

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/65

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## COTTON TEXTILES COMMITTEE

### Major Review of the Long-Term Arrangement

#### Extract from the Summary of the Discussion<sup>1</sup>

The Chairman in summing up the discussion in connexion with the major review of the operation of the Long-Term Arrangement referred to has opening statement and said he was gratified to note that in the course of the discussion some of the ideas which he had put forward had been endorsed by a number of members of the Committee. He wished to set out some salient points which could be derived from the discussion and which, in his opinion, seemed to merit consideration by governments and the CONTRACTING PARTIES. He expressed, however, some doubt as to the possibility of obtaining a broad measure of agreement on brief and pointed conclusions. The following could, therefore, be regarded as a statement from the Chair; those specific points made in the course of the discussion which had been directed to particular delegations and which, in a number of cases had elicited a reconsideration as well as further discussion would not be included in his summary.

(i) The review made clear that, notwithstanding existing restrictions there has been an increase in imports of cotton textiles into the industrialized countries during the operation of the Long-Term Arrangement. The rate of growth, however, was for various reasons lower in the period 1961-64 than it had been during the 1950's. In this connexion it should not be necessary to remind the Committee that it was indeed the rapid growth in imports prior to 1961 which created the situation where a special measure such as the Long-Term Arrangement was deemed necessary by some countries. It is extremely difficult, if not impossible, to assess with any precision to what extent developments in trade are

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<sup>1</sup>This extract is circulated to the members of the Committee for their information and will be included in the final version of the full summary of the discussion which will constitute the report of the Cotton Textiles Committee to the CONTRACTING PARTIES. A draft of the remainder of the summary will be sent to heads of delegations in due course for comments.

due to the existence of the Long-Term Arrangement but it would not be daring to suggest that there is at any rate no reason to believe that the export possibilities for the less-developed countries would have been any better without the Arrangement since everyone concerned is aware that when it was negotiated the alternative seemed to be a proliferation of unilateral restrictions.

(ii) There is still an uneven distribution of exports from the developing countries in different import markets and considerable differences in the actual volume of cotton textiles which various industrialized countries import from developing countries.

(iii) There is serious concern that widespread restrictions continue to be applied on trade in cotton textiles, particularly as this is a commodity group which the less-developed countries can or could export. This concern is naturally heightened by the knowledge of the desperate need of the developing countries to increase rapidly their export earnings in order to finance their urgent requirements for the development of their economies.

(iv) As brought out in the discussion there may be some risk that the breathing space which the Long-Term Arrangement was intended to give to the industrialized countries in order to adapt their industries to the new trading conditions may, in the long run, change the comparative advantage which several less-developed countries have had in certain lines of cotton textile production. It could also reasonably be concluded that, as the efficiency of the industry in the developed countries increases, it would be logical to look forward to a more liberal access to these markets.

(v) There is some danger that the mere existence of imports from less-developed countries be taken in itself as prima facie evidence of market disruption. This danger requires that governments should use the safeguard provisions of the Arrangement only under the special circumstances set out and described in the Arrangement itself.

(vi) As was pointed out in the discussion, restraint in one market leads normally to a diversion of trade flows to other more open markets and accordingly countries with relatively open markets would have difficulty in maintaining their liberal policies in conditions where restraints continue to be widespread.

(vii) Consumption of cotton goods in the less-developed countries is likely to grow substantially through the coming years due to population increase and rising standards of living. Taking full account of balance-of-payment considerations it would be useful to explore the possibility of a gradual liberalization of trade in cotton textiles in these countries.

(viii) There was a broad measure of agreement that the suggestion made by the Chairman that the current trade negotiations (Kennedy Round) could and should be used to try to arrive at a modus vivendi in trade in cotton textiles. Accordingly, there was a general endorsement of the idea that governments should engage actively in these negotiations in order to achieve the highest possible degree of liberalization. As was pointed out in the discussion, however, this was without prejudice to the rights of participants under paragraph (d) of Article 8 of the Arrangement.