

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1596

24 October 1961

Limited Distribution

PROVISIONAL COTTON TEXTILE COMMITTEE

Japanese Proposals regarding Long-term Arrangement

The following is the text of the general outline of a draft long-term arrangement proposed by the Japanese Government to which the representative of Japan referred at the meeting of the Provisional Committee on 23 October.

GENERAL OUTLINE OF DRAFT LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

1. Basic principles

(1) Participating countries should open their cotton textile markets and ultimately liberalize cotton textile imports with a view to expanding world trade in cotton textiles.

(2) A disruptive situation which threatens to arise because of the characteristics of international trade in cotton textiles should be dealt with, on the one hand, by the modernization or reconversion of inefficient domestic enterprises and, on the other hand, by measures for the orderly export of cotton textiles.

(3) The solution relating to cotton textiles should not be regarded as establishing a precedent which could subsequently be applied to other products.

2. Formula for solution

(1) Participating countries at present maintaining quantitative restrictions on cotton textile imports:

- (i) should eliminate as early as possible all such restrictions on cotton textile imports from other participating countries. In exceptional circumstances, where they are unable to eliminate these restrictions at an early date, they may maintain such restrictions until 30 September 1967, provided that quantitative restrictions on imports for re-export purposes are immediately removed;

- (ii) should progressively relax such restrictions. The relaxation should be effected in a fair and equitable manner;
- (iii) should substantially increase import quotas for participating countries every year. In the event that a basic quota is nil or negligible at the time of the coming into effect of the proposed arrangement, a quota of an equitable and appropriate size should be established;

(2) Participating countries which are not at present imposing quantitative restrictions on imports of cotton textiles:

- (i) may, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of their markets, request any participating country concerned, after producing in writing evidence of the existence of such a situation, to enter into consultation, and may ask that country to restrain its exports of the categories of cotton textiles in question at a specified level not lower than $100 + X$ per cent of the level prevailing in the preceding year;
- (ii) may, failing agreement within sixty days after the consultation has begun, decline to accept imports of such categories of cotton textiles at a level higher than the specified level referred to above;
- (iii) may, in critical circumstances where delay would cause irreparable damage, provisionally restrict the imports of such categories of cotton textiles causing or threatening to cause disruption of their markets, but such restrictions may not be maintained for a period longer than sixty days;
- (iv) should maintain the highest possible level of imports during the period of which the voluntary restraint or the restrictive action is in effect;
- (v) should not permit a third country to take undue advantage of the voluntary restraint or the restrictive measures;
- (vi) should accord due compensation to such participating countries that are unduly affected by the restrictive measures. (If the participating country fails to accord such compensation, any participating country unduly affected by such measures may take countermeasures envisaged by the proposed arrangement.);
- (vii) should allow 10 per cent swing in a case where voluntary restraint or a restrictive action is in effect.

3. Participating countries should take appropriate action within the scope of their national laws and regulations to prevent the proposed arrangement being made ineffective by trans-shipment.
4. The proposed arrangement should not preclude the negotiation of mutually acceptable bilateral arrangements on other terms provided that they are not inconsistent with the basic objectives of the proposed arrangement.
5. A cotton textile committee should be created under the proposed arrangement. The committee should give advice or recommendations on any matter referred to it.
6. The key-country system should be introduced in respect to the provisions regarding the entry into force of the proposed arrangement.
7. The proposed arrangement should continue in effect for three years. Provision should be made for the participating countries to meet early in the third year of the proposed arrangement to discuss what further arrangements may be desirable.