1. Based on comment presented by delegations in previous working party sessions and similar views expressed in bilateral discussions, we conclude that:

(a) textile trade problems, from the point of view of both developing and developed countries are essentially socio-economic issues with related political overtones;

(b) a healthy growth of textile exports from developing countries is an important element in the continued economic and social development of these countries;

(c) the developed countries have not reached a position where unlimited access to their textile markets is a practical possibility and, therefore, there is no basis to assume that discontinuance of regulation of international textile trade is a valid alternative at this time;

(d) there is a general belief that some régime consistent with GATT principles must be established if world textile trade is to avoid the chaos which would result from unilateral actions by the major participants in this trade.

2. The United States Delegation perceives textile trade "problems" as falling into two general categories. For the developing countries, the "problems" relate directly to the adequacy of the levels of access and the terms of access to textile markets in developed countries. For the developed countries, the problems stem from a concern over the damage inherent in rapid, uncontrolled growth of disruptive textile imports. Such imports invariably outpace the ability of domestic industries and labour to adjust.
3. While there are differing views as to the efficiency of the Long-Term Arrangement as an instrument in trade regulation, we are of the opinion that the Long-Term Arrangement, by providing for the orderly expansion of world cotton textile trade, has been beneficial for both exporting and importing countries. A major defect in the Long-Term Arrangement, however, was its failure to foresee technological change in industry and resultant changes in consumer preference in textiles. Since the cotton textile and man-made fibre textile industries are, by-and-large, the same industry, the assurances to which textile importing countries were entitled under the Long-Term Arrangement have been seriously impaired by the pronounced switch into man-made fibre textiles which are, of course, not covered by the Long-Term Arrangement.

4. We would note that the Long-Term Arrangement has provided:

(a) a balanced set of principles which have served as the basis for government policies and actions in international cotton textile trade;

(b) a fair minimum growth factor applicable to limits arrived at under any of the provisions of the Arrangement;

(c) limitations on the use of unilateral restraint actions (Article 3) which, at the same time, recognizes the right of a sovereign country to take appropriate action in cases involving disruption;

(d) a reasonable statement of the elements of actual or threatened market disruption;

(e) equity provisions which protect the rights of participating countries vis-à-vis treatment extended non-participants, and;

(f) most important of all, a provision which permits all participants to negotiate bilateral understandings on any mutually acceptable terms not inconsistent with the basic objectives of the Arrangement.

We believe, on balance, that the Long-Term Arrangement features just mentioned all have merit and should be included in any solution which this Working Party may consider. We would further note that the negotiation of bilateral agreements under the Long-Term Arrangement, at least as far as the United States market is concerned, has had the effect of facilitating entry to that market of textiles from a large number of developing countries.
5. Taking account of the problems raised by both exporting and importing countries in these discussions, reviewing our collective experience over a number of years in the field of cotton textiles, and noting the shift in fibre composition of world textile trade, the United States has concluded that for its part, it would prefer a simple amendment of the Long-Term-Arrangement to cover textiles of the three major fibres, and that such new arrangement should be put into effect beginning 1 October for a reasonable period of time.

6. Reflecting on the experience with the Long-Term-Arrangement and the various criticisms of the Arrangement which we have heard over the years, we must note that by far the major criticisms have been directed at the administration of the provisions of the Arrangement rather than at the provisions of the Arrangement itself. We also know that many of the criticisms have been satisfied in the course of negotiation of bilateral agreements which, of course, is the most satisfactory procedure to satisfy legitimate concerns between importing and exporting countries. No multilateral agreement, in and of itself, can regulate in detail the trading relationships between individual nations; such an agreement can only provide a framework within which regulation can be confined to specifically limited objectives.

7. We recognize, however, that in the course of discussion of problems in this working party, exporting countries have indeed, expressed valid points of concern, particularly with regard to the expansion of restraints on textile trade. We also believe that there are few, if any, points of concern which are not amenable to satisfactory solution through multilateral and bilateral negotiation.

8. Among the problems which, in our view, have to be resolved on a multilateral basis are as follows:

(a) The term of any solution. The United States has noted that many members of the working party have, in discussing the Long-Term-Arrangement, pointed out the seeming "permanence" of a temporary measure. The point itself is valid although not enough weight is given to the difficulties and politico-economic realities involved in the efforts of developed countries to adjust or rationalize domestic industries. The recent experience of one major importing country which made a large-scale effort at rationalization of its industry is most illuminating in this regard. The United States Delegation has no preconceived notion as to the length of time a "solution" should be allowed to live.

(b) The problem of new starters. For some time the United States has been aware of complaints that new starters in the cotton textile trade felt discrimination in limitation at low levels of their access to developed country markets. The problem of new starters is a difficult one having
roots in the equity provisions of the Long-Term Arrangement as well as in subsidiary provisions in bilateral agreements. We should note again that it is rarely the level of imports from a given country that disrupts or threatens disruption of a market - it is the totality of imports of the item which disrupts or threatens disruption. We would further note that disruption or threatened disruption was present as the motivation behind negotiation of bilateral agreement limits in the first place. Additional imports of such items - generally possible only because the first suppliers had agreed to restrain exports of the items - negate the purpose of the negotiated bilaterals and, at the same time, run afoul the equity provisions of the Long-Term Arrangement. Clearly, this problem, particularly with respect to the developing countries, is one which has to be faced by working party in its search for multilateral solutions. The United States, for its part, recognizes the problem and is prepared to discuss reasonable solutions.

9. We believe that the time has come to make a substantial effort to liberalize the conditions of trade for developing countries in textile products of the cottage industries.

10. We note that a number of problems raised by exporting countries in the working party sessions appear to us as more susceptible to bilateral solutions through bilateral negotiation. We would identify this category of problems as follows:

(a) interfibre flexibility

(b) categorization of products

(c) coverage of products subject to possible restraint

(d) amendment of existing bilateral agreements to achieve consistency with the "solution" to be followed.

The United States stands prepared to discuss and to negotiate these issues with its textile trading partners.