GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

TEXT OF SPEECH DELIVERED BY K.C. REDDY, MINISTER OF COMMERCE AND INDUSTRY, GOVERNMENT OF INDIA, ON 27 NOVEMBER 1961

Reduction of Tariff Barriers

I shall first join my colleagues who have paid tribute to the initiative of the Contracting Parties in convening this meeting of ministers. Arising from the continuing study of the problems connected with the expansion of international trade over the last three years or so, much valuable material has been collected in regard to various difficulties concerning a rapid and orderly growth of international trade. The time has now been reached when governments have to take note of these difficulties and decide positively what they can and what they cannot do and the measures which they are willing to take and those which they are not willing to take, in pursuance of the GATT objectives of assisting a rapid growth of international trade and raising standards of living and consumption throughout the world. In this context it is right and proper that the political makers of policy in the different countries should meet among themselves, discuss one another's problems and find a way of achieving the aims and objectives which the Contracting Parties have set before themselves. As perhaps the most populous contracting party going through the difficult process of rapid economic development, we are particularly preoccupied with the problems which have been examined by Committee III. We shall be discussing the recommendations of Committee III tomorrow when I shall have more to say generally. I shall confine myself today to an examination of problems connected with the reduction of tariff barriers.

There have been so far a number of rounds of tariff negotiations. In the last year or so many of us have been engaged in negotiations with the European Economic Community in regard to their common tariff. More recently, we have been engaged in the general round of tariff negotiations known as the Dillon Tariff Negotiations. In the case of the negotiations with the European Economic Community I would say frankly that we have not had an outcome which is satisfactory to us from the point of view of increasing the volume of our trade with the Community. Nevertheless, in order to be constructive and to save time in the hope that we might be able to gain more concessions in the course of the Dillon round, we agreed on certain tariff adjustments. The Dillon round of negotiations is going on and it would be premature to say what the complete and final outcome will be but it does not appear until now likely that important new benefits will accrue to our trade. Both in the course of the negotiations with the Community and with other industrialized countries, for example the United States of America, we have been greatly handicapped by the currently applied principle of reciprocity. At each successive tariff negotiation so far, the less-developed countries have had to make large concessions in regard to
tariffs on imports, generally of manufactured goods, in return for concessions on their exports which consisted largely of primary products. The concessions granted to primary products by industrialized countries would, in any case, have helped the industries in these countries by reducing production costs and increasing the opportunities for the sale of processed and manufactured articles both within their own borders and in the field of exports. The less-developed countries, however, by being compelled to reduce tariffs on manufactured products, have been inhibited from establishing industries and diversifying their economies to the extent which their natural resources, their man-power and other favourable economic factors would justify. In more recent times, their Governments have also been inhibited from raising revenues which they badly need for the development of the infrastructure within their borders. In these circumstances, India and, I am sure, other less-developed countries have little room for manoeuvre and cannot offer reciprocal concessions for tariff reductions granted by the industrialized countries. It is only by offering what may be called one-way free trade facilities to the less-developed countries both in regard to primary products and in regard to semi-processed and processed goods and the simpler manufactures that the less-developed countries can be assisted to earn foreign exchange which they could use for development and growth. They would become, in the course of a few years, when they have reached the stage of self-sustaining growth, important and long-standing markets for a larger volume of goods of all kinds originating from the industrialized countries.

Another field in which concessions are needed is in the matter of fiscal duties levied by many countries on imported products. In the case of domestically produced products it is true that the fiscal duty applies equally to the domestic product and to the imported one. Nevertheless, it cannot be gainsaid that the incidence of a protective tariff duty and of an internal fiscal duty, together, greatly reduces the value to the exporting countries of locational and other advantages and deprives them of the natural competitive advantage which is the essence of the enlargement of international trade through a sound and rational international division of labour. In the case of a product not produced internally, the fiscal duty sometimes puts the exporter at an even greater handicap. To mention the concrete example of tea, there are countries in Europe which are not normally tea-drinking. India and some other countries are inhibited from developing their potential for producing more tea by the fact that internal duties in several European countries contribute towards frustrating their efforts at promoting exports of tea. There are no doubt other such examples which may be of interest to some of my other colleagues. The answer given sometimes is that it is so difficult to find alternative sources of revenue to make good the loss sustained by a reduction or abolition of these fiscal duties. It has been computed, to take two important examples, that the proportion of the revenue derived from fiscal duties on tea to total revenue is 0.13 per cent in West Germany and 0.01 per cent in France. The loss of this order of proportion of the revenue, I submit, would certainly not break the back of these increasingly prosperous and powerful industrial countries. In the process of economic integration through the formation of the European Economic
Community, each member country will surely lose many times these proportions in national revenue by the mutual abolition of tariffs. And yet, alternative taxation has been and will be devised. Tea has been India's number one foreign exchange earner for some years now and it would not be surprising that India feels especially aggrieved that she should have impediments in the way of her expanding her exports of tea.

There is often a differentially higher duty on a product which has undergone a further stage of processing than one which has undergone a lower stage of processing. There are higher duties, for instance, on refined vegetable oils than on crude vegetable oils; and, again, on both products there are duties which are higher than the duty on oilseeds. These products belong to the category of the simpler processed products and manufactures which the countries growing oilseeds have a natural advantage for producing. It would be our request and expectation that these differentials would be eliminated or greatly reduced in order that the processing industries may be established in the less-developed countries.

I must not omit to mention the matter of the high tariffs which prevail in many countries particularly on semi-processed and processed products and the simpler manufactures the production of which some less-developed countries can greatly expand thus adding to their capacity for development and growth but for high inhibiting tariffs.

I would strongly support the proposition made by Nigeria that tropical products should be afforded duty-free entry, contained in document L/1608, dated 9 November 1961. These products are seldom produced by the industrialized countries and there is generally only a revenue angle in this case. There is also much in the Uruguayan paper document L/1572 of 3 October 1961 which I would wish to support generally. I would only qualify this support with the observation that new benefits to some less-developed countries should not be secured, at least over the short term, at the expense of other less-developed countries whose trade has been geared to facilities traditionally enjoyed by them in certain markets.

In view of the shortness of the time that is available I shall not elaborate more on this subject. The secretariat paper COM.III/W.15/Rev.1, dated 21 November 1961, picks out in detail all the various factors which Committee III has identified as inhibiting the expansion of trade of the less-developed countries. I would merely ask that my colleagues around this table, and particularly those from the industrialized countries, should examine this list carefully and take every possible step to reduce the inhibitory incidence of tariff handicaps in so far as they affect products in which the less-developed countries are particularly interested - whether they may be primary products or semi-processed or processed products, or indeed the simpler manufactures or semi-manufactures.

We in India shall be happy to make any contribution we can to the study of newer techniques of tariff negotiation and adjustments for the future which the Hon. George Ball has referred to. We would urge once more, of course, that a reduction of tariffs immediately is of the greatest importance to us.