We in the Indian Delegation are very happy to have been able to accept the short term arrangement in regard to cotton textiles following our meeting here in July last. We are also glad that a number of important importing and exporting countries have found it possible to accept these arrangements. This is evidence, if indeed evidence is required in this forum of GATT, of the practical and constructive realisation by member countries of the temporary difficulties of some importing countries. We are glad, again, to participate in a discussion of the approach that is necessary for taking a look at the problems of international trade in textiles over the somewhat longer term. We have held firmly that we do not see a real so-called problem in this matter. The GATT forum has always believed in the freest possible basis for international trade leading to an expansion of such trade, increasing employment, rising standards of living and consumption, and an equitable international division of labour. We have, of course, always had a pragmatic approach and have, for this reason, accepted various temporary restraints, both built into the structure of the General Agreement, and sometimes even outside it by voluntary agreement. We adhere to our view that cotton textiles are no more a problem commodity in international trade than any other commodity.

Nevertheless, we do appreciate that in the changing world there are problems which particularly the older industrialized countries might have to face in a transformation of their economies and their industrial structures to the newer patterns which are emerging as a result of the rapid strides which science and technology are making. This was the basis on which we, and, I believe, a number of other delegations, accepted the short term arrangements. A long term arrangement, however, is something more serious and has to be looked at from a rather more basic and fundamental point of view.

Even in regard to the short term arrangement, the preamble to the agreement of 21 July 1961, brings out the essential factors which have to be borne in mind in regard to cotton textiles as indeed in regard to other commodities and products entering into international trade. These are, to quote from the agreement of 21 July 1961, "to take cooperative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less-developed countries by
providing increasing access for their exports of manufactured products". Of course, when there is disruption or a fear of disruption, the problem has to be tackled with equity and justice but nevertheless without forgetting the basic objective.

Mr. Chairman, I will not weary this committee by a repetition in detail of the characteristics of the Indian textile industry. I have done this in my statement to the meeting of July 1961 and my statement was, if I remember correctly, circulated. It is, however, as well to remember the following salient facts:

1. We are, and have been, considerable cotton producers for a long time.

2. Our agricultural productivity had been low and over the whole front of our agriculture we are making rapid and strenuous efforts to increase agricultural efficiency and productivity. Our production of cotton in the years to come will, therefore, be larger than what it is now, even without an increase in the acreage under cotton.

3. Our consumption of cotton textiles accounts for 90 per cent of production in the country. We are only marginal exporters of cotton textiles.

4. Our consumption of cotton cloth per capita is of the order of 16 yards, which is quite low compared to the industrialized countries of the world. There will and must be a rise in per capita consumption as our economic development plans produce the desired result and standards of living rise.

5. Our population is rapidly increasing almost at the rate of 1.9 per cent a year on a base population in 1961 of 438 million. The increase in consumption of cotton textiles through population growth is therefore likely to be very high.

6. We have been having severe balance-of-payments difficulties and will continue to have them for a considerable time yet during the process of economic development. We shall not, therefore, be in a position to import cotton textiles in any volume. Therefore, we have to increase our cotton textile production at least to deal with the increased requirements of the country. We have the resources to do this in cotton, labour, skills, and, lately even in internally manufactured equipment.
Nevertheless, it is obvious that we are most unlikely in the foreseeable future to be responsible for any disruption or even a threat of disruption in the markets of other textile producing countries.

In taking either a short term or a long term look at the problem which we are now considering, I am afraid we have in our preoccupation with the proximate problem, forgotten certain basic considerations although these have been mentioned in the preamble to the July Agreement. The trade of the less-developed countries is in many cases stagnant and, at any rate, is not expanding at anything like the rate at which the trade of the more industrialized countries is expanding. This has been leading steadily to a great widening of the gap in national and per capita incomes and standards of living and consumption, between the industrialized countries on the one hand and the less-developed countries on the other. This is bound to lead to stresses and strains both political and economic. We are already experiencing the consequences of these stresses and strains in many parts of the world.

It has been conceded and stressed by the world's leading statesmen that this situation has to be remedied and remedied quickly through more rapid economic development of the less-developed countries than hitherto. The national and per capita incomes in these countries being what they are, the capacity for saving in these countries is rather low and foreign investment and foreign assistance, especially from the prosperous industrialized countries, must play a very important part in the development of the less-developed countries. There has been a very welcome and generous appreciation of this point in the last few years and the quantum of flow of investment and assistance has steadily increased. But this inevitably brings with it the responsibility of the less-developed countries to service their loans. It is only gradually dawning on experts throughout the world, in the less-developed countries no less than in the industrialized countries, that the only way this responsibility can be discharged is by enormously increased exports by the less-developed countries and more and more in the form of processed and semi-processed manufactures, as the raw materials will be more internally consumed by the growing industrial potential in these countries.

In the case of India, cotton textiles are even today the third largest earner of foreign exchange and there is a very considerable potential of foreign exchange earning for India in this field for which in regard to raw material, labour, skills, etc., India is very eminently suited. It is, therefore, of paramount importance that there should be an expansion of India's exports of textiles into the more prosperous industrialized countries. This is applicable with particular force to the countries of the European Economic Community several of which have so far maintained very severe import restrictions against Indian cotton textiles. In this connection, we have been gratified by last year's efforts, however small, of the Federal Republic of Germany to let in some Indian textiles. We are hoping that in the year to come we shall have a substantial increase in this quota. We were even more gratified by the tentative and preliminary efforts of the Government of the Republic of France in the same direction during 1961. We have noticed welcome signs of a desire on the part of the Government of France to take a somewhat bolder step forward during 1962. We believe in
rendering thanks and giving credit where thanks and credit are due. We must emphasize, however, as the Canadian Delegate did yesterday, that an advance from zero to something, while it is an advance, is nothing to enthuse about. We would ask that in any consideration of a long term informal planning for the cotton textile industry of the world this factor should be strongly borne in mind. We would ask, with the Canadian Delegate, for a clarification, at the appropriate time, of what would constitute the 60 per cent increase to which the representative of the European Economic Community referred. We would urge, again, that a 60 per cent increase over a very inconsiderable - almost nil - starting point will neither satisfy us psychologically and emotionally nor make any contribution towards dealing with the basic problem of the developing countries, to which I have earlier referred.

We, in my Delegation, are beholden to the United States Delegation and to the Japanese Delegation for having come forward with papers making concrete suggestions. We would not wish, at this stage, to make any detailed analysis of or comment on these two papers. We would only wish to say in regard to the United States paper that we should like to see the basic objectives contained in the preamble to the July agreement fully brought out in any consideration of the long term examination of the problems of the cotton textile industries of the world. Both in regard to the United States paper and the Japanese paper, we would wish to state that taking the July agreement as the basis and the starting point for any long term arrangement might be a narrow and circumscribed action in regard to this very important problem. We would wish for a dynamic new approach which shows clearly and forcefully that the basic problems of development, finance and trade have been grasped and will be imaginatively dealt with, if, however, at the end of the day, the short term agreement has to be, by common consent, the basis, then one would be right, I think, in asking oneself whether it would not be a good thing to achieve some experience of the working of the short term agreement before we make it the base-line for the long term agreement. The Japanese Delegate asked yesterday what the United States Delegation had in mind when they spoke of schedules. We in my Delegation have had similar doubts. We have emphasized all along that where a country has not been responsible for either disruption or a threat of disruption there should be no question of the application of any restraints. We consider this basic to any long term arrangement to which we could give our assent or approval. From this point of view we would find it difficult at this point of time to tie ourselves to any schedules of quantities over any period of years. Bilateral arrangements on the basis of free and voluntary discussion are never precluded. We have an example of such an arrangement between the Indian textile industry (and some other textile industries) on the one hand and the Lancashire cotton textile industry on the other. Perhaps this kind of approach may be a practical and equitable way of dealing with problems that might exist between pairs of countries. It seems to us that even such bilateral arrangements are not called for in every case.
There is one aspect in this matter which so far we have not touched upon. The application of the United Kingdom for entry into the European Economic Community raises some special problems for countries like India who have had special relations with the United Kingdom. We do not yet know what kinds of problems will finally result if and when the United Kingdom enters the European Common Market. It is possible that there may be some impediments to the free flow of Indian and other cotton textiles even into the United Kingdom as hitherto. In such an event, it is obvious that more particularly as a developing country, with heavy obligations in regard to the financing of her economic development and the servicing of her development loans, India will have to be given facilities by the powerful and prosperous European Economic Community no less than by countries like the United States not only to continue to earn foreign exchange by the export of cotton textiles but actually to augment her receipts by such sales.

The Canadian Delegate yesterday referred to one aspect of this matter in his comments on the statement of the representative of the European Economic Community. But I see that at this most important point of time when we are taking a long term look at a very important industrial commodity which enters into international trade the basic problem of development and development finance has to be stressed more than any other aspect of this problem because development is, like international trade, a world problem. It is only by promoting development in the less-developed countries rapidly that the industrialized countries can have a secure long term basis for maintaining and developing still further their expanding economies. The emphasis, my Delegation feels, should be on a sophistication and a further diversification of the industries of the industrialized countries. A personal thought that occurs to me is that a planned redistribution of the world's economic and industrial activity is essential if we are to avoid in the field of industry, the problems of surplus and waste which we experience so acutely in some other fields. It goes without saying, of course, that sudden disruptions and upheavels have to be avoided. But the dynamics of advance and change in the world today are such that these problems may no longer be postponed indefinitely.