I have listened with great interest to the speeches made by my distinguished colleagues who have preceded me. They have covered a very wide range of problems connected with international trade. I propose to confine myself to a somewhat narrower field and dwell upon certain specific issues which are of major concern to me and my country and also, I believe, to many other countries in a similar economic state.

It is customary for reasons of brevity to describe countries like India as under-developed. The expression, though useful, is not precise. In a purely technical sense, there are vast areas in the world — in the United States and Canada for example — which could be described as under-developed because their rich resources are not yet fully exploited. But when we talk of under-developed countries and their problems, we are thinking of something quite different. A satisfactory definition is embodied in Article X VIII of the GATT, which refers to countries which can afford only low standards of living for their people and which are in the early stages of economic development.

Under-developed countries have many problems. Their technological resources are poor. They are short of capital. The flow of capital from outside is an essential requisite for their development. Problems of technical aid or of increasing the inflow of capital into under-developed countries are not directly our concern here. The question to which I propose to address myself is to consider the kind of policies which could make the maximum contribution to the great task of the twentieth century — the economic development of under-developed countries.
I do not think it is necessary for me to plead the cause itself. As pointed out by Sir David Eccles, in many international conferences and meetings, in the United Nations and elsewhere, and during the last few weeks at the meeting of the Commonwealth Ministers in Montreal and the Fund-Bank meeting in New Delhi, the importance and urgency of removing poverty from the under-developed countries has been recognized and re-emphasized. What is more, there has been at these meetings an agreement upon the line of policy and action which should be pursued to accelerate the pace of economic development in these countries. What I would hope is that at this meeting the Contracting Parties will similarly agree upon policies affecting trade which will give under-developed countries a chance to survive and to live in freedom and dignity.

Countries in the course of economic development have a chronic tendency to run into difficulties of balance of payments. This is because for their development programmes they must rely heavily on imports of capital goods as well as techniques. Another factor is the upsurge in demand for all kinds of things, which follow the slightest increase in national income and which must, until domestic production goes up, be met by imports if a serious inflation is not to result therefrom.

Under Article XVIII of the GATT, this problem has been specifically recognized. The same Article also draws attention to a contributory factor in the balance-of-payments difficulties of under-developed countries, namely the instability in their terms of trade. This results from the violent fluctuations to which commodity prices are subject. A solution which Article XVIII has to offer is of a negative kind. The permission to restrict imports, though essential, only results in a shrinking of world trade rather than its expansion which is what the GATT stands for. A real solution should be sought through measures which will increase the exports of under-developed countries rather than through steps to enable them to curtail their imports.

At the Montreal Conference, the President of the Board of Trade in the United Kingdom had made a forthright plea for giving better facilities to the under-developed countries to export manufactured goods to the developed countries. This was endorsed by the Commonwealth Ministers. I hope that that principle will now get the support of the Contracting Parties to the GATT at this meeting of Ministers.

It is, Mr. Chairman, a matter of great regret in the under-developed countries that quantitative restrictions still continue to hamper and limit the volume of our exports to the more advanced nations of the world. Many
of them have been generous enough to help us in other ways, particularly
in financing our development programmes. It is surely not too much to ask
of them that they should not prevent us from earning what we can, when they
are prepared to supplement our earnings by loans and gifts.

I appreciate that these restrictions are the result of a desire to
protect their domestic industry. We cannot obviously question their right
to do so. But there are two points which I must make. First of all,
protection through quantitative restrictions is not permissible under the
GATT. Time and again, our dear neighbour, Ceylon, has come to the Contracting
Parties to get special authority to impose quantitative restrictions in order
to help her young industries. If countries in Europe and America rely on
this form of protection for industries, in which they were the pioneers,
the whole basis of the General Agreement is undermined.

The second observation that I would permit myself is that by protecting
these industries in this fashion, they are in effect preventing the expansion
of their capital goods industries. For, if we could earn more by exporting
cotton textiles, jute fabrics and other similar products to Europe, we could
import even more of plant and machinery. It is this exchange of goods, and
the belief that it leads to greater prosperity which is the very foundation
of the General Agreement. I recognize that problems of transition will arise.
We should certainly think of ways and means of making the process less painful.
But, to attempt to resist such change is in fact to prevent the expansion of
international trade and to slow down the process of economic development.

In any event, I do hope that when governments in the more prosperous
parts of the world find themselves moved by the possible short-term distress
which the shrinking of an old-established industry might cause, they would not
forget the conditions in which the vast majority of human beings are still
living in the twentieth century while determining their domestic policies.
I would also here emphasize a point which has been so clearly brought out in
the Haberler Report which I consider to be an outstanding contribution to
clear thinking on our problems. Many of the impediments which the under-
developed countries face in the expansion of their export trade arise not from
the desire of the more advanced nations to help their domestic industry but
because of the pursuit of traditional lines of fiscal and revenue policy.
Thus, the Haberler Report brings out the injurious effects that high domestic
taxes on tropical foodstuffs and beverages have on the economies of under-
developed countries.
These high duties on tea, coffee and sugar inhibit their consumption and reduce the export earnings from them. I have been told that one of the difficulties in the way of the more advanced nations investing enough in the under-developed countries is the high and rising level of domestic consumption. I accept this point as legitimate. But I would urge that if domestic consumption in the advanced countries has to be curtailed, it should not be of the products on which the under-developed nations are so much dependent. These duties are not negotiable under the GATT, but a reduction in them is very necessary if international trade between the developed and under-developed countries is to be balanced at higher rather than lower levels.

I would, therefore, hope that this meeting of Ministers will agree that as a matter of general policy, the developed countries should facilitate the export of goods – whether they are manufactured articles or raw materials, agricultural products or minerals – from the less developed areas of the world and that they should review their policies of protection to domestic industry and taxation of the domestic consumer, with due regard to the advantages, economic, social and political, to the world as a whole, of an improvement in the low standards of living in the under-developed countries.

It is of this principle that I seek endorsement.

Mr. Chairman, I have dwelt at some length with this point because it is to us a literally vital problem. Before I leave this point, let me say that while we understand and recognize the desire of some countries to merge into regional economic units, our main anxiety in regard to the European Economic Community has always been that it may cause damage to our trade by leading an important group of countries to apply jointly a higher level of duties and restrictions on our exports. Our concern with the negotiations for the establishment of a Free Trade Area in Europe springs from the same anxiety.

It was, therefore, that we welcomed the kind of understanding on the subject that was arrived at last spring in the Intersessional Committee when it was decided that legal issues should be laid aside and the countries concerned should consult with each other in order that genuine problems of trade could be discussed in a spirit of realism and understanding. If this understanding is to prove fruitful, it is essential that an exchange of ideas should take place now before decisions have been taken and crystallized into measures. I am not clear from the statement of my distinguished colleague from Germany whether it is the intention that it is only when
specific measures have been promulgated that their effects and possible ways of mitigating them could be discussed. This, to my mind, would not really meet the situation or allay our anxieties. When the arrangement was arrived at, we certainly did not understand it to be restricted in this particular sense. I do not propose to quote from the texts of the various documents which might be relevant in this context. For, if our understanding was to turn away from legalism, there is little to be gained by a legalistic examination of that understanding. I would instead hope that the two members of the Commission for the European Economic Community will clear the way for delegations to start discussing these matters freely and in a friendly manner as has always been the tradition of the GATT.

Before I conclude, I should like to touch upon a few other points which might be of interest to my colleagues.

First and foremost, I would take this opportunity of announcing that the Government of India have decided to withdraw their application of Article XXXV and to accept GATT obligations as a whole vis-à-vis Japan. The Contracting Parties will remember that ever since the question of Japan's accession to the GATT came up, the Indian delegation has throughout given its strongest support to this proposal. It was therefore with deep regret that concern over our newly developed industries and a fear of the intense competition, which Japan had in the past offered to them, led us to invoke Article XXXV. Throughout the period of application of this Article, we have scrupulously avoided using against imports from Japan any measures not consistent with the Articles of the General Agreement. The experience we have gained through these years, the mutual understanding that the two countries have built up over this period and the fact that Japan has been demonstrably sympathetic to our industrial development have led us to the conclusion that we could and should remove the application of Article XXXV. It is our firm belief that this course will not be to the detriment of Indian industry and it is also our expectation that should at any time a situation arise in which any specific problems affecting a particular industry arise, we shall be able to find a solution to it by mutual discussion between the two Governments and without taking any measures which will not be consistent with the Articles of the General Agreement.

We have, in our thinking on the subject, always made a distinction between competition from a country whose costs of production are low and competition which is based on unfair commercial practices. We consider that the former, whether it is due to cheap labour or to more efficient machinery or more economic production of raw materials is a form of fair competition, against which no discriminatory measures can be taken. On
the other hand, when exports are pushed without regard to domestic costs merely for the sake of capturing a particular market or earning a particular currency, then a situation arises in which goods can be said to be sold at artificially distorted prices to which the point made by my colleague from Germany could legitimately apply. There is in the world today growing evidence of competition of this kind. In the main, it arises outside the countries which belong to the GATT, but it nevertheless affects our trade in the most serious way. While measures can be taken in such circumstances to protect domestic industries in the domestic market, third countries naturally turn to the cheapest source of supply with some enthusiasm. As I have said earlier, fair competition where the cheapness of the product results from greater efficiency or a desire to sacrifice profits is not something which we should question. Indeed, believing as we do in fair competitive buying and selling, such competition should be a spur to greater efficiency in our own production. But, the problem which we now seem to be facing in some fields and in some areas is quite a different thing.

It is not my purpose to criticize either the countries which export such products or the countries which import them. Looked at from their own national and somewhat short-term points of view, the policies which they are pursuing may well seem to be sound and perhaps the only course open to them. But I do suggest that looked at from the point of view of international trade as a whole, there is in the present situation a serious threat to multilateral trade. One possible way in which we might proceed in this situation is to make a determined effort to expand the membership of the GATT. The GATT is not an exclusive club. The more countries that subscribe to its principles the greater its effectiveness. If for any reasons particular countries are not in a position to accept or to fulfil all the obligations which the Contracting Parties have accepted, it would in the view of the Indian delegation still be worthwhile to explore the possibilities of a limited form of affiliation with countries which are otherwise sympathetic with our broad aims and objectives.

The second line of approach which I would like to put forward, not necessarily as an alternative, is that apart from annual sessions we should once in a way organize a World Trade Conference, in which countries which are not contracting parties to the GATT would also participate. In such a forum, there can be an effective discussion on policies and an effort made to establish better understanding of the problems which lead to these policies.
For it seems to me that unless we are thus able to broaden the area of discussion, some of the obligations which we accept towards each other, and I am particularly thinking of the provisions relating to export subsidies, dumping, countervailing duties and other similar matters, will become difficult to enforce and might even damage the trade of countries, which observe these principles.

Mr. Chairman, before I conclude, I would repeat what I have said in the beginning that I have refrained from touching on many points, which had already been competently dealt with by my colleagues who have spoken before me. The Indian delegation will in the course of the Session express our views on them when the items are taken up for consideration. All that remains for me to say now is that I would associate the Indian delegation wholeheartedly in the tribute which has already been paid to the authors of the Haberler Report. While clearly we, like other delegations, would wish to have a little more time to study this Report, even at this stage I should like to say that we find ourselves broadly in agreement with its recommendations and my delegation would be ready to join others in any studies that this Session might find it possible to take up. I would in the end like to express the Indian Government's appreciation of the efficient and economic way in which the secretariat has been serving us under the able leadership of Mr. Wyndham White and Mr. Royer.