STATEMENT BY THE REPRESENTATIVE OF INDIA
ON 25 NOVEMBER 1975

The following text of the statement made by Ambassador K.B. Lall on 25 November 1975, at the first meeting of the Consultative Group of Eighteen, and since edited by him, is being circulated to the Group as a contribution to the discussion under point 3 of the Provisional Annotated Agenda.
Mr. Chairman, I am encouraged by the attention paid by the distinguished representatives of industrial nations to the problems of developing countries, to take the floor again. I am grateful to you for permitting me to do so.

I must confess I was somewhat overawed yesterday by the presence of so many distinguished representatives facing such difficult problems on their own home ground. I could barely sum up courage only to plead with my distinguished colleagues to refrain from applying contemplated trade restrictions to sectors of current export interest to less-developed contracting parties. My friend from Pakistan was a little more courageous: he asked for the trade of less-developed contracting parties to be exempted from trade restrictions which might be applied on a more general level by the industrial nations. The most courageous amongst us was my distinguished friend from Argentina. He referred to structural problems and asked for an overhaul of Part IV of the General Agreement.

Mr. Chairman, you have taken every possible care to encourage us to be frank. It is because of your encouragement that I feel bold to put a question or two to my colleagues from industrial nations. When I look at Article XXXVII of the General Agreement, I find that the developed countries have already made a commitment - they did so many years ago - to refrain from introducing new measures and from increasing the incidence of customs duties on products of current, and even potential, interest to less-developed contracting parties. My friend from Pakistan and I myself only asked for a part of this commitment to be fulfilled. That certainly was not asking for too much. But, as far as I can recall, we have not yet had a specific assurance to the effect that the commitments undertaken by the developed contracting parties many years ago will be fulfilled in the prevailing circumstances.

Two reasons, however, have been given by my distinguished colleagues in support of a possible contingency in which these commitments may not be fulfilled. One of these was given by my distinguished friend from France. He referred to prevailing unemployment. But, my friends from Pakistan and Malaysia have, I believe, effectively dealt with this argument.

Mr. Hyzen was frank enough to put forward an overriding consideration. He said, if I understand him correctly, that it was mainly a question of political will. I have some difficulty in understanding as to why, in weighing the comparative difficulties imposed by the current circumstances on the poorest and the richest contracting parties, the contracting parties, individually or collectively, should be reluctant to accord priority to the interests of the weakest amongst us. It is universally recognized that most seriously affected countries have to bear a double burden: first, of inflation in industrial countries; and, second, of escalation in petroleum prices. It has also been accepted, for many years now,
that the structure of production in industrial nations stands in need of a significant shift from simple manufactures and semi-processed products to more technologically intensive production. The political will to bring about such a shift in the production structure of industrial nations appears to me to be implicit in the unanimous decision adopted some months ago at Lima on the pattern of further evolution in the world's industrial geography. I am, therefore, tempted to suggest for the consideration of my colleagues from industrial nations that the current difficulties, in fact, provide the most propitious moment for the commitments made by them in the field of trade many years ago and for the commitment made recently by them in the industrial field at Lima - for these two commitments - to be fulfilled in the prevailing circumstances.

We are all aware of the tremendous outlay of public funds needed to provide relief to the unemployed. Would it not be more economical if advantage is taken of the present opportunity to retrain the unemployed from traditional sectors for future employment in the advanced sectors which are expected to play a more dynamic role in the future?

While conditions of full employment were prevailing, it had not been easy to persuade the fully employed workers to offer themselves for retraining. Nor had it been possible to persuade the finance ministries of industrial nations to provide funds for some futuristic exercises. In the unfortunate circumstances that obtain today, we are fortunately spared both these obstacles to industrial change. I suggest, in this frank atmosphere, for very serious consideration, that the present is not the time for intensifying restrictions. The present is an opportunity for us to relax even the restrictions that had been imposed earlier. No better or more propitious opportunity could be available to the industrial nations for doing what they have all along wanted to do, or what they have been telling us that they have been wanting but unable to do.

I submit that this Consultative Group, provided there is a consensus on this thought, suggests to industrial contracting parties and to the Contracting Parties in their collective wisdom, that this is the time, this is the opportunity, to push forward with well conceived plans to promote structural changes in their economies. Forward-looking, industrially advanced nations may consider it in their longer-term interest to provide incentives for an increasing number of persons employed in traditional sectors to offer themselves for retraining so that, as the economy recovers from recession, they move up the ladder to fill more remunerative places in the more dynamic sector of sophisticated industries.

If this thought is incorrect, I would like to hear comments. However, if the Group agrees with it, I would like to suggest that: first, less-developed contracting parties are exempted from restrictions already imposed on their
products; second, if any restrictions are contemplated to protect employment in traditional industries, further consideration is abandoned in respect of products, the demand for which can be met by developing countries; third, if my line of thinking is correct, industrial nations invite the developing countries to make offers for additional export of products that are competitive and could help to alleviate the difficulties of consumers in industrial nations confronted with rising prices and falling income.

If this opportunity to expand the trade of less-developed countries and impart a new impetus to adjustment measures is seized upon, of course, the immediate benefit or relief will go to the less-developed contracting parties. But, the real benefit will soon accrue to the industrial nations. As the purchasing power of the most seriously affected countries improves, the newly-gained income will be used to place orders for long-awaited equipment so necessary to bring into play their dormant or latent resources.

Yesterday we were drawing a distinction between short-term and long-term measures. In view of the present needs of many developing countries, I submit that a further distinction is to be drawn between immediate and short-term measures. I would like to put my submission in regard to the adjustment potential of larger imports from developing countries in the category of immediate measures. As for short-term measures, I would like to submit two suggestions for the consideration of this Group.

First, I feel that the Group should devote its attention to identifying possible areas for advance action, in anticipation of final agreements being reached in the course of the Multilateral Trade Negotiations. References have already been made to the possibility of advance action being taken in the sector of tropical products. I feel there are some other areas in which also helpful action may not constitute an essential ingredient of the overall package, which will take many years to wrap up. The areas in which such action can be taken for the benefit of the developing countries have no great bearing, either on current recession or on the balance of trading advantages as between industrial nations. Only a consensus amongst industrial nations is necessary on the extent to which the problems of developing countries are urgent and can be dealt with, without waiting for the conclusion of MTN. I suggest we try to reach such a consensus at an early date.

I have a second suggestion to put forward for the consideration of the Consultative Group. This suggestion occurred to me only this morning, as I was glancing at our Bible, the General Agreement on Tariffs and Trade.
The founding fathers, while entering into the General Agreement, recognized, I read from its Preamble, that "their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment, and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods". I believe it was many years ago — in 1958 — that the CONTRACTING PARTIES had asked themselves the question as to why till then this basic consideration had been applied, in actual practice, by the CONTRACTING PARTIES only to a limited extent, and in respect of a limited part of the world. In response, the CONTRACTING PARTIES set up a committee which submitted the Haberler Report. In consequence, two concrete steps were taken: I refer to Part IV and to the Waiver sanctioning the Generalized Scheme-of Preferences. Part IV, however, has remained virtually a dead letter. Fortunately, advantage has been taken of the Waiver to accord preferential treatment over a limited field to the export trade of developing countries. As a result, there has been some improvement in the prospects for the trade of developing countries with industrial nations. But, the drastic deterioration in real income and effective demand of most developing countries, caused by stagflation and the enormous increase in the import costs of food, fuel, equipment and technology, has adversely affected their prospects of larger employment and fuller use of their resources.

In this situation, the Ambassador from Argentina asked for Part IV to be overhauled, and my distinguished colleague from Nigeria was trying to put his finger on the weak point of the contractual methodology of our endeavour in the field of trade. To me, it appears that the current economic environment calls for a deeper study, a wider approach, if this premier organization in the field of trade is to do its duty to secure the objectives which our founding fathers had set for our economic endeavour at the international level. I suggest that the time has come for us to appoint, once again, a group of competent persons to put forward, for the consideration of the Contracting Parties, new directions, new guidelines, new techniques, in the light of the shortcomings of the methodologies adopted by us over the last fifteen years.

There are a number of reasons which persuade me to view the present time as propitious for a feasibility study on possible techniques for re-ordering our mutual relations to expand production in and enlarge exchange of goods with and amongst the developing countries.

First of all, I am heartened by the consensus reached at the Seventh Session of the General Assembly to believe that nations with economic power have now the political will to contribute to the fuller use of the resources of the developing
world and to the improvement in its real income and effective demand. In fact, these nations are beginning to realize that the future course of their power and affluence is somewhat dependent on the strength of the developing economies.

Secondly, the past preoccupation in industrial economies with the immediate effect on their production structures of better access for the products of developing countries is beginning to wear off. In fact, there is a growing recognition of inherent incompatibility between their rising wage level and traditional production process. The disparity in the returns of comparable labour in different parts of the world cannot much longer be reconciled with the principles of freer trade and competition by recourse to productivity techniques or monetary manipulation or by juggling with market forces. Only an extensive reorganization of production structures in both industrialized and industrializing economies can be expected to resolve the contradictions currently encountered in the world economy.

There is a third reason, a completely new one, which should, in my view, persuade us to take a fresh look at our problems and possibilities. My distinguished friend from Nigeria spoke of the beneficent impact on international trade of the revalorization of goods and services from the developing countries. But, as far as I know, inherited monetary and trading structures have helped in directing the purchasing power recently gained by petroleum exporting countries to be largely used for increasing the exports of industrial nations or augmenting the resources of their financial institutions. A view is largely held in some quarters that the total amount of money transferred over the last two years by way of payments for goods and services, and by way of deposits and investments, from OPEC countries to industrial nations, has been larger than the total amount transferred from industrial nations to OPEC countries. I find some support for this view in the figures of deficits quoted in your Annual Report for developing oil-importing countries in their payments positions with other industrial nations and with OPEC countries. In any case, it is clear enough from your Annual Report that the beneficent impact of the increase in the income and effective demand of petroleum exporting countries has largely been confined to the more developed contracting parties. Is it not possible for the scope of this beneficent impact to be widened, for the opportunity provided by the increased income of some developing countries to be utilized for, to use the words of the Preamble of our General Agreement, "ensuring full employment, and developing the full use of the resources of" other developing countries? I submit for the consideration of this Group that time is ripe for us to apply our minds to the possibilities implicit in this new development being used to overcome some of the problems we have experienced in our mutual relations in the past.
To conclude I propose that, first, we should ensure that the commitments made in Article XXXVII are fulfilled so that the developing economies are shielded from further damage by the current recession in industrial nations; second, we reach a consensus on those areas in MTN in which advance action can be taken for the benefit of developing countries; and, third, we proceed to set up a feasibility study to recommend new approaches for furthering the provisions of Articles XXXVI and XXXVIII and for moving towards the goals set in the Preamble of the General Agreement.