I would recall that in a communication received from the British Government on 27 October 1964, it was stated that they were invoking the provisions of Article XII of the General Agreement and were ready to consult with the CONTRACTING PARTIES under paragraph 4(a) of this Article. This communication was discussed in the meeting of the GATT Council held between 28 and 30 October 1964. The Council decided to initiate consultations promptly with the United Kingdom and the International Monetary Fund. It was stated in the decision that this was "without prejudice to the legal issues involved". At the outset it was made clear that the United Kingdom was invoking the provisions of Article XII in order to establish that they were entitled to take measures to restrict the volume or value of imports in application of the criteria of Article XII but was not invoking the provisions of the Article in justification of the particular measures that had been adopted.

The Working Party which was convened for carrying out these consultations had discussed as clearly as possible the issues involved within the time available to it. We have before us not only the report of the Working Party but also the conclusions which we in the Council are called upon to consider at this meeting.

We would like to draw the attention of the Council to the paragraphs in the Report of the Working Party and the conclusions dealing with the difficulties which these surcharges have created for the products of the less-developed countries. The arguments and considerations upon which the less-developed countries based their plan are clearly recorded in paragraphs 18 to 20 of the Report of the Working Party and paragraph 33 of the conclusions.

In short, all we have been asking for is "high priority" in the matter of giving exemption from the surcharges to the products in which the less-developed countries are principal or substantial suppliers of hand-made products which are of special significance to the economies of less-developed countries. On those products where quotas or other special arrangements exist we think that we should not be asked to bear a double penalty.
We are grateful to the representative of the United Kingdom for the promise he gave to give our plea careful consideration. In the Working Party, however, he wanted the other contracting parties to offer their remarks on the proposals submitted by less-developed countries. There were some developed countries who lent their support to the formulation of the last sentence in paragraph 33 of the conclusions which reads as follows:

"All members of the Working Party expressed sympathy for the plea of the less-developed countries and some members felt that in modifying the charges, consideration could be given to this plea without prejudice to the principle of non-discrimination."

To repeat our plea for special consideration for these products stems from the fact that we are making strenuous efforts to improve our own foreign exchange income to bring our payments into better balance and consequently we are in no position to bear additional damage to our export trade. Further, a flat surcharge of 15 per cent tends to weigh more heavily on simpler manufactures and semi-processed products of interest to us than on more sophisticated industrial products. The production of items like coir goods, hand-made carpets and handloom products was geared to meet the requirements of the British market and involves millions of cottage industry workers whose earnings and very livelihood have been jeopardized by these measures. They have no holding power nor is there such a margin of profit in these trades which could absorb even a portion of the surcharge.

Only a few days ago we heard that it was not the intention of the British Government to plan additional burdens on those least able to bear them. These words were used by Prime Minister Wilson in another context for affording relief to the poorer sections of the British population. The sentiment behind these words is applicable with even greater force to the present context.

As we understand it, the suggestion we have made is in full conformity with the statements repeatedly made by the developed countries themselves in the GATT and in the UNCTAD that precisely in these circumstances when Article XXII type of action is contemplated special consideration will be accorded to the interests of less-developed countries and to products of interest to them. We would like to refer to paragraph 3c(i) of Article XII which reads as follows:

"Contracting parties applying restrictions under this Article undertake to avoid unnecessary damage to the commercial or economic interest of any other contracting party."

We believe that in so far as some of our products are concerned which have social and employment implications, the damage caused to our exports would be unnecessary.
I would also like to draw the attention of the Council to the statement submitted to the ministerial meeting in May 1963. Against the standstill provision, it is stated that "industrialized countries indicated that they would use their best endeavours to maintain the standstill in full although situations might arise where there could be a compelling need for limited exceptions" (BISD, twelfth supplement, page 91). We were therefore surprised to see a sentence in paragraph 33 in the conclusions which stated that in their view the selection of products for advance removal or reduction on the basis of the source of supply would be contrary to the principle of non-discrimination. When this was discussed in the Working Party we spent a considerable number of days over this point trying to convince the other members of the Working Party.

We do feel that there is some misunderstanding somewhere. We in the Indian delegation did not propose any departure from the most-favoured-nation principle. We have only pleaded that in choosing products for advance elimination or reduction of surcharges on a non-discriminatory basis, high priority should be given to our products which have a special bearing on our trade difficulties. Opposition to our submission will be inconsistent with the assurances previously given at ministerial meetings.

Another point was raised in the debate that the selection of products of less-developed countries for advance elimination would require intensification of restrictions on other items or maintenance for a longer period to the disadvantage of all contracting parties resulting in trade distortion. These arguments would appear logical on paper but are not related to the facts of the situation. Even a cursory examination of the items involved on which the less-developed countries have asked for special consideration would indicate that none of these three possibilities, namely, intensification, prolongation and distortion, is likely to occur. On the other hand, the action proposed by us would not only provide some relief for countless numbers of workers who are eking their livelihood and are at the moment not even having subsistence wages but also prove to the world that GATT is alive to the realities of the situation and is also capable of taking remedial action in favour of those who need most. If we fail in this task, I am afraid that the whole movement which we have set in motion during the last seven years inside the GATT will receive a setback with serious consequences to our organization itself.

In conclusion, we would propose that when Council drafts its decision it should include, inter alia, the following sentence:

"The Council further recommends that in the process of reducing and removing the surcharges, high priority be given to the products of interest to less-developed countries."