

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## EXPANSION OF TRADE

### Statement by the Director-General

#### Introduction

I thought it might be appropriate if, against the background of the reports on the work of the Committees and the statements of their Chairmen, I attempted to draw together in a more general presentation the principal problems and tasks confronting the CONTRACTING PARTIES at this session and, at the same time, probe a little into the future.

In my view, the CONTRACTING PARTIES can reasonably take satisfaction from the work so far done on the basis of the programme established by Trade Ministers in November 1967.

Much of this work has been arduous. It has been time-consuming. But it has placed at the disposal of the contracting parties the necessary facts and analytical material on which to base their future action.

In an operational body like GATT, however, the preparation of documentation and the identification of problems cannot be considered an end in themselves. It is therefore gratifying that we now find ourselves technically ready to move out of the period of study and investigation and to start seeking the possibilities for concrete action.

#### I. The Programme of Work

As we discuss our future work, we must constantly have in mind the close inter-relationship between all sectors of trade and the need to avoid attempting to deal with any particular sector in isolation. For many reasons, it is essential that, as we move forward, we make progress on several fronts at the same time.

Trade in industrial products

Non-tariff barriers

Good progress has been made by the Committee on Industrial Products in its work on non-tariff barriers.

Starting from a situation where there was virtually a complete lack of knowledge as to the real coverage and importance in world trade of non-tariff barriers, the contracting parties now have before them detailed information which provides a much clearer picture of what is going on in this field.

The drawing up of the inventory; the analysis by the Industrial Committee of the facts in the inventory; and the establishment of the five Working Groups to explore the possibilities for concrete action reflect the logical, business-like approach of the Committee to the tasks entrusted to it, and the serious attention that contracting parties are giving to the carrying out of these tasks.

The first Working Group has already met. If the outcome of its initial discussions is any guide, we may indeed take encouragement from this work and the promise that it offers for good progress by the Working Groups generally.

This whole field is a new one. It is, therefore, important that we should be clear as to our current objectives. It seems to me that there are essentially two.

The first is to determine the non-tariff barriers on which our first efforts should bear and the nature of the action that we should take. Several methods already suggest themselves: the negotiation of one barrier against another bilaterally or multilaterally; the giving of greater precision to already existing international rules; the elaboration of codes of conduct where these appear necessary and useful.

The second aim should be to enable governments to judge what negotiating powers they might need to enable them to engage in formal negotiations.

In order to make progress towards these two main objectives, each contracting party which has notified a non-tariff barrier must be prepared, in the Working Group, to suggest at least some of the precise elements of a possible solution. Those against whom notifications have been made should equally come to the Working Groups having considered what they believe to be acceptable elements of a solution. Only then can the participants determine whether their governments possess the negotiating powers they might need to engage in formal negotiations and whether it is feasible to anticipate solutions.

I would hope that by the coming summer, work in these groups would have progressed to the point where it would be possible for us to consider, in concrete and detailed terms, the most appropriate procedures for carrying out actual negotiations.

As you are aware, I have proposed to the contracting parties that they agree to refrain from introducing new, or intensifying existing, non-tariff barriers during the forthcoming phase of our work in 1970. I have sensed in the discussions in the Industrial Committee a fairly broad measure of support for this proposal.

While recognizing that there may be some difficulty in delimiting the exact range of the measures that should be covered, there would, nevertheless, in my view, be considerable advantage in such a step. Putting an effective brake on the addition of new non-tariff barriers would in itself represent progress. Even more important, however, might be the psychological effect of such a move, and the increased encouragement and credibility it would give to our efforts in this field as a whole.

#### Tariff Study

Satisfactory progress has also been made in the Tariff Study, the second main activity of the Industrial Committee.

The tabulations that will appear in the Study should, in my view, constitute a most useful basis for a policy-oriented discussion. The key tabulation, for example, groups the data by twenty-three well-defined industrial categories, subdivided into raw materials, semi-products and finished manufactures; in this layout, tariff averages for each category and sub-category will be tabulated in a parallel fashion for all countries included in the Study. It will thus be easy to see, for example, the structure of tariff rates between industries and countries. It should also be possible to measure the extent of tariff differentials between raw materials and finished manufactures in each sector, compare it between countries, and thus assess the influence of these differentials on the composition of imports. I might say here that this analysis of tariff differentials in sectors of interest to developing countries should be of particular value for further action aimed at improving their access to markets. We should also know more about the economic and fiscal importance of the so-called "nominal tariffs" than we know at the present time.

I think it can reasonably be said that none of the many tariff negotiations completed in the history of GATT has had the benefit of such an extensive and thorough preparatory analysis. What is now necessary is to move as quickly as possible out of the stage of technical discussion into that of considering what should be done, in the context of the overall 1970 work programme, with the valuable material that will be at our disposal.

## 2. Agriculture

Progress in the agricultural sector should be in line with that made in the industrial sector. With the progressively deteriorating situation in agriculture this should be our aim.

The Agriculture Committee has drawn up an inventory of the problems confronting the contracting parties; and has established Working Groups each to carry the work further with the overall aim of seeking mutually acceptable solutions to the principal problems of international trade in farm goods.

This is a difficult and complex task. For agriculture continues to be one of the darkest - if not the darkest - spots on the international trade scene and one where the intractable problems that arise have for the most part defied solution over the past two decades.

The major aspects of the problems are well known. So are the measures that economic rationality dictates should be taken by governments to resolve them. What has, so far, been lacking has been the will on the part of governments to engage in a concerted international action to take the necessary measures.

In my view, it would assist the Committee in its future work if it could be guided by certain fundamental principles upon which the CONTRACTING PARTIES might agree and which would give a certain orientation to the Committee's efforts.

I would suggest two such principles.

The first is that agricultural support policies should not have as a consequence: on the one hand, the creation year after year in exporting countries of agricultural surpluses in excess of those that can be sold in international markets in the absence of government export aids; and on the other hand, the progressive disappearance in importing countries of import possibilities as a consequence of increases in the ratios of self-sufficiency brought about by government aids.

This proposition implies that a certain limit be imposed on the present level of production incentives in many importing and exporting countries; that the consequences for trade be taken into account when agricultural policies are formulated; and that protective techniques at the frontier, both on exports and on imports, that have particularly adverse effects on trade become the object of reduction or elimination.

The evidence is rapidly accumulating that in the absence of such moderation, the world will soon find itself in the absurd situation where virtually the entire demand for temperate-zone agricultural products, and many substitutes for

tropical products, will be met by national production, artificially promoted behind unsurmountable tariff and non-tariff walls; and where predominantly agricultural producing countries with an efficient agriculture find themselves constrained to seek a reconversion of their agricultural producers to other less productive sectors. One need only in addition contemplate the real cost of this to taxpayers and to consumers to recognize the urgent need for some rational action in this field.

The second principle I would suggest is that the scale and complexity of the problems require a co-operative international effort for their solution. Agricultural problems have moved outside the scope of the national or even the regional framework, and can only be resolved by a concerted international effort implying continuing consultation and negotiation.

In summary, therefore: national discipline to take a grip on production and the consequences of over-production; and international co-operation in the search for solutions.

The two principles may not be original. But if the CONTRACTING PARTIES could endorse them, they would constitute a valuable guideline and an encouragement to the Committee as it proceeds with its work.

Before leaving agriculture, I would just mention the consultations that have gone on between certain contracting parties on the subject of skimmed milk powder. The text of an Arrangement has now been drawn up and only requires the signature of one more contracting party in order to enter into force. I sincerely hope that this contracting party will very shortly be able to indicate its acceptance of the Arrangement.

## II. Import Restrictions

As you are aware, I have proposed that a broad, concerted action be taken at this time against residual import restrictions, whether they be legal or illegal, whether on agricultural or on industrial products.

Such action, in my view, is long overdue. As I have had occasion to stress before, the existence of such an extensive network of import restrictions so many years after the signatories to the GATT renounced their use except in cases of balance-of-payments difficulties, is a blot on GATT's record and a rebuke to the international trading community.

These restrictions affect all sectors and practically all countries. It is my view that we should encourage the Joint Working Group to get down to work as quickly as possible. What are needed are results.

A real effort should be made in 1970 to sweep up the debris of the past and get rid of these restrictions. I hope that - to the extent that action is not taken in the Joint Working Group itself - the results of the work done in the Group will be followed up in the main Committees and contribute to a wide-ranging action against non-tariff barriers generally.

### III. Trade and Development

The objective of the CONTRACTING PARTIES' efforts in the field of trade and development can be simply stated: to secure for the developing countries substantially increased export earnings through better and more assured conditions of access to world markets for their export products.

The attempt to promote this objective is reflected in the developing countries' participation in the whole range of GATT activities.

They are fully involved in the work of the Industrial and the Agriculture Committees, where the problems of all contracting parties, whatever their degree of economic development, are being caught up and dealt with.

The CONTRACTING PARTIES are committed to giving priority attention to the trade problems of the developing countries in the fields with which the Industrial and the Agriculture Committees are concerned. They certainly should have this commitment constantly in mind and see to it that these problems are given increasingly close attention.

In addition to the developing countries' full involvement in what may be described as the general stream of our activities, there are those specific activities in GATT that are directed toward the solution of particular trade problems, or groups of problems, that confront these countries.

These specific activities have a dual purpose: on the one hand, to secure improved access to the markets of developed countries for export products of developing countries; and, on the other hand, to promote increased trade among the developing countries themselves.

As regards the first of these aims, contracting parties will have noted from the report of the Committee on Trade and Development, and from the statement of the Chairman of the Committee, developments over the past year on such matters as: the accelerated implementation of the Kennedy Round reductions; the elimination of residual import restrictions on export products of particular interest to developing countries; the suppression of internal taxes on certain commodities; differential tariffs; tropical products; and so on.

There is certainly room for greater progress. With a more imaginative approach, and with a greater determination to succeed, it would be possible to make an appreciable advance in all these fields.

As regards the efforts to promote trade among the developing countries themselves, I would draw particular attention to the work going on in preparation for negotiations between developing countries.

To develop new currents of trade where still very little exist at the present time is a difficult and challenging task. But the possibilities that such negotiations could open up would certainly justify yet broader participation of developing countries in this work and an acceleration of their efforts. The secretariat of the GATT is providing developing countries with all the technical assistance they request for the preparation of these negotiations and will continue to do so.

It is certainly my hope that the developing countries will take full advantage of the opportunity presented by this session to reaffirm their confidence in this enterprise, which is essentially their own, and give it a further impetus.

It is also important that the number of countries participating in these negotiations be sufficiently large to enable the objective of negotiating concessions in favour of all developing countries to be achieved without difficulty or second thoughts. As Chairman of the Trade Negotiations Committee, I look forward to an early indication from other developing countries that they have decided to join those countries already working toward these potentially important negotiations.

#### IV. Conclusions

Our aim for the months ahead should be to make the maximum possible progress toward our ultimate goal of further trade liberalization.

The Industrial and Agriculture Committees should push ahead in 1970 with their task of formulating conclusions on the concrete action that might be taken to deal with the principal problems that arise in their respective fields.

It is my firm hope that the CONTRACTING PARTIES will, at this session, give some indication of the date by which they would expect this task of the Committees to be completed and actual negotiations to begin.

There will clearly be need at some stage for an examination of the modalities of negotiation that might be appropriate, and I would suggest that the CONTRACTING PARTIES request the Council to make the necessary arrangements for this examination to be carried out at the appropriate time.

It is my view that 1971 should see the contracting parties at the negotiating table, engaged in a concerted effort to secure the further reduction of barriers to trade; this, after all, is the prime purpose and business of this organization and the objective of the painstaking work on which the contracting parties have been engaged over the past two years.

In this respect, it is not irrelevant to point out that the last of the Kennedy Round reductions are due to be applied at the end of 1971. Thereafter, international trade will not benefit from the growth impetus that those annual reductions have generated.

Moreover, while 1969 saw a further large increase in the exchange of goods - following the great expansion in the preceding ten-year period - the forecast for 1970 is less encouraging, the indications being that there will be a serious slackening in the growth of international trade.

These are two facts of importance. International trade, to remain dynamic, has to be continually stimulated and built upon. It is therefore essential that new negotiations be engaged in 1971, so that the impetus that trade and investment constantly require may be provided.

It should be with this objective in view that, I hope, the CONTRACTING PARTIES will conduct their deliberations at this session.