

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.24/42

24 November 1967

Limited Distribution

CONTRACTING PARTIES
Twenty-Fourth Session

Original: English

REVIEW OF THE WORK OF THE CONTRACTING PARTIES AND FUTURE PROGRAMME

Statement by Sir Richard Powell, Permanent Secretary,
Board of Trade, United Kingdom,
on 23 November 1967

The United Kingdom, with its special interest in and dependence on international trade played a leading part in setting up and shaping the General Agreement. One remarkable fact and particularly appealing to the empirical British, is that an organization which originated as a temporary arrangement to fill the gap left by the failure to create an international trade organization, has not only survived for twenty years, but has grown and flourished with fourteen new members since 1964 and one more on the verge of accession and has exerted a profound influence over more than three quarters of the trade of the world. It is, of course, largely the flexibility and essential simplicity of GATT's rules, though a massive theology has grown up around them, which it owes to the circumstances of its origin, that have produced these results.

2. It might be interesting to speculate how international trade would have developed or rather failed to develop, in the absence of these rules, but after twenty years of GATT it is impossible to me to imagine a world without it. During GATT's lifetime world trade in manufactures has multiplied five times in value, and almost two and a half times in the last ten years, when the thrust of recovery from the war had been completed. Compare this with what happened in the nineteen-thirties, when world trade in manufactures was stagnant if indeed not declining. Though we cannot perhaps claim that this fundamental change is wholly due to GATT, it is beyond dispute that GATT has played a dominant part in it.

3. The United Kingdom has benefited along with her fellow Members of the GATT from the increase in world trade. In the last ten years the value of our total exports has increased by nearly 60 per cent. Though our share of the world market has declined over the same period it is not surprising that in the post-war world with its immense increase in productive resources there should have been some fall in the share of world trade held by a relatively small country which up to the thirties was the largest industrial exporter in the world. This

expansion can in the long run only be to the advantage of us all, and we welcome in particular the efforts of the less-developed countries to increase their share of the total world market. For our part, we in the United Kingdom will continue to give our full support to the endeavours of the GATT to encourage further liberalization and expansion of world trade, an aim we know to be common to all our fellow Members.

4. GATT's first ten years began with the multilateral tariff negotiations of 1947, in which twenty countries took part - a then unprecedented number. The results of their negotiations, covering some half of world trade, were far-reaching and impressive; this success owed much to the liberal trade policy of the United States symbolized in the Reciprocal Trade Agreements Act under which extensive reductions were made in the American tariff. The United Kingdom also played a large part in these first negotiations, agreeing to reductions and bindings of duties on a considerable proportion of total imports as well as to reductions of preferences in Commonwealth markets.

5. These first ten years of GATT also saw the dismantling of the bulk of those restrictions on imports which operated in almost every country except the United States at the end of the war. This is in line with one of the fundamental principles of GATT, that the only legitimate means of protecting domestic industry is the tariff, and that the use of all other methods is prohibited save for temporary emergency action. We have become so accustomed to this state of affairs that we may have forgotten that it was by no means a foregone conclusion, twenty years ago, that the Members of GATT would accept so sweeping a prohibition on the use of quantitative import controls for protective purposes. At the same time the use of import restrictions to protect the balance of payments, while permitted, was made subject to close control and to consultation with the CONTRACTING PARTIES.

6. The second stage of GATT's development may be said to have been inaugurated nine years ago, with the ministerial communiqué which pointed out the need to deal with the problems of developing countries. But this decade has also seen further extensive reductions in the protective tariffs of all the major industrial countries of the world. Tariff reductions on this scale would be impossible without the GATT rules for multilateral negotiations, based on the central principle of most-favoured-nation treatment. Tens of thousands of separate protective tariffs have been reduced, or bound against increase in a series of negotiations carried out under the aegis of GATT. To illustrate this from the United Kingdom tariff, the rate on motor cars, in 1946 $33 \frac{1}{3}$ per cent will by 1972 be 11 per cent. On a wide range of machinery, which in 1946 were 15 to 20 per cent will, in 1972, be only $7\frac{1}{2}$ per cent. Many duties have been eliminated altogether and many more will be half what they were in 1946, in the Dillon Round the average reduction in industrial tariffs by the major countries was about 7 per cent. In the Kennedy Round so recently concluded and in which I was privileged to play some small part, cuts averaging more than 35 per cent were negotiated on industrial goods. A stupendous result in retrospect and worth many times over all the efforts we had to make to achieve them.

7. Though the success of the Kennedy Round was greatest in the field of industrial tariffs and less was achieved in agriculture this was the first time in the history of such negotiations that anything substantial was done on agriculture; and there were also achievements on non-tariff barriers and on the special problems of developing countries.

8. One phenomenon of recent years which has been a matter of controversy in GATT has been the movement towards wider regional groupings among the industrialized countries. This springs not only from political needs but also from the recognition that to reap the greatest benefits from modern developments in industrial technology and the economies of scale that accompany them, it is necessary to create a wider base of operations. This phenomenon is one that we must all recognize and adapt ourselves to in our continuing work in the GATT. So long as such arrangements increase the general prosperity and the total market not only of the members of these groupings but of the trading world as a whole, they must surely be welcomed by all trading countries. This has certainly been true of both the major groupings that now exist. We look forward, not only to the widening of the present groupings but to the advantages which will flow from similar groupings.

9. This brings me to the problems of the less-developed countries, to the province of the Committee on Trade and Development and of Part IV of the General Agreement. In the past year or two developed countries including my own have been looking to the Kennedy Round as the chief means of meeting our undertakings under Part IV. There are, of course, differences of view about the value of the Kennedy Round to the less-developed countries, which have led to the setting up of a special working party of the Committee on Trade and Development to look into this and related matters. For our part we feel that we made some valuable concessions with the less-developed countries in mind despite our special need to ensure that Commonwealth countries get advantage elsewhere to compensate for loss or reduction in their preferences in Britain. However, it is to the future rather than to the past that our thoughts must now turn, and in particular to the possible future action suggested by the Director-General in his statement at the outset of the session. I shall refer to these suggestions later.

10. In mentioning the problems of developing countries I would like to touch upon the valuable work which the International Trade Centre has done in its three and a half years of life, in the practical business of export promotion. We shall continue to do all we can to work with it and to increase its value. We look forward to its future success as a joint operation of GATT and UNCTAD.

11. I would conclude this brief review of the past and the present by joining in the warm tributes that have been universally paid to the devoted and supremely efficient work of the GATT secretariat under their Director-General, Mr. Wyndham White. It is they who provide the organization without which none

of the work of GATT could have taken place at all; it is they who have helped to develop the bare bones of the original GATT rules into a code of practice; it is they who hold the ring while contracting parties argue out with one another complaints great and small - and it is surely symbolic of the whole attitude of GATT that if one searches in the index to the volumes known as Basic Instruments and Selected Documents for a reference to "complaints", one is referred to "conciliation".

12. In all this work, Mr. Wyndham White has unfailingly provided leadership of the highest quality and has not merely directed but often initiated GATT's activities. Though his services have been lost to the United Kingdom, the sacrifice has been supremely worthwhile, since he has thereby been enabled to devote them to mankind as a whole.

13. Before I turn to the future work of GATT, I ought perhaps to mention the recent change in the exchange rate of the pound sterling. I shall not speak at length about this. I simply wish to say in this gathering that the additional strength which this step, and the internal measures associated with it, will bring to our economy and our balance of payments will enlarge our ability to maintain and develop the liberal trade policies to which we have for so long been committed. One further consequence of this change of interest to GATT Members, is that the United Kingdom have decided that it is no longer necessary to maintain the export rebate which will therefore be withdrawn from 1 April 1968.

14. As regards GATT's work in the future: Mr. Wyndham White's newest contribution to GATT has been the suggestions discussed during the session. We are in full sympathy with the Director-General's feeling that, now that the Kennedy Round negotiations are over, it is not too soon to begin to consider what may be the most hopeful new ways of reducing barriers and increasing world trade. We have much to digest from the Kennedy Round in the fields both of industry and agriculture, and cannot expect new concrete negotiations in the immediate future. Nevertheless it is not too soon to begin studies that will pave the way for new initiatives when the time for these is ripe.

15. In the field of industrial liberalization it has been suggested that the time has come to examine the objective of free trade by progressive stages and by sectors of trade where conditions appear propitious. With this in mind it has been suggested studies should be undertaken of various aspects of tariff reduction; one possibility would be that of abolishing very low tariffs and tariffs on raw materials and items not produced in the country concerned, and of consolidating existing duty-free entry. Another would be that of free trade on a most-favoured-nation basis in particular products. The United Kingdom will be glad to participate in preparatory studies of these possibilities. There will, of course, be difficulties - for example many United Kingdom duties on raw

materials and other items not produced by us are designed to afford preferences for the less-developed Commonwealth. We shall examine with goodwill the proposals that we expect to be put forward as a result of these studies. I should also like to associate myself with the suggestion that there should be some study of the effects of exceptionally high tariffs on international trade.

16. I would also agree that it would be timely to study non-tariff barriers to trade, and that the first step should be for the secretariat to draw up an inventory of these practices which might be regarded as non-tariff barriers. Apart from quantitative restrictions - little is known in general about the nature and extent of these barriers. The United Kingdom maintains only a few residual quantitative restrictions, mostly maintained for the benefit of less-developed Commonwealth countries, whose abolition would present problems. Nevertheless, if it is the general view that further studies might bring to light possible solutions to some of these non-tariff barrier problems, we should of course be glad to co-operate.

17. Agriculture has been as always a controversial topic in the debates in the last couple of weeks. The controversy may perhaps have confused rather than clarified matters - which again is not an unusual phenomenon. I would like to take a short time in trying to analyse the situation.

18. The inclusion of agriculture in the Kennedy Round was a key part of that negotiation and a great deal of effort was put into the agricultural side of the negotiations. Though the results of all this effort were less than many hoped for, they created a precedent for the future.

19. I think we are all agreed that, on the one hand the Kennedy Round bargain is struck and cannot be re-opened and on the other, that we need now to set in hand work to prepare for further advances towards the liberalization of trade. It is also generally agreed that an important part of this preparatory work must relate to agriculture. We are not in a position - and I do not think that our view differs from that of many other governments - to commit ourselves at this stage to particular objectives for future negotiations. The great difficulty of fitting agriculture into the Kennedy Round is however evidence enough of the scope for substantial preparatory work without prior commitments. Indeed, this very difficulty points to what, as I see it, is a fundamental question for any preparatory work. The concept of reciprocal and mutually advantageous arrangements is basic to GATT. In the tariff sector one question which we should like to see examined in preparatory work is whether better measurements of tariff concessions can be evolved to help in the application of the concept of reciprocity. Similarly we have to face up to and try and find solutions to the problems of applying this concept in the agricultural sector.

20. Such preparatory work we agree could most appropriately take place in the agricultural committee whose creation we would support. I would leave it to the committee to consider by what procedures it can best carry out its task. It may well wish to establish such groups at some stage in its work but I think it is

too soon to try and decide this now, let alone to try and decide what products might be the subject of such groups. On the special and urgent problem to which the Deputy Prime Minister of New Zealand has referred seems to me to require special advance consideration for which the GATT with its well-established flexible and practical procedures can readily provide. The results of this consideration could then be taken properly into account by the agriculture committee in its wider and more general preparatory work.

21. The Director-General has also made a number of suggestions for action to help in alleviating the problems of the less-developed countries. The first is the advance implementation of the Kennedy Round cuts. Concerning the other possible suggestions for work on the problems of the less-developed countries made by the Director-General, we have been able to give our general approval to the consideration of most of the proposals advanced, i.e. to the proposals for dealing with hard-core residual restrictions, to the removal of barriers to trade between less-developed countries, and to mobilizing the Trade Centre to help these countries to take the fullest advantage of the opportunities offered by the Kennedy Round settlement. However, on the question of preferences for less-developed countries in the market of developed countries, it is our view in common with many delegations here that it would be better for the CONTRACTING PARTIES to await the outcome of the second UNCTAD Conference in New Delhi next year before considering what practical action the GATT can take here.

22. In conclusion, I should like to say that the United Kingdom Government fully support the future aims of GATT as defined in the report submitted to Ministers as a result of the session which is now closing. I was gratified, though not surprised to hear what the distinguished representative of the United States of America on the continuing free access to whose vast market the growth of world trade so much depends, said about the intention of his Government to stand firm against domestic pressures for restriction on imports; we have all been impressed by the robust line taken by the Administration including the President himself, on this question. As far as the United Kingdom is concerned, I can assure this gathering that we shall continue to do all we can to work for further liberalization of world trade as it is on this that the greatest hope of future economic growth and prosperity for us all depends.