

GENERAL AGREEMENT ON TARIFFS AND TRADE

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TWENTY-SEVENTH SESSION OF THE CONTRACTING PARTIES

Statement by the Director-General

Since the last formal session of the CONTRACTING PARTIES, in February 1970, trade and monetary relations have seriously deteriorated.

The difficulties with which international trade now has to contend, the resulting tensions, and the risks they involve for the international community, are self-evident. It can hardly be disputed that they represent the most serious threat with which the trading nations have been confronted since the end of the war. There is no need for me to dwell upon these facts.

In this situation, the responsibility of the CONTRACTING PARTIES is engaged. Their obligations under the General Agreement, and a proper view of their own interest, make it incumbent upon them to try, through consultation and negotiation, to overcome their difficulties, to settle their differences and to resume their forward movement toward the enlargement of world markets. The CONTRACTING PARTIES should, therefore, now concentrate their attention on the constructive measures - both short term and long term - that governments might take to this end.

In the hope of making a contribution to your discussions, I would like to put before you certain suggestions on the possibilities for action that might be envisaged. But, first of all, a few remarks about the present situation seem to be called for.

1. The dangers of a prolongation of the present impasse in trade and monetary relations are a threat to each individual country, as well as to the community of trading nations.

It would be an illusion to believe that one, two, or several countries would emerge with only a minimum of damage if trade relations were to deteriorate seriously. Nowadays, world trade is indivisible; it is no longer possible to retreat into isolationism or reserved areas without serious losses in terms of economic growth and employment.

2. The signs of a weakening of national economies are already sufficiently numerous for there to be the risk of a serious crisis of confidence, with all its consequences, if the present impasse were to be unduly prolonged. All the contracting parties would suffer in varying degrees and, unfortunately, the developing countries would be the hardest hit.

3. The trade and monetary factors in the present crisis - and the trade and monetary conditions necessary to surmount it - are closely interrelated. Some degree of foresight and composure are thus required to choose and put into force the essential measures needed to provide once again a sound and realistic basis for the more efficient operation of monetary and trade channels. But the monetary disorder is not only disturbing trade relations; it also provokes uncertainty in people's minds. In the absence of general and clear policy guidelines, there would be a risk that immediate preoccupations with the tactics of negotiation might lead those concerned to harden their positions over a period long enough to cause serious damage to world trade and to national economies.

This being stated, there is still time to pull oneself together and to take the situation in hand again. In fact I believe that the prevailing uncertainties, despite the considerable risks in the immediate future, also offer real possibilities for proceeding progressively to the readjustments in trade relations which the changes of all kinds already under way make indispensable.

But, for the moment, it is a question of first overcoming the current difficulties. To this end, I would like to make some practical suggestions relating to the trade field, recalling at the same time however the need to proceed simultaneously with the re-establishment of realistic and stable monetary relations.

To be practical, and taking account of certain political and trade deadlines, it seems to me that the CONTRACTING PARTIES might usefully distinguish between what they ought to do in the short term, that is up to the end of the year 1972, and what might be envisaged beyond that date.

I. Short-term action

(a) As regards the short-term action, that is to say action undertaken from now on, the most urgent task is to seek the elimination, or neutralization of the most dangerous and irritating restrictive trade measures. This is indispensable in order to create a better atmosphere and to avoid the very serious risks that would result from a more pronounced deterioration in trade relations.

Those mainly concerned should, therefore, pursue their consultations with the firm intention of deciding upon, and then taking, specific measures to reduce tensions which each of them can adopt in the industrial or agricultural field. By this I mean import quotas, customs duties, charges or surcharges, or any other restrictive measures which contribute to the worsening of trade relations and consequently threaten, if they are not eliminated, to aggravate the situation.

All action of this sort can be taken without new legislation and without important negotiations.

This, in my opinion, is the priority task.

(b) In a quite different context, but also in the weeks and months to come, the work devoted to certain non-tariff barriers could be continued and enlarged.

The first question is to know whether the contracting parties are ready to pursue with determination, and to a conclusion, the work already undertaken on standards and on licensing procedures. The contracting parties should then show that they are ready to tackle other non-tariff obstacles. The discussions in the Committee on Trade in Industrial Products have enabled certain possible candidates to be identified. What is now needed is an act of will to decide which non-tariff barriers should be selected and taken in hand. It is up to the CONTRACTING PARTIES now to settle this.

(c) Still in the short term would be the elimination or reduction of impediments to the exports of developing countries. The work of the competent bodies of the GATT, and more particularly of the Group of Three, has placed emphasis on a series of specific measures that could be adopted. I will not therefore dwell on these, but I would stress that, in my opinion, it is essential to act without delay in all the specific fields that have been identified, so as to bring about an increase in the export earnings of developing countries.

(d) Further, a new step should be taken within the framework of the Work Programme adopted in November 1967. The detailed preparatory work that has been going on for four years is substantially completed. There remains a need to define the possible modalities and techniques for dealing with, when the moment is politically right, the different elements which might enter into a new multilateral action aimed at the further liberalization of world trade.

What is required here is to examine how, from now on, to approach and deal with tariff problems, the different kinds of non-tariff barriers and agricultural problems in all their aspects.

This is a matter pertaining to trade policy, and the task could be entrusted, for example, to a joint sub-group of the Committee on Trade in Industrial Products and the Agriculture Committee.

(e) Finally, there is of course the important question of the renegotiations under Article XXIV:6, which will arise as a result of the agreements envisaged for the enlargement of the EEC and to which the contracting parties will need to give their full attention.

This is what the CONTRACTING PARTIES could usefully do during the coming months in five widely different fields. I agree that the items on this list may seem very dissimilar. But, in order to be realistic, I have selected only what the contracting parties together, and each one of them separately, can do within the framework of their existing legislation and political possibilities. I have also tried to see what the CONTRACTING PARTIES should do so as to move out of the impasse in which they find themselves, and so as to establish their trade relations on a more positive path than the one they have been following since their last formal session, in other words for almost two years.

II. Longer-term programme

As from 1973, once, we hope, the enlargement of the EEC has come into effect, necessary legislations have been adopted and political conditions met for a constructive trade policy to be possible once more, the CONTRACTING PARTIES will have to look to the reinforcement and readjustment of the multilateral system of trade.

It would be premature at this stage to go into details; it is not, however, too early to indicate briefly the essential points about which the CONTRACTING PARTIES should already give some thought.

For four years now the CONTRACTING PARTIES have been engaged on a work programme aimed at preparing for new progress toward the enlargement of world markets. During this time, profound changes have come about, or have become more pronounced, in the ordering of trade relations and in the ways in which international trade is conducted in practice; to mention only two examples, there is the emergence of new commercial powers, or preferences in favour of developing countries, or between those countries.

Member countries will thus be called upon to undertake a two-fold task: to renew progress toward trade liberalization and to readjust the conditions in which their commercial exchanges take place. It would be in their interest for these two actions to proceed simultaneously. Indeed, the changes and developments already under way require the serious putting in order and bringing up to date of trade relations; this can more easily be done in the perspective of an enlargement, rather than a contraction, of world markets. Moreover, the best way of containing the restrictive practices that are now threatening international trade - and one cannot repeat this often enough - is to launch a movement in the opposite direction, in other words toward further trade liberalization.

In the climate of uncertainty and concern which besets the trading nations, a positive statement on trade policy on the part of the CONTRACTING PARTIES would contribute toward restoring confidence in business circles and to reassuring governments as to their mutual intentions.

Such a statement would, moreover, be in keeping with what has been said recently by a number of statesmen. Its adoption by the CONTRACTING PARTIES, however, would bear witness to the will of all member countries to improve their trade relations and, once the current difficulties have been overcome, to make further progress in trade liberalization.

Much more could be said on the future tasks of the CONTRACTING PARTIES. But in the present situation, which is already sufficiently complex, I have preferred to concentrate on those tasks which seemed to me the most pressing and on which decisions can be taken now.