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Statement by the Representative of the United Kingdom on 14 November 1967

I would like to begin by thanking Mr. Lall, through you, for his opening statement and for the happy choice he made in not resisting all temptations to speak of GATT's achievements in this, as he called it, our memorable year. In English history our memorable year, our annus mirabilis, was, if I am not mistaken, the one in which London was hit by both the great plague and the great fire. But, although GATT's history, like ours, contains some disappointments and setbacks, it is in the main one of steady progress and solid achievement of which we can all justifiably be proud. Our Director-General has had not a little to contribute to this success story and I gladly join today in paying tribute to his twenty years of work for our organization. It is a sign of GATT's strength that we are now able to recognize the existence of unsolved problems and to agree to devote such a large part of this, our twentieth anniversary session, to discussing these problems and seeing how we can best advance their solution.

I am glad that your predecessor in the Chair and the Director-General have set us off to such a good start by outlining the problems that lie ahead of GATT as they see them and have put our discussion of them in a wider perspective than that of the Kennedy Round. I would like to say two things right away. In the first place, the United Kingdom welcomes discussion of GATT's future. Nothing I have said in other places about the desirability or otherwise of Ministers meeting now to give formal directives implies any doubt on our part about the need to start during this session thinking about the kind of broad issues the Director-General has in such a stimulating way raised with us. I am certainly not one who thinks that we can either accept that the possibilities of GATT have been exhausted or that we can simply rest on the laurels of the Kennedy Round. For GATT it is "whither" and not "wither".

In the second place, we in the United Kingdom, while recognizing that we must search for remedies amongst the standard procedures of GATT, including the important procedures of Part IV, look at the main problems ahead in the context of a future long-term programme for the expansion of world trade.

It is useful in this connexion for the CONTRACTING PARTIES to be reminded that nine years ago a panel of experts provided a valuable report on trends in international trade on the basis of which GATT Ministers gave directives which we have since been seeking to follow in the Kennedy Round and in other fields. A great deal has happened, since the Haberler Report was written, in each of the main spheres we are considering at this session; and this needs to be taken into account in looking ahead to future decisions of the GATT. At the same time our knowledge and understanding of the problems of international trade have been widened by the practical experience gained in the Kennedy Round and in other fields of discussion and action.

The Kennedy Round is of course our present starting point. We have got, as the Director-General said in his speech at Heidelberg in September, "to pick up where we left off in the Kennedy Round". That was a massive achievement that was justly saluted. But we have got to remember that it was a bargain struck - not without difficulty - between a large number of negotiating partners, each with their own negotiating objectives. It is therefore hardly surprising that the settlement left a feeling of dissatisfaction in many quarters. That is in a sense a measure of its success. I certainly do not think that it would be profitable for us to dispute now whether the Kennedy Round gave more satisfaction to some countries than to others. A great many factors - not obvious at first examination - would need to be considered in any such post-mortem. The United Kingdom, for example, like a number of other industrialized countries, ended the Kennedy Round with a tariff almost entirely bound. Some countries have bound only a small part of their tariff. This is the kind of balance of advantage which it would be hard to quantify. The potential value to the developing countries of cuts in many industrial tariffs which may not seem of significance to them at the moment is also hard to evaluate.

I have no doubt that dissatisfaction will linger. It has been evident in many speeches during this debate. The United Kingdom itself was far from achieving satisfaction on a number of important issues. We know others feel the same way: and we are very conscious of the special and urgent needs to which the developing countries continue to draw attention. We do not, however, consider that this requires any of us to ask for the Kennedy Round to be re-opened. Indeed we recognize that failure to reach agreement on points of importance within a negotiation as ambitious and far-reaching as the Kennedy Round, where the leverage for inducing action for wide-ranging bargains was almost at its maximum, means that the problems so far unsolved go very much deeper and that, while remedies will have to be sought, they will not be easy to find.

The concepts of the Kennedy Round represented a great step forward. They recognized that the product-by-product approach hitherto adopted had reached the limits of its usefulness. We may however have under-estimated the degree to which detailed preparation was needed for the new and wider approach adopted in the Kennedy Round and also perhaps the degree to which the scope of

bargaining needed to be widened. The hard fact that we are now up against is I believe that, because of its very success in the past, GATT has to tackle trade policy precisely in those areas where it is most inter-linked with overall economic policy. Moreover I believe we are now up against underlying problems of which we know very little. If I may give just one example. A good deal has been said about the so-called technological gap. The Director-General suggested that it might not be such an important factor as some believe. I myself think that it may indeed play a part in limiting the degree to which further progress can be made. But we ought to try to find out. That means research study and discussion.

I wish that I knew an easy way out of the complex of trade and development problems we are all facing. It is clear that a very much more sophisticated appreciation of the factors bearing on international trade and economic realities than we now possess will be needed before we can again engage in useful negotiations on a multilateral scale. Yet it is difficult to see where to begin. The problem is made more difficult by a confusion which has been apparent in this debate between on the one hand work to decide how GATT should carry forward its main aim of trade liberalization, and on the other specific problems which face particular contracting parties. As I have indicated, it is no good trying to re-open the Kennedy Round because these specific problems were not solved then by the Kennedy Round. Equally it is not realistic to imagine that governments can launch now a new multilateral trade initiative. What we ought therefore to be doing at this session and afterwards is to focus on what can be set in hand at once to prepare for the time when governments will be able to embark on a major new initiative launching further action to liberalize world trade.

Having said that I would like here to try to calm some fears expressed by representatives of some contracting parties especially the developing countries - I detected this note in the speech yesterday afternoon by the distinguished delegation of the United Arab Republic, which I listened to with great interest and sympathy - that this approach dangerously neglects the need for urgent action to deal with the particular problems of particular countries especially the less-developed countries. The latter may say that for us to commission long-term studies now is like Nero calling for his fiddle while Rome burned. But I think that the situation is not at all like that. In speaking of studies to prepare the way for later decisions on some new multilateral attack on the barriers to an increased flow of international trade, we in the United Kingdom do not mean to put the GATT in baulk. Nor am I sure do the other countries who have spoken on similar lines. Action in the GATT, and outside it, to tackle the special problems of particular countries the less-developed countries must and will continue; and to the extent that this action can be based not on multilateral reciprocity but on the new non-reciprocal concepts embodied in Part IV of the GATT, there is no reason at all why it should be held up until we find a basis for a new multilateral and reciprocal deal between the developed Members of the GATT, important though that may be for the expansion of trading opportunities for the less-developed countries as well.

Many useful and interesting suggestions have been made during this debate as to how we should proceed on the multilateral front. They illustrate - but do not necessarily exhaust - the wide range of issues we have to take into account. I think many of them would be worth studying in depth. Such studies might help us to know exactly where we stand after the Kennedy Round and to appreciate the wide implications of the trade problems we are facing. We might first perhaps collect, in a checklist, these and other suggestions for issues worth examining: the list could then be evaluated and an order of priorities established for further work on what seemed of first importance. Whether such explorations of matters and ideas relevant to possible future negotiations - as the Australian delegate usefully described the task we might embark on - will show us the way to solve our problems and lead to further fruitful negotiations, I do not know. Further progress, beyond the important task of holding on to what we have so far achieved in the Kennedy Round and earlier, will not be easy; the totality of the economic situation is bound to loom large. But I am sure that without such careful groundwork we have little chance of going forward and that attempts at piecemeal action will not get us very far.

I am sorry to have spoken at such length on the general aspects of this item. But I think it is right that in reviewing as we are our objectives for expanding international trade over the next decade or so, we should face up to the fundamental issues which will determine the actions of all, or at least most of the contracting parties with a large stake in international trade.

I now come to the sub-headings of this item on our agenda. With respect to tariffs and other obstacles to trade (item 3(a) of our agenda), a number of suggestions have been made which I find interesting and important just because their implications are complicated and to me at least unclear. I was interested for example by the Director-General's reference to a sector-by-sector approach to free trade. After the Kennedy Round there will of course be effective trade over a certain field of imports; and there are prospects, I suppose and hope, for further progress in such fields as tropical products. My own country has traditionally favoured the freest possible régime for trade in industrial raw materials. On top of all that in the Kennedy Round we made some progress if not towards full free trade at least towards harmonizing at a tolerable level of tariffs on a world scale, tariffs in one important industrial sector, namely chemicals. The success of that endeavour as we all know still hangs on the decision to be taken by the United States Administration to carry through certain important reforms in the American selling price system of valuation.

I confess that I see difficulty in selecting other areas for this kind of treatment except as part of a new round of tariff negotiations in which reciprocal concessions are sought and given; I do not see for example how we

could pursue the Director-General's ideas for free trade in the most modern and technically advanced industries except on some such basis. But I would certainly not oppose further investigation of all these ideas contained in what the Director-General has called his Bad Godesberg plan.

More generally, I believe that a close study of the levels of tariffs resulting from the Kennedy Round might show some surprising results. It is by no means self-evident for example that because a tariff is low it is necessarily insignificant, and can be looked at and dealt with purely in terms of what has been called nuisance value. Some other long held concepts need clarification, particularly those bearing on methods of evaluating tariff concessions. It is not clear for instance, as the distinguished spokesman for the Communities pointed out, that the basis chosen for the Kennedy Round gave all the parties in it an equitable starting point. It may well be that the next race will not only be a hurdles race but also a handicap race.

Another field where our knowledge of what we are dealing with is inadequate is non-tariff barriers. These are, like the giraffe, more easily recognized than described. I strongly support the Director-General's suggestion if we are going to tackle this field as I think we must for making a start by trying to list all non-tariff barriers even if we find that some are not susceptible to government action.

To sum up, I should be in favour of putting studies in hand on all these ideas so that we may learn more about their implications for any future round of multilateral trade negotiations.

I turn now to agriculture (item 3(b) of our agenda), where the problems in this sector are notoriously difficult. In making a Herculean attempt to grapple with them, we adopted in the Kennedy Round rules and procedures different from those used in the industrial sector. This was a natural response to the different problems involved; but it is nevertheless important to remember that the agricultural and industrial sectors of the Kennedy Round were different parts of one negotiated package. What was achieved in the agricultural sector fell short of what was hoped for; but what was achieved - satisfactory or otherwise - was part of the overall Kennedy Round bargain.

The inclusion of the agricultural and industrial sectors in the Kennedy Round within one system of reciprocal bargaining had the value of widening the framework of the negotiation and thus making possible a more substantial deal overall than could have been secured in a narrower framework. This development was part of - and a particularly notable extension of - the general phenomenon that the spokesman for the Communities referred to of GATT moving away from the product-by-product approach under which the range of deals must inevitably be limited. This is a natural development and not one, I am sure, we should wish to see reversed. But we cannot just brush aside the difficulties which, as the Director-General pointed out at Heidelberg, go right back not perhaps to the stone age, as the distinguished delegate for Poland said in his thoughtful maiden speech yesterday afternoon, but at least to the origin of the GATT treaty itself.

Some delegations may feel that the present session is the occasion to try and re-open or at least improve on parts of the agricultural sector of the Kennedy Round. Naturally the normal GATT procedures and machinery are always available for dealing with appropriate problems. This seems to me to point the direction in which countries like New Zealand should look in connexion with the particular problems they face. As I have said, a package like the Kennedy Round cannot be re-opened without spilling all the contents. And if the idea is that a separate, additional package - or packages - should be worked out, I can only repeat that we are not, and I do not believe many other governments are in a position now to undertake new initiatives or even to take prior commitments about the shape any such initiatives may assume in the future.

As the United Kingdom sees it, therefore, the issue for this debate, in the agricultural as well as the industrial sector, is to decide what might usefully be done now to prepare for the time when it may be possible to embark on a programme of further action to expand and liberalize world trade. My earlier comment that some of the difficulties and frictions in the Kennedy Round might have been avoided if that negotiation had been better prepared applies to the agricultural as well as to the industrial side. And in the agricultural as in the industrial sector the first step should in our view - and other delegations have said this too - to assemble and analyze the basic data about current policies and practices. In particular, as the Australian delegate suggested, the data gathered by Committee II should be brought up to date. It is only when governments have this before them, that they will be in a position to judge how best to proceed. I know that - as was clear from what he said at Heidelberg - the Director-General is under no illusions about the difficulties of scaling the heights of agricultural policies. He spoke, in connexion with the policies of one group of contracting parties, of the venture being one which only a few specialized and experienced mountaineers could dare. In these circumstances it could only bring discredit on the GATT if we were to try and rush ahead precipitately and without first having made adequate preparations for this long and arduous endeavour.

The main discussion on item 3(c) will come later when we have studied the report of the Committee on Trade and Development. But we can usefully state now a number of propositions to which we are all, I think, dedicated. We all recognize the importance of increasing the economic growth of developing countries: they form a vital part of the international trading community and our future prosperity is interdependent. This growing interdependence of international trade means of course that some of the more obstinate of the developing countries' problems are integrally linked with the wider problems and considerations I referred to earlier in my remarks. But, as I said, there are many problems affecting the future expansion of the trade of less-developed countries which relate uniquely to the trade of developing countries and it is to these problems that we should give special consideration.

It seems to be the majority view that the subject of generalized preferences is not ripe for further discussion in detail at this session not, as the distinguished delegate of Barbados suggested, because we want to sweep it under the carpet, but because it will be one of the main subjects taken up at New Delhi when UNCTAD II meets there in February. But I would like just to record that this is a concept which the United Kingdom has always favoured and which we can envisage coming back into the GATT in due course.

The United Kingdom is also much interested in tropical products and we want to play our part in helping to find solutions which will improve world marketing arrangements and increase the stability and value of world trade in this sector of such importance of developing countries.

It will be useful also to explore whether negotiations between developing countries themselves can be fostered so that this line of advance in increasing the flow of international trade can be fully exploited. And there are a number of other interesting ideas for dealing with the specific problems of the developing countries which we shall be discussing a little later: so I shall say no more about them now.

So, to sum up, the United Kingdom sees a positive and active rôle for GATT in the years ahead. Under its regular rules and procedures there will be many problems to be dealt with - some urgent, some intractable, some perhaps both - and this will engage us all in continuing discussion and decision-taking both inside and outside GATT. These are problems such as the distinguished delegate for New Zealand put before us and the problems of the trade and development needs of the less-developed countries on which many speakers have laid special emphasis. Looking further ahead, we have to try to chart a new course in GATT's progress towards a world trading régime, in which not only tariffs but also other less obvious though no less harmful barriers to trade are further reduced and so far as possible eliminated. This is the challenge and the opportunity of GATT's future. I do not think that it need daunt us, that much preparatory work and discussion will be required before clear lines of further action can be proposed and agreed upon. Nor need we be ashamed to confine our recommendations to Ministers, when they join us later in the session, to proposals for starting up the necessary studies forthwith. I would support the distinguished delegate from Australia in hoping that, when our general debate is concluded today or tomorrow, we can set in hand the preparation of draft conclusions on these lines for Ministers to consider and endorse next week.