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CONTRACTING PARTIES  
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## REVIEW OF THE WORK OF THE CONTRACTING PARTIES AND FUTURE PROGRAMME

Statement by the Rt. Hon. J.R. Marshall,  
Deputy Prime Minister and Minister of  
Overseas Trade of New Zealand, on  
23 November 1967

There is no special magic about a twentieth anniversary as such but all anniversaries are occasions both for looking back and for looking forward, and it is appropriate to do a little of both.

Perhaps the most outstanding success of the GATT is its survival, especially when we remember that it was never intended to survive but was constructed with a high degree of built-in obsolescence. The document that was drawn up by the eighteen Members (if I remember the number correctly) of the Preparatory Committee here in Geneva in 1947 was intended merely as a stop-gap until the International Trade Organization came into operation within, it was expected, a year or so.

Nobody at that time could have foreseen that after twenty years the Agreement, certainly amended but substantially the same, would have been flourishing as it is now with nearly eighty Members, covering the vast bulk of the world's trade. Very few would then have been prepared to forecast the profound effect which the Agreement has had in reducing and stabilizing world tariffs or foreseen the discipline it has imposed in other aspects of trade policy.

One of the qualities of survival of the GATT has been its flexibility. For most of its life our organization has been ready to adapt, to meet new situations, and it has been a singularly undogmatic institution.

I am happy to have this opportunity to acknowledge the great debt which we owe to our Director-General, Mr. Eric Wyndham White, who has guided our steps from the very beginning and whose name is virtually synonymous with the GATT. Nearly all

the major advances we have made have been conceived and promoted by him, and I would be hard to convince that he has run out of ideas. But with an organization like ours, grappling with the changing conditions of world trade there is no point of time when our work is finished and he could depart in peace. There is always more to do. But Mr. Wyndham White can fairly claim to have guided us for twenty years with increasing effectiveness, culminating in the outstanding achievements of the Kennedy Round. He goes of his own free will and with honours thick upon him.

So extensive were the results of the Kennedy Round that there is bound to be a pause while they are implemented and and digested. But it is not too soon to be preparing ourselves for further progress and the Kennedy Round showed us that long and careful preparation is needed for success in this field.

It is in our own interests to keep moving and the kind of movement we can make now in this field is to analyze and assess the results we have achieved and to consider how best to apply the lessons we have learned in planning further moves towards the trade liberalization which must continue to be our objective.

I have been disappointed to find some reluctance during this session to accept this objective and some inclination to talk about studies without setting those studies in the perspective of the declared objectives of our Agreement. It is good to study, and it is good to learn from the past, but without application to a purpose all this activity can too easily become an accumulation of reports without an action copy. We can see enough examples of this tendency around us to avoid running our own organization into the same dead-end.

We also have a guideline for the course to be followed in dealing with obstacles to the trade of the less-developed countries.

Some of the problems of the developing countries are general problems; if we can solve these we solve them for all contracting parties. One of these problems is that of the widespread residual import restrictions that still remain in breach of our Agreement. My delegation initiated at this session a proposal to set a date by which all such illegal restrictions should be terminated unless the countries maintaining them had applied for and been granted a waiver by the CONTRACTING PARTIES, or had submitted a programme of liberalization.

It did not seem to us too unreasonable or incongruous to ask that contracting parties should comply with their GATT obligations, but a number of developed countries did find the proposal unreasonable and inflexible even though it

offered them three different ways of complying with the Agreement. Most of these illegal restrictions are on goods which are of great interest to developing and agricultural countries, and while they continue it is difficult to take too seriously the view that the GATT operates equally for all contracting parties.

The odd and discreditable situation continues in which countries maintaining illegal restrictions merely continue to do so, while countries like mine, which maintain restrictions consistent with the Agreement, face detailed annual consultations designed to test that consistency. Similarly the United States, which maintains restrictions pursuant to a waiver, faces an annual inquisition on those restrictions.

Now I come to the guideline which naturally interests my country most - the course which the GATT should take in overcoming obstacles to trade in agricultural products.

Here I want to make the position of my country clear from the start. In reading the records of this session I have been surprised to find that some representatives have expressed the view that there is no separate problem for agriculture. They have not accepted that countries dependent on agricultural exports have benefited less from the GATT than have the industrial countries. They do not accept that any special further efforts should be directed to solving the problem of agriculture because they do not admit there is a problem.

Looking around this meeting I can see representatives of dozens of countries who know this is not true. It is not true for New Zealand.

We know - and we knew long before the Kennedy Round - that concessions to us paid for by concessions in our own tariff are nullified or impaired by a distressing array of prohibitions and restrictions on our agricultural exports. I am not talking about genuine balance of payments or other restrictions applied strictly in terms of the GATT. We know all about those and we have to use them ourselves - largely because our export earnings are limited by the restrictions on our access to so many markets.

We saw real hope in the ground rules established by Ministers for the Kennedy Round negotiations - the rules that said:

"the negotiations should cover all classes of products including agricultural and primary products" and

"the negotiations should provide for acceptable conditions of access to world markets for agricultural products".

It would not be correct to say that the Kennedy Round was a complete failure in the agricultural field. Even New Zealand did gain some benefits in some countries for some products where the tariff was the only barrier we had to face - and we paid in full for those benefits. But for most of our major products - and especially where non-tariff barriers were involved - the declared objectives of the Kennedy Round turned out to be illusory.

Against those who still pretend that there is no particular problem for agriculture, may I quote not New Zealand words, nor indeed the words of any country affected, but those of one whom most of us must agree is a reasonably competent and well-informed authority - our Director-General. Speaking of the Kennedy Round as recently as 12 September this year at Heidelberg he said:

"Once again the negotiations fell far short of anything like full success in relation to agriculture and this despite a determined effort to integrate agriculture fully into the negotiations for the first time in the history of post-war trade relations" ...

Later in his speech, the Director-General added:

"It is easy to understand the mounting exasperation of the traditional producers and exporters, for whom agriculture is not an adjunct to a powerful industrial economy, but the main basis of their economic well-being. Is it possible to construct a viable international economic and trading system which in effect leaves agriculture completely outside the rules of the game? Clearly not indefinitely - and yet we have still to find the answers and techniques for reconciling the political and social necessities of domestic agricultural policies with a viable and acceptable basis for trade in agricultural products."

Anyone who seriously disputes this is in effect arguing that the GATT should be recognized solely as a charter for industrial trade. This would be a simple, convenient and trouble-saving solution which had only the one defect of excluding most of the nations of the world.

So we would hope that the question is not whether the GATT should attack this problem, but how?

Starting from the tentative suggestion of the Director-General that the old Committee II should be revived and given a new mandate it seems to me that thinking in this session has moved towards the idea of an agricultural committee to pursue this task.

So far, so good. It does recognize that there is some work to be done in the agricultural field and of course my delegation wholeheartedly supports the establishment of such a committee.

But I find a considerable difference of opinion about what it ought to do or what its objectives should be. I am appalled to find that one proposal is that it should conduct an examination (of problems in the agricultural sector) which should pave the way for the subsequent search for positive solutions. An examination "to pave the way for a search" seems to be dealing with the problem at several removes from reality.

To us it seems evident that what the committee has to do is to find mutually acceptable solutions to the problem of integrating agriculture with the Agreement. In doing this it would be necessary to go into all aspects of agricultural trade and production policies; to cover all agricultural products of significance in world trade; and to embrace all contracting parties having a significant interest in the trade in those commodities.

Urgent as the whole matter seems to us, we have to recognize that there is a great deal of work involved in this. Much basic information exists - in the work of Committee II, in the records of the Kennedy Round commodity groups and so on - but in a sense it is a new approach that is called for here. What is needed is not so much the atmosphere of confrontation and fixed positions that has characterized much work in the past. We need a co-operative effort to find out why agriculture has not fitted into the pattern of reciprocity and mutual advantage that is the objective of GATT and then to work out how it can be fitted in.

No doubt the Committee will find it necessary to establish various sub-groups to deal with particular problems or commodities, but all such groups should operate within the established framework and with the same basic objectives.

By this process we may find the solutions we need if the GATT is to survive.

But while all this is going on there is one matter which cannot wait.

Already at this session delegations have heard much about the critical situation which exists in the world dairy markets. This has been referred to by the Chairman when opening the session, by the Director-General, both orally and in writing, by the delegations of countries which depend on exports of

dairy products, by the International Federation of Agricultural Producers and by the International Dairy Committee representing the dairy industries of thirteen contracting parties to the GATT.

It would be surely an ostrich-like action to ignore this formidable body of opinion.

The nature of the problem has been described and documented, and if ever a valid case for GATT action has been presented this is it. I could myself speak in much more detail about the problem; I could tell you what is happening in particular markets; I could quote prices and the amounts of the subsidies that have made fantastic price-cutting possible; I could tell you in money terms what this has already done to New Zealand's income from exports of dairy products (on which, I would remind you, we depend for a third of all our export earnings). And I have no doubt that my colleagues here from other countries whose exports of dairy products are not merely an adjunct to a powerful industrial economy could quote similar facts and figures.

If necessary I can and will quote these facts and figures later, but I hope that by now it is understood that what is needed is not recognition that an urgent problem exists but a decision about the action we in the GATT should take.

This decision is needed now. With the partial or total closure of many markets to trade in dairy products, with the mounting surpluses resulting from the agricultural policies of the European Economic Community and of the United States, whose market has been even further restricted in the last few months, there is a definite crisis in this industry.

Supported by enormous export subsidies the high-cost production of the Community is moving into commercial markets throughout the world at prices which represent only a fraction of the cost of production and displacing the products or depressing the earnings of countries which depend on this trade.

This is an extremely costly operation to the exporting countries of the EEC but they are caught in the dilemma which their agricultural system has created. This system automatically stimulates production because of the high internal prices it sets up, and generates surpluses which cannot be disposed of internally because of those high prices. But the system then encourages dumping of those surpluses because of the almost unlimited export subsidies it provides.

Only a great industrial complex like the Community could afford such an operation, and one hopes that even there this concentration of vast sums of money on one sector of agriculture has in it the seeds of its own destruction. But we in the dairy exporting countries can be ruined before this happens.

Turning from the Community now I must make some reference to the effect which the actions of the United States have on this area.

The United States has a GATT waiver which permits it to apply virtually whatever import restrictions it chooses on dairy products. Some are totally excluded, some have derisory quotas and others very limited quotas. Some are free of quota.

Behind these restrictions the United States shelters a high-cost industry that produces dairy products so expensive that consumption of them even in that affluent society is among the lowest in the industrialized world. As in the EEC this automatically produces surpluses and those surpluses are building up to the stage where we can expect to see them also spilling out into world markets. Here we must say that when this has happened in the past the United States has been punctilious about consulting countries likely to be affected. I wish that we could say that about all the surplus exporters.

The situation, instead of easing, is getting worse.

I venture to say that no other commodity problem - certainly no problem of temperate agriculture - is so pressing or so well documented. Dairy products do present a special case.

And this leads me to emphasize that the problem cannot wait upon the machinery I hope we are going to set up to do the long-term work on agriculture that is needed. This needs action now.

The action we have proposed is the immediate convening by the GATT of a meeting of the countries concerned with the trade in dairy products with a very open mandate to seek solutions to the problems outlined.

Without in any way committing or limiting the group its immediate task would no doubt be to concentrate on the establishing of fair trading conditions for dairy products in commercial markets. It might wish to look at the possibility of working out ways in which a multilateral system could contribute to food aid, but as I said I do not suggest defining its mandate in such terms.

One point that must be accepted is that the work such a group does will in due course have to be integrated into the longer-term work on dairy products within the Agricultural Committee, and the group should therefore not be regarded as a substitute for that, but solely as an interim emergency action.

This is a pragmatic approach, fully in accordance with GATT practice and based on the premise that when there is a problem affecting a number of contracting parties the best way is to meet in an atmosphere of mutual interest, seeking acceptable solutions.