

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## MEETING OF MINISTERS NOVEMBER 1961

### Statement by the Executive Secretary to the Council 27 September 1961

The CONTRACTING PARTIES' decision to arrange a meeting of Ministers during the nineteenth session was taken some months ago in the full recognition that, both the subject matter to be presented for discussion by the Ministers and even the question of the timing of the meeting, would have to be carefully considered in the light of subsequent developments.

As regards the timing of the meeting there are new elements in the situation which the CONTRACTING PARTIES should take into account. Most significant of these is the decision of the United Kingdom to seek negotiations enabling it to join the European Economic Community. A number of matters which would have an important place in the agenda of the GATT Ministerial meeting will be under discussion between the United Kingdom and the European Economic Community. Some representatives have probably wondered whether this development was not in itself a sufficient reason for postponing the GATT meeting of Ministers.

Having carefully analyzed the issues which confront the CONTRACTING PARTIES, my own feeling is that there is a strong case for proceeding with the GATT meeting of Ministers. The basic structural problems which led the CONTRACTING PARTIES to envisage such a meeting have not lost any of their urgency; rather the contrary. I have been fortified in this view as a result of attending the recent meeting of the International Monetary Fund in Vienna when important steps were taken, designed to provide an adequate financial basis for the expansion of international trade. The CONTRACTING PARTIES must create commensurate opportunities in the trade field to take full advantage of the possibilities arising from these decisions.

In document C/W/27 an attempt has been made to analyze some of the basic questions which I see as requiring attention and the solution of which requires the type of policy guidance which can only be provided by Ministers. In this connexion I would add that it is no part of my conception that a Ministerial meeting should provide, as it were, a superstructure diminishing the importance or the responsibilities of the CONTRACTING PARTIES. The point does arrive, however, when political decisions are necessary if progress is to be made on the major questions with which the CONTRACTING PARTIES have to deal.

It was suggested during an earlier meeting of the Council that the secretariat should prepare a detailed analysis of the issues involved. At that time I expressed my reluctance to undertake this task for two reasons. First, the issues that have emerged over the last few years have already been well defined by the CONTRACTING PARTIES and secondly, there is the risk that such a procedure could result in there only being a general exchange of views among Ministers. What is most desirable is that Ministers should address themselves to issues which are precise and that their decisions and actions in regard to these issues should be equally precise.

It will be noted that document C/W/27 concentrates in the main on the Programme for the Expansion of International Trade. The interval between the time the Programme was launched and the present has been employed in the careful, factual study which is the essential prerequisite to policy decisions. In the field of tariffs there has been action. The Dillon round of negotiations is proceeding and it is the hope of the Tariff Negotiations Committee that, at least to a very large extent, these negotiations will be completed by the end of October. It is confidently expected that the results of the negotiations will contribute a significant measure of progress in the reduction of tariffs, at least on industrial products. The degree which can be obtained in the present negotiations is, however, limited by a number of factors, including the serious difficulties that have been encountered in the field of agricultural products. It is reasonable to assume that, if Ministers are invited to consider further co-operative action among CONTRACTING PARTIES in regard to tariff reduction, they will wish to do so in the light of the results of the Dillon round.

Looking back over the past years, it is apparent that the technique of negotiation of tariff reduction on a product by product basis has yielded diminishing returns. The limitations of this technique were indeed recognized by the CONTRACTING PARTIES some years ago when, on the initiative of the French Government, they elaborated a plan for linear percentage tariff reductions. That Plan could not be put into operation at the time because some of the important trading countries were not then ready to take part in its operation. Subsequent expansion has confirmed, however, the limitations of the existing techniques. Moreover, the signatories of the Rome and Stockholm Treaties have adopted the system of linear percentage reductions within EEC and EFTA respectively and in so doing have resolved the technical problems inherent in this approach. The EEC has also adopted the same policy in its approach to the Dillon negotiations by making its offer in the form of a linear percentage reduction in the common tariff on industrial products with some stated exceptions. Serious attention, therefore, might be given to expanding into a broader field, the technique of linear percentage reduction, spread over a number of years, of tariffs on industrial products. Within such a plan provision could perhaps also be made for proceeding towards the early elimination of tariff restrictions on tropical products. Equally, but perhaps somewhat more gradually, the plan might aim at complete freedom of trade in industrial materials. Finally if within such a framework, it proved possible to give some priority to the reduction of tariffs on semi-processed goods, this would be a further significant measure of aid to the less-developed countries.

The question may be asked whether the time is ripe for further advances in the field of tariff reduction. On this basic question there seems to me to be little doubt. The countries constituting the European Economic Community include some of the most advanced industrialized countries in Europe and these countries have declared their intention of completely eliminating tariffs as between themselves within a decade. The countries in EFTA which includes the second largest industrialized power in the world have set themselves the same objective. More recently the United Kingdom, by its application to join the EEC, has shown its willingness to extend this elimination to the powerful highly competitive area of the community. In these circumstances it is difficult to believe that the extension of these moves towards tariff disarmament could not be extended into a broader field, even though at a somewhat slower pace and with more limited objectives.

As regards agriculture the report of Committee II, when reduced to its bare essentials, demonstrates all too clearly that to a very large extent indeed, the rules of GATT are not being applied in the agricultural sector of international trade. A solution was envisaged during the review session which was to afford countries emerging from balance-of-payments difficulties a transitional period in which they would progressively remove their quantitative restrictions. This solution - the so-called "hard core" waiver - has proved ineffective and has not been applied. These facts do not indicate that countries take a light-hearted view of their international obligations. They reflect rather the inability of governments to apply the provisions of GATT to trade in agricultural products. Some countries have sought to regulate their position by seeking waivers. Other countries have refrained from doing this on the grounds that the end result would be the absurdity of a rule which could only be maintained by surrounding it with a series of exceptions which reduced it to a nullity. There is no merit in trying to hide this depressing situation which, sooner or later, will have to be faced. The policies which have led to the existing situation could be condemned on scientific grounds as being inconsistent with sound policies of economic development. Resort could again be had to appeals to the governments concerned to take remedial measures. Against the harsh realities of the situation, however, I am sceptical as to the effect such exhortations would have.

Would it not, therefore, be more profitable to face the issues squarely? Would it not be better to examine what prospects there are for negotiating clearly defined and acceptable terms of access to markets and for increase in the growth of the exports of agricultural producing countries as rising standards of living expand the demand for foodstuffs? It is to be remembered that this is a question which is also of importance to countries which have traditionally imported agricultural products, as the volume of export receipts earned by agricultural producing countries conditions their ability to pay for imports of industrial products. It is true that countries which find it necessary to support domestic agricultural prices at uneconomic levels might only be able to maintain or increase their imports of agricultural products by accumulating surpluses. If this is so, the particular problems involved in the disposal of agricultural surpluses come into the picture.

In this connexion, the plans worked out in other international organizations to supply such surpluses as a means of affording assistance to less-developed countries should be borne in mind. Is there not the possibility of some link between the creation of conditions permitting increased trade in agricultural products and the disposal of such surpluses through other than commercial channels?

If the Council and the CONTRACTING PARTIES cannot see the way clear to take some positive action in the agricultural field, it would be better to shelve the matter until the time is more opportune. Lengthy and possibly acrimonious discussion of principles will not bring results. The judgement has to be made, therefore, as to whether the present is the time to face this problem squarely or not.

As regards the problems of the less-developed countries I can say without fear of contradiction that the work of the CONTRACTING PARTIES in this field has been one of their most important activities since the inception of GATT. Many countries are disappointed at the lack of positive results. Yet it should be recognized that the great importance now given internationally to the need for an increase in the export earnings of less-developed countries is largely due to the work of the CONTRACTING PARTIES. Fortunately, the CONTRACTING PARTIES have not limited their activities to education or propaganda. They have proceeded to an examination in depth of the problems involved. It is true that Committee III, by its mandate, has only addressed itself to part of the overall problem. The CONTRACTING PARTIES have, for example, for better or for worse, considered that the central question of problems arising from the trade in primary products is better dealt with in other international organizations. Nevertheless, the progressive elimination of obstacles facing the exports of less-developed countries could be a significant aid to these countries and an achievement of which the CONTRACTING PARTIES could be proud. However, up to the present, the amount of work done on the analysis and identification of difficulties involved has been out of proportion to the action taken by the governments concerned. Ministers, it is to be hoped, will not confine themselves merely to a reaffirmation of principles or findings but will address themselves to concrete measures.

The picture as regards the less-developed countries would be incomplete without a mention of their need for outlets for their manufactured goods. It is realized that this question involves considerable difficulties for certain industries in the industrialized countries. To provide growing outlets for the manufactured goods of the less-developed countries will involve difficult adjustments and political decisions in industrialized countries. The governments concerned must be prepared to face the political problems involved and to take the necessary political decisions if the less-developed countries are to enjoy greater access to markets for their manufactured products.

On the question of market disruption - and at this point I am really reverting to the question of tariff reduction - it is apparent that some industrialized countries are nervous about reducing tariffs on certain industrial products because of fear of disruptive competition from certain low-cost producers. Nevertheless, a rapid advance in the process of tariff reduction on a most-favoured-nation basis does necessitate a serious effort to reach a solution to the problem of market disruption. In my view, it should not prove too difficult to find an acceptable solution, provided a courageous approach is made to the problem. This question cannot indefinitely be put aside as a long-range problem to be dealt with over a period of years. Lack of action could act as a brake on efforts to reduce tariffs in respect of certain industrial products.

Ministers should, in my view, give attention, if not to all, at least to the most important of the problems to which I have just referred.

