Obstacles to the Trade of Less-developed Countries

This is a subject which is of vital interest to all the less-developed countries. Some of the statements made yesterday by my distinguished colleagues from certain highly industrialized countries have confirmed my faith that not only is there a growing consciousness of the problems involved but also a genuine desire to solve them. The observations made by the Hon. George Ball provide a clear indication of such a desire. An emphatic lead was given by the Hon. George Hees when he declared that "effective action must be taken to provide increased trading opportunities for the economies in the process of development" and that "we must work to bring about an international trading environment in which the national aspirations of less-developed countries can be fulfilled." And again when the Rt. Hon. Frederick Erroll suggested that a "fresh impetus" should be provided to the Contracting Parties to proceed with their work and emphasized the intention of his Government to maintain a policy of liberalization, I was left with little doubt that this meeting of ministers will produce positive and constructive results.

I do not propose to make this a lengthy statement or go over the details of the findings and recommendations of Committee III which examined measures for the expansion of trade with particular reference to the importance of the maintenance and expansion of export earnings of the less-developed countries to the development and diversification of their economies. The difficulties in the expansion of trade which this Committee has identified have been known to the people in the less-developed world because they have lived with them for so long, lived with them in the hope that some day these difficulties will be removed and the path to economic progress will be cleared for them. They have reached the verge of complete despondency and it would be a pity if the prosperous world were to take their patience for granted and decline to make a rational adjustment based on social and economic justice.

The Chairman touched the key-note in the concluding part of his address yesterday. His reference to the "deep-seated national egoism" underlines the basic psychological problem which makes implementation of measures, designed to promote the economic growth of the less-developed countries, extremely difficult. And I agree with him that we must "sink these national egoisms" if we wish to create a happier world.

The unfavourable trends in the trade of vast areas of the world continue to persist and point to the need for urgent and effective action. While the economies of industrialized countries have continued to expand, export earnings of the less-developed regions have remained stagnant. There has
been an upsurge in the imports of these countries which has created an alarming
gap in their balance of trade. Committee III has noted that this gap cannot
be filled even with substantial increase in financial assistance or any other
measures outside the field of international trade. As pointed out by the
Committee the Member countries of the General Agreement are in a position to
make the most useful contribution in the field of trade which will reduce the
dependence of the less-developed countries on external aid, strengthen their
economies and accelerate their development. The first step in this direction
should be the removal of quantitative restrictions which is one of the most
serious barriers confronting the exports of less-developed countries in
important products like cotton manufactures, jute manufactures and a whole
range of semi-processed goods. The effect of these quantitative restrictions
is often aggravated by the discriminatory devices adopted by some of the
industrialized countries. When proceeding with import liberalization the
industrialized countries have, not infrequently relaxed restrictions on raw
materials while products derived from these raw materials have continued to
be subjected to restrictions. Similarly, the tariffs differentiate
disproportionately in favour of raw materials vis-à-vis processed goods.
There is then a host of high revenue duties, fiscal charges and restrictive
practices arising from State monopolies which exports from the less-developed
countries have to contend with.

The Committee has detailed the measures which should be adopted to
enable the less-developed countries to attain reasonable standards of living.
Based on these measures, a large number of less-developed countries have drawn up
a "Programme of Action" to which we have whole-heartedly subscribed. The
programme is contained in document MIN/2 which is before us. This document
has the support of almost all the less-developed countries and a number of
other contracting parties. I would propose that in accordance with the
concrete suggestions contained in the "Programme of Action" we should fix a
time limit for ourselves within which all discriminatory practices and
restrictive devices are gradually removed. We should also agree to report
periodically our performance for examination by the Contracting Parties.

I referred a little while ago to an upsurge in the imports of developing
countries. Through the import of capital goods and machinery purchased with
scarce foreign exchange earnings and often at unfavourable prices, these
countries have been able to set up certain industries. Judging from our own
experience, it has been one of the most difficult problems to bring these
industrial units to a level of optimum production. There have been times
when the country has not had enough foreign exchange to effect adequate
imports of maintenance spares and replacements. In spite of these difficulties,
we have been able to market some of our products at competitive prices. These
products cover a limited range of semi-processed and less sophisticated
manufactures. Instead of receiving any encouragement from the industrialized
countries to expand our production, in view of certain natural advantages
which we have, we find that our ability and aptitude to produce these semi-
processed and simpler manufactures has generated a strong fear in the
industrialized countries that if some restraint is not exercised on
development of trade in such products, serious disruptive conditions will be
created in import markets. This is a disconcerting situation for us.
It is generally recognized that the cotton textile industry is the one most easily adopted by countries in the initial stage of industrialization. No wonder, therefore, that some of the less-developed countries made large investments in this industry. It was their expectation that they will be able to exploit the natural advantages available to them and apart from providing large scale employment at home, create for themselves stable markets abroad. As if to thwart these expectations, the industrialized countries decided to regulate trade in textiles through voluntary agreements. It needs to be reaffirmed that quotas or limits whether unilaterally imposed or bilaterally arranged amount to quantitative restrictions and such restrictions are incompatible with the principles and objectives of the GATT. The treatment which has been accorded to cotton textiles does not allay the serious apprehensions in the less-developed countries that they will have to face similar difficulties as and when they are able to develop any other line of production to the same extent as they have been able to develop their textiles. This fear of low cost production and market disruption is going to come up again and again whether it is sports goods, diesel engines or any other light engineering item which a less-developed country is able to produce in substantial volume at economic prices. The problem of market disruption is essentially a problem which arises from the reluctance of certain groups of traditional producers either to reconcile themselves to a lower margin of profit or to make room for more efficient producers. The governments of industrialized countries have enough means to divert marginal producers into sophisticated lines of production where they should be able to use their higher technological skill in a more efficient manner. Unless this is done, there is hardly any possibility that the less-developed countries will be able to expand their markets. The free markets are already under a tremendous competitive strain and if further room has to be provided, it will have to be created in sheltered markets. I have no doubt in my mind that this necessity which has been unanimously accepted by the Contracting Parties to provide growing access to the less-developed countries for the export of their products is going to raise serious social and political issues but the time has come when these issues must be faced. Let us not forget that this suggestion to make room for the products of less-developed areas is being made in a forum which subscribes to the principle of free competition and free trade and what is being demanded is not a favour or a concession. The demand is that certain obstructions and barriers which prevent economic forces inherent to a free trade situation, from coming into full play should be eliminated progressively and rapidly. It is a demand which is irresistible if the GATT principles have to be observed.