

## Book Review

*International Trade in Cotton Textiles and the Developing Countries: Problems and Prospects.* Report by the UNCTAD Secretariat. New York: United Nations. 1974.

Foreign exchange is one of the major constraints to the growth of the developing economies. However, demand for primary commodities—main exports of the developing economies—is inelastic. Moreover, the developed countries have put restrictions on imports, from developing countries, of manufactured products in which the latter have comparative advantage, e.g., cotton textiles. The Report under review studies the problems of exports from the developing countries in considerable details.

The Report opens with a five-page 'SUMMARY' which is followed by a brief Introduction. Chapter I of the Report is devoted to Policy Conclusions while Chapter II examines International Trade in Cotton and Other Textiles. Production, consumption and trade trends in cotton textiles are discussed at great length in the third chapter wherein it is emphasised that cotton textiles face a severe competition from the synthetics to which the cotton textiles have already lost some ground. Compared with that of the synthetics, the consumption growth of the cotton textiles has been very sluggish, i.e., only 0.7 percent.

Exports of cotton textiles over the period 1967-70 have recorded a growth rate of 10 percent per annum against that of 39.6 percent for synthetic fabrics. Since the production of synthetic fabrics implies imports of synthetic yarn from the developed countries, the shift from the cotton textiles to the synthetics means loss of foreign exchange to the developing countries. The situation is aggravated by the restrictive import policies of the developed countries.

The developing countries have a comparative advantage over the developed countries due to abundant labour supply. In the countries which also grow cotton, the comparative advantage is even more pronounced. In the face of low-cost textiles of the developing economies, the developed countries put not only tariffs on cotton textiles imports from the developing countries but also global and country-specific quota limits. The Report suggests that the double protection is unfair since it involves resource transfer from the developing countries to the developed economies. The study suggests that either the tariff be removed or the tariff revenue be refunded to the exporting countries.

It is shown that the GSP will have negligible effect on trade liberalization of cotton textiles since the proposed tariff reductions are very nominal and quota limits are retained. Moreover, in the GSP's of most of the countries, cotton textiles are excluded.

The Long Term Arrangement (LTA) on cotton textiles is discussed in Chapter VII which brings the Report to an end. The LTA was signed in 1960 and has been renewed every three years since then. The purpose of the LTA is to safeguard the interests of both the exporters and importers of cotton textiles. The agreement was supposed to be an arrangement for a transitional period in which the developed countries which feared disruption in cotton textiles industry if imports of cotton textiles were allowed liberally could adjust their industrial structure according to their factor endowments. However, the LTA has been an instrument of protective regime since nothing so far has been done towards liberalisation of trade even after 13 years since the signing of the agreement.

The above-mentioned are broadly the issues discussed in the Report under review. However, a reader feels a little disturbed at the sweeping statement that imposition of tariff implies a resource transfer from the developing to the developed countries. The developed countries protect their cotton textiles industries because the import price is lower than the domestic price. Then there is very high probability of tax incidence on the consumers rather than on the exporters. Moreover, the suggestion that out of the two protective measures, viz., tariffs and quotas, tariff should be removed, also seems to have stemmed from the presumption that the incidence of tariffs is on the exporters. As is well known, tariffs are always preferable to quotas as a protective measure. As such, it would seem more advisable to recommend an abolition of quotas.

The study is well-conceived and contains very useful data on production, consumption and trade of cotton and man-made fibre textiles which can be extremely useful for empirical studies. The Report deserves serious consideration of not only those who are directly engaged in the international trade of cotton textiles but also economists, planners and trade policy formulating agencies. The Report merits a place on the shelves of scholars and libraries of serious research organizations.

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