I am glad to have this opportunity to address the Contracting Parties at the commencement of what is undoubtedly a most important session. Seven years have passed since the General Agreement was drawn up in Havana. This Agreement was never intended to be anything other than provisional – for the Contracting Parties expected that the Havana Charter, on the drawing up of which a considerable amount of time, thought and energy were spent, would replace the General Agreement and that a permanent International Trade Organization would be established. Unhappily, this expectation has not materialised; but, meanwhile, we have had the benefit of working the General Agreement throughout the period of seven years since 1947. The Contracting Parties wisely decided that an agreement which was intended primarily as a provisional measure could not be continued on a permanent basis without adequate modification. The purpose of this Session, which I am privileged to attend, is to work out agreed modifications to the General Agreement with a view to giving it a more assured life in the years to come.

When the General Agreement was drawn up in 1947, the world had just emerged from a major catastrophe involving the destruction and defeat of many regimes and many peoples. The immediate problems of reconstruction and rehabilitation of war-torn countries and the orientation of war-times economies toward the rebuilding of Western Europe naturally influenced political and economic thought at that time. In the result, the General Agreement itself contains very definite indications of a desire, and indeed of a commendable resolve, to provide incentive and opportunity to hasten the process of rehabilitation and reconstruction. With this aim in view, transitional arrangements of various kinds were devised and special exceptions made so as to enable Governments whose economies were disrupted by war to take special measures to meet problems arising from balance of payments and by disruption of trade, and to remodel war-time distortions in the industrial and commercial fields.

In their natural desire to get on as speedily as possible with the work of repairing the damages caused by war, Contracting Parties did not make adequate provision for dealing with the problems of such of their members as came, in the course of time, to be described as "underdeveloped countries". I am not stating
this by way of criticism of the nations that drew up the General Agreement. It is nevertheless true to say that during the seven years that we have operated the General Agreement it has become increasingly clear that the Agreement as it now stands does not meet adequately the requirements of underdeveloped countries and those whose economies depend primarily on the export of raw materials and agricultural products. In this review, it is the intention of my Government to endeavour to contribute towards the evolution of some procedures that will give countries such as the one I represent the opportunity and, indeed, the encouragement and assistance of industrialized countries throughout the world to raise their living standards, to cure the chronic problem of under—employment, to create a larger and more effective consumer demand, and, in the final analysis, therefore, to increase the volume of International Trade.

Industrialised countries of the world to-day, will no doubt realize that underdeveloped countries, many of which have vast resources of raw material and man—power, must naturally want to expand and diversify, their economies. The hewers of wood and drawers of water of yesterday can no longer be satisfied with remaining in a state of economic and social subjection. Equally, they are no longer willing to remain mere sources of raw materials and markets for the finished goods of industrialized countries. They too, naturally want to develop and improve their standards of living, their technical skills and their resources so that they may contribute to the sum total of human wealth, of human knowledge and of human happiness; and to achieve these results, underdeveloped countries need time, finance, expert advice and active assistance from these countries with higher living standards, greater industrial potential and longer experience in trade and production. They also need freedom to regulate their economic programs and commercial policies so that they may within the shortest possible time achieve a fuller and more economic use of their natural resources and man—power.

The features underlying the balance of payments of most underdeveloped countries strongly emphasise the need to be cautious as we move towards a system of freer trade and payments. Trade has a predominant and determinat role in the structure of our balance of payments. Equally clear is the existence of a persistent deficit in the invisibles' sector. Above all, utter dependence of export incomes on a few primary commodities combined with the constant leakage in essential consumer needs through import expenditure create a very unstable trade balance which largely determines the nature and magnitude of the balance of payments position as a whole.
What is necessary at this stage of our economic development is not merely to maintain balance of payments equilibrium, but to strive towards securing adequate surpluses that would help to build up our depleted external reserves. The point to be reckoned, however, is that in the context of our economies, a balance of payments equilibrium consistent with the standard of living and a level of employment acceptable to our peoples cannot be maintained with any degree of assuredness, particularly in the years ahead. The problem will undoubtedly become more acute as our programs of economic development gather momentum.

In the background of such conditions and as past experience has unmistakably shown, unforeseen and temporary balance of payments difficulties will continue to emerge, for which we could reasonably claim the right to impose restrictions of both a directional and an overall nature. We are fully conscious of our obligations as members of GATT to relax restrictions whenever balance of payments conditions permit. This is clearly borne out by our past actions. All that we urge at this important juncture is the right to impose import restrictions which, if used with restraint and discretion, will constitute a flexible instrument that will insure against a rapid wearing-down of our limited resources and enable the gradual building up of our external reserves which are vital for ensuring the implementation of our programs of economic development.

We do of course agree that the future prosperity of the civilized world must depend on orderly behaviour in the political and economic fields and that certain codes of conduct must be voluntarily be agreed on and practised by nations who wish to preserve a common way of life. But in framing such codes of conduct and commercial dealing, we must take care that we do not apply rules of thumb and that the special needs of special areas are taken into account. Obviously, due to different stages of development, all countries cannot conform to a common set of rules in the same uniform way.

We would therefore ask Contracting Parties to take special account of the problems of underdeveloped countries and by doing so to assist them to remain within this large trading community that the General Agreement proudly represents.

I wish, Mr. Chairman, to refer in particular to some of the problems in which my Delegation is interested in connection with the Review. We would like to see the present Article XVIII of the General Agreement completely rewritten. Its unattractiveness is evidenced by the fact that although there are so many underdeveloped countries who are members of the GATT, very few have cared to avail themselves of this article. Those of us who have had recourse to its provisions - and Ceylon, I think has had most experience of its incidence - find that the restrictions and limitations it places practically destroy the benefits that it professes to confer. If Article XVIII is to be of any practical value, it must recognise the right of underdeveloped countries to take effective measures, not merely for implementing programmes of economic development, but also for protecting new and established industries that are threatened by competition from mechanised and imported products sustained and promoted by vast financial resources. No Government worthy of its name and I am certain no member of the GATT which is committed to expanding the production and exchange of goods, will want to protect obsolete and inefficient industries. But in applying standards of judgement to the industrial efforts of underdeveloped countries we must beware that we do not judge them by unreal standards. For an industry which,
according to the standards of more industrialised countries, may be obsolescent, may very well be adequate for the needs of an underdeveloped country. The real problem as we see it in underdeveloped countries is not industrialisation by mechanisation, but industrialisation by a careful and well planned combination of mechanisation and manpower. Machines cannot be allowed indiscriminately to replace men — men must be employed to work machines. It is only by such a process that under-employment and low living standards can be relieved. Article XVIII must therefore be amended to give underdeveloped countries the right to take adequate protective measures by use of quantitative restrictions, tariffs and similar well known devices to operate programmes of economic development and to protect their industrial efforts. Unless sufficient flexibility is secured in this direction, I am convinced that no underdeveloped country will find it profitable, however much it may wish, to impose on itself trading rules and restrictions on its freedom of action in the fiscal and commercial fields, on the scale that will clearly be necessary if the GATT is to remain an effective instrument in preventing tariffs wars, restrictive business practices and discriminatory treatment of imported goods.

As most of us in underdeveloped areas depend on the export of raw materials and primary commodities, we would like to see some provisions written in the General Agreement or made collateral to it, providing for and encouraging the conclusion of commodity agreements not only in times of surplus or threatened surplus, but also in times of shortage. Commodity agreements which do not give stability to primary producers over a period of years are obviously not attractive; investors are reluctant to plough back profits or to inject new capital into agricultural enterprises unless they can be assured of reasonable stability over a period of time within which they can derive a return from investment. There is also an urgent need for attracting new capital from foreign sources into underdeveloped areas, and the stability that commodity agreements can give is a powerful factor in favour of attracting foreign investments.

Finally, Mr. Chairman, there is another problem which, like the sword of Damocles, hangs over our heads. I refer to the problem of strategic stock-piles. We would like some provisions written into the General Agreement providing for the orderly liquidation of strategic stock-piles, after consultation with the primary producers concerned. As I stated earlier my Delegation will be fully prepared to enter into discussions at this Session with the Contracting Parties in an effort to solve the problems to which I have referred.

I would like to end by expressing the hope that the deliberations of the Contracting Parties in this Review Session will meet with success and that it will be possible to revise the General Agreement in a way that will be acceptable to all of us.