Mainly speaking, the General Agreement on Tariffs and Trade stands for three objectives viz. 1) to reduce trade barriers; 2) to eliminate discrimination and 3) to abolish unfair practices of all kinds. The latter two are in consonance with the commercial policy followed by India. India does not believe in discrimination. (1) Though not obligatory, India is extending to countries not parties to the General Agreement all concessions granted to the contracting parties. Where imports are regulated by a licensing system, licence-holders are generally free to import from any country unless otherwise necessitated by a shortage of a particular currency. Restrictions on imports from dollar areas, for instance, have been more stringent than on imports from other areas because of dollar shortage. India does not apply discriminatory tariffs to imports from countries with whom it has not entered into most favoured nation treatment. India, of course, does accord preferential treatment to certain imports originating in certain commonwealth countries. India cannot abolish its preferential arrangements so long as certain other countries continue adhering to these. Quantum of Indian preferences, however, has been reduced in GATT tariff negotiations.

The third objective of the GATT relates to the prevention of unfair trade practices. For this purpose, a comprehensive commercial code of fair practices is provided. It covers matters like freedom of transit, methods of valuation for customs purposes,

fees and formalities connected with exports and imports, subsidies, dumping etc. India fully subscribes to this commercial code aiming at the prevention of the use of unfair practices. India does not indulge in such unfair practices. If other countries do not follow the code of fair trade practices, India's exports will be adversely affected. It is in the interest of India that provisions relating to the regulation of unfair trade practices be strengthened.

Let us now consider the first objective viz. reduction of trade barriers. India has substantial stake in world trade. Several of her industries considerably depend on foreign markets viz. jute industry, tea industry, mica industry, coir industry etc. She requires huge amounts of capital goods, technical know-how and essential raw materials for carrying on its development programmes. It is in her interest that the world trade is not unduly hindered. There is, however, another side of this issue. Import restrictions are very essential for a developing country like India for promoting the development of particular industries. To what extent does the GATT limit India's freedom to apply import restrictions?

The contracting parties are free to raise tariffs on unbound items, i.e. items on which no concessions have been committed in tariff negotiations. Section A of Article XVIII contains procedure to enable the underdeveloped countries to withdraw concessions on bound items if necessary for promoting the establishment of a particular industry with a view to raising the general standard of living of people. Concessions can be withdrawn not only when agreement is reached between the concerned parties but also when no agreement is reached. The latter authorisation, of course, is subject to the condition that the contracting parties substantially
interested in trade in the concerned product shall be free to modify or withdraw substantially equivalent concessions initially negotiated with the contracting party taking the measure. Thus the agreement provides considerable freedom of action for under-developed countries in respect of tariff protection.

Section C of Article XVIII deals with the authorisation to underdeveloped countries to use quantitative restrictions and other similar measures which may be necessary to promote the establishment of a particular industry even when these are not in balance of payments difficulties. In case of unbound items, the concerned country is expected to reach an agreement with the countries interested in trade in the product under consideration but is ultimately authorised to act unilaterally subject to the condition that the parties substantially adversely affected by the measure shall be free to suspend the application of equivalent concessions or other obligations under the agreement towards the contracting party adopting the measure. In the case of bound items, permission to unilaterally impose quantitative restrictions for purposes other than balance of payments will be unjustified because it would nullify the value of the tariff concessions. Under such conditions, therefore, the concerned contracting party can apply the proposed measure only if it can reach an agreement with the interested parties. If the agreement is not reached, it can still apply the measure by going through procedures similar to those relating to withdrawal of tariff concessions. (2)

Thus, though underdeveloped countries are not absolutely free to apply quantitative restrictions for protective purposes, they are permitted to apply these when no other measures consistent with the provisions of the Agreement are available. Limitations on the use of quantitative restrictions, however, have not so far stood in India's way of designing its commercial policy according to the needs of its economy. India has given protection to its industries wherever necessary through quantitative restrictions under the escape clauses. So long as India continues experiencing balance of payments difficulties - which are almost permanent in a rapidly developing economy - limitations on the use of quantitative restrictions do not matter much for her. "Actually while quantitative restrictions were presumably imposed for the purpose of safeguarding our balance of payments, they were in reality protective in effect. Government may not have acknowledged this fact openly because that would have been a breach of the GATT, but we know that in several instances there have been cases where these quantitative restrictions have acted as protective measures for enabling industries to operate at fairly full capacity." (3) Further, it is in the national interest of India that quotas are used sparingly. These should be used only where tariffs will not be effective or will be harmful for the domestic economy. Tariffs offer a number of advantages over quantitative restrictions. They are levied at the recommendations of the Tariff Commission. They are for a specified period during which the government undertakes to assist the industry.

They safeguard the interests of the consumers at least to the extent that competition is maintained within the country. Quantitative restrictions often lead to the establishment of monopolies which exploit consumers. Tariffs do not disrupt market mechanism which pays due regard to consumers' preferences. Under tariff system, the difference between the domestic and world prices goes to the state treasury instead of enriching a few traders.

Thus the provisions of the GATT are substantially consistent with the needs of India's developing economy. There is, of course, some dissatisfaction among certain sections that GATT does not fully meet the requirements of Indian economy. But this is true more or less of all countries. While India's objection is that it does not provide adequate exceptions to the general rules in favour of underdeveloped countries, it is criticised in America for providing such numerous exceptions and escape clauses as to render the Agreement almost ineffective and valueless. In fact, the Agreement is the result of compromises between a number of countries. It is impossible to frame an agreement which is effective in promoting free and multilateral trade and fully caters to the needs and problems of all countries. An agreement covering a large number of countries is possible only if all of them act on the principle of give and take. Further, even if India feels that some of her reasonable demands have not been met, it is better to remain in GATT and fight for these rather than walking out of it.

An alternative to joining GATT would be to conclude bilateral agreements with all members of the GATT. In this way India can safeguard her products from discriminatory treatment in foreign
markets and at the same time keep her hands free in framing her commercial policy. Such a course was suggested for India by the Federation of Indian Chambers of Commerce and Industry in 1953. (4)

This course is likely to be neither profitable nor completely effective in safeguarding Indian exports against discrimination. In negotiating a bilateral agreement with any member of the GATT, India's bargaining power will be weak. As a non-member India will have more need for trade than a country which is a member of the GATT. A GATT member will have access for its imports and exports to a large number of countries which are members of the GATT. It could do without trading with India more easily than India could do without trading with it. If the GATT members exploit their stronger bargaining power in negotiating bilateral agreements with India, the terms of the agreements might be more unfavourable to India than those of the General Agreement on Tariffs and Trade. Secondly, there is no guarantee that India will be successful in concluding bilateral agreements with all the GATT countries with whom it has considerable trade. If negotiations with certain countries are not successful, Indian products will receive a discriminatory treatment in those markets, which is very injurious for the country's trade. Thirdly, it is doubtful if India can keep her hands free in framing her commercial policy by entering into bilateral agreements. If India wants that the tariff concessions obtained in bilateral agreements should not be nullified by other measures, the agreement will have to contain provisions relating to commercial policy.

(4) Federation of Indian Chambers of Commerce and Industry, Notes and News (New Delhi, 1 July 1953) 2-3.
similar to those contained in the General Agreement which restrict her freedom in framing commercial policy. India cannot safeguard its products against discrimination without including the provision for the most favoured nation treatment in its bilateral agreements. Inclusion of this clause will prevent India from having flexibility in concluding bilateral agreements because under the clause she will have to extend to every country with whom she enters into a bilateral agreement all concessions granted to other countries. It cannot grant different concessions to different countries in bilateral agreements. Fourthly, the General Agreement provides certain special concessions to underdeveloped countries like India. Underdeveloped countries could obtain these concessions because they jointly fought for these. It is doubtful if India can get such concessions in bilateral agreements. Fifthly, the General Agreement provides a useful machinery for the settlement of commercial disputes. Bilateral agreements cannot provide such a machinery. Sixthly, the conclusion of bilateral agreements with so many countries will require the services of a large number of persons, expert in negotiating commercial agreements. In addition to the difficulty of finding competent experts, it will be a very costly proposition.

No doubt, modification of bound items will be easier under bilateral agreements than under GATT because under the latter consent has to be sought not only of the party with whom the concessions were exchanged but also of the contracting parties substantially interested in trade in the concerned products, but at the same time the benefit of the concessions obtained under GATT are larger than
that of concessions obtained in bilateral agreements because the concessions obtained in a multilateral agreement like GATT are more stable than those obtained in bilateral agreements.

India's participation in GATT is also in consonance with her policy of international co-operation. She has an excellent record of international co-operation. She is a member of almost all the important world organisations viz. UN, IMF, IBRD, FAO, IFC, UNESCO, WHO etc.

Having examined the question as to whether or not India's participation in GATT is in consonance with the needs of her developing economy and also with her international policy, we shall, now, briefly trace the history of India's association with GATT.

India has been closely associated with GATT from its very negotiation and inception. India was one of the nineteen invitees to the Preparatory Committee established by the Economic and Social Council of the United Nations to prepare a draft charter and arrange negotiations for the International Trade Organisation which gave birth to GATT. India took an active part in the deliberations of the Preparatory Committee and the negotiations for the establishment of ITO. India was also represented on the Executive Board elected by the Proposed Organisation (Interim Commission).

India has been actively participating in the tariff negotiations arranged by the GATT. As seen in an earlier chapter, so far five tariff negotiations conferences have been held and the sixth is in progress. In the first tariff negotiations conference held at Geneva from 10 October to 30 October 1947, India conducted
negotiations with the following countries: (5) Australia, Benelux (Belgium, Netherlands and Luxembourg), Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, New Zealand, Norway, Syria-Lebanon and USA. No negotiations were conducted with South Africa because of the suspended commercial relations between the two countries. It was not necessary to negotiate with the UK, Ceylon and Burma because India's commercial relations with these countries are governed by the UK-India Trade Agreement of 1939 and the India-Burma Trade Agreement of 1941. During negotiations, consultations were made with UK, the British colonies, Ceylon and Burma because some of the items under negotiations were affecting the preferences enjoyed by these countries in the Indian market and conversely. India directly exchanged concessions with eleven countries. Taking advantage of the provisions contained in Article XXXV, India did not apply the provisions of the General Agreement to South Africa. The protocol of Provisional Application was signed on behalf of India on 8 June 1948 and it started applying to India from 8 July 1948. (6) To give effect to the concessions granted by India to other countries, on 2 February 1949, the Indian Parliament passed a bill amending the Indian Tariff Act of 1934. In implementing an agreed reduction in the margin of preference, the invariable practice has been to leave the standard rate untouched and to raise the preferential rate to the required extent. (7) 

(5) Government of India, Memorandum on the General Agreement on Tariffs and Trade (New Delhi, 1948) 4.

(6) K.C. Neogy, Constituent Assembly of India (Legislative) Debates, 1 (1949) 59.

(7) Ibid., 60.
At the second conference for tariff negotiations held at Annecy in 1949 India conducted negotiations and exchanged concessions with six countries viz. Denmark, Finland, Greece, Haiti, Italy and Sweden. No negotiations could be conducted with the other four new countries which participated at the Annecy Conference (viz. Dominican Republic, Liberia, Nicaragua and Uruguay) because India had very little trade with these countries. At the third conference held at Torquary in 1951, India exchanged concessions with six more countries.

The fourth tariff negotiations Conference was called in Geneva in the year 1956. India did not participate in this Conference because she was not in a position to offer any tariff concessions. The fifth Conference was held in Geneva in 1960-61. The negotiations fell into two phases. The first phase was devoted to the modifications in the tariff commitments previously made by the individual members of the European Economic Community, which had become necessary as a result of their decision to adopt a common tariff for the community as a whole. The second phase of the Conference is generally referred to as the 'Dillon' round of negotiations after Mr. Douglas Dillon, Under Secretary of State of the USA, who took the initiative in calling for fresh multilateral negotiations for further reductions in tariffs.

In the first phase, in addition to the European Economic Community, negotiations were held with Australia, Finland, Turkey and Haiti who had proposed modification of commitments given to India. For obvious reasons, attention was largely concentrated on the negotiations with the European Economic Community. The agreement reached with the Community contained the assurance that
the Common Tariff would not be increased beyond specified levels in respect of the main Indian export products like cashew nuts, tea, vegetable oils, tanned hides and skins, jute manufactures, coir manufactures etc. The agreement also provided for the reduction of the common tariff on woollen knitted carpets from 40% to 32%. The Community was pressed to concede India's right to greater compensation in the Common Tariff. The negotiations in the first phase were, however, concluded on assurance by the Community that the balance of the compensation due to India would be provided during the 'Dillon' round of negotiations in the form of unilateral concessions in the Common Tariff in her favour.

The negotiations with the United States were the most important in the series concluded by India in the second phase of the Conference. The United States conceded India's right to special considerations as a developing country by not insisting on full reciprocity. The agreement reached with the United States provided for a reduction of 20% or more in the US tariff on a number of products exported by India e.g. cashew nuts, bags or sacks of jute, jute bagging, jute carpets, coir matting, vegetable tanned leather, sandalwood oil.

The reciprocal concessions in the Indian Customs Tariff were mostly in the form of an undertaking not to raise existing tariff rates. The important items for which such an undertaking was given were dried skimmed milk, metal working machinery, DDT, certain industrial chemicals, earth shuffling machinery and cinema projection apparatus.

Small reductions in the tariff rates were agreed to in case of eight items only, namely, wood resin, refined stockholm tar, slate pencils, rubber houses, artificial or reconstituted wood, electric typewriters, polyethylene moulding powder and specified insecticides.
In addition to the United States, India exchanged concessions with Norway, Sweden, Denmark, Finland, Haiti and Turkey. Because of the small size of India's trade with Israel and Cambodia, there was not sufficient basis for negotiation of reciprocal concessions with them. Because of political reasons, India did not enter into negotiations with Portugal. (8)

With the disappearance of Korean boom and increasing competition from industrially advanced countries, sellers' market gave place to a buyers' market. Several industries in India which developed during the war and postwar period found themselves in a difficult position and made requests to the government for protection. The Indian Tariff Commission recommended protection in the case of certain industries. In case of items bound under the GATT, it was not possible to unilaterally grant protection. Consequently, the Government of India approached the Contracting Parties, under Article XVIII of the General Agreement, for an authority to negotiate with the concerned contracting parties for obtaining a release in case of eight categories of products viz. 1) varieties of canned fish; 2) tooth paste, tooth powder, talcum powder, shaving soap and shaving cream; 3) lithopone; 4) fountain pens and parts; 5) coal tar dyes; 6) wines; 7) glass beads and false pearls; and 8) safety razors and parts including blades. The Contracting Parties readily acceded to the request made by India. In the summer of 1954, India conducted negotiations with the concerned countries viz. those with whom the concessions were negotiated and with others substantially interested in those concessions. The negotiations ended in certain

(8) Currently, India is actively participating in the "Kennedy Round."
modifications in the schedule of concessions granted by India. India obtained freedom to raise duties on the following items: (9) a) coal tar dyes, b) razor blades, c) glass beads and false pearls and d) wines containing not more than 42 per cent of proof spirit: i) champagne and other sparkling wines; and ii) other sorts. For obtaining the consent of the concerned contracting parties for raising duties on the above mentioned items, India agreed to reduce duty on the following items as compensation: (10)

a) certain plastic raw materials, namely, cellulose plastic excepting cellulose acetate, vinyl resins and styrene;

b) certain raw materials, mentioned below, which are used in the manufacture of small tools;

i) high speed steel containing more than 13 per cent tungsten or its molybdenum equivalent;

ii) special alloy steel containing any one of the following

1) 0.40 per cent or more of chromium or nickel.

2) 0.10 per cent or more of molybdenum, tungsten or vanadium.

In addition to this India agreed to bind the import duties on antibiotics, electric hearing aids, tyres with metallic framework and milk food for infants and invalids at the existing level.

The above shows that India had to give substantial concessions to get release from the bound items. Release from bound items, therefore, is not very easy. (11) For obtaining release from bound


(10) Ibid.

items, concessions may have to be given not only to the contracting party with whom the concerned concessions were exchanged but also to other contracting parties which are substantially interested in the old concessions. If the new concessions granted to the contracting party with whom the old concessions were exchanged are of no interest to the contracting parties substantially interested in the old concessions, the latter contracting parties may not agree to the release without compensation for themselves. This compensation to parties substantially interested in the concerned products will constitute the additional cost of obtaining the release from bound items. No additional cost may be involved if the new concessions are useful to all the contracting parties substantially interested in the old concessions. In actual practice, however, it is very difficult to find out new products concessions on which will be of interest to all countries substantially interested in the old concessions. The release process is very likely to benefit certain other contracting parties. The new concessions may be of interest to certain parties who had no interest in the old concessions.

In selecting items on which concessions are to be granted to other countries and in deciding the nature of the concessions to be granted, India has followed three main principles: (12)

1) Concessions are demonstrably in the national interest of the country or at least are not injurious to the national economy.

2) Concessions should not be granted on products which are receiving protection or are likely to claim protection during the next three years.

3) Concessions should not result in an excessive loss of revenue.

(12) Government of India, n. 5, 11.
Concessions would be in the national interest of the country if they are on goods like capital equipment, essential raw materials and foodstuffs which are needed for executing the development programmes. They may also be on products which constitute the inputs of export industries, which help the country in expanding exports and earning the badly needed foreign exchange. If any injury to the domestic economy is to be avoided, concessions cannot be granted on products which directly or indirectly compete with the products of domestic industries. Further if the limited available foreign exchange resources are to be used in the most fruitful manner, tariff concessions cannot be granted on inessential and luxury products. Sometimes, of course, it may be useful to grant concessions even on articles which are not very essential for the country. In case the partner country is ready to grant concessions on the export of certain inessential Indian goods which it would not import otherwise, it is not unprofitable for India to grant concessions on similar articles if the sum total of the satisfactions which consumers derive from imported inessential goods is larger than that derived from the domestic consumption of exported inessential goods. In bilateral negotiations, India cannot compel other countries to obtain concessions only on goods which are essential from the Indian point of view. A compromise has got to be made between the interests of the two parties.

The third principle is to a large extent inconsistent with the first principle. Loss of revenue can be avoided only if concessions are granted on products the demand for which is elastic enough. What is the nature of the products having an elastic demand? It is the luxury goods the demand for which is elastic. They are
consumed mostly by the richer classes. The demand for capital goods and essential raw materials is determined more by technological requirements and the country's development plans than by prices. Similarly, the demand for foodstuffs is determined more by domestic production of these - which to a large extent depends on weather - than by prices. If the concessions are to be granted on products which are essential for economic development, loss of revenue is inevitable. The loss of revenue, however, does not matter much because the tariffs are not a very sound method of raising revenue.

India's Attitude in GATT

India has not only been participating in tariff negotiations organised under GATT auspices but also emphatically presenting the problems and viewpoints of the less developed countries in the various meetings of committees appointed by the GATT. The views expressed by India at the Ninth Session of the General Agreement at which the provisions of the GATT were revised and at the United Nations Conference on Trade and Development are particularly important and are briefly stated below.

The Review Session

At the Eighth Session, the Contracting Parties decided to review the General Agreement at the following Session in the light of the experience gained since 1947 and to examine the organisational provisions of the Agreement with a view to find out the desirability and possibility of creating a permanent organisation to administer the GATT. While preparing for the review, India consulted Indian commercial and industrial interests and the leading economists of
the country both within and outside the government. (13) The Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce were invited to express their views on the subject. Towards the final stages, the Planning Commission and the Tariff Commission were closely associated in preparing the India's views to be expressed at the Review Session.

Expressing her views at the Review Session, India desired to see the provisions of the GATT strengthened so as to make it more effective in eliminating discrimination and dealing with unfair commercial practices of all kinds, whether indulged in by Governments or by powerful private interests. (14) At the same time she stressed that in the name of reducing barriers to world trade, the less developed countries should not be denied the fullest opportunity to develop their economies and choose and decide for themselves the most appropriate measures for the purpose. The poverty of the less developed countries being the greatest obstacle to the growth of world trade, their development would substantially contribute to the expansion of world trade. (15)

With a view to conserving foreign exchange for financing development, most of the underdeveloped countries need to retain quantitative restrictions on imports even when they are not in immediate balance of payments difficulties. (16) Control over a

(14) Ibid., 2.
(15) Ibid., 3.
(16) Ibid.
very wide field of imports of the underdeveloped countries is very essential to avoid sudden and violent changes in the level of imports and to prevent frittering away of foreign exchange resources on non-essential imports.

Apart from considerations of foreign exchange, quantitative restrictions are essential to help the development of particular industries. (17) In advanced countries, to protect the domestic industry, what is needed is to ensure that the price of the imported article is slightly higher than that of the indigenous one. In such a situation tariffs are quite effective. In less developed countries, in contrast, imported products have a special attraction and are preferred even at comparatively higher prices. This is not because of any intrinsic differences in quality. There are instances where the industrial products of the less developed countries are able to compete in export markets but fail to sell at home in competition with imports. In such a situation tariffs are not effective and, therefore, quantitative restrictions are almost indispensable.

By their very nature, the economies of the underdeveloped countries are liable to rapid change. Periodic readjustment in the schedules of bound tariffs is, therefore, very necessary. Some smooth and speedy method of re-adjustment should be found.

India also supported proposals to strengthen the principles of non-discrimination, to put an end to export subsidies, to check dumping and to set up a permanent organisation for the administration of the General Agreement. (18)

(17) Ibid., 4.
(18) Ibid., 5.
The UN Conference on Trade and Development

The United Nations Conference on Trade and Development, which was held from 21 March to 16 June, 1964, was convened primarily to evolve a new trade policy for the growth of developing countries and incidentally for the expansion of international trade. The Conference was attended by 120 states of which majority (about 77) represented developing countries. Speaking at the concluding Ministerial Session of the Conference, Shri Manubhai Shah, Minister of Commerce and the Leader of the Indian delegation, stated that "this has been the most historic Conference since the era of United Nations began. (19)

After the election of Dr. Abdel Monem Kaisouni, the UAR Minister of Treasury and Planning as President of the Conference, twenty-seven Vice-Presidents and five Chairmen for the five main Committees, the representatives of the various governments particularly their leaders (Ministerial level) made general policy statements in the plenary meetings. The specific problems on the Agenda of the Conference were entrusted for examination and recommendations to the five main committees viz. Committee I (International Commodity Problems), Committee II (Trade in Manufactures and Semi-manufactures), Committee III (Improvement of Invisible Trade of Developing countries and Financing for an expansion of International Trade), Committee IV (Institutional Arrangements), and Committee V (Expansion of International Trade and its Significance for Economic Development and Implications of Regional Economic Groupings). Shri I. Swaminathan, Secretary, Department of

Technical Development (India) was elected Chairman of the Second Committee.

The views of the Government of India on the main Eight-Point Agenda of the Conference are indicated in the statements of the Minister of Commerce in the plenary meeting and the concluding Ministerial Session and the statements by the representatives of the Government of India in the five main committees. The views expressed by the Indian delegation in the UN Conference provide a good picture of the Indian thinking on world trade and development problems and policies.

In India's view, steps should be immediately taken to dismantle protective devices of various types at present existing in the developed countries. (20) These comprise high tariff walls and non-tariff barriers like quota restrictions, import licensing, internal duties and various administrative restrictions. The centrally planned economies should progressively enlarge, according to an agreed scale, their purchase of the primary commodities exported by the developing countries. (21) A phased programme should be adopted for reducing barriers to trade in primary products between different developing countries, although they are not in a position to reduce obstacles against imports from developed countries. (22) Effective measures should be taken at the international level for guarding against adverse impact of


(21) Ibid., 18.

(22) Ibid.
substitutes and synthetics, for promoting new uses for primary commodities and generally for increasing the demand for and trade in these commodities. (23)

The ways and means should be devised to secure fair and remunerative prices for the primary products originating in these countries. (24) With this end in view, the system of commodity agreements should be improved and extended to major primary commodities or groups of such commodities. (25) Serious consideration should be given to the conclusion of multilateral agreements establishing floor prices at equitable levels for primary commodities. The basic approach of all such agreements, however, should be expansion of consumption and regulation of marketing rather than restriction on production. Where commodity agreements are not feasible or desirable, alternative commodity arrangements, including provision of a forum for consultation and confrontation, should be made.

Each commodity agreement should provide for a "trade development and price fluctuation fund" which should enable automatic reimbursement to the exporting country in case the world prices of the commodity sag below the floor price. (26) Such a fund could be created from i) profits from the sale of stocks when the prices rise above the floor price, ii) financial contributions from industrialised countries which are the main consumers of these products and iii) a nominal contribution from

(23) Ibid.
(24) Ibid., 7.
(25) Ibid., 18.
(26) Ibid., 7-8.
the producing countries themselves. The compensations would come into operation only when other methods of regulating prices through control of production and consumption fail in any particular period or year to support prices at agreed level. While determining remunerative prices, consideration should, of course, be given to what the commodity can bear in an economic manner and these should not be pitched so high as to induce growth of substitutes or to induce overproduction in uneconomic directions which would defeat the very purpose of price support operations.

In order to promote industrialisation and rapid expansion of export trade of the less-developed countries, their exports should be accorded a preferential treatment in the world market. (27) Such a system should be uniformly applicable to all the less developed countries, avoiding any complex system of discrimination between one group of countries and another or between one region of the less developed countries and another. Though linking up of preferences to the degree of development of particular industries in the different less developed countries is quite reasonable in principle, it would be difficult to practically work out, with any degree of completeness or dependability, agreed criteria and classification of such degrees and stages of underdevelopment or development. The existing system of preferences such as the Commonwealth preferences, the CFA Association of Overseas States the Latin American Free Trade Area and various other forms of regional economic groupings, should be brought under a uniform policy of non-discriminatory preferential treatment by the advanced countries to the products of the less developed countries as a whole.

(27) Ibid., 8-9.
India is prepared to give up preferences which she might be enjoying (Commonwealth preferences) provided adequate benefits are made available to all the less developed countries through non-discriminatory preferences in the markets of all the industrialised countries to the products of the less developed countries.

During tariff negotiations, the less developed countries should not be expected to make reciprocal cuts in their tariffs. (28) Reciprocity on the part of the less developed countries is more than adequately provided in the form of their purchasing more from the developed countries out of their increased earnings resulting from a reduction in the trade barriers to their exports to the developed countries.

The financial assistance from the International Monetary Fund and International Bank for Reconstruction and Development should be enlarged and liberalised. (29) The development assistance should be for a long period of maturity, at low interest rates, with fairly long initial moratoria and waiver of interest for an initial period. The creditor countries should facilitate repayment by purchasing goods in the repaying countries, in addition to the normal commercial purchases.

Developmental aid to be most effective should be tied neither to projects nor to countries. (30) The former ties aid utilisation to the progress of particular projects and not to the requirements of the economy as a whole. The latter, by restricting the freedom of purchase, prevents the aid receiving country from buying the latest

(28) ibid., 3.
(29) ibid., 26-7.
(30) ibid., 27-8 and 12-13.
equipment in the cheapest market.

A substantial increase in the earnings through invisibles, particularly transport (shipping etc.) and tourism, is vital for the development of less developed countries. (31) The less developed countries should be assisted in acquiring and establishing their own merchant fleets and a reasonable and fair share of the traffic should be given to the less developed countries' shippers on conference lines and in international shipping.

The instruments to enforce policies, programmes and codes of conduct in international trade should be strengthened through a strong and healthy organisation of international trade. (32) Among the institutions connected with world trade, the GATT undoubtedly occupies a prominent place. But GATT must be reorganised to a considerable extent to suit the urgent needs of developing countries. Instead of providing merely a framework for trade among developed countries, the GATT should become a positive economic instrument for the expansion of the trade and economic development of the developing countries. It should recognise the system of bilateral trading with the centrally planned economies and market economies. It should recognise the right of the developing countries to promote exports through subsidies and other suitable measures. It should become a fully representative organisation of all members of the United Nations who are willing to accept its rights and obligations. Notwithstanding the above, because of the inadequacy of existing bodies dealing with international trade and economic development,

(31) Ibid., 29.
(32) Ibid., 4-6 and 30-4.
there is need to make the UNCTD itself a continuous permanent body under the UN General Assembly. This Conference should meet periodically with an adequate, permanent and full time secretariat, with such Standing Committees and Committees of a permanent nature as are necessary to constantly review and push forward the work of the Conference. Further, in the event of the industrialised nations' unwillingness to consider the reorganisation of the GATT, a new International Trade Organisation have to be established which will adequately cover all aspects of international trade and economic development.

India played an important role in the World Conference. She took the initiative in convening the Conference by co-sponsoring/supporting various resolutions in the UN Assembly and the Economic and Social Council. In particular, India, along with seventy four other developing countries, presented a Joint Declaration to the 18th Session of the General Assembly stressing the need for a dynamic international trade policy with special protection for the less developed countries. (33) Shri D.S. Joshi, Secretary, Ministry of Commerce, Government of India, was elected the first Vice-Chairman of the Preparatory Committee of the Conference.

Realising the importance of a common approach to the subjects on the agenda of the Conference, Government of India had also been consulting and exchanging views with various less developed countries. In the Conference itself, India was the chief spokesman of the less developed countries and was active in the preparation of all

the drafts/resolutions put forward by the less developed countries on various issues. India got elected as an Asian member of the Trade and Development Board, securing the maximum number of votes. This is, indeed, creditable and speaks highly of the prominent role played by India in the Conference.