Obstacles to the Trade of Less-developed Countries

Though guillotined on the first item of the agenda and with limited time at our disposal, I shall try to be brief so that others will not be in the same position as we were. It is difficult to keep the discussion within fairly tight compartments, nevertheless, I shall try to confine myself to the barriers on the trade of less-developed countries.

At present the deficit in the current external accounts of the less-developed countries taken as a whole is running at a level of about 3 billion dollars and it has been estimated that this deficit could be in the order of 15 billion dollars at the end of the next decade, if current trends in international trade are not reversed in favour of the less-developed countries. It would be unrealistic to imagine that a deficit of this magnitude could be met by financial aid, despite the goodwill and generosity of the aid-giving countries. In fact, events during the last year have shown that a great deal of courage will be needed on the part of the aid-giving countries to maintain even the present level of aid which is running at approximately 3 1/2 billion dollars per annum. These figures also indicate that all the aid received by the less-developed countries up to now merely sets off the foreign exchange deficits that they have sustained in their current external accounts.

GATT was originally conceived as an instrument of commercial policy which would be complementary to the financial agreements of Bretton Woods. I cannot help remarking that while considerable progress has been made in the liberalization of international payments under the guidance of the International Monetary Fund, so much so that nearly all currencies used in the financing of international trade have become convertible, the same degree of liberalism with regard to commercial policy has not been forthcoming from the larger trading nations. For a long time chronic imbalances in international payments and the lack of convertibility of currencies was adduced as a reason for the maintenance of illiberal, restrictive and discriminatory commercial policies. Today, in the face of the progress that has been made in the financial field, the maintenance of restrictive or discriminatory commercial policies has become indefensible.
The GATT secretariat's recent survey of international trade in 1960 highlights the fact that in 1960 there was a significant reduction in the share of the non-industrial areas in world exports and thus a long-term post-war tendency, which had come to a temporary halt in 1958 and 1959, had been resumed in 1960. The report states that:

"The expansion of total world trade in 1960 was the result of an uneven development among the various trading areas. The main factors which deserve emphasis were:

(i) the acceleration of growth in exports originating in the European Economic Community, the larger part of the gain coming from increased trade among the member States of the Community;

(ii) a large rise in the exports of North America, especially to other industrial areas;

(iii) a considerable increase in the imports of the non-industrial countries from the industrial areas, as opposed to declines, both in 1958 and in 1959;

(iv) a slowing down in the expansion of exports in the non-industrial areas to the industrial countries, accompanied however by some increase in trade among the non-industrial countries themselves;

(v) a marked growth in the trade of both the industrial and non-industrial areas with the eastern trading area, although still small in absolute terms and at the same time, a slower expansion in trade among the countries within that area."

This is a most unsatisfactory record for primary producers in the non-industrial areas.

While we are very concerned about agricultural protectionism as it affects some basic principles of the General Agreement, I shall not dwell on this as ministers of other countries who are intimately affected by protectionist policies will be covering this subject adequately. I shall, therefore, confine my observations to the subject of tropical products which is of very great concern to Ceylon, and in particular to the future work of Committee III. I cannot help observing that the progress in respect of dismantling barriers to the export trade in primary products, particularly tropical products such as tea and coffee, has been infinitely small in comparison with the efforts made by Committee III in identifying and assessing the various obstacles in this field. I am of the view that Committee III cannot profitably continue this work indefinitely unless there was a determined effort on the part of the importing countries to lower the barriers. The Executive Secretary's note in document C/W/27 of 27 September 1961, contains in part "C" a summary of the recommendations.
of Committee III. I trust that ministers from the industrialized importing countries will be able to give some measure of assurance that their governments will make a determined effort to give effect to the recommendations as early as possible.

The Nigerian delegation has suggested for your consideration the duty-free entry of all tropical products. This call for liberal tariff treatment of primary products originating in less-developed countries is commended for the consideration of this assembly. We are heartened by the statements of Mr. Rey that the liberal treatment of such products is only a question of time - we hope it is sooner than later. A progressive elimination of tariffs on tropical products is the bare minimum that the industrialized countries in GATT can offer to the less-developed members as an earnest of their recognition of the urgent need of the less-developed countries to increase their export earnings.

In this connexion I must remark that the traditional pattern of tariff rates whereby the raw material pays a lower duty while the semi-processed article pays a relatively high duty is completely outmoded in the context of economic development and international specialization of production. Countries that have been exporters of raw materials cannot live forever as exporters of raw materials and sustain adequate living standards for ever-increasing populations. They are compelled, therefore, to process the raw material and they naturally would begin with the elementary, unsophisticated stages of production. It is therefore a matter of regret that even raw materials that have gone through a very small degree of processing should be subject to higher duties than the basic raw material itself. I might mention coconut as an example. The European Economic Community's tariff on copra is zero, while the tariff on coconut oil for industrial uses is 5 per cent, and for consumption purposes is as much as 10 per cent. Coconut oil that goes into the production of margarine is regarded as for consumption and will, therefore, be taxed at the high rate of 10 per cent. This type of tariff structure, which has been in existence the world over, has the effect of stifling the development of processing in the countries where the raw material originates. We would, therefore, urge that when future tariffs are fixed by countries or by new economic groupings a more forward-looking policy should be adopted with regard to semi-processed commodities from less-developed countries.

Another factor which must be mentioned in connexion with the tariff treatment of commodities originating in less-developed countries, is that of internal fiscal taxes. Since the ultimate price to the consumer in the importing country is the principal factor which determines the quantities of an article that could be sold in that country, levies of any sort whether tariffs or internal fiscal charges, have the effect of increasing the price to the consumer. It would, therefore, be of no value to less-developed countries if the tariffs on their products were lowered while
at the same time the internal fiscal or excise charges were increased. In this connexion, we recommend for your consideration that the negotiation procedure embodied in the Havana Charter in regard to revenue duties be adopted by the Contracting Parties.

In regard to quantitative restrictions, industrialized countries that have moved out of balance-of-payments difficulties can hardly justify the maintenance of these restrictions and other protectionist measures. The elimination of these is called for.

As mentioned by the Minister of Commerce for Sweden, Mr. Lange, what is required is not a crash programme but a phased programme of action and this is envisaged in the "Programme of Action" which is now before this assembly. We commend this for your consideration. A great change of heart will remove the greatest obstacle to the expansion of trade. Trade, like peace, is indivisible.