Mr. Chairman,

1. You were good enough to say yesterday that if delegations wished to make any general remarks at this stage, they would be free to do so. You also pointed out that a fruitful way of dealing with the matter before us will be straightaway to grasp the nettle and tackle the matters of principle which must finally be the basis on which the long-term arrangement on cotton textiles can be built up. I propose to follow your directives and confine myself to some observations on questions of principle.

2. Our Japanese colleague has already made a brief, pointed and well-argued statement yesterday dealing with several of these matters. We find ourselves in complete agreement with him on the points he has raised. We would wish to add only one rider namely the special problems of the less-developed countries. Even to these I find the Japanese delegate at the Technical Sub-Committee has referred more than once. This particular angle was also specifically dealt with during the meeting of Ministers in November last; and conclusions on these problems have been endorsed unanimously and adopted by the Ministers in their resolution.

3. It may be as well to recall that our present series of discussions are, in fact, a spill-over from earlier attempts to deal with the question of the so-called market disruption. We were not then able to come to any conclusions acceptable all round because at that time we were all groping for a formula that would adequately deal with the difficulties of textile producers in the industrialized countries while at the same time ensuring fair competition and an opportunity for expanding their exports to other producers of textiles, who, by reason of various factors were able to produce textiles more efficiently in the context of a rational international division of labour.

4. One of these special factors is, of course, the growing of raw cotton. In a sense the problem of market disruption has now been re-oriented and has begun to be looked at from the angle of an orderly expansion of international trade in textiles. It has been specifically emphasized that the manner in which we would now wish to deal with the old problem should be not restrictive as might have been the ultimate result according to the old thinking, but expansionist and mildly regulatory in certain circumstances. It is when we re-oriented our thinking in this direction that many of us found it at all possible to participate in useful discussions.
5. We agree heartily with our Japanese colleague that the thinking envisaged in the draft agreement placed before us seems to take us back to a system under which, unintentionally no doubt, the trend will be restrictive rather than expansionist. The growth formula, so-called, has been picturesquely but we think, rightly, described by our Japanese colleague as a freezing or a shrinkage formula. Although it has been specifically stated several times by the representatives of the industrialized Western countries that no restriction is intended when there is neither market disruption nor a threat thereof, the draft of the growth formula seems to suggest that in the case of every exporting country there will be a minimum export schedule. This would be the base on which the growth formula would be applied. In the case of my country, for historical reasons, we were very closely linked with certain markets in the past. Only recently we have begun to look wider afield, particularly because of our great need for earning vastly larger sums of foreign exchange in order to finance our economic development and service our development loans. We apprehend that any minimum export schedule that may be drawn up will have reference to our past performance. In our situation this would not be a fair basis at all especially because, as we have emphasized repeatedly, we have caused neither market disruption nor a threat of market disruption anywhere in the world. My Government would look with a very jaundiced eye indeed on any proposition which smacks of a concept of overall ceilings for exports (or imports).

6. With the growth of substitutes and mixed fabrics, it seems to us that the consumption of pure cotton fabrics is not likely to expand at all rapidly in the industrialized countries. The preference of the housewife today is for drip-dry household linen and wearing material all the time. So it seems to us that any projection of continued increase of consumption in the industrialized countries errs on the side of over-optimism. Even apart from substitutes and mixed fabrics, the consumption of pure cotton fabrics in the industrialized countries per capita is so high already that projections of increased consumption such as we have seen appear to be unduly optimistic. For these reasons it appears to my delegation that the entire basis on which a growth formula could be constructed has to be, in fact, other than what has been assumed. When we come to the detailed discussion of the growth formula we will have more to say on this subject.

7. Apart from the considerations which I have just set out, we are genuinely apprehensive that forces of natural competition will be unduly interfered with by attempting to distribute a fall in consumption. We would not subscribe to a scheme whereby the existing pattern of production and trade is sought to be frozen or controlled or manipulated to the detriment of the exporters, and especially to the detriment of those exporters who are less-developed countries. It has been our thesis and the thesis of many others that everything should be done to bring about the establishment of a pattern of production which results from the removal of impediments to the natural progress of international trade based on optimum combination of productive factors.

8. We would demand, with our Japanese colleague, that the long-term arrangement should not be used as a precedent in regard to any other products or commodities.

9. In regard to categories, it appears to us that the difficulties of administration especially from the angle of availability of statistical material will be insuperable in the case of many countries.
10. While we are grateful to some European countries who have so far maintained quantitative restrictions against us for having relaxed these restrictions to some extent, on the whole my Government wishes me to express keen disappointment at the lack of readiness shown by other European countries to give us substantially increased quotas inside their markets. Our understanding of the political difficulties of some of these countries in this matter has been demonstrated adequately by the patience we have so far shown. But our desperate need for greatly increased foreign exchange earnings makes it impossible for us to wait indefinitely to claim what is, after all, only our due. We may be willing to show flexibility in regard to liberalization, but we must have immediately a very considerably increased access to the markets of those countries which still maintain severe restrictions against our cotton textiles.

11. There is a very important matter which I have reserved so far to comment upon at the conclusion of my remarks. This is the enquiry which is being undertaken by the United States Tariff Commission in regard to an import fee on cotton textiles. If such a fee is imposed purely factually, we are likely to be hit much more severely than many other exporters of cotton textiles. The reason is that our export textiles are of the coarser variety and are heavier per square yard than the normal exports of many other exporting countries. Our exports are also generally grey and unprocessed and are of a relatively lower value per unit compared to the exports of some other exporting countries. Therefore, the incidence of any fee per pound of cotton, in terms of square yards or unit value, would be far heavier on our textiles than on the exports of most other exporting countries. This would be a complete negation, in fact it would be a reversal of the recommendation which the CONTRACTING PARTIES have unanimously accepted in regard to the provision of more and rapidly increasing opportunities in the markets of the industrialized countries for the exports of the less-developed countries. The levy of any such fee on Indian textiles exports would be completely unjustifiable as the nature of our other exports is such that no American cotton goes into the production of an overwhelmingly large part of our exports. So much for the practical and factual side. The imposition of a fee would, in terms of theory, amount to an additional and extra tariff which is contrary to the generally accepted principles of the manner in which an increase in tariffs could be brought about within the framework of the General Agreement. The British Embassy in Washington has already drawn pointed attention to this matter in a press release dated 18 December 1961. My Japanese colleague has referred to this matter also in fairly strong terms yesterday. We should like to add our own voice and say that we would consider the imposition of such a fee very inequitable. With this further measure of obvious protection to the United States textile industry, we would find it very difficult to persuade our Parliament and our people that a long term arrangement for the avoidance of market disruption is either feasible or necessary.

12. Having said all this, Mr. Chairman, I should nevertheless assure you and my colleagues here that we are prepared, as always, to take part in any discussions that may be scheduled and make what, I hope, will be, a constructive and fruitful contribution.