It is a matter of great satisfaction to me and to my country that this session of the GATT is being held in an Asian capital. I take this opportunity to express my appreciation of the hospitality of the Government of Japan not only because it enables us to see this great and beautiful country but also because of the opportunity which this session provides for the Trade Ministers of the contracting parties to acquire first-hand knowledge of Asian conditions and Asian problems. The impact that this will have on their thinking will, in my view, constitute one of the major contributions of this session.

Economically, of course, Japan is very different from the rest of Asia. We should not be misled into thinking that the prosperity over which the neon lights of Tokyo gleam, is a common feature of Asian life. Asia is poor. Asia is under-developed. And Asia is in balance-of-payments difficulties. It will, I think, be appropriate if in this session we devote time to problems which confront and afflict every country which is poor and wants to develop its economy. The problems are not of Asia alone. Africa and Latin America face them too. Indeed seven out of ten human beings in the world today live in what are known as under-developed countries. It was heartening to hear the comments many of my colleagues around the table have made on the problems of less-developed countries.

Practically all the industrialized countries belonging to the GATT are, in one way or another, making direct contributions to the financing of development plans in under-developed countries. Grants and loans, if I may say so, without belittling the great and magnificent contribution which they are making, cannot provide a permanent solution. An increase in export earnings is vital in the long run. Let me quote on this subject from an address by our Executive Secretary. He pointed out:

"Loans will have to be serviced and eventually repaid. The servicing and repayment of loans add to the calls on the foreign exchange earnings of the less-developed countries. These countries have, therefore, an urgent need for a maximum and constantly expanding volume of export earnings."

In the light of statements already made by the Trade Ministers I would suggest that this session of the GATT should launch a positive programme for the expansion of the export trade of the less-developed countries.
A concrete basis for such a programme is provided by the second report of Committee III on trade expansion. This report sets out the results of the commercial policies of GATT countries as they affect the export of eleven items in which the less-developed countries are substantially interested. These are - vegetable oils and seeds, tobacco, cotton manufactures, tea, coffee, cocoa, jute manufactures, cotton, timber, copper and lead. The Committee found that almost every conceivable barrier to international trade afflicts the export trade in these items. High tariffs, revenue duties and internal fiscal charges tend to diminish the import and consumption of many of these products in the industrialized countries. In addition there is a widespread application of quantitative restrictions on practically all the products selected for the study. Often these restrictions are discriminatory and affect under-developed countries particularly.

My first proposal would be that in the tariff negotiations scheduled for 1960, the Contracting Parties should aim at securing better facilities for the expansion of the exports of under-developed countries. With this object in view I would put forward three broad principles, some of which have already been referred to by those who have preceded me.

Firstly, there should be a reduction of levies which tend to restrict the consumption of goods originating in less-developed countries. With due deference to my colleagues from the Federal Republic of Germany I would say that it matters little whether these levies are called internal taxes or customs duties. The difference between an import duty and internal tax applied to a product which is wholly imported is in name only. I recognize that such reduction in taxes may call for certain budgetary adjustments. With their greatly diversified economies, developed countries should have no difficulty in finding alternative sources of revenues. Countries which are already taxing their people in order to give financial aid to less-developed countries would not, I hope, fight shy of measures which would lower the tax burden on their own consumers while helping the less-developed countries.

Secondly, the present practice under which, while raw materials are allowed to be imported free of duty or at a low rate of duty and a higher duty is levied on semi-processed and processed goods should be reviewed. Unless tariffs on such goods are lowered, the less-developed countries cannot expand those industries in which they are likely to have the greatest comparative advantage. They are, therefore, compelled in their programmes of industrialization and in their efforts to reduce the deficit in their external trade to concentrate on industries which will displace imports rather than promote exports.

Thirdly the next round of tariff negotiations must aim at a relatively greater expansion of the trade of the less-developed countries. If, as in the past, tariff bindings and concessions on raw materials only are given or the bindings applied only to import duties, but not to internal taxes, or if there is an insistence on every concession being matched by a corresponding concession of equivalent value, imbalance in trade will not be reduced. Our objective instead should be to ensure that the expansion of the trade of less-developed countries gathers a new momentum after the tariff conference. India and, I hope, other under-developed countries, will be ready to enter into full-scale negotiations with other contracting parties in a tariff conference which will keep these considerations in view.

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I now turn to quantitative restrictions as an impediment to our exports. All of us had started in the GATT with the basic assumption that quantitative restrictions will disappear with balance-of-payments difficulties. In actual fact countries with no balance-of-payments problems are continuing to impose such restrictions. What hurts us even more is the fact that the restrictions discriminate against less-developed countries. At the very beginning of this meeting Mr. Dillon made a powerful plea for abolishing discrimination. We for our part are ready to respond to his appeal. Already in our import licensing we have reduced discrimination to nominal levels. Importers are free to apply for converting their soft currency import licences into dollar licences if dollar goods are cheaper. It is our policy to remove even such distinction as still exists between dollar goods and non-dollar goods in such of our import trade as is financed by earnings and availability of free and convertible resources. The reason for this qualification is that some of our imports are financed by exports which are not paid for in convertible currencies, and the bulk of our capital goods imports are being paid out of external credits which are made available to us on a tied basis. Except for these limitations, as I have said, we propose to move swiftly towards complete non-discrimination in our import licensing.

The real problem worrying us and many other under-developed countries is the discrimination which is being applied against our goods by countries which have no balance-of-payment difficulties and whose currencies are convertible. This position is clearly illegal under the GATT. An attempt is now being made to justify these restrictions on the ground that wages in under-developed countries are low.

If this argument is accepted as valid, then I must say categorically that there is no place in the GATT for under-developed countries. The whole principle of international division of labour rests on the consideration that some countries can produce certain things more economically than others and should, therefore, specialize in their production. The level of technology, the rate of capital formation, the availability of raw materials, the productivity of the worker, the cost of transport, all these, no less than the daily wages of a worker determine the cost at which any item can be produced in any country. If the low cost producer is to be discriminated against merely because his cost is lower, then we might as well write off the possibility of international co-operation in the matter of trade.

I am quite prepared to concede that if any particular country finds its domestic industry seriously and suddenly threatened by an influx of low-priced imports - whatever may be the cause of that cheapness - it should be in a position to take steps to avoid immediate disruption of the market. I think that within the GATT there is sufficient realism and sufficient idealism for such a situation to be dealt with if and when it arises. I do maintain, however, that no such situation has arisen in countries which are applying the discriminatory restrictions referred to in the report of Committee III. While we are prepared and ready to discuss any problems of adjustment and transition with countries which do allow our goods to come in, we cannot leave unchallenged the stand of countries which maintain that the low wages in under-developed countries provide adequate reason for keeping out their goods. I am not sure if the difference between the wage levels in my country and in some countries in Western Europe, if account is taken of
the productivity or output per man, is as great as the difference between the wage levels in the United States and Western Europe. Anyhow, it seems strange logic to argue that low wages in any country would justify measures against its goods which will perpetuate the low wages by keeping down production and exports.

Mr. Chairman, I do not propose to take much more of your time. I am conscious that I have dealt with many of the items on our agenda, but I do feel that given the right orientation to the problem of less-developed countries, many of the controversial items which we have been discussing at successive sessions will cease to be difficult and troublesome.

Let me illustrate my point. International trade in agricultural commodities has been a fruitful source of controversy in the GATT. Countries which depend largely or wholly on the export of agricultural products have been arguing against agricultural protectionism in certain countries, particularly in Europe. They have also been worried about the effects of surplus disposal programmes of the United States. We have discussed this matter as if there is a world surplus of food and other agricultural products. Yet there is abundant evidence to show that the world as a whole is under-nourished and that increase in food production is not keeping pace with the increase in population and consumption. Instead, therefore, of discussing how the well-fed could consume a little more, should we not discuss measures to increase the consumption of the under-fed. If less-developed countries could raise their levels of income and consumption, we would be discussing the problem of deficit and not of surplus.

I now turn to the European Economic Community. Ever since the Rome Treaty began to appear on our agenda, we have voiced the serious apprehensions it has aroused in our minds. Concern has been felt in South East Asia, in Latin America and in Africa over the possible repercussions which the formation of this Community would have on their exports. This anxiety stems from the fact that most of the restrictions applicable to the export trade of under-developed countries are in existence in the countries setting up this Community. Thus, while India's trade with other industrialised countries, such as the United Kingdom and United States, does not show a particularly big deficit, we have a tremendous gap in our foreign trade with the Six. It is, therefore, not unnatural for us to feel worried that the new and powerful Economic Community which is emerging may make the situation even more difficult for us. In the consultations we have had with the Six so far, we are being called upon to provide evidence of actual damage to our trade when the fact is that we have been denied normal opportunities to trade all along. If the Community were actually to pursue outward looking policies and show in fact the consideration towards less-developed countries which has been in evidence in the statements made by their spokesmen around this table, there would be an early reconciliation on outstanding points of difference.

We have heard with interest the proposed arrangements regarding the European Free Trade Association and its commercial policies. Many of the members of this Association have in the GATT made common cause with us in criticising those policies of the EEC which threaten damage to the interests of third countries. We hope the EFTA will develop in full consonance with GATT principles and objectives, and show special consideration to the trade
of less-developed countries. It would be a tragedy if the growth of regional arrangements of this kind were to mean a going back on the fundamentals of general most-favoured-nation treatment on which the GATT is based.

In our discussion in this meeting of Ministers many points have been raised and many suggestions have been made. It is clearly not possible for each of us to comment on all of them. I would suggest that when the CONTRACTING PARTIES meet they might devote some time to consider these points, whether or not they fall under any of the items already on the agenda.

All I can do before I conclude is to lend support to those delegations which have welcomed the expansion of our membership and emphasized the importance of developing a stable relationship under the GATT with countries whose foreign trade is conducted by the State. I should also like to say how very anxious we are to see an early solution of the difficulties which stand in the way of the withdrawal of Article XXXV which many countries had to apply to Japan.

Finally, Mr. Chairman, may I join my delegation in the tributes that have already been paid to you and to the Executive Secretary and add a word of appreciation to the work done by the secretariat and the interpreters.

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