

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Twenty-Fifth Session

EXPANSION OF TRADE

Statement by the Director-General

I. Introduction

Following the reports you have just heard on the work of the Committees, I thought it might be useful to review the essential points in a statement which is at the same time more general in character and looking toward the future. It seems to me appropriate to do so under this item of the agenda; for the promotion of an expansion of world trade on the basis of the principles, objectives and provisions of the General Agreement is the main purpose and business of our organization.

Looking back over the period since the last session, in November 1967, certain important elements can be discerned. Some are positive. Some are less so.

On the positive side is the carrying through by governments of the Kennedy Round tariff reductions foreseen for 1968. It is true that the conditional agreement relating to chemicals has not yet come into force and this is greatly to be regretted, in view of the important additional degree of trade liberalization that is involved. Failure to implement would be a loss to all the parties concerned, and I am sure they will make every effort to see that the agreement is brought into effect as soon as possible.

Whatever the problems that await us in 1969, it is an encouraging fact that 1968 has so far unfolded without the widespread application of further measures of protection and reprisals that at times seemed possible as countries grappled with their internal difficulties. This, too, is something on the positive side. Here, of course, I refer essentially to the industrial sector. I shall revert later to what is going on in agriculture.

We must now brace ourselves for 1969 and beyond. We all know that protectionist pressures are being applied here and there and that major trading nations are engaged on the task of overcoming their balance-of-payments problems and other economic difficulties.

But we should not be deterred by difficulties, whatever their nature. On the contrary, they should spur us to greater efforts. They give, in fact, a new validity and urgency to the programme of work upon which we are currently engaged and which we should pursue with renewed energy, courage and imagination in the coming year.

In broad terms, it would seem to me that the essential aims of the CONTRACTING PARTIES in the present international economic situation should be: to ensure that what has been secured in twenty years of trade liberalization, and particularly in the Kennedy Round, is preserved so that solid, long-term benefits are not sacrificed for the sake of short-term advantages or expedients; to pursue the serious preparatory work that is already under way so as to permit negotiations, whether on a broad or on a more limited basis, whenever the moment is politically right and; to be constantly seeking for new and imaginative ideas that would permit the best exploitation of possibilities for negotiation, whenever these might arise.

An essential first task is to ensure the full implementation of the Kennedy Round results and to be vigilant against the impairment or nullification of these results through the adoption of restrictive measures of one kind or another. Above all, resistance to protectionist demands should be vigorously maintained. Solutions must be sought to the problems that confront the international trading community by expanding, and not by contracting, trade. I hope, Mr. Chairman, that by the end of this session the contracting parties will have again made abundantly clear their determination to continue the pursuit of policies directed toward the attainment of GATT's objectives; these, as experience has clearly shown, are the soundest guarantees of both national and international economic interests.

II. The future

I would now make some more detailed comments on the work programme endorsed by the CONTRACTING PARTIES at the twenty-fourth session, and on possible lines of action for the future as I see them.

In the first place I would make the point that one of the best ways of ensuring the full implementation of the Kennedy Round results is to push ahead at the same time with preparations for further progress.

As to the work itself - be it in the industrial or agricultural sector or in our special efforts to promote the interests of the developing countries - we should always bear in mind that our objective is to progress ever further along the path of trade liberalization. The studies and preparatory work that are being undertaken in our various Committees must always be seen in this light and be geared to this objective.

In my view, it is essential that the Committee on Industrial Products and the Agriculture Committee move out of the stage of study into that of preparation for action as soon as possible in 1969. Both Committees' mandates require them "to explore the opportunities for making progress, etc.". They should therefore indicate these possibilities and it would not seem to be unreasonable to expect this stage to be reached within a period of two years from the initiation of the Work Programme in 1967 - that is to say, in 1969.

A. Trade in industrial products

Consequently, the Committee on Industrial Products, while continuing to examine the far-reaching problems within its purview, should not be afraid to search at the same time for possibilities of negotiating, in a more narrow field, on tariff or non-tariff barriers or groups of barriers, whenever these occur in the course of its examination. This more limited approach is certainly worth pursuing for the real and potential benefits in trade terms it might offer and for the forward movement it would represent in the relatively near future.

Tariffs

It is accepted that it will take time for governments, industrialists and traders to adjust to, and assimilate, the considerable tariff reductions negotiated in the Kennedy Round.

This, however, should not cause us to give a lesser degree of urgency to our preparations for future progress. Rather the reverse. I hope that during next year, as the secretariat's tariff study and analyses become progressively available, the Committee will, in terms of its mandate, be actively engaged on the concrete task of seeking out possibilities in the tariff field and that it will report its provisional findings to the Council before the twenty-sixth session of the CONTRACTING PARTIES. I take it that delegations may, already at this session, come forward with proposals on possible lines of investigation.

For my part, I would advance certain very tentative ideas, the practical value of which might be worth looking at. One is the possible reduction of certain remaining high tariffs combined with the elimination of low tariffs in the same or other product categories; another is whether there might be scope for a sector approach, i.e. tariff reduction in certain sectors.

The question of differential duties between raw materials and semi-manufactured and manufactured products is of considerable importance, particularly to developing countries; they have frequently been under discussion. Serious attention will need to be given to the best way of dealing with this question in the follow-up action to the tariff study.

Non-tariff barriers

With the progressive reduction of tariffs, governments may be under growing domestic pressures to use non-tariff barriers.

It seems to me that governments will find it easier to contain demands for new non-tariff barriers restrictive of trade if the CONTRACTING PARTIES can be seen to have embarked in a significant way on work looking toward the possibility of new negotiations in this area leading to mutual benefits. The range and variety

of non-tariff measures that have been notified in the inventory, and the concern that many countries obviously have in regard to measures maintained by some of their trade partners, make it amply clear that there should be scope for meaningful action in this area.

I hope that the Committee on Industrial Products will quickly move from the stage of checking and verification of facts into the second stage of identification of non-tariff barriers that are significant obstacles to world trade and the establishment of priorities.

In my view, we should have the political courage to adopt a positive approach to the whole question of non-tariff barriers. Adequate preparation is essential to our task, but we must ensure that the detailed examination of documentation and statistics is not allowed to become an excuse for procrastination and delay.

I would like to suggest, for the consideration of the CONTRACTING PARTIES, that in due course the Committee on Industrial Products be directed to examine, with a view to a report being submitted to the Council before the twenty-sixth session, the feasibility of multilateral non-tariff negotiations and the kind of negotiating techniques that might be employed. This, it would seem to me, would be a logical task within the general process of exploration that the Committee's mandate requires it to undertake.

I recognize that, for some, there may be difficulties of timing, but I would suggest that these difficulties are surely outweighed by the risks that would result from inaction, just at a time when it is necessary for the problems that arise to be - and to be seen to be - the subject of active international consultation and discussion.

It would indeed be gratifying if - following six rounds of successful tariff and trade negotiations in the GATT - the possibility of dealing with a whole gamut of non-tariff barriers could become a practical proposition.

I would like just to refer to the so-called residual restrictions. These restrictions will be discussed under a separate item of the agenda. At this stage, I would limit myself to the general observation that there seems to me - admittedly still a relative newcomer - something inequitable and anomalous about a procedure whereby contracting parties invoking articles of the GATT as justification for certain restrictions have to submit to consultation and examination, while contracting parties applying restrictions inconsistently with GATT seem to be treated more tolerantly.

B. Trade in agricultural products

An imperative of the present international economic situation is the need for the recreation of some order and logic in trade in agricultural products. We need to make a particular effort in this area, and it may be that the circumstances are not entirely unpropitious. For governments, it would seem, are now seriously groping for some way out of the dilemma in which they find themselves.

Despite the efforts that were made in the Kennedy Round, agriculture has continued to fall behind in the general effort of trade liberalization characteristic of the past twenty years. It is this gap that should now be closed and it is to this task that the Agriculture Committee has begun to apply itself.

It would seem to me that the work of the CONTRACTING PARTIES in this area should now be pursued in two principal directions.

First, is the attempt to find solutions to trade problems that arise in a particularly urgent and acute way in limited sectors of agricultural trade: dairy products and the poultry sector are two current examples. The existing groups are trying to define interim solutions to the disorder that exists in trade in these products through an attempt to re-establish trade on less artificial bases and, possibly, through the setting up of terms and conditions of food aid for those countries that are in need of it.

Secondly, in the longer term, is the need to deploy our efforts in a number of directions that embrace the essential problems of agricultural trade: agriculture price and support policies; establishment of real conditions of access to the main markets across the innumerable non-tariff barriers; evaluation of policies of export subsidization in both their short and long-term consequences and the search for acceptable compromises as regards competition.

A principal aim in the Agriculture Committee should be to forestall, through the establishment of early, accurate diagnoses and the formulation of proposals covering a range of possible multilateral, co-operative action by contracting parties, the kind of calamitous situations to which the dairy and the poultry groups have been trying to bring some remedy.

The development of CATT action along these two lines - the problems of today and those of tomorrow - represents a logical step on the part of the CONTRACTING PARTIES.

The urgent problems are now identified; the procedures exist both with respect to the work in depth and critical sectors; work programmes have been adopted in broad outline and proposals for the settlement of disputes are beginning to emerge from the discussion; in brief, the appropriate mechanisms are in place. What is required to enable the CONTRACTING PARTIES to bring these activities to a satisfactory conclusion is the necessary good will, I might say the political will, to unravel the continually re-emerging difficulties that impede the development of international trade and compromise the spirit of mutual co-operation of which this organization is the guarantor and promoter.

C. The developing Countries

The trade figures for 1967 are an illustration of the fact that any recessionary trends in world trade and economy have particularly severe effects on the vulnerable economies of developing countries. It is vitally important for these countries that conditions should be maintained in which the world economy continues to expand and prosper.

It is equally important that, in their approach to the problems of international trade, the CONTRACTING PARTIES give priority attention to the specific difficulties with which the developing countries are faced. The fact that the Committee on Industrial Products has agreed to give, in its examination of non-tariff barriers, especial attention to barriers affecting the exports of developing countries is an example of the kind of approach that is necessary. The problems confronting developing countries that are exporters of agricultural products must also receive prominent attention in our efforts to find multi-lateral solutions to the difficulties in this field.

A potentially valuable initiative taken at the last session of the CONTRACTING PARTIES was the decision to expand the programme of consultations with developing countries on their balance-of-payments and development problems. A pilot consultation with Ghana last September has been sufficiently encouraging to persuade us that as many of the coming Article XVIII consultations as possible should be carried out on this new and more meaningful basis; the CONTRACTING PARTIES will be discussing this under a separate item of the agenda.

Action on other of our activities that are specifically directed toward furthering the interests of the developing countries, and which principally derive from Part IV, need to be pursued with greater vigour and imagination.

Residual restrictions are an important case in point. This is a problem of general concern to all contracting parties, but if GATT's efforts to create the conditions in which the developing countries can significantly expand their export earnings are to have any meaning, it is especially important and necessary that the remaining restrictions on the exports of these countries be done away with.

I attach particular importance to the trade negotiations among developing countries and there is no doubt that the efforts being made by these countries will be warmly welcomed by all delegations. At some time in the future the CONTRACTING PARTIES will be called upon to consider the manner in which whatever results are achieved in the trade negotiations are to be accommodated in relation to the General Agreement.

In this context there remains a broad consideration that I would like to mention. If and when the trade negotiations - or for that matter any comparable initiatives on behalf of the developing countries - are nearing successful completion it would be eminently desirable that the CONTRACTING PARTIES demonstrate, in the general interests of the international economy, a constructive, forward-looking approach in their consideration of these matters.

The discussions under way in the OECD and in UNCTAD on proposals for the accord of special tariff treatment to exports of developing countries have been followed with sympathetic interest by all of us. The CONTRACTING PARTIES will, I am sure, wish to play, in due course, a constructive rôle in this important matter.

The specific activities of the GATT on behalf of the developing countries are directly relevant to the task of increasing the export earnings of these countries. We should avoid theoretical debates and continue with the pragmatic, practical approach to the solution of the problems that confront us. But what is most needed is the political impetus that comes from a willingness on the part of contracting parties to see real progress made. I hope that, at this session, we shall see some evidence of this willingness and suggestions for its realization.

In conclusion, I would say that in an area of human activity as changing as world trade it is dangerous to stand still. In actual fact, one either moves forward; or one retreats and incurs the risk of losing all or part of what has been secured with such difficulty. It is, therefore, my firm belief that a new impetus to GATT's activities under the Programme for Expansion of Trade should come out of this session.