It was my privilege here, in this city of Geneva, seven years ago, to take part in the deliberations that led to the framing and to the adoption by a number of countries, of the General Agreement on Tariffs and Trade. The world then was in the twilight of transition from war to peace. The normal channels of international trade had been disrupted. Most countries were in serious difficulties over their balance of payments. It was urgently necessary to provide a framework within which international trade could revive on sound and healthy lines without a recrudescence of the kind of policies which had dislocated it in the inter-war period. Even while we were discussing these problems in Geneva, far-reaching political changes affecting the whole pattern of our existence were taking place in India. The attainment of independence - and the partition of the country - in August 1947, only a few months before the Agreement was finalized, brought in their wake a host of new and urgent problems, political, social and economic. There were many in India who felt that, without anything like a clear picture before us of our economic future and with so many uncertainties ahead, it would be unwise for us to enter into commitments affecting our future tariff and trade policy. The Government of India nevertheless decided to join the GATT, not only because they recognized the value and soundness of the basic principles of the GATT but also because they felt that, as a nation which had just come into its own, they would, by so doing, be making their own contribution to the peace and prosperity of the world. In any event the GATT was meant to be only an interim instrument to deal with the immediate postwar situation. We now have to take a longer view and see in what respects, in the conditions of the world today, its provisions, in the words of the GATT itself, need to be "amended supplemented or maintained".

Inevitably, as we turn from the problem of transition to issues of a long-term character, we shall find that the differences which we were prepared to lay aside in an emergency press themselves, the more insistently because of having been so laid aside, upon our attention. If the economies of all countries belonging to the GATT were similar, the divergencies of outlook would perhaps not be great. But among the contracting parties there are countries which are industrially and economically advanced and others with a backward economy and a very low standard of living. If we wish to retain both classes of countries within one common fold, there will have to be greater flexibility in the provisions that are to apply to all of them. Equality of treatment is equitable only among equals. A weakling cannot carry the same load as a giant.
Speaking, as I do, for a country which belongs to the category of what, for want of a better word, is described as an underdeveloped country, I cannot but take this opportunity to put before you the special difficulties and problems that confront us and also, I believe, other underdeveloped countries. Before I do so, let me make it clear that if we plead for special treatment, it is not because we differ on fundamentals nor because we desire to be placed in a position of privilege, but because the unequal pace of material development in the different regions of the world, places us under a grave handicap. On fundamentals, let me repeat, no question of principle divides us, for we fully accept the basic objectives of the GATT in the field of international trade. Speaking broadly, these are: firstly to reduce discrimination, secondly to lay down rules of fair trading, and thirdly to promote the growth of international trade by removing impediments to it.

We should like to see the provisions of the GATT strengthened so as to make it more effective in eliminating discrimination. The GATT deserves full credit for ensuring that each contracting party gives to all others most-favoured-nation treatment in tariffs. But discrimination in other forms persists. Bilateralism is not dead, and because of it many of the advantages of most-favoured-nation treatment in the matter of tariffs are lost. Discrimination in any form, whether in the granting of import licences or through exchange manipulations or other similar devices, must be abolished as completely as tariff discrimination.

We are equally anxious that the GATT should deal more adequately and comprehensively with unfair commercial practices of all kinds, whether indulged in by Governments or by powerful private interests and combines. Unless the GATT can be a really effective check on unfair competition, its value in the years to come will dwindle.

It is when we turn to the third objective of the GATT, namely, the reduction of impediments to international trade, that we come face to face with some fundamental differences. The reason, of course, is that while non-discrimination and fair play in international trading are matters pertaining to our external economic policies, the actual flow of goods to and from a country affect its internal economy. Let us squarely face the fact that there is no country in the world today which is prepared to accept complete free trade even as an ideal. All that the underdeveloped countries ask is that, in the name of reducing barriers to international trade, they should not be denied the fullest opportunity to develop their economy and to choose and decide for themselves the most appropriate measures for the purpose.

There is no bigger obstacle to the advancement of international trade than the poverty of underdeveloped countries. Their economic development will make a major contribution to the growth of world trade. No doubt, as they develop, the pattern of trade will change, and they will not continue to import the same types of goods as before. But there will grow, as there has grown in India, a need to import more of producer goods in general. Then again, the rise in their standards of living will lead to higher levels
of consumption and to larger imports of consumer goods. Only those who
think of the GATT as an instrument for perpetuating the status quo in
regard to particular exports to particular countries will see in the measures
taken by underdeveloped countries for developing their industries an
impediment to the growth of international trade.

I shall not at this stage attempt to do more than indicate broadly
the special facilities which underdeveloped countries need in order to
fulfil their industrial development programme. Our own major concern is
with the use of quantitative restrictions and the status of tariff bindings.

In order to conserve foreign exchange to finance development most
underdeveloped countries will need to retain quantitative restrictions on
imports, even when they are not in immediate balance-of-payments difficulties.
As a rule their foreign exchange resources are at the mercy of the vagaries
of nature. A drought or floods can alter the whole picture from one of
relative affluence to dire need. The export earnings of primary producers
fluctuate violently in response to a number of unpredictable factors – the
policies of the more advanced countries being not the least important of
them. The financing of development necessitates a high level of foreign
exchange expenditure on capital goods, which usually coincides with an
upsurge in the demand for consumer goods. If we are not to have sudden
and violent changes in the level of our imports and if again we are not to
allow our foreign exchange resources to be frittered away on non-essentials,
then clearly we shall have to retain controls over a very wide field of
our import trade.

Apart from considerations of foreign exchange, quantitative restrictions
are often needed to help the development of particular industries. I have
heard it said that for protection we should look to tariffs, and to tariffs
alone. Those who take this line are unfortunately not aware of the kind of
problems which an underdeveloped country has to face. These are qualita­
tively different from those which confront countries which have already
industrialized themselves. In the latter all that is necessary in order
to protect the domestic industry is to insure that the imported article is
slightly more expensive than the indigenous one. Tariffs can well do that.
In underdeveloped countries the consumer often prefers to buy the imported
article at a higher price rather than the cheaper indigenous product. This
is not because of any intrinsic difference in quality. We have instances
where our industrial products are able to compete in export markets and
yet cannot sell at home in competition with imports. To rely exclusively
on tariffs in such cases would mean raising them so high as virtually to
prohibit all imports. Such high tariffs would, I submit, do greater damage
to international trade as well as to the internal economy. When, as is
often the case, domestic production is sufficient to meet only a fraction
of the domestic demand, high tariffs would only inhibit the demand, and
neither the exporter abroad nor the producer at home would benefit. In the
case of producer goods, an increase in import duties would have the
additional disadvantage of raising the cost of production of other goods
as well and impede rather than help economic development.
Turning to tariff bindings, we accept the desirability of countries negotiating with each other tariff concessions to their mutual advantage. But by their very nature, the economies of underdeveloped countries are liable to rapid change. The need for periodic readjustment in the schedules of bound tariffs will, therefore, have to be recognized. We find it particularly difficult to continue, without substantial modifications, the schedule on tariff bindings, to which we have in the past agreed. When the negotiations on particular items took place we had just attained our independence and could not foresee the trends of future development. The schedules have already remained bound for a much longer period than we had expected. Some smooth and speedy method of readjustment has to be found.

These difficulties of the underdeveloped countries to which I have referred are not new. The GATT, as it stands today, does recognize them, and even goes to the extent of laying down a procedure for dealing with them. The basic point is that the present procedures are irksome and dilatory and require that each time an underdeveloped country needs to do any of these things for its economic development, it has to appear before the contracting parties and seek their permission. What we are anxious to secure is freedom to initiate and execute our policies, subject always to the consideration that if another country finds that its interests are being unduly damaged, it could enter into consultations with us. The present provisions of the GATT relating to subsidies - an instrument of the rich - are in fact of this nature, and all I ask is that, in the GATT of the future, underdeveloped countries should be given the same kind of latitude that the present GATT gives to more advanced nations in its membership.

International trade is not an end in itself. It is but a means to greater prosperity. The preamble of the GATT began with the recognition that the relationship between the Contracting Parties "in the field of trade and economic endeavour should be conducted with a view to raising the standard of living, ensuring full employment and a large and steadily growing volume of real income and effective demand." This ultimate purpose must never be lost sight of, and the Indian Delegation is very grateful to you, Mr. Chairman, for the manner in which you have reminded us in your opening address to this Session of the GATT of this great goal of our endeavour. The GATT cannot of course solve the kind of problem which underdeveloped countries with their rising populations, and low standards of living have to face. The effort must inevitably be their own. What the GATT can do, and must do, is to give them the fullest scope and freedom to fulfil their economic programmes, which I maintain will bring prosperity not only to them but to all those who trade with them.