

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1813
16 July 1962

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COTTON TEXTILES COMMITTEE

Text of Long-Term Arrangement Drawn up by the Cotton Textiles Committee,
and Record of Understandings Reached by the Committee,
during its Meeting from 29 January - 9 February 1962

A. INTRODUCTION

1. The Committee met from 29 January - 9 February 1962 under the chairmanship of Mr. E. Wyndham White, Executive Secretary. The Committee's terms of reference are set out in document L/1703.

2. The following members of the Committee participated in the meeting:

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

The Commission of the European Economic Community also participated.

3. The following governments were represented by observers:

Brazil	Poland
Czechoslovakia	Switzerland
Finland	Turkey
Greece	United Arab Republic
Mexico	Yugoslavia

The Organisation for Economic Co-operation and Development was also represented.

4. The Committee had before it the report of the Technical Sub-Committee (L/1707) and of the Statistical Sub-Committee (L/1717) which were set up by the Committee at its last meeting (L/1659). Mr. J. Royer, Chairman of both Sub-Committees, presented the reports.

5. During its meeting, the Committee drew up a long-term arrangement for approval by governments. The text of the Arrangement is attached.

B. UNDERSTANDINGS REACHED BY THE COMMITTEE

6. It was agreed that certain understandings reached by the Committee in connexion with the long-term arrangement should be recorded. These follow hereunder:

Article 2

7. By "import restrictions", both in this Article and in the Arrangement generally, is meant those prohibitions or restrictions other than duties, taxes, or other charges, imposed upon the importation of cotton textiles, whether made effective through quotas, import licences, or other measures. This language parallels that of Article XI:1 of GATT.

Paragraph 4

8. This paragraph states that the participating countries concerned shall administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner and with due regard to the special needs and situation of the less-developed countries. The same considerations should apply when importing countries relax their remaining import restrictions. In this connexion the considerations relating to the less-developed countries set out in the Preamble should also be borne in mind.

Article 3

9. Resort to the provisions of this Article should be strictly limited to the cases where market disruption as defined by the CONTRACTING PARTIES exists or is threatened.

Article 6

Sub-paragraph (a)

10. The provisions of this paragraph are not intended to hamper normal improvement trade in cotton textiles such as the trade referred to in Article 2, paragraph 6.

Sub-paragraph (b)

11. The invocation of the safeguard measures under Article 3 in respect of the cotton textile products concerned is a prerequisite to the application of such measures to the products containing the substituted fibres.

12. The reference to "as provided for in Article 3" includes the procedure provided under paragraph 3 of Article 3. This means that if, following the consultation, an importing country extends the restraint to include the deliberately substituted product which is circumventing the restraint, the quantity of the substitute product which has been imported since the day the request for consultation under sub-paragraph (b) of Article 6 is received will be counted against the specified level for the corresponding cotton textile product for the twelve-month period concerned.¹

Article 8

Sub-paragraph (c)

13. The major review to be held during the third year of the long-term arrangement will be sufficiently broad to enable consideration to be given to the results achieved in the relaxation of import restrictions and the operation of the escape clause.

Article 9

14. Imports of hand-loom fabrics of the cottage industry referred to in this Article will be subject to a procedure of certification.

Article 12

15. The Committee noted the statement of the spokesman for the EEC that the Community's acceptance of the Arrangement will be dependent on the number of other countries which accept the Arrangement and the obligations thereunder.

Annex A

16. The spokesman for the European Economic Community informed the Committee that the percentage to be included in Annex A for the Community as a whole would be calculated on the basis of a figure of 12,000 tons for total imports, during the last year of the Arrangement, of cotton textiles subject to quotas. It goes without saying that, in accordance with paragraph 3 of Article 2 of the Arrangement, due account will be taken of any liberalization measures which might have been introduced in the meantime. That would represent an annual increase of approximately 20 per cent over the minimum basic figure provided for 1962 under the short-term arrangement, which was 6,000 tons.

¹By communications dated 20 June and 19 March 1962, this interpretation has been challenged by Japan and the United Kingdom. Consequently, this question will be put on the agenda for the next meeting of the Cotton Textiles Committee.

17. The spokesman for the European Economic Community stressed that the figure of 12,000 tons for imports of cotton textiles subject to quotas was the maximum figure which the Community could agree to write into an international arrangement of this type on cotton textiles, although the member States, while being unable to give any commitment in that regard, considered that that figure was likely to be exceeded in the course of bilateral negotiations; in that connexion, the member States reiterated their intention of making every effort to increase trading opportunities for countries in the process of economic development.

18. The spokesman for the European Economic Community also recalled that a large proportion of cotton textile imports into the Community occurred in the liberalized sector and that it was reasonable to assume, based on the experience of recent years, that imports would normally increase in that sector by between 9,000 and 10,000 tons over the estimated 1962 figure of 16,000 tons. The target figure of 25,000 to 26,000 tons for the sector already liberalized, which seemed reasonable, could not, of course, be considered otherwise than as a forecast and could not jeopardize any application of the escape clauses provided in the Arrangement.

19. The Committee took note of the statement by the spokesman for the European Economic Community and, in particular, of the fact that while the figure of 12,000 tons was the maximum which the Community was able to write into the Arrangement, it was likely that in practice that figure would be exceeded.

20. In connexion with the fact that, in Annex A, the percentage figure was for the European Economic Community as a whole, the Committee noted the assurance given by the spokesman for the Community that where exports of cotton textiles from participating countries to the markets of certain member States were not subject to quantitative restrictions they would continue to enjoy such unrestricted access, as provided in the Arrangement.

21. The representative for Austria informed the Committee that his Government would, in due course, communicate to the Cotton Textiles Committee, for inclusion in this Annex, the percentage increases in its imports of cotton textiles which would be determined through bilateral negotiations.

Annex B

22. The references to bilateral agreements in this Annex do not mean any agreement on restraint arising out of the invocation of paragraph A of the Short-term Arrangement.

23. Where such comparisons are implied in this Annex, these should be a comparison between one level of actual imports and another level of actual imports and a comparison between one level of actual exports and another level of actual exports.

24. The representative of the United States pointed out that the formula in this Annex might create difficulties for his Government as regards a limited number of items coming from a limited number of exporting countries where imports are substantial in relation to domestic consumption. The United States had in mind a procedure which, it felt, would be acceptable to the exporting countries concerned and which would solve these difficulties should the need arise during the period of the long-term arrangement. The United States Government would be communicating shortly on this question with the governments concerned. Should it not prove possible to find a mutually satisfactory procedure, the implementation of the long-term arrangement would present serious problems for the United States.

25. Pending a final decision on the question of the Protocol relating to Canada, the representative of Canada reserved the position of his Government on paragraphs 2 and 3 of this Annex.

Annex C

26. In connexion with sub-paragraph (ii) of this Annex, prices should be compared, in cases of genuine market disruption, not in relation to the price for the domestic product only, but also in relation to the prices at which other exporting countries also sell their goods in the importing country.

27. In connexion with sub-paragraph (iii) the "damage" referred to must be damage caused directly by market disruption and not by any change of consumer taste, technological advance, or similar factors.

28. References to a "threat" of market disruption in the Arrangement mean an actual threat and not a potential threat.

Protocols

29. This question was discussed in the light of statements made by certain representatives on the subject of exemption for their countries from the provisions of paragraphs 1 and 3 of Article 2 and paragraphs 2 and 3 of Annex B. Such statements were made by the representatives of Canada, Denmark, Norway, Sweden and the United Kingdom.

30. The Committee agreed that any country exempted in this way would be covered by an individual Protocol, which would be attached to the Arrangement, and that this question should not be covered by a special article in the Arrangement.

31. Although it was agreed that the United Kingdom's case fully met the criteria referred to below, the Committee came to no final conclusion as regards any particular country and finally decided to accept the procedure described hereunder.

32. The Committee agreed that any country which considered that it fulfilled the following criteria, namely:

- (i) that, in the decade preceding the entry into force of the Arrangement, it had experienced a substantial contraction in its cotton textile industry; and
- (ii) that it was importing a substantial volume of cotton textiles, particularly from the less-developed countries and territories and Japan, in relation to its own production of cotton textiles,

might attach a reservation to its acceptance of the Arrangement in order to provide, in effect, an escape clause from the provisions of paragraphs 1 and 3 of Article 2 and of paragraphs 2 and 3 of Annex B.

33. A country wishing to make such a reservation should submit its request to that effect to the Executive Secretary of GATT, not later than 1 September 1962; in the request should be set out the country's case for exemption from the provisions of paragraphs 1 and 3 of Article 2 and of paragraphs 2 and 3 of Annex B. The reservation would immediately be circulated to all contracting parties to GATT and to other governments represented by observers at the present meeting of the Committee. If by 1 October, the date on which the Arrangement is to enter into operation, none of the contracting parties at present members of the Cotton Textiles Committee which at that time had accepted the Arrangement without themselves having entered reservations, had raised an objection, the reservation would be deemed to be valid. Reservations thus accepted would be attached in the form of Protocols to the Arrangement.

34. In connexion with the question of reservations the Committee recognized that if Australia, whose situation was different from that of the countries referred to above, wished to participate in the long-term arrangement but could only do so if the other participating countries were prepared to accept certain conditions for such participation, it would be able to follow the normal reservation procedure.

35. Any country which accepts the long-term arrangement with a reservation will be able to take part in any meeting called pursuant to Article 12.

ANNEX

Text of Long-Term Arrangement drawn up by
the Cotton Textiles Committee at its Meeting
from 29 January - 9 February 1962

RECOGNIZING the need to take co-operative and constructive action with a view to the development of world trade,

RECOGNIZING further that such action should be designed to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture,

NOTING, 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,

DESIRING 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 in both importing and exporting countries,

DETERMINED, in carrying out these objectives, to have regard to the Declaration on Promotion of the Trade of Less-developed Countries adopted by Ministers at their meeting during the nineteenth session of the CONTRACTING PARTIES in November 1961,

The PARTICIPATING COUNTRIES have agreed as follows:

Article 1

In order to assist in the solution of the problems referred to in the Preamble to this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international co-operation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles. They recognize, however, that the measures referred to above do not affect their rights and obligations under the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT). They also recognize that, since these measures are intended to deal with the special problems of cotton textiles, they are not to be considered as lending themselves to application in other fields.

Article 2

1. Those participating countries still maintaining restrictions inconsistent with the provisions of the GATT on imports of cotton textiles from other participating countries agree to relax those restrictions progressively each year with a view to their elimination as soon as possible.
2. Without prejudice to the provisions of paragraphs 2 and 3 of Article 3, no participating country shall introduce new import restrictions, or intensify existing import restrictions, on cotton textiles, in so far as this would be inconsistent with its obligations under the GATT.
3. The participating countries at present applying import restrictions to cotton textiles imported from other participating countries undertake to expand access to their markets for such cotton textiles so as to reach, by the end of the period of validity of the present Arrangement, for the products remaining subject to restrictions at that date, taken as a whole, a level corresponding to the quotas opened in 1962, for such products, as increased by the percentage mentioned in Annex A.

Where bilateral arrangements exist, annual increases shall be determined within the framework of bilateral negotiations. It would, however, be desirable that each annual increase should correspond as closely as possible to one fifth of the overall increase.

4. The participating countries concerned shall administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner and with due regard to the special needs and situation of the less-developed countries.
5. Notwithstanding the provisions of paragraph 3 above, if, during the licensing period preceding the entry into force of this Arrangement, a specific basic quota is nil or negligible, the quota for the succeeding

licensing period will be established at a reasonable level by the participating importing country concerned in consultation with the participating exporting country or countries concerned. Such consultation would normally take place within the framework of the bilateral negotiations referred to in paragraph 3 above.

6. Participating countries shall, as far as possible, eliminate import restrictions on the importation, under a system of temporary importation for re-export after processing, of cotton textiles originating in other participating countries.

7. The participating countries shall notify the Cotton Textiles Committee as early as possible, and in any case not less than one month before the beginning of the licensing period, of the details of any quota or import restriction referred to in this Article.

Article 3

1. If imports from a participating country or countries into another participating country of certain cotton textile products not subject to import restrictions should cause or threaten to cause disruption in the market of the importing country, that country may request the participating country or countries whose exports of such products are, in the judgement of the importing country, causing or threatening to cause market disruption to consult with a view to removing or avoiding such disruption. In its request the importing country will, at its discretion, indicate the specific level at which it considers that exports of such products should be restrained, a level which shall not be lower than the one indicated in Annex B. The request shall be accompanied by a detailed, factual statement of the reasons and justification for the request; the requesting country shall communicate the same information to the Cotton Textiles Committee at the same time.

2. In critical circumstances, where an undue concentration of imports during the period specified in paragraph 3 below would cause damage difficult to repair, the requesting participating country may, until the end of the period, take the necessary temporary measures to limit the imports referred to in paragraph 1 above from the country or countries concerned.

3. If, within a period of sixty days after the request has been received by the participating exporting country or countries, there has been no agreement either on the request for export restraint or on any alternative solution, the requesting participating country may decline to accept imports for retention from the participating country or countries referred to in paragraph 1 above of the cotton textile products causing or threatening to cause market disruption, at a level higher than that specified in Annex B, in respect of the period starting on the day when the request was received by the participating exporting country.

4. In order to avoid administrative difficulties in enforcing a given level of restraint on cotton textiles subject to measures taken under this Article, the participating countries agree that there should be a reasonable degree of flexibility in the administration of these measures. Where restraint is exercised for more than one product the participating countries agree that the agreed level for any one product may be exceeded by 5 per cent provided that the total exports subject to restraint do not exceed the aggregate level for all products so restrained on the basis of a common unit of measurement to be determined by the participating countries concerned.

5. If participating countries have recourse to the measures envisaged in this Article, they shall, in introducing such measures, seek to avoid damage to the production and marketing of the exporting country and shall co-operate with a view to agreeing on suitable procedures, particularly as regards goods which have been, or which are about to be, shipped.

6. A participating country having recourse to the provisions of this Article shall keep under review the measures taken under this Article with a view to their relaxation and elimination as soon as possible. It will report from time to time, and in any case once a year, to the Cotton Textiles Committee on the progress made in the relaxation or elimination of such measures. Any participating country maintaining measures under this Article shall afford adequate opportunity for consultation to any participating country or countries affected by such measures.

7. Participating importing countries may report the groups or categories to be used for statistical purposes to the Cotton Textiles Committee. The participating countries agree that measures envisaged in this Article should only be resorted to sparingly, and should be limited to the precise products or precise groups or categories of products causing or threatening to cause market disruption, taking full account of the agreed objectives set out in the Preamble to this Arrangement. Participating countries shall seek to preserve a proper measure of equity where market disruption is caused or threatened by imports from more than one participating country and when resort to the measures envisaged in this Article is unavoidable.

Article 4

Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement. The participating countries shall keep the Cotton Textiles Committee fully informed of such arrangements, or the parts thereof, which have a bearing on the operation of this Arrangement.

Article 5

The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement.

Article 6

The participating countries agree to avoid circumvention of this Arrangement by trans-shipment or re-routing, substitution of directly competitive textiles and action by non-participants. In particular, they agree on the following measures:

(a) Trans-shipment

The participating importing and exporting countries agree to collaborate with a view to preventing circumvention of this Arrangement by trans-shipment or re-routing and to take appropriate administrative action to avoid such circumvention. In cases where a participating country has reason to believe that imports shipped to it from another participating country and purporting to have originated in that country did not originate there, it may request that country to consult with it with a view to assisting in the determination of the real origin of the goods.

(b) Substitution of directly competitive textiles

It is not the intention of the participating countries to broaden the scope of this Arrangement beyond cotton textiles but, when there exists a situation or threat of market disruption in an importing country in terms of Article 3, to prevent the circumvention of this Arrangement by the deliberate substitution for cotton of directly competitive fibres. Accordingly, if the importing participating country concerned has reason to believe that imports of products in which this substitution has taken place have increased abnormally, that is that this substitution has taken place solely in order to circumvent the provisions of this Arrangement, that country may request the exporting country concerned to investigate the matter and to consult with it with a view to reaching agreement upon measures designed to prevent such circumvention. Such request shall be accompanied by a detailed, factual statement of the reasons and justification for the request. Failing agreement in the consultation within sixty days of such request, the importing participating country may decline to accept imports of the products concerned as provided for in Article 3 and, at the same time, any of the participating countries concerned may refer the matter to the Cotton Textiles Committee which shall make such recommendations to the parties concerned as may be appropriate.

(c) Non-participants

The participating countries agree that, if it proves necessary to resort to the measures envisaged in Article 3 above, the participating importing country or countries concerned shall take steps to ensure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of any country not participating in this Arrangement which are causing, or threatening to cause, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting

countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement. If such trade is frustrating the operation of this Arrangement, the participating countries shall consider taking such action as may be consistent with their law to prevent such frustration.

Article 7

1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the objectives of this Arrangement.
2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.
3. If the participating country so requested fails to take appropriate remedial action within a reasonable length of time, the requesting participating country may refer the matter to the Cotton Textiles Committee which shall promptly discuss such matter and make such comments to the participating countries as it considers appropriate. Such comments would be taken into account should the matter subsequently be brought before the CONTRACTING PARTIES under the procedures of Article XXIII of the GATT.

Article 8

The Cotton Textiles Committee, as established by the CONTRACTING PARTIES at their nineteenth session, shall be composed of representatives of the countries party to this Arrangement and shall fulfil the responsibilities provided for it in this Arrangement.

- (a) The Committee shall meet from time to time to discharge its functions. It will undertake studies on trade in cotton textiles as the participating countries may decide. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.
- (b) Any case of divergence of view between the participating countries as to the interpretation or application of this Arrangement may be referred to the Committee for discussion.
- (c) The Committee shall review the operation of this Arrangement once a year and report to the CONTRACTING PARTIES. The review during the third year shall be a major review of this Arrangement in the light of its operation in the preceding years.
- (d) The Committee shall meet not later than one year before the expiry of this Arrangement, in order to consider whether the Arrangement should be extended, modified or discontinued.

Article 9

For purposes of this Arrangement the expression "cotton textiles" includes yarns, piece-goods, made-up articles, garments, and other textile manufactured products, in which cotton represents more than 50 per cent (by weight) of the fibre content, with the exception of hand-loom fabrics of the cottage industry.

Article 10

For the purposes of this Arrangement, the term "disruption" refers to situations of the kind described in the Decision of the CONTRACTING PARTIES of 19 November 1960; the relevant extract from which is reproduced in Annex C.

Article 11

1. This Arrangement is open for acceptance, by signature or otherwise, to governments parties to the GATT or having provisionally acceded to that Agreement, provided that if any such government maintains restrictions on the import of cotton textiles from other participating countries, that government shall, prior to its accepting this Arrangement, agree with the Cotton Textiles Committee on the percentage by which it will undertake to increase the quotas other than those maintained under Article XII or Article XVIII of the GATT.

2. Any government which is not party to the GATT or has not acceded provisionally to the GATT may accede to this Arrangement on terms to be agreed between that government and the participating countries. These terms would include a provision that any government which is not a party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensify existing import restrictions, on cotton textiles, insofar as such action would, if that government had been a party to the GATT, be inconsistent with its obligations thereunder.

Article 12

1. This Arrangement shall enter into force on 1 October 1962 subject to the provisions of paragraph 2 below.

2. The countries which have accepted this Arrangement shall, upon request of one or more of them, meet within one week prior to 1 October 1962 and, at that meeting, if a majority of these countries so decide, the provisions of paragraph 1 above may be modified.

Article 13

Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Executive Secretary of GATT.

Article 14

This Arrangement shall remain in force for five years.

Article 15

The Annexes to this Arrangement constitute an integral part of this Arrangement.

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ANNEX A

(The percentages in this Annex will be communicated in due course)

ANNEX B

1. (a) The level below which imports or exports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level of actual imports or exports of such products during the twelve-month period terminating three months preceding the month in which the request for consultation is made.

(b) Where a bilateral agreement on the yearly level of restraint exists between participating countries concerned covering the twelve-month period referred to in paragraph (a), the level below which imports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level provided for in the bilateral agreement in lieu of the level of actual imports or exports during the twelve-month period referred to in paragraph (a).

Where the twelve-month period referred to in paragraph (a) overlaps in part with the period covered by the bilateral agreement, the level shall be:

- (i) the level provided for in the bilateral agreement, or the level of actual imports or exports, whichever is higher, for the months where the period covered by the bilateral agreement and the twelve-month period referred to in paragraph (a) overlap; and
- (ii) the level of actual imports or exports for the months where no overlap occurs.

2. Should the restraint measures remain in force for another twelve-month period, the level for that period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 per cent. In exceptional cases, where it is extremely difficult to apply the level referred to above, a percentage between 5 and 0 may be applied in the light of market conditions in the importing country and other relevant factors after consultation with the exporting country concerned.

3. Should the restraining measures remain in force for further periods, the level for each subsequent twelve-month period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 per cent.

ANNEX C

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."

ANNEX D

For the purposes of applying Article 9, the following list of the groups or sub-groups of the SITC is suggested. This list is illustrative and should not be considered as being exhaustive.

	<u>SITC Rev.</u>	<u>BTN</u>
I Cotton yarns and fabrics	651.3	55.05
	.4	.06
	652	.07
		.08
		.09
		58.04A
II Cotton made-up articles and special fabrics	ex 653.7	ex 46.02
	ex 654	ex 58.01-03
	ex 655	ex 58.05-10
	ex 656	ex 59.01-17
	ex 657	ex 60.01
		ex 62.01-05
		ex 65.01-02
III Cotton clothing	ex 841	ex 60.02-06
		ex 61.01-11
		ex 65.03-07

ANNEX E

Interpretative Notes

1. Ad Article 3, paragraph 3

In 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.

2. Ad. Article 9

Notwithstanding the provisions of Article 9 any country which is applying a criterion based on value will be free to continue to use that criterion for the purposes of Article 9.

