GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

STATEMENT MADE BY SHRI K.C. REDDY, MINISTER OF COMMERCE AND INDUSTRY, GOVERNMENT OF INDIA, ON 28 NOVEMBER 1961

Obstacles to the Trade of Less-Developed Countries

Our business today is to consider obstacles to the trade of less-developed countries.

India has a population of some 440 million people and her per capita income is of the order of sixty-eight dollars per year compared to about 2,200 dollars in the United States of America. Until quite recently, poverty, hunger and disease have been the common and unalterable lot of the ordinary Indian. Political independence, a democratic form of government, the rapid development of communications and a quickening of the public conscience have all led to the creation and acceleration of motivations for rapid economic development in India. Her own natural resources and man-power are enormous. Nevertheless, because of low incomes and the consequent small capacity for savings she lacks capital very badly indeed. India has completed two Five Year Plans of economic development and has just launched her third. She has requested friendly foreign countries for loans for economic development and her requests have been met generously. She has expressed gratitude for this on several occasions in appropriate forums. As a good example of the problems confronting a developing country, the Third Five Year Plan of India was examined by Committee III and a report was produced which is document L/1510 dated 20 June 1961. This has been summarised in document L/1557 of 27 September 1961, which is a special report of Committee III to the Contracting Parties.

In many parts of the world today we are paying a very heavy price indeed in the form of a threat to security and world peace through large masses of humanity having been left in poverty, hunger, ignorance and disease. The disparity in standards of living and consumption between the less-developed countries and the industrialized countries is already great. This disparity is becoming greater as a result of the very rapid technological advance of the industrialized countries. This is being even further accelerated. Unless at least a partial solution is found to the problem of this rapidly growing disparity in the foreseeable future it is extremely likely that this tendency will lead to grave political and social consequences in many regions of the world. The problem of the rapid development of the less-developed countries is, I would submit, a world problem no less than is the problem of food education or health. We have the FAO, the UNESCO and the WHO functioning — and functioning very effectively, in these fields. There are other agencies also which deal with some of these problems, e.g. the Ford and Rockefeller Foundations, the Colombo Plan, etc. The problem of the economic development of the less-developed countries has yet to be tackled. Some of us find in the work of
Committee III in GATT perhaps the earliest beginnings of work in one direction to help less-developed countries overcome poverty and economic stagnation. The problem of development of the less-developed countries is basically the problem of helping them on to their own feet by leading them to the point of self-sustaining growth. In this process vast capital sums are needed. Even when these sums can be and are made available on practical terms, i.e. long term loans at reasonable interest rates, one has immediately to think of the servicing of these loans. We, in India, are very proud of our record so far, in regard to the prompt fulfilment of our external financial obligations. It is our intention to maintain this record by every means within our power. But, in the final analysis, we can, in our situation, meet our obligations only by vastly enlarged exports, however generous the terms of loan assistance may be. In pure logic and arithmetic, it is obvious that India has to be assisted to achieve these enlarged exports in order to be able to meet her obligations as and when they arise. Further, capital resources are not inexhaustible and the number of countries needing urgent development is large. Therefore, even during the process of development the less-developed countries have to be assisted to find some finance for some of their developmental imports at least, through increased export earnings. After a comprehensive examination of this problem Committee III has made concrete recommendations in its special report, document L/1557 of 27 September 1961 in paragraph 8. These recommendations have been picked up in a note by the Executive Secretary for the meeting of Ministers in document C/w/27 of 27 September 1961. Ten recommendations have been made in regard to each of which action in terms of policy has to be taken by contracting parties, and especially by the industrialized countries. I would request that my colleagues here should pay particular attention to these questions, make policy pronouncements in regard to these questions wherever they can, here and now, and, in any case, use their own considerable influence with their Governments to secure positive and favourable policy action in these matters as early as possible. Action on these matters can no longer be delayed. Let us agree on a positive programme of phased action in the next few years to give concrete steps to the various recommendations of Committee III.

I am a politician myself and I am aware of the difficulties that some of us will have to face in taking positive policy action on the recommendations made by Committee III. But the problem is so urgent and so widely recognised that I would humbly submit it will and must be possible to take courage in both hands and do something. One may mention in this connexion the action taken by the United Kingdom in regard to the Lancashire cotton textile industry as an example. One may again refer to the recent pronouncement by President Kennedy in regard to adjustments which United States industry might have to make and assistance which the United States Administration would be willing to afford United States industry for making these adjustments. Our colleague the Hon. George Ball has made a most positive and constructive statement and has pointedly referred to positive action in several directions which are urgently called for. We are, and, I am sure, under-developed countries as a whole will be, very grateful for this expression of views and of the determination of the United States to take positive action. The draft resolution placed before us by the Hon. George Ball is, I would submit, entitled to most earnest and constructive attention from us all. There is, as you know, Mr. Chairman, another paper drawn up and submitted by a number of less-developed countries. It
should be possible, we hope, to make a tidy amalgam of the two papers for adoption by Ministers. We were also gratified by the categorical statement made by the Swedish Minister of Commerce this morning that Sweden is willing to purchase the products of the less-developed countries whenever such purchases appear possible. Indeed, we were heartened by the earnest and constructive approach of the entire statement of the Swedish Minister. We hope this reflects the general spirit of the industrialized countries, especially in Europe.

We and other less-developed countries have been patient, very patient indeed, in regard to continuing quantitative restrictions in certain countries although these were not justified by balance-of-payments or any other reasons which can be invoked under the General Agreement for the maintenance of such restrictions. During our recent talks with some governments we have been encouraged to find that there is among officials and politicians, understanding and goodwill. We have secured some easing of these restrictions in some countries. But we find that the pace of granting relief is far too slow, having in view the urgency of the problem of expanding our exports with a view to earning sufficient foreign exchange both to service our loans and to find that extra amount of foreign exchange which will enable us to relax some of our import restrictions. In our present phase of rapid economic development the market for capital goods and industrial raw materials is indeed very large. I would submit that the industrialized countries would help themselves and in particular their heavy industries and their newer and more sophisticated chemical and other industries by helping us and other less-developed countries to sell to them in larger quantities than before whatever traditional products we have so far exported, and also more semi-processed and processed goods and the simpler manufactured articles.

The problem of the so-called low cost countries is often mentioned. If we could get the same prices for our products as are charged for similar products produced in the industrialized countries, why should we wish to sell at unduly low prices? This would be illogical and not in keeping with our enormous and growing need for foreign exchange earnings. If it is ever the claim of an industrialized country that we are dumping our goods, it has surely sufficient remedy available to it under the provisions of the General Agreement, for example, under Article XIX. With a rapidly expanding economy, with an expansion of purchasing power and consequently, of consumption, our battle, at present, is rather the battle of fighting internal inflation and high prices. We have, already, in many articles, priced ourselves out of the world markets and are doing everything possible to try and become competitive once more. The fear born out of a protectionist psychology and out of certain assumptions and often promoted by the old ante-diluvian, inefficient marginal producer in the industrialized countries is responsible for the prevailing idea that the less-developed countries should be and are necessarily, low cost manufacturers. A reasoned and logical examination of the matter would put the situation in proper perspective. A publication by the United States Department of Commerce has found, for instance, that India is not a low cost producer of cotton textiles. This kind of consideration would apply to many other semi-processed and processed products as well as to the simpler
manufactures. We would naturally have some normal competitive advantage in several of these lines of production based on our natural resources and the character of the industry, especially if it is labour intensive. Courage will be required, of course, in reducing tariffs, removing quantitative restrictions and giving the other kinds of reliefs which are recommended by Committee III. But it is the strength of the democratic system that the true representative of the people is chosen for the very reason that he has political courage and rises in stature and is strengthened politically by showing political courage whenever it is called for. I should like to close with expressing the hope that it will be possible for my colleagues here and especially those from the industrialized countries to make a positive contribution towards enabling the less-developed countries to increase their foreign exchange earnings and plan more boldly for their development, leading them more quickly to the point of self-sustaining growth, so that, they, in their turn, may join in assisting other less-developed countries in the same manner. It has been our experience generally, and more recently with regard to the European Economic Community in particular, that growth and prosperity breed further growth and further prosperity. Similarly, poverty and stagnation also tend to perpetuate themselves. Gentlemen, it will soon be the season for snow. It would not be inappropriate for us perhaps to indulge a little in a childhood pastime. Let us collect snow and make snowballs. Let us make them bigger and yet bigger, and, maybe, figuratively, play with them. Let us aim at giving world prosperity the snowball effect which it so badly needs. Thereby we will add to the sum of human welfare and human happiness. We shall indeed thus bring about Peace on Earth and Good Will among Men.