

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/22  
6 December 1963

Special Distribution

## COTTON TEXTILES COMMITTEE

### Draft Conclusions

#### Review of the Operation of the Arrangement

The Committee took full account of the discussion which had taken place in the Committee, during the course of which a number of points were raised which made it clear that many participating countries and, in particular, less-developed countries had very serious misgivings about the manner in which the Long-Term Arrangement was being implemented in a number of cases. The Committee has tried to formulate conclusions on these points with the aim of facilitating the administration of the Arrangement in a manner satisfactory to the exporting as well as the importing countries, having regard to the objectives set out in the Preamble to the Arrangement and, in particular, to the desire of promoting an expansion in the export earnings of less-developed countries.

#### Market disruption

##### Consultations

- i. It was agreed that, as an extension of the co-operation between parties to the Arrangement, it would be desirable if there were regular periodic exchanges of view on a bilateral basis between individual importing and individual exporting countries about developments in their trade in cotton textiles, it being understood that, if at the time of any such exchange of view, the importing country felt that a situation might be developing in its market which could lead to the formulation of a request for restraint, it would raise this matter and offer every opportunity to the exporting country for a full discussion of all aspects of the matter. These consultations would be clearly distinct from the consultations referred to in Articles 2 and 3.

Domestic production

ii. It was agreed that the question of the relation between the volume of imports and the volume of domestic production of cotton textiles in the importing country was clearly relevant to establishing whether or not there was a situation of market disruption and that this is implicit in the definition of market disruption as it appears in Annex C of the Arrangement. Accordingly, in any consultation bearing upon the question of market disruption, it would be important for the maximum data on domestic production to be made available by the importing country.

iii. The Committee noted the very serious concern felt by exporting countries that, in cases where restraints were already in operation, importing countries might not have taken all the relevant elements into account before making their requests for restraint on the grounds that a situation of market disruption existed. The importing countries concerned were requested to review all such cases, taking into account in particular the element referred to in (ii) above and if they came to the conclusion that, in fact, they had not adequately taken account of this element they would consult with the exporting country or countries concerned. For their part, the exporting countries would also look at those cases which affect them. If they had reason to doubt the justification for any particular case they could discuss the matter bilaterally with the importing country concerned and, if necessary, have recourse to the Cotton Textiles Committee in terms of Article 7 of the Arrangement, and ultimately to the CONTRACTING PARTIES under the procedures of Article XXIII of the GATT.

Prices

iv. The Committee recognized that the question of price was a key element in establishing whether or not market disruption exists. The price criterion contained in the definition of market disruption in Annex C of the Arrangement is intended to cover the situation where, because their prices are quite clearly out of line with the normal prices prevailing on the market, particular imports are causing, or threatening to cause, market disruption in the importing country. The price differential must, however, in terms of the definition in Annex C, be substantial.

Every attempt to give more precision to the word "substantial" should be made in the course of the periodic exchanges of view between importing and exporting countries when the discussion is likely to be focussed on particular products and particular markets. Further, the Committee agreed that when the price factor was being considered in connexion with market disruption, quality differential is a factor which must also be taken into account.

#### Quotas

∩ In view of the difficulties which arise for certain less-developed exporting countries because of the small size of the quotas granted to them by some participating countries operating under Article 2, ∩ and because of the sub-division of such quotas into smaller categories and the unwillingness of these participating countries to permit interchanges between these sub-categories ∩ the Committee requested the participating countries concerned thoroughly to examine this question as a matter of urgency in bilateral discussions with the exporting countries concerned with the aim of maximizing the market opportunities of these countries. ∩

The importing countries which maintain restrictions on imports from less-developed countries under Article 2 of the Arrangement gave assurances that they would continue the efforts they were already making with a view to helping those countries to achieve their quotas and organize their trade flows.

#### Base Period

As regards ∩ the base period to be taken in determining whether a sharp and substantial increase in imports has taken place and ∩ the fixing of restraint levels as provided for in Annex B it was felt that the past performance of imports from the particular exporting country concerned over a period of years and other relevant factors should be taken into account.

### Categories

The Committee invited member governments, in the light of the experience that they themselves had had so far, and of any representation they might have received from other governments party to the Arrangement, to re-examine the question of categories. This question would be included on the Committee's agenda for discussion at an appropriate future date.

### Certification

It was agreed that, once the procedure of certification for imports of hand-loom fabrics of the cottage industry was in operation, the importing countries should accept certificates without requiring further verification.

### Procedures under Article 3

(i) The Committee recognized the importance of avoiding delays both in replying to requests to consult under paragraph 1 of Article 3 and in holding such consultations.

(ii) In connexion with the statement that, in some cases, exports had not been held at the proposed restraint level during the sixty-day period following the request to consult, it was the Committee's view that moderation on the part of exporting countries and a sympathetic attitude by the importing countries would do much to alleviate the problems that arise.

The Committee also took special note of two particular points raised by the representative of Pakistan. It had been the experience of the Pakistan Government that the provisions of Annex B, 1(a) had operated to the detriment of exporters when requests were received on the last day of a calendar month. It was agreed that this was the sort of problem which might appropriately be raised in the periodic consultations envisaged by the Committee.

The representative of Pakistan also suggested that, in cases where exporting countries had not agreed to restrain exports under Article 3, importing countries should operate their restrictions on imports of the items

in question in such a way as to minimize the adverse effects on exporting countries, bearing in mind their obligations under paragraph 5 of Article 3. He also suggested that it might be appropriate to issue import licences. Importing countries said that they would look into this matter bearing in mind the obligations mentioned by the representative of Pakistan, but pointed out that the proposal of the representative of Pakistan in fact represented a more restrictive system than was currently being applied.

#### Trans-shipment

The Committee, recognizing that the provisions of the Long-Term Arrangement could be circumvented by trans-shipment or re-routing, underlined the importance of Article 6(a).

### Studies

It was agreed that estimates of future trends in consumption, production, productive capacity, etc. should be collected in order to follow structural changes and adjustments and to discuss prospects for a further expansion of international trade in these products. The Committee authorized the secretariat to seek such information as necessary from the countries which are members of the Committee or from any other source.

### Notifying procedures

There was general agreement that notifications so far received under both Articles 2 and 4 raise no procedural problems. It was apparent from the documents before the Committee that there have been differences of procedure and approach as regards notifications under Article 3. It was recognized that the Committee should be informed as soon as possible both about requests for restraint and all details of the arrangements resulting from these requests. The view was held by some members that in certain cases it would be preferable not to notify the Committee of the level of restraint initially requested by the importing country. The Committee pointed out that it should in all cases be informed by a factual statement of the reasons and justification for restraints under Article 3.

### Statistics

The need for comparable and up-to-date statistical data on cotton textiles was generally recognized. In this connexion it was pointed out that while some statistics were already collected and published by other international agencies, certain important data could not be found in these sources. It was furthermore noted that up-to-date information could only be obtained directly from the participating countries. The Committee endorsed the suggestions made in document COT/W/14 and urged all participating countries to endeavour to submit the necessary statistics.