishing nets	"

<u>List of Categories</u> (cont'd)	<u>Unit</u>
39. Gloves and mittens	Doz.
40. Hose and half hose	Doz. prs.
41. Men's and boys' all white T. shirts, knit or crocheted	Doz.
42. Other T. shirts	Doz.
43. Knitshirts, other than T. shirts and sweatshirts (including infants)	Doz.
44. Sweaters and cardigans	Doz.
45. Men's and boys' shirts, dress, not knit or crocheted	Doz.
46. Men's and boys' shirts, sport, not knit or crocheted	Doz.
47. Men's and boys' shirts, work, not knit or crocheted	Doz.
48. Raincoats, 3/4 length or over	Doz.
49. All other coats	Doz.
50. Men's and boys' trousers, slacks and shorts (outer), not knit or crocheted	Doz.
51. Women's, misses' and children's trousers, slacks and shorts (outer), not knit or crocheted	Doz.
52. Blouses, and blouses combined with skirts, trousers, or shorts	Doz.
53. Women's, misses', children's and infants' dresses (including nurses' and other uniform dresses), not knit or crocheted	Doz.
54. Playsuits, sunsuits, washsuits, creepers, rompers, etc. (except blouse and shorts; blouse and trouser; or blouse, shorts and skirt sets)	Doz.
55. Dressing gowns, including bathrobes and beachrobes, lounging gowns, dusters and housecoats, not knit or crocheted	Doz.
56. Men's and boys' undershirts, (not T. shirts)	Doz.
57. Men's and boys' briefs and undershorts	Doz.
58. Drawers, shorts and briefs (except men's and boys' briefs), knit or crocheted	Doz.
59. All other underwear, not knit or crocheted	Doz.
60. Nightwear and pyjamas	Doz.
61. Brassieres and other body supporting garments	Doz.
62. Other knitted or crocheted clothing	Units or lbs.
63. Other clothing, not knit or crocheted	Units or lbs.
64. All other cotton textile items	Units or lbs.

To whatever extent this List of Categories may present questions in the light of established listing practices of any participating country, such questions shall be resolved by consultation between the countries concerned or by the process of joint consultation referred to in Paragraph G of the short-term Arrangement.