

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Sub-Committee on the Participation of Less-Developed Countries

PROBLEMS OF INDIA AND OTHER DEVELOPING COUNTRIES

Statement by H.E. Ambassador Swaminathan in the Meeting of 9 May 1967

1. It may be appropriate to review these negotiations with reference to five points that had been singled out, by the Chairman of the Trade Negotiations Committee, as of major importance from the point of view of the less-developed countries.
2. It may be recalled that in the Resolution adopted by the Ministers on 21 May 1963, it had been agreed that these negotiations shall be based upon a plan of substantial linear tariff reduction with a bare minimum of exceptions which shall be subjected to confrontation and justification. Such exceptions should be necessitated only by reason of overriding national interest. In the Resolution adopted on 6 May 1964, at the meeting of the Trade Negotiations Committee at Minister level, it was affirmed that in the trade negotiations every effort should be made to reduce barriers to exports of less-developed countries and it was agreed that this consideration would be borne particularly in mind in the approach to the question of exceptions.
3. Exceptions. In our judgment - which we are sure would be shared by the representatives of less-developed countries as a whole - in the sector of trade of interest to developing countries, the linear approach of reduction of tariffs by 50 per cent has not been applied by some of our major industrialized trading partners. In fact, in very vital sectors of trade of export interest to India, only symbolic reduction or no reduction of duties has been offered and no progress whatsoever has been achieved in dismantling non-tariff barriers which are maintained by some countries inconsistent with their obligations under GATT. In this regard, particular mention may be made of jute and coir manufactures on which we have been fighting a battle for many years without even a glimmer of success.

4. In the justification and confrontation exercises which were held in July 1965, the Indian delegation had pointed out that in drawing up the list of exceptions in some of the developed countries, a very narrow view had been taken of the term "the national interest", and that while the exceptions list of one of the major industrialized countries had affected our trade only marginally, the exceptions lists tabled by two of our major trading partners applied to our export trade substantially. It was hoped that in the course of the negotiations, items of particular interest to our country and to other less-developed countries would be removed from their lists of exceptions. It is a matter of disappointment that the position instead of improving has deteriorated.

5. In this final phase of the negotiations, when industrialized countries are in the process of readjusting their offers to achieve balance of trading advantages inter se themselves, it is found that many items of interest to India and other less-developed countries are also being withdrawn. It is suggested, that if for their own reasons it was necessary to effect withdrawals of certain items, industrialized countries should consider a limited restructuring of their tariff structure, so that their offers of concessions on items of interest to less-developed countries may remain unimpaired.

6. Deeper cuts and non-phasing. In the 1964 Ministerial Resolution it had also been noted "with satisfaction that all participants are prepared to consider the possibility of taking such steps as are open to them to make cuts deeper than 50 per cent in, or to eliminate completely, duties on products of special interest to less-developed countries". It was hoped that with the adoption of Part IV of the General Agreement, in which the developed contracting parties have undertaken to accord high priority to the reduction and elimination of barriers to exports of developing countries, a special effort would be made in these negotiations for according deeper than 50 per cent cuts on products of interest to less-developed countries. It was also expected that those contracting parties, which have not subscribed to Part IV, had not done so only on the grounds that in their view, the content of Part IV was not sufficient to achieve the objective in view and more positive measures were required to achieve a marked and rapid increase in the export earnings of the developing countries as a whole.

7. It is our view that except in the case of a few tropical products in respect of which some developed countries have offered elimination of duties and some action for advance implementation has been taken, no particular effort has been made in these negotiations to offer deeper than 50 per cent cuts, as originally envisaged. The developing countries have prepared a consolidated list of items and requested individual developed

countries to accord deeper cuts and reductions without phasing, on the list of items contained in document TN.64(SECRET)/6 dated 6 April 1967. It is hoped that all developed countries would act in concert and take joint action in the matter, and in order to facilitate such joint action, the one major participant, who has some legal difficulty in this matter, will declare its readiness to seek, at the earliest opportunity, additional legislative authority to be able to accord deeper than 50 per cent cuts on products of interest to the less-developed countries. Other developed countries, which do not have similar legal difficulties should have no difficulty in taking action, as requested by the less-developed countries.

8. Tropical products. In respect of tropical products, it was hoped that industrialized countries would accord duty-free entry to such products in these negotiations. It is a matter of deep regret that expectations of developing countries in that regard have not been fulfilled. Even in respect of a tropical product like tea, on which there was general agreement to accord duty-free entry, one major industrialized country has offered no reduction in the existing high rate of duty.

9. Question of compensation. In regard to the problem of compensation for the loss of preferences due to reduction of most-favoured-nation duties in the Kennedy Round negotiations, we would recall the statement made by the leader of the Indian delegation on 5 May 1964, in the meeting of the Trade Negotiations Committee which launched these negotiations. He stated:

"My delegation is conscious of the fact that in consequence of linear cuts our trading opportunities would be reduced in one major industrialized country, viz. the United Kingdom, and, I am sure, my distinguished colleagues would not ask us to accept this sacrifice, the benefit of which would largely flow to other industrialized countries, without, at the same time, providing for us substantially larger trading opportunities in other industrialized countries. I would urge my distinguished colleagues to instruct the Tariff Negotiations Committee to formulate ground rules for the adoption of preferential tariffs in favour of developing countries as part of the examination on which we are embarking today."

10. It is a matter of great concern to the Government of India that the question of compensation for loss of preferential advantages enjoyed by some less-developed country participants in certain developed country markets has still not been resolved. We had said, on a number of occasions in the past, that we would be net losers as a result of most-favoured-nation reduction of duties in the Kennedy Round. Such reductions in the developed country markets

where we enjoyed preferences would involve for us loss of foreign exchange earnings. On the other hand, reduction of most-favoured-nation duties by other industrialized countries would in no way assure us of increased access into those markets to compensate us for our losses. It is therefore, a matter of great disappointment to us that even at this concluding stage of these negotiations, no consideration has been given to our suggestion that the Trade Negotiations Committee should formulate ground rules for the adoption of preferential tariffs by the industrialized countries in favour of developing countries. We have noted with some satisfaction that the President of the United States has envisaged sympathetic examination of the question of preferences for developing countries recently. We are aware that other major developed countries have, for some time, been favourably inclined towards granting preferences to developing countries. We believe that our losses could, to some extent, be mitigated if the industrialized countries, gaining trading advantages at our expense, provide preferential entry into their markets for our products. But the question of time is very important in this context. It is common knowledge that the burdens of debt repayment and further investment in economic development are bearing very heavily on our country at the present moment and the maximization of foreign exchange earnings is a matter of the greatest urgency to us. Very soon similar problems will face other developing countries as soon as the process of integrated development gathers some momentum in those countries. It has been our experience that, with an enlarged industrial and agricultural base, even when the quantum and range of our manufactures increase, our import bill, very far from going down, tends to go up if necessary and desirable growth rates are to be maintained. These imports can be sustained over the long run only by a greatly increased volume of exports. We should have thought that everyone - and particularly the developed countries - would welcome this evolution, which has a built-in growth potential for all.

11. Cotton textiles. Cotton textiles is an important sector of trade of great interest to India and other developing countries. Under the Long-Term Textile Arrangement, we were restrained from maximizing our export earnings from a product for the manufacture of which we have the skills and natural endowment. During the period of the Long-Term Arrangement, vast investments have been made in the textile industry in industrialized countries which would deny us the opportunity of competing with them even in this field. This situation can be rectified only if the industrialized countries would extend preferential treatment to cotton textiles along with other products in any scheme of preferences that they bring forward for the benefit of trade of developing countries. It is hoped that these preferences will be granted by the developed countries very soon.

12. International Grains Arrangement. We would also refer to the International Grains Arrangement which is under negotiation within a group of countries. So far we have had no opportunity to participate in any multilateral discussions in regard to the proposed arrangement. We would wish to bring to the notice of the Committee the fact that India is making great efforts to achieve self-sufficiency in regard to her food needs. It is our view that we cannot afford to depend indefinitely on free or concessional supplies of foodgrains by other countries. Nor can we - or for that matter, in terms of logic and arithmetic, other developing countries also - utilize sizeable sums of our scarce external resources in purchasing high price grains from abroad. Foodgrains are a consumption item pure and simple and in our present stage of economic development we have to concentrate our expenditure of external resources on the import of goods and services which will contribute directly to increased and rapidly increasing further production and the maintenance of a healthy growth rate related to our low economic base and our very low standards of income, consumption, saving and investment potential. We are, therefore, vitally interested in economic terms in important aspects of the proposed International Grain Agreement, such as prices. It is, therefore, hoped that the form and content of the proposed International Grains Arrangement would be such as to enable India to achieve her objectives in this field and in the field of integrated development generally.

13. There is another matter to which we would briefly draw the attention of the Committee. An Anti-dumping Code has been drafted by a group of experts and has been submitted to the Trade Negotiations Committee. We had occasion to participate along with a few other representatives of the less-developed countries in the Group. It is a matter of some concern to us that the Code does not provide for the solution of some of the specific problems of the less-developed countries, which are well known.

14. Lastly, the experience of our participation in the Kennedy Round has not been very different from our experience of the usual, ordinary GATT tariff negotiations. In item-by-item negotiations, for obvious reasons, the main emphasis was, as is customary, placed on products of interest to developed countries. Products of interest to less-developed countries generally received a lower priority. The pattern, during the Kennedy Round, has been, by and large, the same. We feel that the time has arrived when the international community should give thought as to what supplementary efforts need to be organized in the field of trade negotiations to find solutions to the trading problems of the less-developed countries. It is our view that such negotiations need to be organized at the earliest possible moment in order to give effect to the new

Part IV of the GATT in which it has been agreed that "there is need for increased access in the largest possible measure to markets under favourable conditions for processed and manufactured products currently or potentially of particular export interest to less developed contracting parties".

15. In participating in the Kennedy Round negotiations the Government of India committed an act of faith inspired by the high hopes which appeared in prospect when Ministers launched these negotiations in May 1964. It is with regret that we have to say that at this stage of the negotiations we are left with the impression that the problems of the less-developed countries have not received the priority or the attention which they deserve.