MAJOR REVIEW OF THE LONG-TERM ARRANGEMENT

Draft Conclusions

The foregoing record of the discussion reflects the opinions and concerns expressed by the various participating countries in connexion with the developments in trade in cotton textiles and the operation of the Long-Term Arrangement during the first three years of its existence. It is very difficult to try to draw up conclusions in a debate of this kind and in this Committee because in the nature of the case very different interests are represented. However, in the light of the opinions which have been expressed, an attempt has been made to set out some salient points which seem to merit consideration by governments and contracting parties.

The review made clear that notwithstanding existing restrictions, there has been an increase in imports of cotton textiles into the industrialized countries and probably at a higher rate of growth than would have been the case if instead of the Long-Term Arrangement governments had chosen the other solution which in 1961 appeared to be the likely alternative, namely that of unilateral trade restrictions.

The conclusions will, if adopted, be preceded by a full summary of the discussion which took place in the Committee.
However, the increase in imports from the less-developed countries has, in most cases, only kept pace with the increase in consumption and the great differences among the importing countries as to ratio of import volume to consumption, which existed when the Long-Term Arrangement was negotiated are still in evidence. It was also a matter of serious concern that restrictions are widespread on a commodity group which the less-developed countries can efficiently produce, taking into account the desperate need for these countries to rapidly increase their export earnings in order to finance the development of their economies.

As was brought out in the discussion, it looks like the breathing space which the Long-Term Arrangement intended to give to the industrialized countries in order to adapt themselves to the new trading conditions may, in the long run, permanently change the competitive position which several less-developed countries have had in certain lines of cotton textiles production. As the efficiency of the industry in the developed countries increases it will be logical to look forward to a more liberal access to these markets.

There is some danger that the existence of imports from the less-developed countries be taken *prima facie* as evidence of market disruption and this real danger requires that governments should use the safeguard provisions of the Arrangement only under the special circumstances described in the Arrangement itself. As was pointed out in the discussion, restrictions in one market lead normally to a diversion of trade flows to other more open markets, and, accordingly, countries with relatively open markets will not be able to maintain their liberal policies in conditions where restrictions continue to be widespread.
Consumption of cotton goods in the less-developed countries is likely to grow substantially during the coming years due to an increase in population and a rising standard of living. Under such circumstances some consideration could usefully be given to a gradual liberalization of trade in cotton textiles among the less-developed countries as being beneficial to the textile industry in these countries.

The Committee endorsed the suggestion made by the Chairman that the current trade negotiations (Kennedy Round), could and should be used to arrive at a modus vivendi in trade in cotton textiles and commended to governments to engage actively in these negotiations in order to achieve the highest possible degree of liberalization.