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RELATIONS WITH THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Statement by Mr. Thorkill Kristensen, Secretary General of
the OECD on 23 November 1961

Let me begin by saying how highly I value this opportunity to speak to you about the Organisation for Economic Co-operation and Development. It is a great honour to come before the CONTRACTING PARTIES, which are doing such outstanding work in the field of international trade.

When you opened this session ten days ago, you said, Mr. Chairman, that the CONTRACTING PARTIES would hear from me a description of the projected activities of the OECD. You expressed the hope that this description would serve to set at rest the anxieties which had been expressed by a large number of contracting parties when this question was discussed in the past. I certainly share this hope since, in my view, there is not only no conflict between the GATT and the OECD but, on the contrary, there is much scope for mutually beneficial co-operation between the two organizations. And I would go as far as to say that the OECD, in working towards its agreed objectives, cannot but further and sustain the objectives of the GATT.

When you see the results of the OECD's work as they emerge, I sincerely believe that you will find these remarks justified. In saying this, I am in the fortunate position of being able to base myself, not only on my personal view of what the OECD should and can do in pursuit of the aims set out in the Convention, but also on the guiding lines we have just received for our work from the Ministerial Council meeting which took place a week ago in Paris. These are set out in a communiqué which was issued after the meeting. Copies of the communiqué have been made available to the GATT secretariat and, I think, have been distributed to you.

Now, if you will allow me, I would like to present to you the OECD, which came into being at the end of last September as the successor of the old OEEC, with which you have all been familiar for many years. The change-over from one organization to the other entailed the replacement, in the name, of the word "European" by the word "Development", and this is symbolic in two respects: it is symbolic with regard to the past and it is symbolic with regard to the future.

With regard to the past, the disappearance of the word "European" symbolizes the accomplishment - and I think I may say the successful accomplishment - of European reconstruction. This was the big task of the old organization. However, new tasks lie ahead and new problems are arising in a world which is changing every day. Now that Europe is strong enough to work in co-operation on equal terms with North America, the two regions will work closely together to face their own economic problems and the world-wide economic responsibilities they have because of their strength. And it is in this latter respect that the appearance of the word "Development" in the name of the new organization is symbolic, because it is an essential part of the philosophy of the OECD to stress the responsibilities of its members towards the less-developed countries.

We have changed the name of the organization, but we still benefit from the wealth of experience which has been accumulated at the Château de la Muette, during more than a decade of international co-operation. The main lessons we have learned there are twofold; I like to call them the two secrets of international co-operation in the field of economic policy.

First: courageous, constructive, expansionist and liberal measures can be undertaken much more easily by many countries acting in concert than by any individual country acting in isolation. By concerted action, the countries support one another. By making their imports more free, they increase one another's exports. This was the secret behind European liberalization, which was the pacemaker for the general freeing of trade by the OEEC countries, and it will be of utmost importance for new progress in the field of trade between industrialized and less-developed countries.

Second: the payments deficits incurred by some countries and the surpluses incurred by others must be regarded as being manifestations of a single imbalance. However, I submit that there is one great difference between a deficit and a surplus country. Deficit countries are under urgent pressure to correct their situations, whereas surplus countries can take it more leisurely. And if deficit countries are to act alone, the only measures they can take are restrictive ones, such as curtailing imports, or consumption, or investment in their own countries. All these measures create unemployment and it depends on the kind of measures which are taken whether the burden is kept mainly in the country itself, or whether it is placed - as in the case of import restrictions mainly on the shoulders of other countries. This is what happened in the 1930 years of crisis when, in the absence of international co-operation, one country after another entered the vicious circle of restrictive policies.

The picture is, however, quite different if the deficit countries are not left to solve their problems alone but can count on the co-operative action of the surplus countries in taking their share of the burden. Surplus countries can indeed help, in different ways, to alleviate the situation of the deficit countries; they can, for example, give capital aid or increase their own imports, either by the relaxation of restrictions or by pursuing more expansionist domestic policies. Many of the restrictive measures which might otherwise have to be taken by the deficit countries can be avoided by

these means, and it is indeed in the interest of the surplus countries themselves to take action of this kind in order to avoid being drawn eventually into the vicious circle of restrictive policies.

The example of enlightened behaviour was set by the United States with the Marshall Plan and the international co-operative action within OEEC followed this example all the way through. This solidarity between surplus and deficit countries is the second secret to which I referred. This secret too is of immense significance for the future, since its application will help to maintain overall expansion in the industrialized world and will thus permit the OECD countries to meet their responsibilities towards those which are less-developed.

This is what we have learned in the OEEC and what we will try to apply in the OECD in pursuing the aims of the new organization.

However, I would like to add here that during the last years of its lifetime, and in particular during the very last year of its existence, the OEEC has progressively adapted itself to assume the functions which have now been given to the OECD. Canada and the United States have for many years been associated with the OEEC and they have taken an active part in its work, especially in the last phase.

As regards the trade activities of the OEEC, it is well known that they were increasingly directed towards the extension of liberalization beyond the European area.

In another field, that of development assistance, the work of the OECD has been prepared over nearly two years by the Development Assistance Group, served by the OEEC secretariat. The purpose of this group has been to co-ordinate and rationalize its members' policies in order to improve and increase the flow of aid to less-developed countries and to facilitate private capital exports to these countries.

The Development Assistance Group has now become a committee of the OECD and this Committee will further strengthen its activities.

In more than one respect, therefore, the formal establishment of the OECD was a logical step in a process which has gradually transformed the OEEC from an instrument for European reconstruction into a broader western organization with world-wide responsibilities.

Under the Convention on the Organisation for Economic Co-operation and Development, the three aims of the organisation are the promotion of policies designed:

1. to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
2. to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
3. to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

These are the three main aims. As you will appreciate, there is not much that I can report to you on the basis of actual performance, as the time since the inception of the organisation has been far too short. This time has even been too short for the elaboration of a detailed working programme which I could present to you. The various committees of the organisation, and in particular the Trade Committee, which is of special interest to you, are still engaged in setting up such programmes. But what matters most, in my view, is the general concept the organisation has of its tasks and the spirit in which it embarked on its work, barely two months ago. This much - the broad approach of the organization - is already clear.

The general concept of the tasks of the organisation is based on the recognition of the increasing interdependence of the member countries' economies and of the consequent need for every country to formulate and to apply its economic policy with due regard to the impact of its actions on other countries. The necessity and the acceptance of economic co-operation in the widest sense derives from that recognition.

Furthermore, the general concept of the tasks of the organisation is not a static but a dynamic one. We do not want merely to preserve, we want to construct and to progress. We want to achieve in co-operation the highest sustainable economic growth, because, to quote our Ministers, "rapid growth facilitates the harmonious development of world economy, helps to promote a liberal world trading system, provides a necessary foundation for rising living standards and ensures a high level of employment."

Finally, the OECD member countries feel very strongly the responsibility which lies on their vast community of more than five hundred million people, comprising nearly all industrialized countries with high living standards, with regard to countries outside their community and in particular with regard to the less-developed countries. Indeed, in pursuing economic growth our aim is not only to raise the standard of living in the OECD member countries. It is a fortunate fact that, as we are fully aware, economic growth carries with it in the form of greater import requirements, real advantages to third countries.

But this is not all. A major objective in our pursuit of economic growth is to free new resources which could be used to help these less-developed countries in two other ways. These resources can be used first directly in putting at their disposal the capital and the technical assistance they need so critically.

Secondly, they can open opportunities for such readjustments in the economies of OECD member countries as are necessary in order to provide new or expanding outlets for the exports of the less-developed countries. As may be seen from Article 2 of the Convention, the securing of expanding export markets for less-developed countries is in fact one of the accepted courses of action.

This concept the organisation has of its tasks was confirmed by the Ministerial Council last week, when the future work of the organisation was discussed. As appears from the press communiqué, the Ministers dealt with the tasks ahead both in terms of economic growth and stability in the OECD member countries, and in terms of the responsibilities of these countries and their organization towards third countries. Determination was expressed "that increased production should lead to a significant increase in the aid to less-developed countries" and procedures were set up to bring about a better adaptation of development assistance to the needs and circumstances of the recipient countries.

As to the spirit in which the organisation has embarked on its work, I think it is best expressed by the final paragraph of the press communiqué, which I would like to quote in full:

"In conclusion, the Ministers noted that these measures were but first steps in a collective effort that must extend increasingly beyond the relationships among their own countries and the material well-being of their citizens. Member countries will pursue together the three objectives of the OECD Convention pertaining to economic growth, aid and trade in order to ensure a sound expanding world economy."

Now, you will have noted that I have not singled out trade in what I have said so far, but that I have touched on trade several times when I mentioned other matters. This corresponds to the view we have of our trade activities; we do not see them in isolation. Certainly, the OECD has given to its trade aim an eminent place, and this is natural since, after all, the exchange of goods and services is the principal expression of international economic interdependence. International economic co-operation, which is based on the recognition of that interdependence, cannot disregard trade matters.

The three main objectives of the OECD's endeavours - economic growth in member countries, expansion in the less-developed countries and the expansion of trade - are, indeed, closely intermeshed. This came out very clearly when our Ministers stressed last week "the importance of reducing barriers

to the exchange of goods and services, in particular on the part of the more industrialized countries, as a means of promoting economic growth and of providing expanding markets". And it was again firmly stated that "the aim of the organization should be to contribute to the maximum freedom of trade and to enable the less-developed countries to obtain increasing export revenues".

May I just mention that liberal trade measures may also constitute a powerful means in the efforts we have to make to achieve proper equilibrium in the field of external payments - I stressed this already when I spoke about the second secret of international economic co-operation - and to maintain price stability while pursuing our growth target, because free imports help to keep prices down.

I would like to emphasize, at this point, one fundamental difference in the trade field, between the OECD and its predecessor, the OEEC. There is no longer an objective called "intra-European liberalization" and the OEEC Code of Liberalization of Trade went out of force at the inception of the OECD. The economic progress achieved largely by means of the OEEC has now put its members in a position to approach trade matters on a world-wide basis and in full conformity with their obligations in the GATT.

It was against this general background that the mandate of the OECD Trade Committee was formulated. The Committee is now drawing up a programme of work, for the execution of its mandate. In carrying out its work, it will enjoy the special advantage of close co-operation with the other bodies of the OECD, dealing with general questions of economic policy and development assistance and with more specialized questions such as agriculture where trade problems are, as you know, most intricate. Periodic confrontation of trade policies will be the main tool in the hands of the Trade Committee which will also concern itself with problems of special interest to member countries.

One question, on which it will be kept informed, is the progress of the negotiations between the European Economic Community and other European countries. As may be seen from the press communiqué, Ministers underlined the significance of these negotiations and expressed the view that "the arrangements adopted should safeguard the legitimate interests of other countries". What they had in mind here was both the interests of other OECD member countries and of third countries.

I think, gentlemen, that it will be quite clear to you, from the description I have given you of the aims of the OECD and of the orientation provided at our first Ministerial Council that we have no intention whatsoever of infringing upon the responsibilities of the GATT. We believe that our work in the trade field is complementary to yours and as virtually all our members are contracting parties to the GATT it is inconceivable that the trend of

our respective endeavours could be at variance. Furthermore, it is our intention that if our work in the trade field should give rise to a need for formal contractual obligations, then these should be of a world-wide character and should be proposed for adoption within the GATT framework.

As regards the machinery for co-operation between the OECD and the GATT, I have already had the opportunity to discuss this matter with your distinguished Executive Secretary and, as a result of the agreement we reached, our Trade Committee has submitted to our Council proposals by which effective liaison may be ensured through the co-operation of the two secretariats; in particular, it is proposed that the Executive Secretary of the GATT or his representative should be invited to attend meetings of the Committee. We hope that these proposals will be acceptable to the CONTRACTING PARTIES, and that co-operation between the two organisations will be as far-reaching, as informal and as flexible as possible, for we believe that it is in this spirit that we will best achieve our coinciding aims in the field of trade. As you know, we closely follow the excellent work which is undertaken in this house, and I am confident that our organisation has a contribution to make to your endeavours.