

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1875

24 October 1962

Limited Distribution

COTTON TEXTILES COMMITTEE

Report on Meeting of the Committee Held at the Palais des Nations on 26 September 1962

1. The following subjects were discussed by the Committee at its meeting on 26 September 1962:

- (i) Acceptances of the Long-Term Arrangement
- (ii) Percentage figures for inclusion in Annex A
- (iii) Problems connected with transition from the Short to the Long-Term Arrangement
- (iv) Accession of Mexico

I. Acceptances of the Long-Term Arrangement

2. The Committee was informed by several representatives of the situation as regards acceptance of the Long-Term Arrangement by their governments.¹

3. During the discussion on acceptances the representative of Japan expressed the hope of his Government that the United States would not interpret the Long-Term Arrangement in a restrictive manner. His Government also hoped that if difficulties arose under the Arrangement these could be referred promptly to the Cotton Textiles Committee.

4. Commenting on the question of reservations the representative of Pakistan said that, in the view of his delegation, a distinction should be made between the general criteria laid down by the Cotton Textiles Committee with regard to reservations, and the actual form or content of these reservations because, in certain cases, such reservations might not be entirely consistent with the spirit and letter of the Long-Term Arrangement. He indicated that while his observations related mainly to the reservation made by the United Kingdom they would also be relevant in the context of other reservations. While the Government of Pakistan fully appreciated the United Kingdom's position, it felt that the unqualified form of the United Kingdom reservation was not consistent with the spirit of the Long-Term Arrangement. The reservation did not take into account, firstly, one of the important and basic objectives of the Arrangement, which was to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources and raw materials and secondly, the provisions

¹Information about acceptances has been distributed to contracting parties in documents L/1811 and Addenda.

of paragraph 4 of Article 2 of the Arrangement, which required that the participating countries should administer their remaining restrictions on imports of cotton textiles in an equitable manner and with due regard to the special needs and situation of the less-developed countries. The provisions of Article 1 of the Long-Term Arrangement were also very relevant. Pakistan was one of those countries which was a recent producer of cotton textiles and whose industry was in the process of development and which at the same time had a highly adverse balance of trade with the United Kingdom, and it should not be covered by the reservation. The exports from a country such as Pakistan were small, and a small annual increase in their exports would not be the cause of any disruption in the United Kingdom market. Such countries could not and should not be covered by the United Kingdom's reservation. The case of such countries should be further governed by the criterion laid down in paragraph 5 of Article 2, that where a quota was negligible, the quota for succeeding years would be established at a reasonable level. In conclusion, the representative of Pakistan said that the kind of reservation submitted by the United Kingdom was not acceptable to his Government, and his delegation felt that, where similar situations existed in cases of requests made for reservations, the observations he had made should be taken into account by the Cotton Textiles Committee. Further, some kind of review should be made on a year-to-year basis in order to take account of any possible changes in the situations which had given rise to these requests for reservations. He might shortly be addressing a communication to the Executive Secretary on the subject of the United Kingdom reservation.

5. The Chairman observed that the United Kingdom's reservation was limited in scope. It only related to exemption from the obligation to increase access to the United Kingdom market under the provisions of paragraphs 1 and 3 of Article 2 and paragraphs 2 and 3 of Annex B of the Arrangement; other provisions of the Arrangement, including some of those referred to by the representative of Pakistan, would be applicable to the United Kingdom. Further, the reservation would not exclude the possibility of any difficulties arising under the Arrangement between the United Kingdom and another party to the Arrangement being brought before the Cotton Textiles Committee, which could make appropriate recommendations.

6. The representative of the United Kingdom recalled that, as is stated in paragraph 31 of the Record of Understanding, it was agreed by the Committee at its meeting from 29 January to 9 February 1962 that the United Kingdom's case fully met the criteria set out in paragraph 32 of the Record of Understandings. His Government had therefore taken it that the reservation of the United Kingdom would be acceptable to all governments.

II. Percentage figures to be included in Annex A

7. The Chairman invited the countries concerned to indicate the percentage figures which should be included in Annex A for their countries.

8. The representative of Austria said that, within the framework of the Short-Term Arrangement, the Austrian Government had been contacted by a number of participating exporting countries. In the agreements reached, import quotas aggregating 265 tons had been determined for those categories which were of interest to the exporting countries concerned. As regards import quotas within the framework of the Long-Term Arrangement, an agreement with Japan had been concluded and the Cotton Textiles Committee had been informed of the details at

its last meeting. Negotiations with India were in progress. Austria was also prepared to enter into bilateral negotiations with a view to establishing import quotas under the Long-Term Arrangement in favour of the remaining exporting countries in so far as their imports of cotton textiles into Austria were subject to bilateral quotas. The Austrian Government was willing to establish a quota of about 400 tons for total imports of cotton textiles subject to quotas during the first year of the Long-Term Arrangement. That figure would be progressively increased during the following years of the Long-Term Arrangement to an aggregate amount of about 700 tons; this figure might possibly be exceeded to a limited extent in the course of the negotiations with the exporting countries concerned in order to determine reasonable bilateral quotas. The measures envisaged would represent an annual overall increase of approximately 19 per cent over the basic figure provided for in the first year of the Long-Term Arrangement with certain limited fluctuations which might become necessary as the result of bilateral negotiations.¹

9. The representative of Denmark indicated that the figure to be included in Annex A for Denmark was 15 per cent. He pointed out that among the countries which were members of the Committee, only imports into Denmark from Japan were affected. If countries not at present members of the Committee acceded to the Long-Term Arrangement, and Denmark was imposing restrictions on imports from those countries, the figure of 15 per cent would likewise apply to them.

10. The representative of Sweden said that the figure of 15 per cent should also be included in Annex A for Sweden.

11. The representative of Norway said that his Government could not provide a figure for Annex A until current negotiations with Japan were concluded.²

12. The spokesman for the European Economic Community said that the Annex A figure for the Community was 88 per cent. Calculated on the basis of quotas opened in 1962 this gave the total of 12,000 tons already announced by the Community at earlier meetings.

13. Commenting on the percentage figure provided by the EEC, the representative of Japan expressed the hope of his Government that this percentage figure was a minimum figure and that it would be exceeded in the course of bilateral negotiations with exporting countries. He said that there was one particular aspect of quota increases which was most important

¹Subsequently, so as to meet the requirements of paragraph 3 of Article 2 by relating the percentage increase over the five-year period to a quota figure for 1962, the representative of Austria provided a figure of 95 per cent to be included in Annex A for Austria.

²In its notification of 1 October accepting the Long-Term Arrangement, the Government of Norway stated that the figure to be included in Annex A for Norway should be 15 per cent.

in the case of the EEC. In terms of tonnage the quota increases to be given by the EEC over the period of the Arrangement would amount to about 6,000 tons; this figure could have quite a different meaning in terms of value depending on the way individual member countries of the EEC implemented the quota increases. His delegation hoped that the EEC countries, in negotiating quota increases for different groups of cotton textiles with individual exporting countries, would take into consideration the different trade patterns and potentials of different exporting countries, so that total quota increases did not turn out to be far less than 85 per cent in terms of value. It was also to be hoped that the member countries of the EEC, in considering new accessions to the Arrangement, would bear in mind the expectations of the original parties to the Arrangement.

14. The representative of Sweden asked for further clarification on the question of the trans-shipment, within the Community, of cotton textiles imported into the Community. In reply to specific questions asked by the representative of Sweden, the spokesman for the European Economic Community confirmed that the figure given for the Community was a global one and that it had been arrived at by adding together individual figures for each of the member States. It was not possible to provide details of the breakdown. However, the fact that there were individual figures for each member State had no significance with respect to the movement, within the Community, of cotton textiles imported into the Community; this movement by virtue of Article 10 of the Rome Treaty, was governed by the rule of "libre pratique". The representative of Sweden expressed the view that the approach explained by the spokesman for the EEC must eventually have repercussions on the price structure with implications for the exporting as well as other importing countries.

III. Problems connected with the transition from the Short to the Long-Term Arrangement

15. The Committee had some discussion on the problems arising from the expiry of the Short-Term Arrangement on 30 September 1962. A country might have invoked the provisions of the Short-Term Arrangement in a situation of market disruption and that situation might continue to exist after 30 September 1962. The question therefore arose as to whether such a country was required to discontinue measures taken under the Short-Term Arrangement and initiate the procedures of the Long-Term Arrangement. Following the discussion it was agreed that, if problems did arise, the countries concerned would consult together and, if there were difficulties, the matter could be brought before the Cotton Textiles Committee.

IV. Accession of Mexico

16. The representative of Mexico informed the Committee of his Government's desire to accede to the Long-Term Arrangement and expressed the hope that the Committee would consider Mexico's application at its first meeting after the entry into force of the Long-Term Arrangement.

17. The Committee decided that, as in the case of applications for accession from certain other countries, it would consider the application of Mexico at its first meeting after the entry into force of the Arrangement.