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Statement by the Representative of India at the Twentieth Session of the CONTRACTING PARTIES

The Indian delegation is grateful to the representative of the European Economic Community for the trouble which he has taken in presenting to us at this session the data in regard to its progress, and which the Community considered might be of interest to us. I should like to associate my delegation with the observations made by the delegate for Argentina. Further meetings of the current session will provide opportunities for discussing the general points which he has raised. The Indian delegation has noted with great interest and some satisfaction the information which the representative of the European Economic Community has given with regard to economic expansion in Western Europe. We have also noted the acceleration in quota and tariff disarmament between the member States of the Community and of the steps which have been taken towards the alignment of national tariffs with the common customs tariff, and naturally rejoice that at least some contracting parties have achieved a rapid rate of economic growth and prosperity. In his opening address the Chairman observed that the CONTRACTING PARTIES had examined whether particular features of the Treaty of Rome were in conformity with GATT, and that the discussion of these legal problems had not been concluded. Views have been expressed in the past on the conflict between the rules and practices of the Community and the rules and practices to which all the contracting parties including the member States of the Community have subscribed. Certain developments, to which the representative of the Community had only briefly referred, had taken place in 1961; developments which may tend to widen the area of conflict and may result in extending the scope of deviation from the rules of the GATT. These developments include in particular the negotiations which are taking place with a view to association of the eighteen African and Malagasy States with the EEC, and the desire of many European countries to accede or associate with the Community. Some of these negotiations are very far advanced. The representative of the Community took the view that the time had not yet come to announce or to comment on any particular elements or results of these negotiations.

I am not sure whether the CONTRACTING PARTIES should wait until they are faced with a fait accompli or whether we should consider the possibility of doing something at this stage to ensure that the arrangements which emerge from the negotiations in Brussels will conform to the rules of the GATT. No one objects to the search for economic arrangements which are designed to stimulate economic growth amongst the industrialized countries, or to protect and strengthen weak and struggling economies, but the CONTRACTING PARTIES will naturally be concerned if gains are sought to be achieved by methods which are in conflict with the

rules of the GATT; or by facilitating trade diversion as distinct from trade creation, or if the gains are achieved at the expense of contracting parties. No accurate information is available as to what is going on during the course of these negotiations, but some disturbing trends have come to our notice. The CONTRACTING PARTIES have had occasion to consider the argument that the association arrangements involve extension of preferences on a bilateral basis. We note that these association arrangements are being discussed not only with weak economies but with highly industrialized countries also. We have sometimes feared that through these arrangements preferential access into associate States will be available to the products of some of the contracting parties and not to the products of the other contracting parties.

The negotiations with the United Kingdom would create problems of special concern to some contracting parties, more particularly to those members of the Commonwealth which regarded themselves as developing countries. The General Agreement had protected the preferences enjoyed by these contracting parties in the United Kingdom market under the provisions of Article II. Discussions which involve the future of these preferences are going on between the United Kingdom and the European Economic Community and these discussions involve matters which are relevant to the provisions of Article XXIV:9 of the GATT. The Government of India is ready to consider any proposals for the adjustment of these preferences in consequence of the United Kingdom becoming a member of the EEC. It is prepared to consider adjustments which will be in accordance with the basic principles of the General Agreement. Twenty-seven per cent of India's total trade is covered by these preferential arrangements in the United Kingdom markets. Another large percentage is covered by arrangements which flow from these preferential arrangements. We have had occasion in the past to invite the attention of the CONTRACTING PARTIES to some of the special features in the relationship between countries like India, Pakistan and Ceylon, on the one hand, and the United Kingdom on the other; features which could be of special value in the search of the CONTRACTING PARTIES for the evolution of a constructive and healthy relationship between developing economies and industrialized countries. Quota-free entry, duty-free entry for industrial products from developing economies had made it possible for countries in the early stages of industrialization to direct their investments to export production of a type which could prove economical and beneficial both to developing economies as well as to developed economies. At a time when we were hoping that some of these special features of the relationship between the United Kingdom and India and Pakistan, could and would be extended by the industrialized countries to the developing countries, we are faced with a movement in which barriers are sought to be erected in a market which had hitherto been free from barriers to the exports of a set of countries which are unable to stand the shock and the resulting consequence of such barriers being raised.

We feel that unless we bestir ourselves in time the world community would have taken a backward step and the efforts and endeavours which are being made in the GATT, particularly in Committee III, to find solutions for the problems of the developing countries will have to begin from a point further removed from the point at which we have already arrived. It is necessary therefore for the Community to ensure that while it should prepare itself, as I dare say it is preparing itself, for making further contributions

to the solution of the problem which was posed by the distinguished delegate for Argentina, no steps are taken which would result in the raising of barriers where none existed before. No extension of the quantum of advantages already enjoyed was sought by us through either the negotiations which are going on in Brussels or through the adjustments which we are asking, pursuant to paragraph 9 and Article XXIV. We wish only to be in a position in which our present trading prospects are protected enabling experimentation on solutions which may eventually be found to be of wider application and greater use to other developing countries of the world. In this connexion, my delegation has noted that the Council of Ministers of the Community has approved a programme of action in matters of commercial policy. We have noted in particular that it is proposed to make liberalization lists vis-à-vis third countries uniform at the highest possible level. In the past we have been led to believe that the Community intends to achieve complete removal of quota restrictions on all imports from third countries, and I am sure that a specific reaffirmation by the representative of the EEC of this intent and an indication of the timetable in which we can reasonably expect to see this intent fulfilled would be welcomed by the CONTRACTING PARTIES. We realize that the Community is pre-occupied with the problems created by its own success and by the development of the instruments which will enable it to achieve further success. However, I should like to refer to the expectation which had been aroused earlier, that the last GATT tariff conference would provide for a reduction of common tariffs on products of particular interest to less-developed countries to reasonable levels. It will be recalled that a promise had been held out to countries like India that if they accepted the binding of the present level of the common external tariff they could expect in the negotiations for general tariff reductions in the Dillon round, substantial reductions in the common tariff on their export products. Owing to the fact that the Community found itself unable to offer any meaningful reductions in the products of interest to us we had to abandon our negotiations with the result that the Dillon round has not brought relief to India or to any other developing country. My delegation welcomes with a certain degree of hope the initiative which has been taken by President Kennedy. There are many hopeful features in the proposals which have been put forward, but there is one special aspect to which I should like to invite the attention of the CONTRACTING PARTIES. While the United States' proposals envisage complete elimination of tariffs on products of interest to industrialized countries, equally deep cuts are not envisaged for products of interest to developing countries. If the situation persists whereby in the tariff structures of the world some of the sophisticated products bear a less onerous rate of tariff than some of the less sophisticated ones, it would become more and more difficult for the CONTRACTING PARTIES to resolve this anomaly.

There are hopeful references in the statement made by the representative of the Community on the common agricultural policy where the conviction has been expressed that the only way which can provide a solution to the agricultural problem is the way of international solidarity. I can to some extent understand that in relation to products where legitimate considerations of a social and political nature are involved it might not be for some time to come before it would be practicable to apply in full the rules of the GATT. But every care should be taken to see that the common agricultural policy is not extended to cover products in respect of which legitimate considerations of a social and

political nature do not apply. There are a large number of products in respect of which these considerations do not apply and if the common agricultural policy is applied to them, hope for the development of international trade will have to be further deferred. The representative of the Community also referred to the impetus resulting from the Community's economic expansion and to the repercussions on imports into the Community which have enabled other countries to benefit increasingly from this expansion. Many interesting figures have been provided by the representative of the Community but I notice that no figures have been given with regard to Asia. In that part of his statement where he refers to the trade balance he has sought to combine the figures from Africa and Asia, which if taken together show, for 1961, a credit balance of 631 million dollars for the latter countries. May I venture to enquire what happens if these figures are not taken together? For the last few years in which the Community has achieved rapid advances in its industrial production and has increased its imports of raw materials, the exports from South-East Asia have declined from 880 million dollars in 1955 to 820 million dollars in 1961. As far as my own country is concerned, over the six months of 1962 there has been a decline of 14 million dollars as compared with the corresponding figures for 1961. Thus India exported to the Community one third of what it imported from the Community. The largest trade surplus of the Community was in relation to its trade with India. The largest deficit of India was in its trade with the Community. In so far as one has been able to study these matters there does not appear to be any alleviation so far, in the commercial policies pursued by the Community which will make it possible for my country to hope that as a result of the further growth in the EEC's prosperity and expansion there will be such large increases in imports from India to enable us to increase our cash resources and finance our imports from the Community. These figures must lead to a certain questioning as to whether there is something built into international commercial policies which sets an impossible and impenetrable barrier to the efforts of South-East Asian countries to develop their exports in a manner which would contribute to the expansion of international trade.

The representative of the EEC has said that the Community must contribute to the creation on the international level of the essential prerequisites for the balanced development of all countries because the Community needs this balanced development in order to ensure its own progress in the long term. While these are sentiments with which all the contracting parties must be in full agreement, the emphasis on the "long term" may cause some people to express the hope that the arrangements over the short term should be such as to enable them to live until the day the long term arrived. We are aware of the preoccupations of the Community and I dare say, they are aware of our concerns. I wish to express the hope that some via media is found which will make our concerns one of their preoccupations and if this happens, then there is hope for them and for us together. The Community bears a great responsibility to itself and to the GATT and we hope that at the twenty-first session there will be less to complain about and more to compliment.